

FLORHAM PARK BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Florham Park, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
of the
Florham Park Board of Education
Florham Park, New Jersey
For The Fiscal Year Ended June 30, 2018**

**Prepared by
Business Office**

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INTRODUCTORY SECTION



Florham Park Public Schools

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973-822-3880
973-822-0867 Superintendent FAX
973-822-0716 Business Office FAX

DR. MELISSA W. VARLEY
Superintendent of Schools
Melissa.varley@fpks.org

JOHN CSATLOS, C.P.A.
Business Administrator/Board Secretary
John.csatlos@fpks.org

January 25, 2019

Members of the Board of Education
Florham Park Public Schools
67 Ridgedale Ave.
Florham Park, NJ 07932

Dear Board Members:

The comprehensive annual financial report of the Florham Park Board of Education (the Board or 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 District. 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 the respective changes in financial position of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the "Independent Auditor's Report".

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 independent auditor's report, management's discussion and analysis (MD&A) and the basic financial statements including the district-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No.34. The basic financial statements also include individual financial statements; notes to the financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information generally presented on a multi-year basis.



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The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and U.S. Uniform Guidance and the State Treasury Circular OMB 15-08. Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

The District provides a full range of educational services appropriate to grade levels pre-K through 8, inclusive of regular education students and those with special needs. The District completed the FY 2017/2018 with an average daily enrollment of 966. The following Average Daily Enrollment figures, reported in the School Register Summary, details the changes in student enrollment over the last ten (10) years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2017/18	966	0.00%
2016/17	966	0.00%
2015/16	966	-2.42%
2014/15	990	-1.30%
2013/14	1,003	-0.79%
2012/13	1,011	-0.10%
2011/12	1,012	-1.36%
2010/11	1,026	-1.06%
2009/10	1,037	0.88%
2008/09	1,028	-0.19%

2. ECONOMIC CONDITION AND OUTLOOK

Florham Park remains financially healthy. The District is currently carrying a approximately a 2.0% unassigned budgetary basis fund balance of the net budget to provide future funding for any reduction of State Aid. In addition, the District has also established an Emergency Reserve for future increases in health care premiums or other permitted emergencies such as safety/security infrastructure measures. Lastly, the district has established both a Capital Reserve and Maintenance Reserve for the local funding portion of future capital projects contained the district's Long Range Facility Plan and required maintenance contained in the Comprehensive Maintenance Plan.



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3. MAJOR INITIATIVES

The District continues to meet its educational challenges, through a series of ambitious curriculum reviews based on the Long Range Curriculum Plan, which must be completed to maintain educational integrity. The curriculum reviews are in the areas of environmental education, mathematics, health education, technology, social studies, and science.

In order to maintain dialogue with the staff, in service training in the curriculum areas are offered to staff year round. The district has committed to increase its investment in teachers by offering staff training during the school day, as well as after-school hours and the extended school year. The Quality School Assurance Continuum addresses this area.

The in-service training will focus on balanced literacy, reading/writing workshop through Teacher's College Columbia University, multi-sensory approach to reading, yoga in the classroom, Math in Focus and the middle school 1:1 Chromebook initiative. Furthermore, training addressed the PARCC requirements and the iReady program. District in-service has focused on a diversified curriculum meeting the needs of each child as well establishing a Professional Learning Community throughout the district.

The District completed the replacement of all interior doors at both the Briarwood and Brooklake Elementary Schools as well as began the State of NJ approved Capital Project "Partial Roof Replacement" at the Ridgedale Middle School. The district has budgeted for the "Parking Lot Renovations" at Brooklake and Briarwood Schools as well as the "Integration of CO Detectors" in Ridgedale and Brooklake as required by law.



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4. INTERNAL ACCOUNTING CONTROLS

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 subject to periodic evaluation by District management and the auditor.

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. Annual appropriated budgets are adopted for the general fund, special revenue fund and debt service fund. The final budget amount as amended for FY 2017/2018 is reflected in the budgetary comparison schedules of the required supplementary information.

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-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as assigned fund balance at June 30, 2018.

6. ACCOUNTING SYSTEM AND REPORTS

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



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7. DEBT ADMINISTRATION

At June 30, 2018 the District had \$4,600,000 in General Obligation Bonds outstanding. The proceeds of these bonds were used to provide funds for major capital improvements, to the District's buildings and grounds completed in 2005. These improvements include additions and various renovations in all three (3) of the District's school buildings.

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

9. RISK MANAGEMENT

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

10. OTHER INFORMATION

Independent Audit – State statute requires an annual audit by independent certified public accountants or registered municipal accounts. The Board's Finance Committee selected the accounting firm of Lerch Vinci & Higgins, LLP, CPA's. In addition to meeting the requirements as set forth in State statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related U.S. Uniform Guidance and the related Treasury Circular Letter OMB 15-08.

The Auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.



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11. ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the District, as well as contributing their full support to the development and maintenance of our financial operations. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

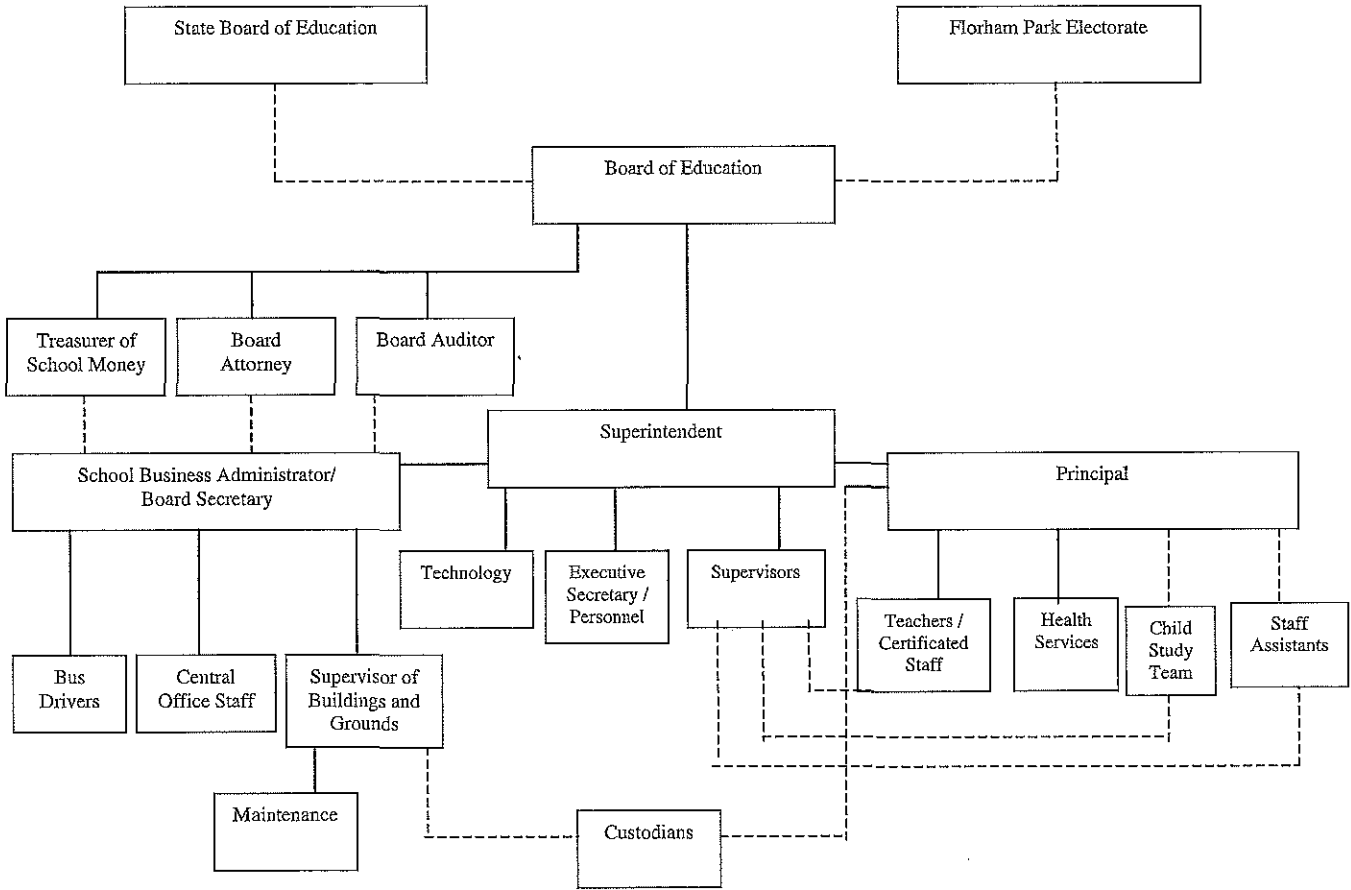
**Dr. Melissa Varley
Superintendent of Schools**

**John R. Csatos CPA
Business Administrator/Board Secretary**

FLORHAM PARK BOARD OF EDUCATION

ADMINISTRATION

ORGANIZATIONAL CHART



**FLORHAM PARK BOARD OF EDUCATION
FLORHAM PARK, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Nicholas Ritrivi	2019
Alita Thomas, Vice President	2017
Yvonne Cali	2019
Fabienne Crimi	2019
Linda Rozek	2018
Charles Shanley	2018
Kristina Heinold	2017

Other Officials

Dr. Melissa Varley, Superintendent

John R. Csatos, CPA Business Administrator/Board Secretary

Raymond G. Karaty, CPA Treasurer of School Monies

FLORHAM PARK BOARD OF EDUCATION

FLORHAM PARK, NEW JERSEY

CONSULTANTS AND ADVISORS

ATTORNEY

Mathew J. Giacobbe, Esq.
Cleary, Giacobbe, Alfieri & Jacobs, LLC
5 Ravine Drive
Matawan, New Jersey 07747

AUDIT FIRM

Lerch, Vinci & Higgins, LLP
17-17 Route 208
Fair Lawn, New Jersey 07410

ARCHITECTS

LAN Associates
445 Godwin Ave.
Midland Park, New Jersey 07432

OFFICIAL DEPOSITORY

Valley National Bank
Florham Park, New Jersey 07932

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Florham Park Board of Education
Florham Park, 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 Florham Park Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Florham Park Board of Education as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the Florham Park Board of Education adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Florham Park Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Florham Park Board of Education.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2019 on our consideration of the Florham Park Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Florham Park Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Florham Park Board of Education's internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 23, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

As management of the Florham Park Board of Education (the Board or District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the Florham Park Board of Education for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 fiscal year include the following:

- The assets and deferred outflows of resources of the Florham Park Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,950,055. (Net Position)
- The District's total net position increased by \$279,336.
- Overall District revenues were \$25,686,579. General revenues accounted for \$18,580,480 or 72% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,106,099 or 28% of total revenues.
- The school district had \$23,395,761 in expenses for governmental activities; only \$7,101,070 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$18,580,480 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,237,912. Of this amount, \$278,294 (12%) is available for spending at the District's discretion (unassigned fund balance – General Fund).
- The General Fund fund balance at June 30, 2018 was \$2,237,912, a decrease of \$72,252 compared to the ending fund balance at June 30, 2017 of \$2,310,164.
- The General Fund unassigned budgetary fund balance at June 30, 2018 was \$372,495 which represents a decrease of \$50,075 compared to the ending unassigned budgetary fund balance at June 30, 2017 of \$422,570.
- The District's total outstanding long-term liabilities decreased by \$1,635,233 during the current fiscal year.

FLORHAM PARK BOARD OF EDUCATION

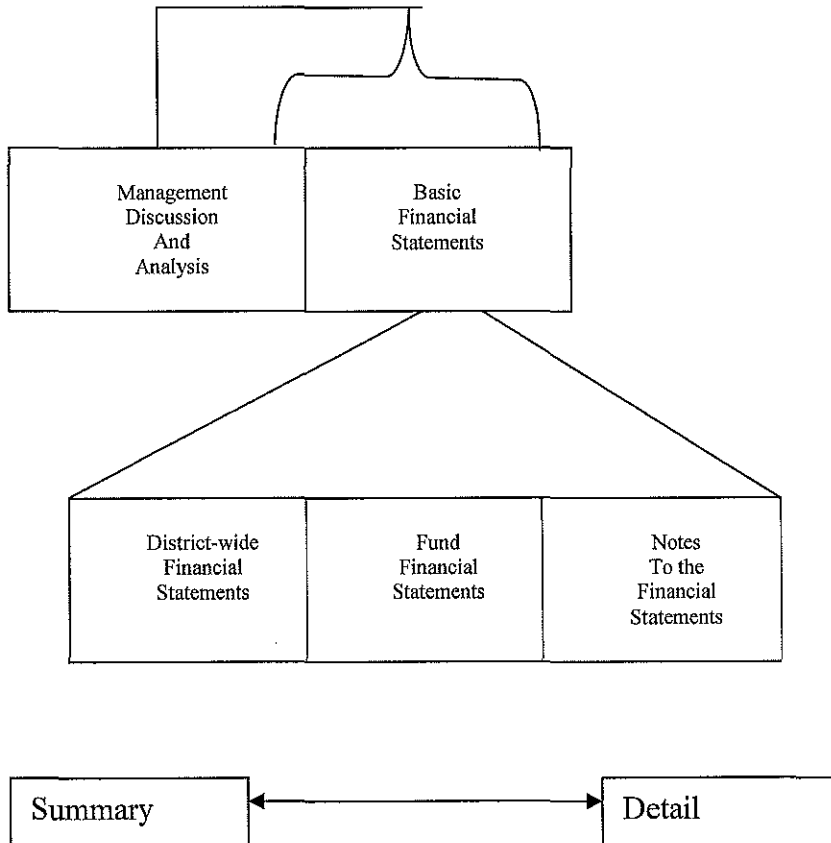
Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the District, reporting the District's operations in *more detail* than the district-wide statements.
- The *governmental funds statements* tell how basic services were financed in the *short term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the district operated like *businesses*.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee* or *agent* for the benefit of others to whom the resources belong.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The following shows how the various parts of this Annual Report are arranged and related to one another.



FLORHAM PARK BOARD OF EDUCATION

Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2018

The table below summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district(except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as instruction, building maintenance, transportation, and administration.	Activities the district operates similar to private businesses: Enterprise Funds	Instances in which the district administers resources on behalf of someone else, such as unemployment, scholarships, student activities and payroll activities.
Required financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenue, Expenditures and Changes in Fund Balances	Statement of Net position Statement of Revenue, Expenses, and Changes in Fund Net Position, Statement of Cash Flows	Statement of Fiduciary Net Position. Statement of Change In Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources Focus
Type of asset, liability and deferred inflows/outflows information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and Long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the District’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District’s *net position* and how it has changed. Net position – the difference between the District’s assets/deferred outflows and liabilities/deferred inflows – is one way to measure the District’s financial health or *position*.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

- Over time, increases or decreases in the District's net position is an indicator of whether its financial condition is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, and plant operation and maintenance. Property taxes and Federal and State aid finance most of these activities.
- *Business type activities* – These are activities for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service operations is included under this category.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or “major” funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial resources* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
 - *Enterprise Fund* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has one enterprise fund, for its food service (cafeteria) program.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

Fund Financial Statements (Continued)

• *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets and other resources that belong to others. The District is responsible for ensuring that the assets and other resources reported in these funds are used only for their intended purposes and by those to whom they belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's *combined* net position was \$5,950,055 and \$5,670,719 on June 30, 2018 and 2017, respectively as follows:

	Net Position As of June 30, 2018 and 2017					
	Governmental Activities		Business- Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 2,371,222	\$ 2,400,684			\$ 2,371,222	\$ 2,400,684
Capital Assets	14,131,845	14,590,240	\$ 8,126	\$ 9,936	14,139,971	14,600,176
Total Assets	<u>16,503,067</u>	<u>16,990,924</u>	<u>8,126</u>	<u>9,936</u>	<u>16,511,193</u>	<u>17,000,860</u>
Total Deferred Outflows of Resources	<u>2,072,245</u>	<u>1,883,171</u>	<u>-</u>	<u>-</u>	<u>2,072,245</u>	<u>1,883,171</u>
Total Assets and Deferred Outflows of Resources	<u>18,575,312</u>	<u>18,874,095</u>	<u>8,126</u>	<u>9,936</u>	<u>18,583,438</u>	<u>18,884,031</u>
Long-Term Liabilities	10,842,949	12,478,182			10,842,949	12,478,182
Other Liabilities	221,634	197,864	-	-	221,634	197,864
Total Liabilities	<u>11,064,583</u>	<u>12,676,046</u>	<u>-</u>	<u>-</u>	<u>11,064,583</u>	<u>12,676,046</u>
Total Deferred Inflows of Resources	<u>1,568,800</u>	<u>537,266</u>	<u>-</u>	<u>-</u>	<u>1,568,800</u>	<u>537,266</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,633,383</u>	<u>13,213,312</u>	<u>-</u>	<u>-</u>	<u>12,633,383</u>	<u>13,213,312</u>
Net Position						
Net Investment in Capital Assets	9,518,311	9,142,964	8,126	9,936	9,526,437	9,152,900
Restricted	717,801	1,206,701			717,801	1,206,701
Unrestricted	(4,294,183)	(4,688,882)	-	-	(4,294,183)	(4,688,882)
Total Net Position	<u>\$ 5,941,929</u>	<u>\$ 5,660,783</u>	<u>\$ 8,126</u>	<u>\$ 9,936</u>	<u>\$ 5,950,055</u>	<u>\$ 5,670,719</u>

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents amounts reserved for specific purposes by outside parties or state laws and regulations. Unrestricted net position represents amounts available to the government that are neither restricted nor invested in capital assets.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

The District's total net position of \$5,950,055 at June 30, 2018 represents a \$279,336 or 5%, increase from the prior year. The following presents the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Change in Net Position For The Fiscal Years Ended June 30, 2018 and 2017

	Governmental		Business-		Total	
	Activities		Type			
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 267,128	\$ 265,699	\$ 5,029	\$ 6,313	\$ 272,157	\$ 272,012
Operating Grants and Contributions	6,833,942	5,949,438			6,833,942	5,949,438
General Revenues						
Property Taxes	18,419,303	17,943,855			18,419,303	17,943,855
Unrestricted State Aid	19,199	18,347			19,199	18,347
Other	141,978	125,508	-	-	141,978	125,508
Total Revenues	<u>25,681,550</u>	<u>24,302,847</u>	<u>5,029</u>	<u>6,313</u>	<u>25,686,579</u>	<u>24,309,160</u>
Expenses						
Instruction						
Regular	9,323,261	8,898,679			9,323,261	8,898,679
Special Education	4,699,889	4,448,709			4,699,889	4,448,709
Other Instruction	388,761	392,057			388,761	392,057
School Sponsored Activities and Athletics	240,664	192,970			240,664	192,970
Support Services						
Student and Instruction Related Services	3,871,776	3,670,298			3,871,776	3,670,298
General Administrative Services	708,755	675,383			708,755	675,383
School Administrative Services	1,255,892	1,231,262			1,255,892	1,231,262
Central Administrative Services	722,662	631,307			722,662	631,307
Plant Operations and Maintenance	2,874,570	2,827,407			2,874,570	2,827,407
Pupil Transportation	1,115,537	1,041,017			1,115,537	1,041,017
Interest on Debt	193,994	235,145			193,994	235,145
Food Services	-	-	11,482	11,457	11,482	11,457
Total Expenses	<u>25,395,761</u>	<u>24,244,234</u>	<u>11,482</u>	<u>11,457</u>	<u>25,407,243</u>	<u>24,255,691</u>
Increase (Decrease) in Net Position Before Transfers	285,789	58,613	(6,453)	(5,144)	279,336	53,469
Transfers	<u>(4,643)</u>	<u>(3,334)</u>	<u>4,643</u>	<u>3,334</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	281,146	55,279	(1,810)	(1,810)	279,336	53,469
Net Position, Beginning of Year	<u>5,660,783</u>	<u>5,605,504</u>	<u>9,936</u>	<u>11,746</u>	<u>5,670,719</u>	<u>5,617,250</u>
Net Position, End of Year	<u>\$ 5,941,929</u>	<u>\$ 5,660,783</u>	<u>\$ 8,126</u>	<u>\$ 9,936</u>	<u>\$ 5,950,055</u>	<u>\$ 5,670,719</u>

FLORHAM PARK BOARD OF EDUCATION

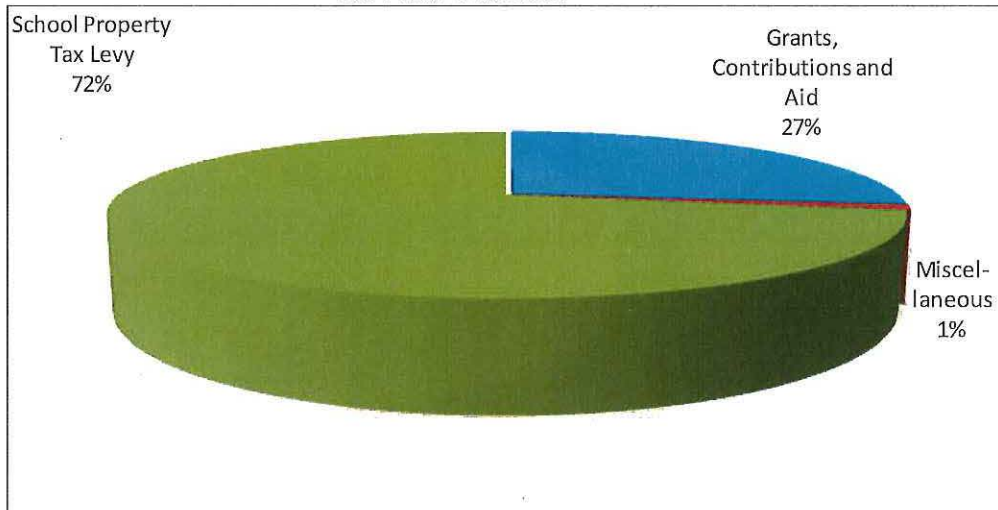
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2018

Governmental Activities. The District’s total governmental activities’ revenues, which includes State and Federal grants, were \$25,681,550 for the fiscal year ended June 30, 2018, property taxes of \$18,419,303 represented 72% of revenues. Another significant portion of revenues came from grants and contributions and unrestricted state aid which totaled \$6,853,141 and represented 27% of revenues. In addition, charges for services from tuition and transportation fees and general revenue from miscellaneous income such as interest, prior year refunds and other miscellaneous items represented 1% of revenues.

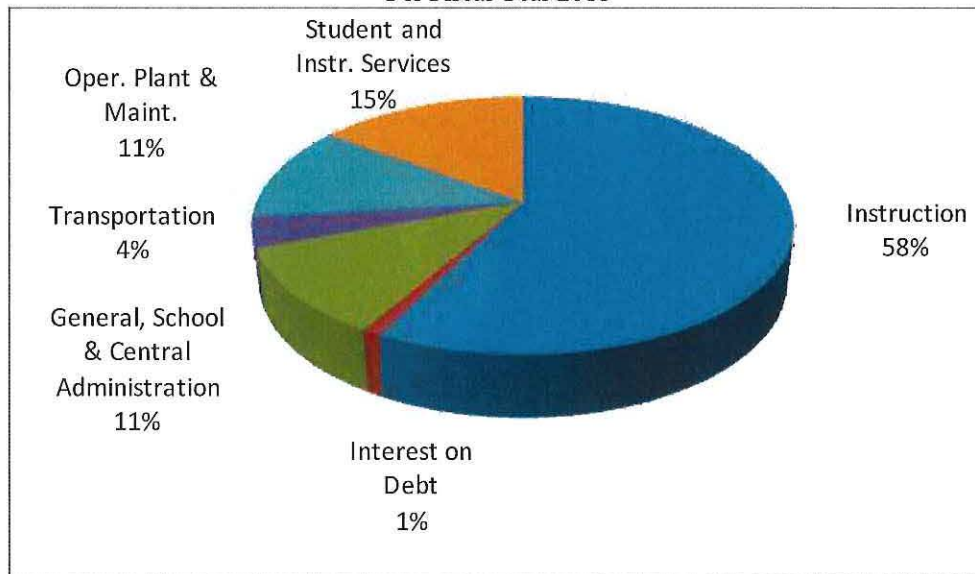
The total cost of all governmental activities programs and services was \$25,395,761 for the fiscal year ended June 30, 2018. The District’s expenses are predominantly related to educating and caring for students. Instruction costs were \$14,652,575 (58%) of total expenses. Support services costs were \$10,549,192 (41%) of total expenses and interest on debt totaled \$193,994 (1%) of total expenses.

For fiscal year 2018, total governmental activities revenues exceeded expenses and transfers out increasing net position for governmental activities by \$281,146 from the previous year.

Revenues by Sources – Governmental Activities
For Fiscal Year 2018



Expenses by Use – Governmental Activities
For Fiscal Year 2018



FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

Total and Net Cost of Governmental Activities. The District's total cost of services was \$25,395,761. After applying program revenues, derived from operating grants and contributions of \$6,833,942, and charges for services of \$267,128, the net cost of services of the District is \$18,294,691 for the fiscal year ended June 30, 2018.

**Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	\$ 9,323,261	\$ 8,898,679	\$ 6,329,948	\$ 6,086,271
Special Education	4,699,889	4,448,709	2,869,973	2,755,692
Other Instruction	388,761	392,057	261,649	268,507
School Sponsored Activities and Athletics	240,664	192,970	222,298	192,970
Support Services				
Student and Instruction Related Services	3,871,776	3,670,298	2,891,775	2,825,085
General Administrative Services	708,755	675,383	543,880	569,481
School Administrative Services	1,255,892	1,231,262	935,201	960,500
Central Administrative Services	722,662	631,307	533,529	541,229
Plant Operations and Maintenance	2,874,570	2,827,407	2,725,795	2,805,085
Pupil Transportation	1,115,537	1,041,017	786,649	789,132
Interest on Debt	193,994	235,145	193,994	235,145
Total	<u>\$ 25,395,761</u>	<u>\$ 24,244,234</u>	<u>\$ 18,294,691</u>	<u>\$ 18,029,097</u>

Business-Type Activities – The District's total business-type activities revenues were \$5,029 for the fiscal year ended June 30, 2018. Charges for services accounted for 100% of total revenues.

Total cost of all business-type activities programs and services was \$11,482 for the fiscal year ended June 30, 2018.

There were transfers of \$4,643 from governmental activities during the year.

For fiscal year 2018, total business-type activities expenses exceeded revenues and transfers in decreasing net position by \$1,810 from the previous year.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$2,237,912 at June 30, 2018, a decrease of \$72,252 from last year's fund balance of \$2,310,164. This decrease was mainly attributable to the District's use of prior year available fund balances to fund budgeted expenditures of the 2017/2018 school year in the general fund.

Revenues for the District's governmental funds were \$22,102,704, while total expenditures were \$22,170,313 for the fiscal year ended June 30, 2018.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from Pre-Kindergarten through Grade 8.

The following schedule presents a summary of General Fund Revenues.

	<u>Fiscal Year Ended</u>		Amount of Increase (Decrease)	Percent Change
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Local Sources				
Property Taxes	\$ 17,375,847	\$ 16,900,649	\$ 475,198	3%
Other	409,106	391,207	17,899	5%
State Sources	<u>2,963,398</u>	<u>2,449,339</u>	514,059	21%
 Total General Fund Revenues	 <u>\$ 20,748,351</u>	 <u>\$ 19,741,195</u>	 <u>\$ 1,007,156</u>	 5%

For fiscal year 2018, total General Fund revenues increased \$1,007,156 or 5% from the previous year. Property taxes increased \$475,198 or 3% to support increases in operating costs. As indicated, State aid increased \$514,059 or 21% mainly due to increases in on behalf TPAF pension benefit contributions made by the State for the District's teaching professionals.

The following schedule presents a summary of General Fund expenditures.

	<u>Fiscal Year Ended</u>		Amount of Increase (Decrease)	Percent Change
	<u>June 30, 2018</u>	<u>June 30, 2017</u>		
Instruction	\$ 12,023,817	\$ 11,083,667	\$ 940,150	8%
Support Services	8,638,882	8,157,286	481,596	6%
Debt Service	3,300	2,200	1,100	50%
Capital Outlay	<u>149,961</u>	<u>127,526</u>	22,435	18%
 Total Expenditures	 <u>\$ 20,815,960</u>	 <u>\$ 19,370,679</u>	 <u>\$ 1,445,281</u>	 7%

For fiscal year 2018, total General Fund expenditures increased \$1,445,281 or 7% from the previous year. Notable increases during the year were attributed to increases in regular and special education instruction costs and student and instruction related support services costs.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

GENERAL FUND (Continued)

In fiscal year 2018 General Fund expenditures and other financing uses exceeded revenues by \$72,252. Therefore, total fund balance decreased to \$2,237,912 at June 30, 2018. After deducting restricted, committed and assigned fund balances, the unassigned fund balance decreased from \$313,123 at June 30, 2017 to \$278,294 at June 30, 2018. In addition, the District decreased its restricted fund balances for capital reserve by \$508,900 at year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2018, the District had \$14,131,845 invested in land, buildings, furniture, equipment and vehicles for governmental activities. Depreciation charges for fiscal year 2017-2018 amounted to \$608,356 for governmental activities. The following is a comparison of the June 30, 2018 and 2017 balances:

	Capital Assets	
	as of June 30, 2018 and 2017	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 1,156,663	\$ 1,156,663
Construction in Progress	19,625	
Land Improvements	1,369,190	1,369,190
Buildings and Building Improvements	24,291,795	24,222,500
Machinery and Equipment	<u>2,018,688</u>	<u>2,028,988</u>
	28,855,961	28,777,341
Less Accumulated Depreciation	<u>(14,724,116)</u>	<u>(14,187,101)</u>
Total	<u>\$ 14,131,845</u>	<u>\$ 14,590,240</u>

Additional information on the District's capital assets is presented in Note 3 of this report.

LONG TERM LIABILITIES

At June 30, 2018 the District had \$10,842,949 of total outstanding long term liabilities. Of this amount, \$4,743,884 is for serial bonds, \$9,959 is for capital leases, \$267,679 is for compensated absences and \$5,821,427 is for the District's net pension liability. For fiscal year 2017-2018 total outstanding long-term liabilities decreased by \$1,635,233. The following is a comparison of the June 30, 2018 and 2017 balances:

	Outstanding Long-Term Debt	
	as of June 30, 2018 and 2017	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Serial Bonds (Including Original Issue Premium)	\$ 4,743,884	\$ 5,618,821
Capital Leases Payable	9,959	12,583
Compensated Absences	267,679	407,949
Net Pension Liability	<u>5,821,427</u>	<u>6,438,829</u>
Total	<u>\$ 10,842,949</u>	<u>\$ 12,478,182</u>

Additional information of the District's long-term liabilities is presented in Note 3 of this report.

FLORHAM PARK BOARD OF EDUCATION

Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into several categories:

- Implementing budgets for specially funded projects, which include both federal and state grants.
- Reinstating prior year purchase orders being carried over as an encumbrance.
- Increases in appropriations for significant unbudgeted costs.

Revisions in the budget were made through budget transfers to prevent over expenditures in specific line item accounts. The District also appropriated additional unassigned fund balance to the budget during the year for unbudgeted items. Other revisions to the budget during the year were the reappropriation of prior year encumbrances.

For fiscal year 2018 General Fund budgetary expenditures and other financing uses exceeded budgetary revenues decreasing budgetary fund balance by \$87,498 from the previous year. After deducting fund balances restricted, committed and assigned, the unassigned budgetary fund balance decreased \$50,075 from \$422,570 at June 30, 2017 to \$372,495 at June 30, 2018. In addition, the District decreased its capital reserve \$508,900 from \$1,146,701 at June 30, 2017 to \$637,801 at June 30, 2018.

FACTORS BEARING ON THE DISTRICT'S FUTURE

While many factors influence the district's future, the availability of funding for increased enrollment, staffing needs and the economy will have the most impact on educational and fiscal decisions in the future.

Many factors were considered by the District's administration during the process of developing the fiscal year 2018-2019 budget. The primary factors were the District's projected student population, anticipated state and federal aid, increasing salary and related benefit costs as well as special education costs.

These indicators were considered when adopting the budget for fiscal year 2018-2019. Budgeted expenditures in the General Fund increased approximately 4% to \$19,693,233 for fiscal year 2018-2019. Overall contractual salary requirements remained relatively unchanged, an increase in regular instruction costs, employee benefit costs and capital outlay appropriations was the main factor for the increase in the 2018-2019 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Florham Park Board of Education, P.O. Box 39, Florham Park, NJ 07932.

FINANCIAL STATEMENTS

FLORHAM PARK BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,179,223		\$ 2,179,223
Receivables, net	191,999		191,999
Capital Assets, Not Being Depreciated	1,176,288		1,176,288
Capital Assets, Being Depreciation, Net	<u>12,955,557</u>	\$ 8,126	<u>12,963,683</u>
Total Assets	<u>16,503,067</u>	<u>8,126</u>	<u>16,511,193</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding of Debt	140,309		140,309
Deferred Amounts on Net Pension Liability	<u>1,931,936</u>	-	<u>1,931,936</u>
Total Deferred Outflows of Resources	<u>2,072,245</u>	<u>-</u>	<u>2,072,245</u>
Total Assets and Deferred Outflows of Resources	<u>18,575,312</u>	<u>8,126</u>	<u>18,583,438</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	102,038		102,038
Accrued Interest Payable	88,324		88,324
Unearned Revenue	31,272		31,272
Noncurrent Liabilities			
Due Within One Year	902,784		902,784
Due Beyond One Year	<u>9,940,165</u>	-	<u>9,940,165</u>
Total Liabilities	<u>11,064,583</u>	<u>-</u>	<u>11,064,583</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,568,800</u>	-	<u>1,568,800</u>
Total Deferred Inflows of Resources	<u>1,568,800</u>	<u>-</u>	<u>1,568,800</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,633,383</u>	<u>-</u>	<u>12,633,383</u>
NET POSITION			
Net Investment in Capital Assets	9,518,311	8,126	9,526,437
Restricted for			
Capital Projects	637,801		637,801
Plant Maintenance	80,000		80,000
Unrestricted	<u>(4,294,183)</u>	-	<u>(4,294,183)</u>
Total Net Position	<u>\$ 5,941,929</u>	<u>\$ 8,126</u>	<u>\$ 5,950,055</u>

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

**FLORHAM PARK BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 9,323,261	\$ 70,000	\$ 2,923,313		\$ (6,329,948)		\$ (6,329,948)
Special Education	4,699,889		1,829,916		(2,869,973)		(2,869,973)
Other Instruction	388,761		127,112		(261,649)		(261,649)
School Sponsored Activities and Athletics	240,664		18,366		(222,298)		(222,298)
Support Services							
Student and Instruction Related Services	3,871,776		980,001		(2,891,775)		(2,891,775)
General Administrative Services	708,755		164,875		(543,880)		(543,880)
School Administrative Services	1,255,892		320,691		(935,201)		(935,201)
Central Administrative Services	722,662		189,133		(533,529)		(533,529)
Plant Operations and Maintenance	2,874,570		148,775		(2,725,795)		(2,725,795)
Pupil Transportation	1,115,537	197,128	131,760		(786,649)		(786,649)
Interest on Debt	193,994	-	-	-	(193,994)	-	(193,994)
Total Governmental Activities	<u>25,395,761</u>	<u>267,128</u>	<u>6,833,942</u>	<u>-</u>	<u>(18,294,691)</u>	<u>-</u>	<u>(18,294,691)</u>
Business-Type Activities							
Food Service	11,482	5,029	-	-	-	\$ (6,453)	(6,453)
Total Business-Type Activities	<u>11,482</u>	<u>5,029</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,453)</u>	<u>(6,453)</u>
Total Primary Government	<u>\$ 25,407,243</u>	<u>\$ 272,157</u>	<u>\$ 6,833,942</u>	<u>\$ -</u>	<u>(18,294,691)</u>	<u>(6,453)</u>	<u>(18,301,144)</u>
General Revenues							
Taxes							
Property Tax, Levied for General Purposes					17,375,847		17,375,847
Property Tax, Levied for Debt Service					1,043,456		1,043,456
Unrestricted State Aid					19,199		19,199
Investment Earnings					38,627		38,627
Miscellaneous Income					103,351		103,351
Transfers					(4,643)	4,643	-
Total General Revenues and Transfers					<u>18,575,837</u>	<u>4,643</u>	<u>18,580,480</u>
Change in Net Position					281,146	(1,810)	279,336
Net Position, Beginning of Year					<u>5,660,783</u>	<u>9,936</u>	<u>5,670,719</u>
Net Position, End of Year					<u>\$ 5,941,929</u>	<u>\$ 8,126</u>	<u>\$ 5,950,055</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

**FLORHAM PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,179,223			\$ 2,179,223
Intergovernmental Receivable	113,787	\$ 69,085		182,872
Other Accounts Receivable	700			700
Due from Other Funds	<u>60,015</u>	<u>-</u>	<u>-</u>	<u>60,015</u>
 Total Assets	 <u>\$ 2,353,725</u>	 <u>\$ 69,085</u>	 <u>\$ -</u>	 <u>\$ 2,422,810</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 22,483			\$ 22,483
Accrued Salaries and Wages	34,555			34,555
Compensated Absences Payable	45,000			45,000
Due to Other Funds		\$ 51,588		51,588
Unearned Revenue	<u>13,775</u>	<u>17,497</u>	<u>-</u>	<u>31,272</u>
 Total Liabilities	 <u>115,813</u>	 <u>69,085</u>	 <u>-</u>	 <u>184,898</u>
Fund Balances				
Restricted				
Capital Reserve	278,754			278,754
Capital Reserve - Designated for Subsequent Year's Expenditures	359,047			359,047
Maintenance Reserve	80,000			80,000
Emergency Reserve	250,000			250,000
Excess Surplus - Designated for Subsequent Year's Expenditures	43,736			43,736
Committed				-
Year End Encumbrances	566,023	-	-	566,023
Assigned				
Year End Encumbrances	63,149			63,149
Designated for Subsequent Year Expenditures	318,909			318,909
Unassigned	<u>278,294</u>	<u>-</u>	<u>-</u>	<u>278,294</u>
 Total Fund Balances	 <u>2,237,912</u>	 <u>-</u>	 <u>-</u>	 <u>2,237,912</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,353,725</u>	 <u>\$ 69,085</u>	 <u>\$ -</u>	 <u>\$ 2,422,810</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FLORHAM PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2018**

Total Fund Balances (Exhibit B-1)		\$ 2,237,912
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$28,855,961 and the accumulated depreciation is \$14,724,116.</p>		14,131,845
<p>Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.</p>		140,309
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.</p>		
<p>Deferred Outflows of Resources</p>	\$ 1,931,936	
<p>Deferred Inflows of Resources</p>	<u>(1,568,800)</u>	
		363,136
<p>The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:</p>		(88,324)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds</p>		
<p>Serial Bonds Payable, Net</p>	4,743,884	
<p>Capital Leases Payable</p>	9,959	
<p>Compensated Absences</p>	267,679	
<p>Net Pension Liability</p>	<u>5,821,427</u>	
		<u>(10,842,949)</u>
Total Net Position of Governmental Activities (Exhibit A-1)		<u>\$ 5,941,929</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FLORHAM PARK BOARD OF EDUCATION
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources				
Property Tax Levy	\$ 17,375,847		\$ 1,043,456	\$ 18,419,303
Tuition	70,000			70,000
Transportation Fees	197,128			197,128
Interest	38,627			38,627
Miscellaneous	103,351	\$ 41,109	-	144,460
Total - Local Sources	17,784,953	41,109	1,043,456	18,869,518
State Sources	2,963,398	12,398		2,975,796
Federal Sources	-	257,390	-	257,390
Total Revenues	20,748,351	310,897	1,043,456	22,102,704
EXPENDITURES				
Current				
Instruction				
Regular	7,688,791	55,651		7,744,442
Special Education	3,806,799	207,063		4,013,862
Other Instruction	314,246	4,314		318,560
School-Sponsored Activities and Athletics	213,981			213,981
Support Services				
Student and Instruction Related Services	3,251,458	30,524		3,281,982
General Administrative Services	613,022			613,022
School Administrative Services	1,050,076			1,050,076
Central Services	603,018			603,018
Plant Operations and Maintenance	2,117,468	13,345		2,130,813
Student Transportation Services	1,003,840			1,003,840
Debt Service				
Principal	2,624		830,000	832,624
Interest and Other Charges	676		213,456	214,132
Capital Outlay	149,961	-	-	149,961
Total Expenditures	20,815,960	310,897	1,043,456	22,170,313
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,609)	-	-	(67,609)
OTHER FINANCING SOURCES/(USES)				
Transfers Out	(4,643)	-	-	(4,643)
Total Other Financing Uses	(4,643)	-	-	(4,643)
Net Change in Fund Balances	(72,252)	-	-	(72,252)
Fund Balance, Beginning of Year	2,310,164	-	-	2,310,164
Fund Balance, End of Year	\$ 2,237,912	\$ -	\$ -	\$ 2,237,912

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FLORHAM PARK BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total net change in fund balances - governmental funds (Exhibit B-2) **\$ (72,252)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 149,961	
Depreciation Expense	<u>(608,356)</u>	
		(458,395)

In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Decrease in Compensated Absences	140,270	
Increase in Pension Expense	<u>(181,239)</u>	
		(40,969)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

Principal Payments		
Serial Bond Principal	830,000	
Capital Leases	<u>2,624</u>	
		832,624

Governmental funds report the effect of premiums and other such items related to the refunding bonds when they are first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Premium	44,937	
Amortization of Deferred Amounts on Refunding	<u>(43,819)</u>	
		1,118

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

Decrease in Accrued Interest		<u>19,020</u>
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Change in net position of governmental activities (Exhibit A-2) **\$ 281,146**

The accompanying Notes to the Financial Statements are an Integral Part of this Statement.

**FLORHAM PARK BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2018**

**Non-Major
 Enterprise Fund
Food Service**

ASSETS

Non-Current Assets

Capital Assets

Equipment

\$ 116,396

Less: Accumulated Depreciation

(108,270)

Total Non-Current Assets

8,126

Total Assets

8,126**NET POSITION**

Net Investment in Capital Assets

8,126

Total Net Position

\$ 8,126

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

**FLORHAM PARK BOARD OF EDUCATION
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Non-Major Enterprise Fund <u>Food Service</u>
OPERATING REVENUES	
Local Sources	
Daily Sales	\$ <u>5,029</u>
Total Operating Revenues	<u>5,029</u>
OPERATING EXPENSES	
Cost of Sales	6,682
Other Purchased Services	2,990
Depreciation	<u>1,810</u>
Total Operating Expenses	<u>11,482</u>
Operating Loss Before Transfer	(6,453)
Transfer In	<u>4,643</u>
Changes in Net Position	(1,810)
Net Position, Beginning of Year	<u>9,936</u>
Net Position, End of Year	<u>\$ <u>8,126</u></u>

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

**FLORHAM PARK BOARD OF EDUCATION
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		Non-Major Enterprise Fund <u>Food Service</u>
Cash Flows from Operating Activities		
Cash Received from Customers	\$	5,029
Cash Payments to Suppliers for Goods and Services		<u>(9,672)</u>
Net Cash (Used for) Operating Activities		<u>(4,643)</u>
Cash Flows from Noncapital Financing Activities		
Cash Received from General Fund		<u>4,643</u>
Net Cash Provided by Noncapital Financing Activities		<u>4,643</u>
Net Increase (Decrease) in Cash and Cash Equivalents		-
Cash and Cash Equivalents, Beginning of Year		<u>-</u>
Cash and Cash Equivalents, End of Year	\$	<u><u>-</u></u>
Reconciliation of Operating Loss to Net Cash (Used for) Operating Activities		
Operating Loss	\$	<u>(6,453)</u>
Adjustments to Reconcile Operating Loss to Net Cash (Used for) Operating Activities		
Depreciation		<u>1,810</u>
Total Adjustments		<u>1,810</u>
Net Cash (Used for) Operating Activities	\$	<u><u>(4,643)</u></u>

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

**FLORHAM PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 84,996	\$ 5,521	\$ 89,899
Due from Other Funds	<u>6,424</u>	<u>-</u>	<u>-</u>
Total Assets	<u>91,420</u>	<u>5,521</u>	<u>\$ 89,899</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 7,155
Accrued Salaries and Wages			393
Due to Other Funds			14,851
Due to Student Groups	<u>-</u>	<u>-</u>	<u>67,500</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>\$ 89,899</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 91,420</u>	<u>\$ 5,521</u>	

**FLORHAM PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Unemployment Compensation Trust</u>	<u>Scholarship Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 18,746	
Investment Earnings		
Interest	<u>1,049</u>	<u>\$ 68</u>
Total Additions	<u>19,795</u>	<u>68</u>
DEDUCTIONS		
Scholarship Awards		100
Unemployment Claims and Contributions	<u>23,075</u>	<u>-</u>
Total Deductions	<u>23,075</u>	<u>100</u>
Change in Net Position	(3,280)	(32)
Net Position, Beginning of Year	<u>94,700</u>	<u>5,553</u>
Net Position, End of Year	<u>\$ 91,420</u>	<u>\$ 5,521</u>

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

NOTES TO THE FINANCIAL STATEMENTS

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Florham Park Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven 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. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Florham Park Board of Education this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2018, the District adopted the following GASB statements:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
- GASB No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will be effective beginning with the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistency provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms association with debt will be disclosed.
- GASB No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*, will be effective beginning with the year ending June 30, 2020. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-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 Board of Education. All fiduciary activities are reported only in the fund financial statements. 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. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services 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, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major proprietary fund which is organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides milk to students.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the government reports the following fund types:

The *fiduciary trust funds* are used to account for resources legally held in trust for state unemployment insurance claims and for private donations for scholarship awards. All resources of the funds, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

The *fiduciary agency funds* account for assets held by the District as an agent for student activities and for payroll deductions and withholdings. The funds for the student activities fund are solely for noninstructional student activities that are supported and controlled by student organizations and clubs for which school administration does not have management involvement. The payroll funds are held to remit employee withholdings to respective state, federal and other agencies.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

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

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Property taxes, tuition, transportation fees, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital Assets (Continued)

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	10-30
Buildings	40
Building Improvements	20
Machinery and Equipment	5-20

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has two items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amount on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

7. Pensions

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Losses resulting from debt refundings are classified as deferred outflows of resources. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported with the unamortized bond premium. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Net Position/Fund Balance

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2B).

Capital Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of capital reserve fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education. (See Note 2C).

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education. (See Note 2D).

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that was appropriated in the 2018/2019 original budget certified for taxes.

Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Year-End Encumbrances – Represents outstanding purchase orders at year end for contracts awarded by formal action of the Board of Trustees for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of fund balance appropriated in the adopted 2018/2019 District budget certified for taxes.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

In the general operating fund and other governmental funds (debt service fund types), it is the District's policy to consider restricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (i.e., committed, assigned or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. *Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the School Business Administrator/Board Secretary to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. *Property Taxes*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

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

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund, are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 23, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$529,469. The increase was funded by additional fund balance appropriated, additional state aid and grant awards and the reappropriation of prior year general fund encumbrances. On April 24, 2018 the Board authorized and approved an additional fund balance appropriation of \$72,986 from the general fund.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned 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 which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve

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

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

The activity of the capital reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 1,146,701
Increased by	
Return of Unencumbered Appropriations	
Funded from Reserve	<u>121,100</u>
	1,267,801
Decreased by	
Withdrawals Approved in District Budget	<u>630,000</u>
Balance, June 30, 2018	<u>\$ 637,801</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district's Long Range Facilities Plan. \$359,047 of the capital reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

The activity of the maintenance reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	\$ 60,000
Increased by	
Deposits Approved by Board Resolution	<u>80,000</u>
	140,000
Decreased by	
Withdrawals Approved in District Budget	<u>60,000</u>
Balance, June 30, 2018	<u>\$ 80,000</u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$994,136. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

D. Emergency Reserve

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Emergency Reserve (Continued)

The activity of the emergency reserve for the fiscal year ended June 30, 2018 is as follows:

Balance, July 1, 2017	<u>\$ 250,000</u>
Balance, June 30, 2018	<u>\$ 250,000</u>

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$43,736. The entire amount was designated and appropriated in the 2018/2019 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC and NCUSIF.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits were \$2,359,639 and bank and brokerage firm balances of the Board's deposits amounted to \$2,964,199. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	<u>\$ 2,964,199</u>

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Cash Deposits (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 none of the Board’s bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America; Government Money Market Mutual Funds; any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligations bear a fixed rate of interest not dependent on any index or other external factor; bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located; Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the “Local Authorities Fiscal Control Law,” (C.40A:5A-1 et seq.); Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by school districts; Local Government investment pools; deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and agreements for the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2018, the Board had no outstanding investments.

B. Receivables

Receivables as of June 30, 2018 for the district’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Receivables:			
Intergovernmental:			
Federal		\$ 67,365	\$ 67,365
State	\$ 22,957		22,957
Local	90,830	1,720	92,550
Accounts	700	-	700
Gross Receivables	114,487	69,085	183,572
Less: Allowance for Uncollectibles	-	-	-
Net Total Receivables	<u>\$ 114,487</u>	<u>\$ 69,085</u>	<u>\$ 183,572</u>

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General Fund		
Prepaid Tuition Fees	\$	10,500
Prepaid Transportation Fees		3,275
Special Revenue Fund		
Unencumbered Grant Draw Downs		<u>17,497</u>
 Total Unearned Revenue for Governmental Funds	\$	<u>31,272</u>

D. Capital Assets

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

	<u>Balance, July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,156,663	-		\$ 1,156,663
Construction in Progress	<u>-</u>	<u>\$ 19,625</u>	<u>-</u>	<u>19,625</u>
 Total Capital Assets, Not Being Depreciated	<u>1,156,663</u>	<u>19,625</u>	<u>-</u>	<u>1,176,288</u>
 Capital Assets, Being Depreciated:				
Land Improvements	1,369,190			1,369,190
Building and Building Improvements	24,222,561	69,234		24,291,795
Machinery and Equipment	<u>2,028,927</u>	<u>61,102</u>	<u>\$ (71,341)</u>	<u>2,018,688</u>
Total Capital Assets Being Depreciated	<u>27,620,678</u>	<u>130,336</u>	<u>(71,341)</u>	<u>27,679,673</u>
 Less Accumulated Depreciation for:				
Land Improvements	(1,219,633)	(31,332)		(1,250,965)
Building and Building Improvements	(11,150,074)	(524,251)		(11,674,325)
Machinery and Equipment	<u>(1,817,394)</u>	<u>(52,773)</u>	<u>71,341</u>	<u>(1,798,826)</u>
Total Accumulated Depreciation	<u>(14,187,101)</u>	<u>(608,356)</u>	<u>71,341</u>	<u>(14,724,116)</u>
 Total Assets, Being Depreciation, Net	<u>13,433,577</u>	<u>(478,020)</u>	<u>-</u>	<u>12,955,557</u>
 Government Activities Capital Assets, Net	<u>\$ 14,590,240</u>	<u>\$ (458,395)</u>	<u>\$ -</u>	<u>\$ 14,131,845</u>

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 116,396	-	-	\$ 116,396
Total Capital Assets Being Depreciated	<u>116,396</u>	<u>-</u>	<u>-</u>	<u>116,396</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(106,460)	\$ (1,810)	-	(108,270)
Total Accumulated Depreciation	<u>(106,460)</u>	<u>(1,810)</u>	<u>-</u>	<u>(108,270)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,936</u>	<u>(1,810)</u>	<u>-</u>	<u>8,126</u>
Business-Type Activities Capital Assets, Net	<u>\$ 9,936</u>	<u>\$ (1,810)</u>	<u>\$ -</u>	<u>\$ 8,126</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:

Instruction		
Regular		\$ 3,192
Total Instruction		<u>3,192</u>
Support Services		
Student and Instruction Related Services		1,906
General Administrative Services		904
School Administrative Services		4,200
Central Administrative Services		
Plant Operations and Maintenance		580,186
Pupil Transportation		<u>17,968</u>
Total Support Services		<u>605,164</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 608,356</u>
Business-Type Activities:		
Food Service Fund		<u>\$ 1,810</u>

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has the following active construction projects and other significant commitments as of June 30, 2018:

<u>Purposes</u>	<u>Remaining Commitment</u>
Ridgedale Middle School Partial Roof Replacement	\$ 480,340
Purchase of two (2) Ford Pick-Up Trucks	<u>85,683</u>
	<u>\$ 566,023</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 51,588
General Fund	Payroll Agency Fund	8,427
Unemployment Compensation Trust Fund	Payroll Agency Fund	<u>6,424</u>
Total		<u>\$ 66,439</u>

The above balances are the result of amounts received in one fund which are due to another fund or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

Interfund transfers

	<u>Transfer In:</u>
	Enterprise Fund
	Food Service
Transfer Out:	
General Fund	\$ <u>4,643</u>
Total Transfers	<u>\$ 4,643</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing a copier totaling \$14,249 under capital leases. The lease is for a term of 5 years.

The capital assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>
Machinery and Equipment	\$ <u>14,249</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018 were as follows:

<u>Year Ending June 30</u>	Governmental <u>Activities</u>
2019	\$ 3,300
2020	3,300
2021	3,300
2022	<u>1,100</u>
Total minimum lease payments	11,000
Less: amount representing interest	<u>(1,041)</u>
Present value of minimum lease payments	\$ <u>9,959</u>

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2018 are comprised of the following issues:

\$9,185,000, 2009 Refunding Bonds, due in annual installments of \$870,000 to \$945,000 through July 15, 2022, interest at 3.50% to 4.50%	<u>\$4,600,000</u>
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**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ended June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 870,000	\$ 175,344	\$ 1,045,344
2020	905,000	139,016	1,044,016
2021	940,000	98,900	1,038,900
2022	940,000	57,775	997,775
2023	945,000	18,900	963,900
	<u>\$ 4,600,000</u>	<u>\$ 489,935</u>	<u>\$ 5,089,935</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2018 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 96,534,898
Less: Net Debt	<u>4,600,000</u>
Remaining Borrowing Power	<u>\$ 91,934,898</u>

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable	\$ 5,430,000		\$ 830,000	\$ 4,600,000	\$ 870,000
Add: Original Issue Premium	188,821	-	44,937	143,884	-
Total Bonds Payable	5,618,821	-	874,937	4,743,884	870,000
Capital Leases Payable	12,583		2,624	9,959	2,784
Compensated Absences	407,949		140,270	267,679	30,000
Net Pension Liability	6,438,829	-	617,402	5,821,427	-
Governmental Activities Long-Term Liabilities	<u>\$ 12,478,182</u>	<u>\$ -</u>	<u>\$ 1,635,233</u>	<u>\$ 10,842,949</u>	<u>\$ 902,784</u>

For the governmental activities, the liabilities for capital leases, compensated absences, and net pension liability are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group ("Group"). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims, property, auto and general liability claims.

The relationship between the Board and the Group is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the Group, to report claims on a timely basis, cooperate with the management of the Group, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the Group. Members have a contractual obligation to fund any deficit of the Group attributable to a membership year during which they were a member.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

The New Jersey Schools Insurance Group provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the Group are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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

<u>Fiscal</u> <u>Year Ended</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018	None	\$ 18,746	\$ 23,075	\$ 91,420
2017	None	18,155	796	94,700
2016	\$ 25,000	18,261	19,422	77,043

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2018, the District has not estimated its arbitrage earnings due to the IRS, if any.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees’ Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees. PERS is a cost sharing multiple employer defined benefit pension plan.

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:

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

Teachers’ Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees. TPAF is a cost sharing multiple employer defined benefit pension plan with a special funding situation, by which the State is responsible to fund 100% of local employer contributions, excluding any local employer early retirement incentive (ERI) contributions.

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

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

The following represent the membership tiers for TPAF:

Tier	Definition
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 1/55th of final average salary for each year of service credit is available to tier 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reached age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tier 1 and 2 members before reaching age 60, tier 3 and 4 members with 25 or more years of service credit before age 62, and tier 5 members with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement for his/her respective tier. Deferred retirement is available to members who have at least ten years of service credit and have not reached the service retirement age for the respective tier.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits (“Division”), issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

The authority to amend the provisions of the above plans rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for TPAF and PERS, once a Target Funded Ratio (TFR) is met. The Pension Plan Design Committees will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation of final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committees will also have the authority to reactivate the cost of living adjustment (COLA) on pensions. However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a 30-year projection period.

Measurement Focus and Basis of Accounting

The financial statements of the retirement systems are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the pension trust funds. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

The Division of Investment, Department of the Treasury, State of New Jersey (Division of Investment) manages and invests certain assets of the retirement systems. Investments are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Division of Investment issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj.us/treasury/doinvest.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 33 percent with an unfunded actuarial accrued liability of \$90.90 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 25.41 percent and \$67.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 48.10 percent and \$23.3 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems 7.00 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.34% for PERS, 7.34% for TPAF and 5.50% for DCRP of the employee's annual compensation for fiscal year 2018.

Annual Pension Costs (APC)

For the fiscal year ended June 30, 2018 for TPAF, which is a cost sharing multiple employer defined benefit pension plan with a special funding situation, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multiple employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

During the fiscal years ended June 30, 2018, 2017 and 2016 the Board was required to contribute for PERS and DCRP and the State of New Jersey, as a nonemployer contributing entity, was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 231,671	\$ 1,092,308	\$ 20,876
2017	193,137	737,416	13,746
2016	197,324	533,727	16,575

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$960 and \$0 respectively for PERS and the State contributed \$1,527 and \$752, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB Statement No. 85, *Omnibus 2017* (GASB No. 85). The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$548,603 during the fiscal year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, (GASB No. 68) requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes.

Although the NJ Division of Pensions and Benefits ("Division") administers one cost-sharing multiple employer defined benefit pension plan, separate actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

To facilitate the separate actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages are presented for each group. The allocation percentages for each group as of June 30, 2017 are based on the ratio of each employer's contribution to total employer contributions of the group for the fiscal year ended June 30, 2017.

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$5,821,427 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the District's proportionate share was .02501 percent, which was an increase of .00327 percent from its proportionate share measured as of June 30, 2016 of .02174 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$412,910 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 137,075	
Changes of Assumptions	1,172,817	\$ 1,168,517
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	39,640	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>582,404</u>	<u>400,283</u>
Total	<u>\$ 1,931,936</u>	<u>\$ 1,568,800</u>

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

At June 30, 2018, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 142,451
2020	142,449
2021	149,953
2022	(30,627)
2023	<u>(41,090)</u>
	<u>\$ 363,136</u>

Actuarial Assumptions

The District's 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:

	<u>PERS</u>
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%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

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.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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%
US Equities	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Market Equities	6.50%	11.64%
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%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	5.00%
2017	June 30, 2016	3.98%

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2040

Municipal Bond Rate * From July 1, 2040
and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 5.00%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00 percent) or 1-percentage-point higher (6.00 percent) than the current rate:

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ <u>7,221,875</u>	\$ <u>5,821,427</u>	\$ <u>4,654,680</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2017. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, 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 excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. 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. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

In accordance with GASB No. 68, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,062,133 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$44,202,616. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .06556 percent, which was a decrease of .00110 percent from its proportionate share measured as of June 30, 2016 of .06666 percent.

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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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.

	<u>TPAF</u>
Inflation Rate	2.25%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.00%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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, 2012 to June 30, 2015.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 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%

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	4.25%
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return	Through June 30, 2036
Municipal Bond Rate *	From July 1, 2036 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.25%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.25 percent) or 1-percentage-point higher (5.25 percent) than the current rate:

	<u>1% Decrease (3.25%)</u>	<u>Current Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 52,514,094</u>	<u>\$ 44,202,616</u>	<u>\$ 37,355,584</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2017. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2017 was not provided by the pension system.

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plan for school districts.

As a result of implementing GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, the post-retirement health benefit program plan is reported in an Agency Fund in the New Jersey Comprehensive Annual Financial Report effective for the fiscal year ended June 30, 2017. Therefore, the plan has no assets accumulated in a trust. In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pension* (GASB No. 75), the plan is classified as a single employer defined benefit OPEB plan with a special funding situation that is not administered through a trust that meets the criteria in paragraph 4 of GASB No. 75.

Plan Description and Benefits Provided

The State of New Jersey sponsors and administers the following post-retirement health benefit program plan covering certain local school district employees, including those Board employees and retirees eligible for coverage.

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) – N.J.S.A. 52:14-17.32f provides medical coverage and prescription drug benefits to qualified retired education participants. The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of the PERS and Alternate Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

Membership of the defined benefit OPEB plan consisted of the following at June 30, 2016:

Active Plan Members	223,747
Inactive Plan Members or Beneficiaries Currently Receiving Benefits	142,331
Inactive Plan Members Entitled to but not yet Receiving Benefits	<u>-</u>
Total	<u>366,078</u>

Measurement Focus and Basis of Accounting

The financial statements of the post-employment health benefit plans are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Division adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the post-employment health benefit plans. Under this method, contributions are recorded in the accounting period in which they are legally due from the employer or plan member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of each plan. The accounts of the Division are organized and operated on the basis of funds. All funds are accounted for using an economic resources measurement focus.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the State had a \$69.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.5 billion for state active and retired members and \$43.8 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2016, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. 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. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (ABP) who retired from a board of education or county college with 25 years of service. The State paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$705,498, \$614,435 and \$635,522, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

GASB Statement No. 75 requires participating employers in the State Health Benefit Program Fund – Local Education Retired to recognize their proportionate share of the collective OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources and collective OPEB expense excluding that attributable to retiree-paid member contributions. The nonemployer allocation percentages presented are based on the ratio of the State’s contributions made as a nonemployer toward the actuarially determined contribution amount to total contributions to the plan during the fiscal year ended June 30, 2017. Nonemployer allocation percentages have been rounded for presentation purposes.

In accordance with GASB No. 75, the District is not required to recognize an OPEB liability for the post-employment health benefit plan. The State of New Jersey, as a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to the plan on behalf of the District. Accordingly, the District’s proportionate share percentage determined under Statement No. 75 is zero percent and the State’s proportionate share is 100% of the OPEB liability attributable to the District. Therefore, in addition, the District does not recognize any portion of the collective deferred outflows of resources and deferred inflows of resources related to the plan.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$2,314,519. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$37,123,389. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .06921 percent, which was a decrease of .00014 percent from its proportionate share measured as of June 30, 2016 of .06935 percent.

Actuarial Assumptions

The OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 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	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

*Salary increases are based on the defined benefit plan that the individual is enrolled in and his or her year of service for TPAF or his or her age for PERS.

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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Actuarial Assumptions (Continued)

Healthcare cost trend rates for pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5 percent. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9 percent and decreases to a 5.0 percent long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5 percent and decreases to a 5.0 percent long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0 percent. This reflects the known underlying cost of the Part B premium. The Medicare Advantage trend rate is 4.5 percent and will continue in all future years.

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

Long-Term Expected Rate of Return

As the OPEB plan only invests in the State of New Jersey Cash Management Fund, the long-term expected rate of return on OPEB investments was based off the best-estimate ranges of future real rates of return (expected returns, net of OPEB plan investment expense and inflation) for cash equivalents, which is 1.00% as of June 30, 2017.

Discount Rate

The discount rate used to measure the total OPEB liabilities of the plan was as follows:

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	3.58%
2017	June 30, 2016	2.85%

The discount rate 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. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Changes in the Total OPEB Liability

The change in the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2018 (measurement date June 30, 2017) is as follows:

	Total OPEB Liability <u>(State Share 100%)</u>
Balance, June 30, 2016 Measurement Date	\$ 40,108,096
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 1,650,007
Interest on the Total OPEB Liability	1,178,614
Changes of Assumptions	(4,904,537)
Gross Benefit Payments	(943,534)
Contributions from the Member	34,743
Net Changes	<u>\$ (2,984,707)</u>
Balance, June 30, 2017 Measurement Date	<u>\$ 37,123,389</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent in 2016 to 3.58 percent in 2017.

The change in the total OPEB liability was based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. A change in the total OPEB liability specific to the State's proportionate share of the OPEB liability attributable to the District for the fiscal year ended June 30, 2017 was not provided by the pension system.

Sensitivity of OPEB Liability

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using the discount rate of 3.58%, as well as what the State's proportionate share of the OPEB liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current rate:

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	<u>\$ 44,068,141</u>	<u>\$ 37,123,389</u>	<u>\$ 31,614,746</u>

**FLORHAM PARK BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of OPEB Liability (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the State's proportionate share of the OPEB liability attributable to the District calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>30,530,399</u>	\$ <u>37,123,389</u>	\$ <u>45,878,802</u>

The sensitivity analyses were based on the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017. Sensitivity analyses specific to the State's proportionate share of the OPEB liability attributable to the District at June 30, 2017 were not provided by the pension system.

F. Tax Abatements

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

For Florham Park Board of Education, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

REQUIRED SUPPLEMENTARY INFORMATION - PART II
BUDGET COMPARISON SCHEDULES

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 17,375,847		\$ 17,375,847	\$ 17,375,847	
Tuition	63,000		63,000	70,000	\$ 7,000
Transportation Fees From Individuals	59,000		59,000	56,117	(2,883)
Transportation Fees From Other LEA's	120,000		120,000	141,011	21,011
Interest				38,627	38,627
Miscellaneous	61,000	-	61,000	103,351	42,351
Total Local Sources	17,678,847	-	17,678,847	17,784,953	106,106
State Sources					
Special Education Aid	407,427	\$ 33,949	441,376	441,376	
Transportation Aid	44,317		44,317	44,317	
Security Aid	17,063		17,063	17,063	
PARCC Readiness Aid	9,750		9,750	9,750	
Per Pupil Growth Aid	9,750		9,750	9,750	
Professional Learning Community Aid	9,460		9,460	9,460	
Extraordinary Aid				45,543	45,543
Additional Nonpublic Transportation Aid				22,957	22,957
On-behalf TPAF Pension Payments - Pension Contribution (Non-Budget)				1,066,428	1,066,428
NCGI Premium (Non-Budget)				25,880	25,880
On-behalf TPAF OPEB Payments - Post Retirement Medical Benefits (Non-Budget)				705,498	705,498
On-behalf TPAF LTDI Payments - Long-Term Disability Insurance (Non-Budget)				1,527	1,527
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	548,603	548,603
Total State Sources	497,767	33,949	531,716	2,948,152	2,416,436
Total Revenues	18,176,614	33,949	18,210,563	20,733,105	2,522,542
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	58,750	(1,700)	57,050	57,050	
Kindergarten	338,235	50,339	388,574	388,574	
Grades 1-5	2,104,826	98,027	2,202,853	2,202,853	
Grades 6-8	1,834,398	(80,326)	1,754,072	1,754,072	
Regular Program - Home Instruction					
Salaries of Teachers	10,000	(6,980)	3,020	3,020	
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction		3,600	3,600	3,600	
Purchased Professional/Educational Services	12,200	(2,800)	9,400	9,240	160
Purchased Technical Services	61,855	(15,691)	46,164	46,164	-
Other Purchased Services	145,505	(13,456)	132,049	132,049	-
General Supplies	345,838	(29,047)	316,791	303,125	13,666
Textbooks	126,040	68,170	194,210	194,210	-
Other Objects	8,360	(1,076)	7,284	7,084	200
Total Regular Programs	5,046,007	69,060	5,115,067	5,101,041	14,026
Special Education Instruction					
Learning and/or Language Disabilities					
Salaries of Teachers	75,375	8,626	84,001	84,001	
Other Salaries for Instruction	32,634	67,487	100,121	100,121	
General Supplies	3,510	(2,556)	954	954	-
Textbooks	2,200	(1,108)	1,092	1,092	-
Total Learning and/or Language Disabilities	113,719	72,449	186,168	186,168	-

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 1,436,424	\$ 411	\$ 1,436,835	\$ 1,436,835	
Other Salaries for Instruction	357,383	(86,712)	270,671	270,671	
General Supplies	10,063	(3,934)	6,129	5,796	\$ 333
Textbooks	24,700	(7,253)	17,447	17,447	-
Total Resource Room	1,828,570	(97,488)	1,731,082	1,730,749	333
Preschool Disabilities - Full-Time					
Salaries of Teachers	90,705	(147)	90,558	89,953	605
Other Salaries for Instruction	130,091	35,147	165,238	165,238	-
General Supplies	4,260	-	4,260	3,833	427
Total Preschool Disabilities - Full-Time	225,056	35,000	260,056	259,024	1,032
Total Special Education	2,167,345	9,961	2,177,306	2,175,941	1,365
Basic Skills/Remedial					
Salaries of Teachers	123,770	(2,923)	120,847	120,847	-
General Supplies	9,735	(2,140)	7,595	7,392	203
Textbooks	10,600	(4,064)	6,536	6,531	5
Total Basic Skills/Remedial	144,105	(9,127)	134,978	134,770	208
Bilingual Education - Instruction					
Salaries of Teachers	67,487		67,487	67,363	124
General Supplies	550	-	550	-	550
Total Bilingual Education - Instruction	68,037	-	68,037	67,363	674
School Sponsored Co/Extra Curricular Activities					
Salaries	95,200	(9,962)	85,238	84,256	982
Supplies and Materials	14,036	(5,668)	8,368	5,094	3,274
Total School Sponsored Co/Extra Curricular Activities	109,236	(15,630)	93,606	89,350	4,256
School Sponsored Athletics					
Salaries	35,264	9,962	45,226	45,226	-
Purchased Services	12,300	-	12,300	11,300	1,000
Supplies and Materials	4,600	174	4,774	4,774	
Other Objects	2,000	(174)	1,826	1,450	376
Total School Sponsored Athletics	54,164	9,962	64,126	62,750	1,376
Other Instructional Programs					
Salaries	2,760		2,760	2,700	60
Supplies and Materials	1,150	-	1,150	-	1,150
Total Other Instructional Programs	3,910	-	3,910	2,700	1,210
Total Instruction	7,592,804	64,226	7,657,030	7,633,915	23,115
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	125,550	4,974	130,524	130,524	-
Tuition to Priv. Sch. for the Disabled		-			
Within the State	160,000	158,814	318,814	310,786	8,028
Tuition to Priv. Sch. for the Disabled & Other LEAs Out of State	-	10,205	10,205	10,205	-
Total Undistributed Expenditures - Instruction	285,550	173,993	459,543	451,515	8,028

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments¹</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Health Services					
Salaries	\$ 287,905	\$ (4,317)	\$ 283,588	\$ 283,588	
Purchased Professional-Technical Services	6,000	-	6,000	6,000	
Other Purchased Services	3,625	(1,020)	2,605	2,211	\$ 394
Supplies and Materials	10,375	(7,699)	2,676	2,368	308
Other Objects	100	40	140	140	-
Total Health Services	308,005	(12,996)	295,009	294,307	702
Speech, OT, PT and Related Services					
Salaries	453,419	3,910	457,329	457,329	
Purchased Professional-Educational Services	57,700	(3,578)	54,122	54,122	
Supplies and Materials	7,750	-	7,750	6,560	1,190
Total Speech, OT, PT and Related Services	518,869	332	519,201	518,011	1,190
Other Support Services-Students-Extra Serv.					
Salaries	107,100	22,700	129,800	128,999	801
Total Other Support Services - Students - Extra Serv.	107,100	22,700	129,800	128,999	801
Guidance					
Salaries of Other Professional Staff	189,748	(4,535)	185,213	185,213	
Salaries of Secretarial and Clerical Assistants	37,580	(6,883)	30,697	30,697	-
Other Purchased Professional and Tech. Services	43,600	(14,986)	28,614	28,614	-
Other Purchased Services	350	-	350	-	350
Supplies and Materials	4,800	(117)	4,683	3,334	1,349
Other Objects	250	-	250	-	250
Total Guidance	276,328	(26,521)	249,807	247,858	1,949
Child Study Team					
Salaries of Other Professional Staff	417,947	(5,624)	412,323	412,323	-
Salaries of Secretarial and Clerical Assistants	74,010	108	74,118	74,118	-
Other Purchased Professional and Tech. Services	18,500	(8,445)	10,055	10,055	-
Other Purchased Services	12,000	1,950	13,950	6,742	7,208
Supplies and Materials	20,050	1,439	21,489	21,489	-
Other Objects	1,395	(160)	1,235	970	265
Total Child Study Team	543,902	(10,732)	533,170	525,697	7,473
Improvement of Instructional Services					
Salaries of Other Professional Staff	127,277	6,592	133,869	133,869	-
Other Salaries	28,000	1,568	29,568	29,568	-
Supplies and Materials	1,150	-	1,150	-	1,150
Other Objects	1,790	(1,568)	222	-	222
Total Improvement of Instructional Services	158,217	6,592	164,809	163,437	1,372
Educational Media Services/School Library					
Salaries	117,480	(7,268)	110,212	106,129	4,083
Other Purchased Services	150	-	150	-	150
Supplies and Materials	18,900	(2,018)	16,882	15,633	1,249
Total Educational Media Serv./School Library	136,530	(9,286)	127,244	121,762	5,482
Instructional Staff Training Services					
Salaries of Other Professional Staff	43,576	-	43,576	43,576	
Other Salaries	38,600	(15,433)	23,167	23,167	
Purchased Professional/Educational Services	137,125	(6,907)	130,218	119,868	10,350
Other Purchased Services	6,000	15,043	21,043	20,621	422
Supplies and Materials	3,500	524	4,024	4,024	-
Other Objects	875	-	875	575	300
Total Staff Training Services	229,676	(6,773)	222,903	211,831	11,072

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 236,668	\$ 17,570	\$ 254,238	\$ 254,238	
Legal Services	37,500	4,912	42,412	42,324	\$ 88
Audit Fees	25,500	27,000	52,500	27,521	24,979
Other Purchased Professional Services	8,350	1,157	9,507	8,882	625
Communications/Telephone	46,000	4,236	50,236	45,328	4,908
Miscellaneous Purchased Services	35,790	2,895	38,685	38,685	-
General Supplies	12,100	641	12,741	12,741	-
Miscellaneous Expenditures	19,500	(8,073)	11,427	11,427	-
Total Support Services General Administration	421,408	50,338	471,746	441,146	30,600
Support Services School Administration					
Salaries of Principal/Asst. Principals	409,220	4,988	414,208	414,208	
Salaries of Other Professional Staff	33,500	1,853	35,353	35,353	
Salaries of Secretarial and Clerical Assistants	206,006	-	206,006	205,499	507
Purchased Professional and Technical Services	1,350	23	1,373	523	850
Other Purchased Services	24,550	(4,919)	19,631	18,637	994
Supplies and Materials	24,115	(8,264)	15,851	15,157	694
Other Objects	8,225	(3,253)	4,972	4,838	134
Total Support Services School Administration	706,966	(9,572)	697,394	694,215	3,179
Support Services Central Services					
Salaries	270,156	3,265	273,421	272,561	860
Purchased Technical Services	24,500	3,722	28,222	28,222	-
Miscellaneous Purchased Services	3,000	7,649	10,649	9,388	1,261
Supplies and Materials	4,425	(116)	4,309	4,309	-
Miscellaneous Expenditures	1,780	(101)	1,679	1,315	364
Total Support Central School Administration	303,861	14,419	318,280	315,795	2,485
Admin. Info. Technology					
Salaries	80,495	6,891	87,386	87,248	138
General Supplies	2,140	-	2,140	2,069	71
Total Admin. Info. Technology	82,635	6,891	89,526	89,317	209
Required Maintenance for School Facilities					
Salaries	205,611	-	205,611	204,715	896
Cleaning, Repair and Maintenance Services	190,700	55,349	246,049	245,888	161
General Supplies	28,500	(16,215)	12,285	12,200	85
Other Objects	500	-	500	500	-
Total Required Maintenance for School Fac.	425,311	39,134	464,445	463,303	1,142
Custodial Services					
Salaries	571,187	(8,638)	562,549	562,549	-
Purchased Prof. And Technical Serv.	60,665	(9,672)	50,993	50,993	-
Cleaning, Repair and Maint. Serv.	21,465	(1,330)	20,135	20,135	-
Other Purchased Property Services	31,000	54	31,054	31,054	-
Insurance	79,000	(8,006)	70,994	70,994	-
Miscellaneous Purchased Services	21,500	2,272	23,772	23,772	-
General Supplies	47,500	9,025	56,525	56,524	1
Energy (Natural Gas)	90,000	(12,814)	77,186	74,134	3,052
Energy (Electricity)	240,000	(18,500)	221,500	219,399	2,101
Other Objects	3,225	(2,308)	917	917	-
Total Custodial Services	1,165,542	(49,917)	1,115,625	1,110,471	5,154
Care and Upkeep of Grounds					
Salaries	67,280	-	67,280	67,280	-
Purchased Professional and Technical Services	2,500	1,639	4,139	4,139	-
Cleaning, Repair and Maintenance Svc.	43,625	12,946	56,571	56,571	-
General Supplies	18,700	(793)	17,907	16,869	1,038
Other Objects	-	-	-	-	-
Total Care and Upkeep of Grounds	132,105	13,792	145,897	144,859	1,038

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Student Transportation Services					
Salaries of Non-Instructional Aides	\$ 113,302	\$ (5,803)	\$ 107,499	\$ 107,499	
Salaries for Pupil Transportation (Between Home and School) - Regular	95,783	4,176	99,959	108,568	\$ (8,609)
Salaries for Pupil Transportation (Between Home and School) - Sp Ed	233,471	(41,325)	192,146	192,093	53
Salaries for Pupil Transportation (Between Home and School) - Non-Public	49,500	(2,848)	46,652	46,652	-
Management Fee - ESC & CTSA Transp. Prog.	2,000	(393)	1,607	1,491	116
Other Purchased Prof. and Technical Serv.	700	741	1,441	1,421	20
Cleaning, Repair and Maintenance Services	33,000	(3,017)	29,983	29,983	-
Contracted Services - Aid in Lieu of Payments Non-Public	48,620	39,564	88,184	87,063	1,121
Contracted Services (Between Home and School) - Joint Agreements	154,000	7,731	161,731	161,731	-
Contracted Services (Reg. Students) - ESCs & CTSA	3,500	1,671	5,171	3,824	1,347
Misc. Purchased Serv. - Transportation	26,500	(1,424)	25,076	25,076	-
General Supplies	21,000	(876)	20,124	20,124	-
Other Objects	1,750	(310)	1,440	957	483
Total Student Transportation Services	783,126	(2,113)	781,013	786,482	(5,469)
Unallocated Benefits - Employee Benefits					
Social Security Contributions	260,000	6,290	266,290	266,290	
Other Retirement Contributions - PERS	197,500	35,239	232,739	232,739	
Other Retirement Contributions - Regular (DCRP)	18,500	2,376	20,876	20,876	-
Workers Compensation	106,000	10,038	116,038	116,038	
Health Benefits	3,487,885	(175,622)	3,312,263	3,109,864	202,399
Tuition Reimbursement	34,000	-	34,000	33,860	140
Other Employee Benefits	26,300	78,589	104,889	104,889	-
Total Unallocated Benefits - Employee Benefits	4,130,185	(43,090)	4,087,095	3,884,556	202,539
On-behalf TPAF Pension Payments -					
Pension Contribution (Non-Budget)				1,066,428	(1,066,428)
NCGI Premium (Non-Budget)				25,880	(25,880)
On-behalf TPAF OPEB Payments -					
Post Retirement Medical Benefits (Non-Budget)				705,498	(705,498)
On-behalf TPAF LTDI Payments -					
Long-Term Disability Insurance (Non-Budget)				1,527	(1,527)
On-behalf TPAF Social Security Payments (Non-Budget)					
	-	-	-	548,603	(548,603)
Total On-Behalf Payments	-	-	-	2,347,936	(2,347,936)
Total Undistributed Expenditures	10,715,316	157,191	10,872,507	12,941,497	(2,068,990)
Total Expenditures - Current Expenditures	18,308,120	221,417	18,529,537	20,575,412	(2,045,875)

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments	Final Budget	Actual	Variance Final To Actual
CAPITAL OUTLAY					
Equipment					
Undistributed:					
Instruction		\$ 81,212	\$ 81,212	\$ 77,202	\$ 4,010
Operation of Plant Equipment		99,365	99,365	13,682	85,683
Equipment	-	39,452	39,452	39,452	-
Total Equipment	-	220,029	220,029	130,336	89,693
Facilities Acquisition and Construction Services					
Salaries	\$ 5,000		5,000		5,000
Other Purchased Professional and Tech. Services	25,000		25,000	19,625	5,375
Construction Services	600,000		600,000	-	600,000
Debt Service Assessment	26,168	-	26,168	26,168	-
Total Facilities Acquis. and Const. Services	656,168	-	656,168	45,793	610,375
Total Capital Outlay	656,168	220,029	876,197	176,129	700,068
Transfer of Funds to Charter Schools	32,036	32,383	64,419	64,419	-
Total Expenditures	18,996,324	473,829	19,470,153	20,815,960	(1,345,807)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(819,710)	(439,880)	(1,259,590)	(82,855)	1,176,735
Other Financing Sources (Uses)					
Transfer Out - Food Service Enterprise Fund	-	-	-	(4,643)	(4,643)
Total Other Financing Sources (Uses)	-	-	-	(4,643)	(4,643)
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(819,710)	(439,880)	(1,259,590)	(87,498)	1,172,092
Fund Balance, Beginning of Year	2,419,611	-	2,419,611	2,419,611	-
Fund Balance, End of Year	\$ 1,599,901	\$ (439,880)	\$ 1,160,021	\$ 2,332,113	\$ 1,172,092
Recapitulation of Fund Balance					
Restricted Fund Balance:					
Capital Reserve				\$ 278,754	
Capital Reserve - Designated for Subsequent Year's Expenditures				359,047	
Maintenance Reserve				80,000	
Emergency Reserve				250,000	
Excess Surplus - Designated for Subsequent Year's Expenditures				43,736	
Committed Fund Balance					
Year End Encumbrances				566,023	
Assigned Fund Balance					
Year End Encumbrances				63,149	
Designated for Subsequent Year's Expenditures				318,909	
Unassigned Fund Balance				372,495	
				2,332,113	
Reconciliation to Governmental Funds Statements (GAAP):					
Less: State Aid Payments Not Recognized on GAAP Basis				(94,201)	
Fund Balance Per Governmental Funds (GAAP)				\$ 2,237,912	

**FLORHAM PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal	\$ 215,000	\$ 45,542	\$ 260,542	\$ 257,390	\$ (3,152)
State	35,000	(22,602)	12,398	12,398	-
Local	10,000	32,700	42,700	41,109	(1,591)
Total Revenues	<u>260,000</u>	<u>55,640</u>	<u>315,640</u>	<u>310,897</u>	<u>(4,743)</u>
EXPENDITURES					
Instruction					
Tuition	170,000	33,864	203,864	203,864	-
Purchased Professional/Educational Services	15,000	14,362	29,362	27,561	1,801
General Supplies	12,000	13,340	25,340	26,340	(1,000)
Textbooks	5,000	6,474	11,474	9,263	2,211
Total Instruction	<u>202,000</u>	<u>68,040</u>	<u>270,040</u>	<u>267,028</u>	<u>3,012</u>
Support Services					
Purchased Professional/Technical Services	24,000	(5,926)	18,074	17,058	1,016
Purchased Professional/Educational Services	30,000	(16,199)	13,801	13,466	335
Cleaning, Repair and Maintenance Services	4,000	9,725	13,725	13,345	380
Total Support Services	<u>58,000</u>	<u>(12,400)</u>	<u>45,600</u>	<u>43,869</u>	<u>1,731</u>
Total Expenditures	<u>260,000</u>	<u>55,640</u>	<u>315,640</u>	<u>310,897</u>	<u>4,743</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	-	-	-	-
Fund Balances, Beginning of Year	-	-	-	-	-
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**FLORHAM PARK BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 20,733,105	(C-2) \$ 310,897
Difference - Budget to GAAP:		
State Aid payment recognized for GAAP purpose not recognized for Budgetary statements (2016/2017 State aid)	109,447	
State Aid payments recognized for budgetary purpose not recognized for GAAP statements (2017/2018 State aid)	<u>(94,201)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	(B-2) \$ <u>20,748,351</u>	(B-2) \$ <u>310,897</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	(C-1) \$ <u>20,815,960</u>	(C-2) \$ <u>310,897</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	(B-2) \$ <u>20,815,960</u>	(B-2) \$ <u>310,897</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

AND

OTHER POST-EMPLOYMENT BENEFITS INFORMATION

**FLORHAM PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

**Last Five Fiscal Years*
(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.02501%	0.02174%	0.02295%	0.02478%	0.02587
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,821,427	\$ 6,438,829	\$ 5,152,221	\$ 4,639,341	\$ 4,943,683
District's Covered-Employee Payroll	\$ 1,816,504	\$ 1,602,017	\$ 1,489,362	\$ 1,606,722	\$ 1,728,708
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	320.47%	401.92%	345.93%	288.75%	285.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FLORHAM PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

**Last Five Fiscal Years
(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 231,671	\$ 193,137	\$ 197,324	\$ 204,276	\$ 197,018
Contributions in Relation to the Contractually Required Contribution	<u>231,671</u>	<u>193,137</u>	<u>197,324</u>	<u>204,276</u>	<u>197,018</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
∞ en District's Covered-Employee Payroll	\$ 1,816,504	\$ 1,602,017	\$ 1,489,362	\$ 1,606,722	\$ 1,728,708
Contributions as a Percentage of Covered-Employee Payroll	12.75%	12.06%	13.25%	12.71%	11.40%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FLORHAM PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

**Last Five Fiscal Years*
(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0%	0%	0%	0%	0%
District's Proportionate Share of the Net Pension Liability (Asset)	\$0	\$0	\$0	\$0	\$0
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 44,202,616</u>	<u>\$ 52,441,105</u>	<u>\$ 45,143,920</u>	<u>\$ 39,091,399</u>	<u>\$ 36,781,872</u>
Total	<u>\$ 44,202,616</u>	<u>\$ 52,441,105</u>	<u>\$ 45,143,920</u>	<u>\$ 39,091,399</u>	<u>\$ 36,781,872</u>
District's Covered-Employee Payroll	\$ 7,523,691	\$ 7,205,552	\$ 6,649,910	\$ 6,809,034	\$ 7,155,944
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FLORHAM PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Change of Benefit Terms: None.

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4D.

**FLORHAM PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF
TOTAL OPEB LIABILITY**

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 1,650,007
Interest on Total OPEB Liability	1,178,614
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(4,904,537)
Gross Benefit Payments	(943,534)
Contribution from the Member	<u>34,743</u>
Net Change in Total OPEB Liability	(2,984,707.0)
Total OPEB Liability - Beginning	<u>40,108,096</u>
Total OPEB Liability - Ending	<u>\$ 37,123,389</u>
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	<u>37,123,389</u>
Total OPEB Liability - Ending	<u>\$ 37,123,389</u>
District's Covered-Employee Payroll	<u>\$ 9,340,195</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

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

*The amounts presented for each fiscal year were determined as of the previous fiscal year end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 75. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FLORHAM PARK BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
AND SCHEDULE OF DISTRICT PROPORTIONATE SHARE OF THE OPEB LIABILITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Changes in Benefit Terms:

None.

Changes of Assumptions

Assumptions used in calculating the OPEB liability are presented in Note 4E.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

**FLORHAM PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	IDEIA Part B Basic	IDEIA Part B Preschool	NCLB Title IA	NCLB Title IIA	NCLB Title IV	Local Grants	Nonpublic Security	Total Exhibit E-1A	Total
REVENUES									
Intergovernmental									
Federal	\$ 203,864	\$ 6,714	\$ 24,362	\$ 13,466	\$ 8,984				\$ 257,390
State							\$ 3,525	\$ 8,873	12,398
Local	-	-	-	-	-	\$ 41,109	-	-	41,109
Total Revenues	\$ 203,864	\$ 6,714	\$ 24,362	\$ 13,466	\$ 8,984	\$ 41,109	\$ 3,525	\$ 8,873	\$ 310,897
EXPENDITURES									
Instruction									
Tuition	\$ 203,864								\$ 203,864
Purchased Professional/Educational Services		\$ 3,199	\$ 24,362						27,561
General Supplies						\$ 24,601		\$ 1,739	26,340
Textbooks	-	-	-	-	-	6,688	-	2,575	9,263
Total Instruction	203,864	3,199	24,362	-	-	31,289	-	4,314	267,028
Support Services									
Purchased Professional/Technical Services		3,515			\$ 8,984			4,559	17,058
Purchased Professional/Educational Services				\$ 13,466					13,466
Cleaning, Repair and Maintenance Services	-	-	-	-	-	9,820	\$ 3,525	-	13,345
Total Support Services	-	3,515	-	13,466	8,984	9,820	3,525	4,559	43,869
Total Expenditures	\$ 203,864	\$ 6,714	\$ 24,362	\$ 13,466	\$ 8,984	\$ 41,109	\$ 3,525	8,873	\$ 310,897

**FLORHAM PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Nonpublic Nursing</u>	<u>Nonpublic Textbooks</u>	<u>Nonpublic Technology</u>	<u>Total E-1A</u>
REVENUES				
Intergovernmental				
Federal				
State	\$ 4,559	\$ 2,575	\$ 1,739	\$ 8,873
Total Revenues	<u>\$ 4,559</u>	<u>\$ 2,575</u>	<u>\$ 1,739</u>	<u>\$ 8,873</u>
EXPENDITURES				
Instruction				
Tuition				
General Supplies			\$ 1,739	\$ 1,739
Textbooks	-	\$ 2,575	-	2,575
Total Instruction	<u>-</u>	<u>2,575</u>	<u>1,739</u>	<u>4,314</u>
Support Services				
Purchased Professional/Technical Services	\$ 4,559	-	-	4,559
Total Support Services	<u>4,559</u>	<u>-</u>	<u>-</u>	<u>4,559</u>
Total Expenditures	<u>\$ 4,559</u>	<u>\$ 2,575</u>	<u>\$ 1,739</u>	<u>\$ 8,873</u>

**FLORHAM PARK BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

CAPITAL PROJECTS FUND

EXHIBITS F-1 AND F-2

NOT APPLICABLE

ENTERPRISE FUND

**FLORHAM PARK BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

Financial Statements are Presented on Exhibit B-4

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Statements are Presented on Exhibit B-5

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Statements are Presented on Exhibit B-6

FIDUCIARY FUNDS

AGENCY FUNDS

**FLORHAM PARK BOARD OF EDUCATION
AGENCY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2018**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 67,500	\$ 22,399	\$ 89,899
Total Assets	<u>\$ 67,500</u>	<u>\$ 22,399</u>	<u>\$ 89,899</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 7,155	\$ 7,155
Accrued Salaries and Wages		393	393
Due to Other Funds		14,851	14,851
Due to Student Groups	<u>\$ 67,500</u>	<u>-</u>	<u>67,500</u>
Total Liabilities	<u>\$ 67,500</u>	<u>\$ 22,399</u>	<u>\$ 89,899</u>

FLORHAM PARK BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance,</u> <u>July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance,</u> <u>June 30, 2018</u>
ELEMENTARY SCHOOLS				
Briarwood	\$ 6,545	\$ 5,901	\$ 5,465	\$ 6,981
Brooklake	5,761	17,913	15,170	8,504
MIDDLE SCHOOLS				
Ridgedale Athletics	203	5,327	4,890	640
Ridgedale	<u>49,493</u>	<u>102,877</u>	<u>100,995</u>	<u>51,375</u>
Total All Schools	<u>\$ 62,002</u>	<u>\$ 132,018</u>	<u>\$ 126,520</u>	<u>\$ 67,500</u>

**FLORHAM PARK BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Balance, July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2018</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 5,888	\$ 5,435,243	\$ 5,433,976	\$ 7,155
Accrued Salaries and Wages	1,963	6,753,698	6,755,268	393
Flex Spending Deposits	268	35,135	35,403	-
Due to Other Funds	<u>14,737</u>	<u>21,044</u>	<u>20,930</u>	<u>14,851</u>
 Total	 <u>\$ 22,856</u>	 <u>\$ 12,245,120</u>	 <u>\$ 12,245,577</u>	 <u>\$ 22,399</u>

LONG-TERM DEBT

**FLORHAM PARK BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2018</u>
School District Refunding Bonds - 2009	9/10/2009	\$ 9,185,000	7/15/2018	\$ 300,000 3.50 %				
			7/15/2018	570,000 4.250				
			7/15/2019	190,000 3.500				
			7/15/2019	715,000 4.375				
			7/15/2020	940,000 4.500				
			7/15/2021	940,000 4.250				
			7/15/2022	945,000 4.000	\$ 5,430,000	-	\$ 830,000	\$ 4,600,000
					<u>\$ 5,430,000</u>	<u>\$ -</u>	<u>\$ 830,000</u>	<u>\$ 4,600,000</u>
							Paid By Budget Appropriation	<u>\$ 830,000</u>

FLORHAM PARK BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Purpose</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Balance, June 30, 2017</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance, June 30, 2018</u>
Copier - 2017	\$ 14,249	5.93%	<u>\$ 12,583</u>	<u>\$ -</u>	<u>\$ 2,624</u>	<u>\$ 9,959</u>

**FLORHAM PARK BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

REVENUES	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Local Sources					
Property Tax Levy	\$ 1,043,456	-	\$ 1,043,456	\$ 1,043,456	-
 Total Revenues	 1,043,456	 -	 1,043,456	 1,043,456	 -
 EXPENDITURES					
Regular Debt Service					
Principal	830,000		830,000	830,000	
Interest	213,456	-	213,456	213,456	-
 Total Expenditures	 1,043,456	 -	 1,043,456	 1,043,456	 -
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 -	 -	 -	 -	 -
 Fund Balance, Beginning of Year	 -	 -	 -	 -	 -
 Fund Balance, End of Year	 \$ -	 \$ -	 \$ -	 \$ -	 \$ -

STATISTICAL SECTION

This part of the Florham Park Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FLORHAM PARK BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011 (1)	2012	2013	2014 (2)	2015	2016	2017	2018
Governmental activities										
Net Investment in capital assets	\$ 6,701,460	\$ 6,864,045	\$ 6,814,593	\$ 6,825,899	\$ 7,049,947	\$ 7,319,911	\$ 8,233,539	\$ 8,978,991	\$ 9,142,964	\$ 9,518,311
Restricted	200,677	225,326	384,597	664,955	869,753	1,119,301	1,087,822	1,020,183	1,206,701	717,801
Unrestricted	1,979	(24,502)	(5,237)	201,002	235,888	(4,736,455)	(4,459,727)	(4,393,670)	(4,688,882)	(4,294,183)
Total governmental activities net position	<u>\$ 6,904,116</u>	<u>\$ 7,064,869</u>	<u>\$ 7,193,953</u>	<u>\$ 7,691,856</u>	<u>\$ 8,155,588</u>	<u>\$ 3,702,757</u>	<u>\$ 4,861,634</u>	<u>\$ 5,605,504</u>	<u>\$ 5,660,783</u>	<u>\$ 5,941,929</u>
Business-type activities										
Net Investment in capital assets	\$ 496	\$ 4,334	\$ 4,730	\$ 9,412	\$ 17,176	\$ 15,366	\$ 13,556	\$ 11,746	\$ 9,936	\$ 8,126
Restricted										
Unrestricted	3,999	780								
Total business-type activities net position	<u>\$ 4,495</u>	<u>\$ 5,114</u>	<u>\$ 4,730</u>	<u>\$ 9,412</u>	<u>\$ 17,176</u>	<u>\$ 15,366</u>	<u>\$ 13,556</u>	<u>\$ 11,746</u>	<u>\$ 9,936</u>	<u>\$ 8,126</u>
District-wide										
Net Investment in capital assets	\$ 6,701,956	\$ 6,868,379	\$ 6,819,323	\$ 6,835,311	\$ 7,067,123	\$ 7,335,277	\$ 8,247,095	\$ 8,990,737	\$ 9,152,900	\$ 9,526,437
Restricted	200,677	225,326	384,597	664,955	869,753	1,119,301	1,087,822	1,020,183	1,206,701	717,801
Unrestricted	5,978	(23,722)	(5,237)	201,002	235,888	(4,736,455)	(4,459,727)	(4,393,670)	(4,688,882)	(4,294,183)
Total district net position	<u>\$ 6,908,611</u>	<u>\$ 7,069,983</u>	<u>\$ 7,198,683</u>	<u>\$ 7,701,268</u>	<u>\$ 8,172,764</u>	<u>\$ 3,718,123</u>	<u>\$ 4,875,190</u>	<u>\$ 5,617,250</u>	<u>\$ 5,670,719</u>	<u>\$ 5,950,055</u>

Note 1 - Net Position at June 30, 2012 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2015 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

FLORHAM PARK BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 6,577,544	\$ 6,860,495	\$ 6,277,653	\$ 6,260,670	\$ 6,857,382	\$ 6,839,702	\$ 8,124,418	\$ 8,312,608	\$ 8,898,679	\$ 9,323,261
Special Education	2,269,125	2,702,625	2,602,610	2,980,703	2,754,197	3,057,821	3,320,865	3,884,339	4,448,709	4,699,889
Other Instruction	67,043	108,418	141,708	213,722	197,548	243,694	119,197	216,185	392,057	388,761
School Sponsored Activities and Athletics	148,318	148,955	148,770	156,927	153,681	174,848	172,524	208,900	192,970	240,664
Support Services:										
Student & Instruction Related Services	2,558,454	2,659,787	2,493,443	2,711,681	2,865,286	2,792,544	3,117,108	3,203,838	3,670,298	3,871,776
General Administrative Services	518,851	574,800	597,239	593,874	605,846	477,445	587,964	653,608	675,383	708,755
School Administrative Services	968,615	1,081,152	1,061,376	1,084,544	1,049,373	987,638	1,020,387	1,072,812	1,231,262	1,255,892
Central Services/Business Services	345,639	338,009	365,831	395,547	388,815	407,775	536,395	576,944	631,307	722,662
Plant Operations and Maintenance	2,412,179	2,446,176	2,508,052	2,255,376	2,348,184	2,498,158	2,578,129	2,781,829	2,827,407	2,874,570
Pupil Transportation	803,849	804,200	816,834	900,848	964,524	1,035,975	1,006,013	970,710	1,041,017	1,115,537
Interest on Long-Term Debt	513,234	372,251	383,267	355,199	338,146	322,926	301,548	272,166	235,145	193,994
Total Governmental Activities Expenses	17,182,851	18,096,868	17,396,783	17,909,091	18,522,982	18,838,526	20,884,548	22,153,939	24,244,234	25,395,761
Business-Type Activities:										
Food Service	16,412	14,561	13,708	13,592	14,628	14,325	16,048	14,847	11,457	11,482
Total Business-Type Activities Expense	16,412	14,561	13,708	13,592	14,628	14,325	16,048	14,847	11,457	11,482
Total District Expenses	\$ 17,199,263	\$ 18,111,429	\$ 17,410,491	\$ 17,922,683	\$ 18,537,610	\$ 18,852,851	\$ 20,900,596	\$ 22,168,786	\$ 24,255,691	\$ 25,407,243
Program Revenues										
Governmental Activities:										
Charges for Services:										
Pupil Transportation	\$ 111,531	\$ 130,101	\$ 119,141	\$ 100,618	\$ 100,523	\$ 95,578	\$ 123,417	\$ 173,840	\$ 199,199	\$ 197,128
Tuition		64,462	75,225	360,237	283,367	204,974	136,134	42,000	66,500	70,000
Operating Grants and Contributions	2,189,988	2,530,036	1,724,411	2,114,533	2,441,422	2,251,981	4,202,090	4,804,584	5,949,438	6,833,942
Capital Grants and Contributions	480	53,026	14,100	-	25,789	41,812	287,653	218,425	-	-
Total Governmental Activities Program Revenues	2,301,999	2,777,625	1,932,877	2,575,388	2,851,101	2,594,345	4,749,294	5,238,849	6,215,137	7,101,070
Business-type activities:										
Charges for Services										
Food Service	9,143	8,226	8,413	12,150	12,415	12,193	11,123	9,436	6,313	5,029
Operating Grants and Contributions	8,256	6,954	2,725							
Capital Grants and Contributions					9,167					
Total Business Type Activities Program Revenues	17,399	15,180	11,138	12,150	21,582	12,193	11,123	9,436	6,313	5,029
Total District Program Revenues	\$ 2,319,398	\$ 2,792,805	\$ 1,944,015	\$ 2,587,538	\$ 2,872,683	\$ 2,606,538	\$ 4,760,417	\$ 5,248,285	\$ 6,221,450	\$ 7,106,099

FLORHAM PARK BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental Activities	\$ (14,880,852)	\$ (15,319,243)	\$ (15,463,906)	\$ (15,333,703)	\$ (15,671,881)	\$ (16,244,181)	\$ (16,135,254)	\$ (16,915,090)	\$ (18,029,097)	\$ (18,294,691)
Business-Type Activities	987	619	(2,570)	(1,442)	6,954	(2,132)	(4,925)	(5,411)	(5,144)	(6,453)
Total District-Wide Net Expense	\$ (14,879,865)	\$ (15,318,624)	\$ (15,466,476)	\$ (15,335,145)	\$ (15,664,927)	\$ (16,246,313)	\$ (16,140,179)	\$ (16,920,501)	\$ (18,034,241)	\$ (18,301,144)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 13,822,785	\$ 14,278,900	\$ 14,617,866	\$ 14,764,011	\$ 15,050,909	\$ 15,629,073	\$ 16,092,428	\$ 16,414,276	\$ 16,900,649	\$ 17,375,847
Property Taxes Levied for Debt Service	1,054,628	1,053,010	955,617	1,039,666	1,042,719	1,041,731	1,043,056	1,047,156	1,043,206	1,043,456
Unrestricted Aid, Grants and Contributions	4,010						8,864	9,752	18,347	19,199
Investment Earnings	11,786	4,256	7,592	6,182	5,653	6,442	7,396	6,930	10,751	38,627
Miscellaneous Income	133,765	143,830	111,931	27,771	37,242	58,109	145,502	184,447	114,757	103,351
Transfers			(2,186)	(6,124)	(810)	(322)	(3,115)	(3,601)	(3,334)	(4,643)
Total Governmental Activities	15,026,974	15,479,996	15,690,820	15,831,506	16,135,713	16,735,033	17,294,131	17,658,960	18,084,376	18,575,837
Business-Type Activities:										
Investment Earnings										
Transfers			2,186	6,124	810	322	3,115	3,601	3,334	4,643
Total Business-Type Activities	-	-	2,186	6,124	810	322	3,115	3,601	3,334	4,643
Total District-Wide	\$ 15,026,974	\$ 15,479,996	\$ 15,693,006	\$ 15,837,630	\$ 16,136,523	\$ 16,735,355	\$ 17,297,246	\$ 17,662,561	\$ 18,087,710	\$ 18,580,480
Change in Net Position										
Governmental Activities	\$ 146,122	\$ 160,753	\$ 226,914	\$ 497,803	\$ 463,832	\$ 490,852	\$ 1,158,877	\$ 743,870	\$ 55,279	\$ 281,146
Business-Type Activities	987	619	(384)	4,682	7,764	(1,810)	(1,810)	(1,810)	(1,810)	(1,810)
Total District	\$ 147,109	\$ 161,372	\$ 226,530	\$ 502,485	\$ 471,596	\$ 489,042	\$ 1,157,067	\$ 742,060	\$ 53,469	\$ 279,336

**FLORHAM PARK BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 493,163	\$ 499,997								
Unreserved	165,798	153,110								
Restricted			\$ 634,597	\$ 914,955	\$ 1,119,753	\$ 952,145	\$ 919,755	\$ 1,229,465	\$ 1,550,147	\$ 1,011,537
Committed										566,023
Assigned			29,868	175,988	179,088	109,288	302,830	307,567	446,894	382,058
Unassigned			165,593	238,004	263,069	281,944	249,176	303,854	313,123	278,294
Total General Fund	\$ 658,961	\$ 653,107	\$ 830,058	\$ 1,328,947	\$ 1,561,910	\$ 1,343,377	\$ 1,471,761	\$ 1,840,886	\$ 2,310,164	\$ 2,237,912
All Other Governmental Funds										
Reserved	\$ 103,817									
Unreserved	(8,516)	\$ 80,789								
Restricted						417,156	418,067	90,428		
Committed										
Assigned										
Total all other governmental funds	\$ 95,301	\$ 80,789	\$ -	\$ -	\$ -	\$ 417,156	\$ 418,067	\$ 90,428	\$ -	\$ -

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

FLORHAM PARK BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property Tax Levy	\$ 14,877,413	\$ 15,331,910	\$ 15,573,483	\$ 15,803,677	\$ 16,093,628	\$ 16,670,804	\$ 17,135,484	\$ 17,461,432	\$ 17,943,855	\$ 18,419,303
Tuition		64,462	75,225	360,237	283,367	204,974	136,134	42,000	66,500	70,000
Transportation Fees	111,531	130,101	119,141	100,618	100,523	95,578	123,417	173,840	199,199	197,128
Interest Earnings	11,786	4,256	7,592	6,182	5,653	6,442	7,396	6,930	10,751	38,627
Miscellaneous	204,151	201,954	145,355	127,803	102,034	112,886	189,921	194,085	133,315	144,460
State Sources	1,871,212	2,090,671	1,395,974	1,734,490	2,143,690	1,997,880	2,485,186	2,519,552	2,488,505	2,975,796
Federal Sources	252,880	434,267	309,113	280,011	258,729	241,136	251,670	280,855	257,919	257,390
Total Revenue	17,328,973	18,257,621	17,625,883	18,413,018	18,987,624	19,329,700	20,329,208	20,678,694	21,100,044	22,102,704
Expenditures										
Instruction										
Regular Instruction	6,555,456	6,836,216	6,351,479	6,247,254	6,807,333	6,842,650	7,154,541	7,086,683	7,098,579	7,744,442
Special Education Instruction	2,300,513	2,702,338	2,601,388	2,970,143	2,756,191	3,061,728	3,011,002	3,442,010	3,740,194	4,013,862
Other instruction	67,043	108,418	141,708	197,575	206,299	234,943	119,166	184,063	320,145	318,560
School Sponsored Activities/Athletics	148,318	148,955	148,770	156,927	153,681	174,848	172,524	206,900	182,553	213,981
Support Services:										
Student and Inst. Related Services	2,541,151	2,637,425	2,469,287	2,705,075	2,849,109	2,782,721	2,873,116	2,861,543	3,069,835	3,281,982
General Administrative Services	512,323	564,222	588,560	585,195	618,816	477,445	586,105	603,354	601,187	613,022
School Administrative Services	931,646	1,002,152	1,024,353	1,051,982	1,034,914	982,864	946,243	948,944	993,800	1,050,076
Central Services/Business Services	344,484	353,430	365,104	395,545	388,815	391,628	503,459	531,707	546,118	603,018
Plant Operations and Maintenance	1,743,922	1,787,291	1,869,193	1,614,160	1,713,187	1,863,465	1,928,045	2,120,754	2,029,487	2,130,813
Pupil Transportation	762,550	762,901	795,125	894,645	954,187	1,013,299	988,045	945,742	977,279	1,003,840
Capital Outlay	140,813	301,461	96,554	49,838	228,600	263,433	871,496	654,751	127,526	149,961
Debt Service										
Principal	637,196	668,184	677,939	670,000	695,000	710,000	730,000	760,000	791,666	832,624
Interest and Other Charges	519,434	404,994	398,075	369,666	347,719	331,731	313,056	287,156	253,740	214,132
Cost of Issuance		101,880								
Payment to Escrow Account		662,153								
Total Expenditures	17,204,849	19,042,020	17,527,535	17,908,005	18,753,851	19,130,755	20,196,798	20,633,607	20,732,109	22,170,313
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	124,124	(784,399)	98,348	505,013	233,773	198,945	132,410	45,087	367,935	(67,609)
Other Financing sources (uses)										
Capital Lease Proceeds									14,249	
Refunding Bond Proceeds		9,185,000								
Premium on Notes/Bonds		679,033								
Bonds Refunded		(9,100,000)								
Transfers In	107,526	19,363	118			476,070	432,390	-	87,847	
Transfers Out	(107,526)	(19,363)	(2,304)	(6,124)	(810)	(476,392)	(435,505)	(3,601)	(91,181)	(4,643)
Total Other Financing Sources (Uses)	-	764,033	(2,186)	(6,124)	(810)	(322)	(3,115)	(3,601)	10,915	(4,643)
Net Change in Fund Balances	\$ 124,124	\$ (20,366)	\$ 96,162	\$ 498,889	\$ 232,963	\$ 198,623	\$ 129,295	\$ 41,486	\$ 378,850	\$ (72,252)
Debt Service as a Percentage of										
Noncapital Expenditures	6.78%	9.80%	6.17%	5.82%	5.63%	5.52%	5.40%	5.24%	5.07%	4.75%

* Noncapital expenditures are total expenditures less capital outlay.

**FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended June 30,	<u>Interest</u>	<u>Tuition</u>	<u>Transportation Fees</u>	<u>Prior Year Reimbursements</u>	<u>Insurance Refunds</u>	<u>Prior Year Orders Canceled</u>	<u>Cancel Old Outstanding Checks</u>	<u>Facility Use</u>	<u>E-Rate</u>	<u>Benefit Share</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 11,478		\$ 111,531	\$ 40,923	\$ 14,304			\$ 38,357	\$ 15,298		\$ 24,883	\$ 256,774
2010	4,053	\$ 64,462	130,101	15,156	976			40,734	16,085	\$ 37,676	33,203	342,446
2011	7,474	75,225	119,141	28,568	3,517			46,669	26,680		6,497	313,771
2012	6,182	360,237	100,618	9,490			\$ 7,666	8,200			2,415	494,808
2013	5,653	283,367	100,523	10,299			2,315	2,377	16,367		5,884	426,785
2014	6,442	204,974	95,578	5,485	16,305		4,060		13,021		19,238	365,103
2015	7,396	136,134	123,417	69,664	2,777		1,523	34,465	33,426		3,647	412,449
2016	6,930	42,000	173,840	70,061	3,211	\$ 21,160	4,366	35,400	38,942		11,307	407,217
2017	10,751	66,500	199,199	4,849	27,625		5,499	37,909	26,368		12,507	391,207
2018	38,627	70,000	197,128	20,731			1,739	63,888	5,218		11,775	409,106

FLORHAM PARK BOARD OF EDUCATION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
 (Unaudited)

Calendar Year	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct Local School Tax Rate *
2009	\$ 126,647,500	\$ 2,012,843,600	\$ 748,300	\$ 119,800	\$ 912,417,600	\$ 108,971,400	\$ 153,215,500	\$ 3,314,963,700	\$ 4,947,120	\$ 3,319,910,820	\$ 3,357,907,547	\$ 0.45
2010	128,845,700	2,047,551,750	748,300	119,800	887,116,700	101,302,400	151,215,500	3,316,900,150	4,901,700	3,321,801,850	3,332,562,174	0.47
2011	118,379,400	2,051,700,450	748,300	119,800	867,113,600	101,302,400	151,215,500	3,290,579,450	4,582,780	3,295,162,230	3,356,840,595	0.48
2012	110,392,500	2,031,401,150	748,300	119,800	890,441,900	97,324,800	151,215,500	3,281,643,950	4,576,711	3,286,220,661	3,335,769,352	0.48
2013	95,485,900	2,024,445,400	748,300	119,800	890,390,400	97,324,800	157,415,500	3,265,930,100	4,257,410	3,270,187,510	3,015,767,531	0.50
2014	98,799,800	1,985,991,600	748,300	119,800	882,320,700	96,354,600	168,609,300	3,232,944,100	3,854,835	3,236,798,935	2,839,810,971	0.52
2015	95,113,200	2,003,842,000	748,300	119,800	883,268,500	94,644,600	175,484,100	3,253,220,500	4,080,033	3,257,300,533	3,021,413,939	0.53
2016	98,191,900	2,014,682,600	748,300	119,800	903,530,300	92,180,200	175,484,100	3,284,937,200	4,079,867	3,289,017,067	3,126,935,377	0.54
2017	96,791,400	2,035,336,200	748,300	119,800	894,116,700	88,344,300	193,577,400	3,309,034,100	4,107,211	3,313,141,311	3,168,759,250	0.55
2018	64,953,700	2,050,951,700	748,300	119,800	929,394,900	88,344,300	245,944,100	3,380,456,800	3,974,458	3,384,431,258	3,503,649,795	0.56

Source: County Abstract of Ratables

a Tax rates are per \$100

**FLORHAM PARK BOARD OF EDUCATION
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
 (Unaudited)
 (rate per \$100 of assessed value)**

Calendar Year	Total Direct School Tax Rate	Overlapping Rates			Total Direct and Overlapping Tax Rate
	Florham Park Local School District	Hanover Park Regional High School District	Municipality of Florham Park	Morris County	
2009	\$ 0.45	\$ 0.20	\$ 0.33	\$ 0.21	\$ 1.19
2010	0.47	0.21	0.35	0.23	1.25
2011	0.48	0.21	0.36	0.24	1.29
2012	0.48	0.22	0.38	0.25	1.33
2013	0.50	0.23	0.39	0.23	1.35
2014	0.52	0.23	0.40	0.23	1.38
2015	0.53	0.24	0.40	0.23	1.40
2016	0.54	0.25	0.41	0.23	1.43
2017	0.55	0.26	0.41	0.25	1.47
2018	0.56	0.27	0.41	0.27	1.51

Source: County Abstract of Ratables

**FLORHAM PARK BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
KBSII 100-200 Campus Drive LLC	\$ 95,795,100	2.83%	\$ 110,283,200	3.32%
KBSII 300-600 Campus Drive LLC	93,517,700	2.76%	108,017,200	3.25%
Sun Valley Plaza LLC	72,571,800	2.14%	46,245,600	1.40%
BASF	68,000,000	2.01%		
Avalonbay Communities	63,369,900	1.87%	63,369,000	1.91%
Advance At Park Place LLC	52,731,400	1.56%	34,865,300	1.05%
LIPT 140 Park Ave. LLC	35,014,200	1.03%		
Lifetime Fitness	33,900,000	1.00%	33,900,000	1.02%
HPT IHG Two Properties Trust	33,000,000	0.98%		
Automatic Switch Company	32,867,600	0.97%		
Wells Reit II			69,600,000	2.10%
Rock - GW Miramar			63,200,700	1.91%
LH Florham Holding			43,000,000	1.30%
	<u>\$ 580,767,700</u>	<u>17.16%</u>	<u>\$ 572,481,000</u>	<u>17.26%</u>

Source: Municipal Tax Assessor

**FLORHAM PARK BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 14,877,413	\$ 14,877,413	100%	-
2010	15,331,910	15,331,910	100%	-
2011	15,573,483	15,573,483	100%	-
2012	15,803,667	15,803,667	100%	-
2013	16,093,628	16,093,628	100%	-
2014	16,670,804	16,670,804	100%	-
2015	17,135,484	17,135,484	100%	-
2016	17,461,432	17,461,432	100%	-
2017	17,943,855	17,943,855	100%	-
2018	18,419,303	18,419,303	100%	-

**FLORHAM PARK BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities			Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases	Grant Anticipation Notes			
2009	\$ 10,915,000	\$ 131,123		\$ 11,046,123	12,347	\$ 895
2010	10,425,000	37,939		10,462,939	11,745	891
2011	9,785,000			9,785,000	11,782	831
2012	9,115,000			9,115,000	11,816	771
2013	8,420,000			8,420,000	11,823	712
2014	7,710,000			7,710,000	11,769	655
2015	6,980,000			6,980,000	11,816	591
2016	6,220,000			6,220,000	11,773	528
2017	5,430,000	12,583		5,442,583	11,765	463
2018	4,600,000	9,959		4,609,959	11,765 (E)	392

(E) - Estimate

FLORHAM PARK BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Deductions			
2009	\$ 10,915,000		\$ 10,915,000	0.33	\$ 895
2010	10,425,000		10,425,000	0.31	888
2011	9,785,000		9,785,000	0.30	831
2012	9,115,000		9,115,000	0.28	771
2013	8,420,000		8,420,000	0.26	712
2014	7,710,000		7,710,000	0.24	655
2015	6,980,000		6,980,000	0.21	591
2016	6,220,000		6,220,000	0.19	528
2017	5,430,000		5,430,000	0.16	462
2018	4,600,000		4,600,000	0.14	391

**FLORHAM PARK BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
(Unaudited)**

	<u>Total Debt</u>
Municipal Debt: (1)	
Florham Park Board of Education (as of June 30, 2018)	\$ 4,600,000
Regional High School - Florham Park's Share	6,764,693
Borough of Florham Park	<u>23,195,545</u>
Total Direct Municipal Debt	<u>34,560,238</u>
Overlapping Debt Apportioned to the Municipality:	
Morris County: (2)	
County of Morris (A)	<u>7,052,927</u>
Total Overlapping Debt Apportioned to the Municipality	<u>7,052,927</u>
Total Direct and Overlapping Debt	<u>\$ 41,613,165</u>

Source:

- (1) Borough of Florham Park's 2017 Annual Debt Statement
- (2) Morris County's 2017 Annual Debt Statement
- (A) The debt for this entity was apportioned by dividing the municipality's 2017 equalized value by the total 2017 equalized value for Morris County.

FLORHAM PARK BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized valuation basis
	2015 \$3,077,786,660
	2016 3,164,679,383
	2017 3,411,023,709
	<u>\$9,653,489,752</u>
Average equalized valuation of taxable property	<u>\$3,217,829,917</u>
Debt limit (3 % of average equalization value)	\$ 96,534,898
Total Net Debt Applicable to Limit	<u>4,600,000</u>
Legal debt margin	<u>\$ 91,934,898</u>

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 97,102,876	\$ 99,109,670	\$ 99,963,349	\$ 99,887,568	\$ 96,912,020	\$ 91,797,202	\$ 88,416,523	\$ 89,109,645	\$ 92,265,379	\$ 96,534,898
Total net debt applicable to limit	<u>10,915,000</u>	<u>10,425,000</u>	<u>9,785,000</u>	<u>9,115,000</u>	<u>8,420,000</u>	<u>7,710,000</u>	<u>6,980,000</u>	<u>6,220,000</u>	<u>5,430,000</u>	<u>4,600,000</u>
Legal debt margin	<u>\$ 86,187,876</u>	<u>\$ 88,684,670</u>	<u>\$ 90,178,349</u>	<u>\$ 90,772,568</u>	<u>\$ 88,492,020</u>	<u>\$ 84,087,202</u>	<u>\$ 81,436,523</u>	<u>\$ 82,889,645</u>	<u>\$ 86,835,379</u>	<u>\$ 91,934,898</u>
Total net debt applicable to the limit as a percentage of debt limit	11.24%	10.52%	9.79%	9.13%	8.69%	8.40%	7.89%	6.98%	5.89%	4.77%

Source: Annual Debt Statements

**FLORHAM PARK BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Borough of Florham Park

<u>Fiscal Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2009	12,347	\$ 71,361	5.6%
2010	11,745	74,460	5.6%
2011	11,782	77,207	5.4%
2012	11,816	80,027	5.7%
2013	11,823	80,868	5.4%
2014	11,769	83,687	4.7%
2015	11,816	87,896	4.0%
2016	11,773	89,065	3.7%
2017	11,765	N/A	3.5%
2018	11,765	(E) N/A	N/A

N/A - Not Available

(E) - Estimate

Source: New Jersey State Department of Education

**FLORHAM PARK BOARD OF EDUCATION
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

<u>Employer</u>	<u>2018</u>		<u>2009</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

INFORMATION NOT AVAILABLE

**FLORHAM PARK BOARD OF EDUCATION
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Unaudited)**

<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>
Instruction	105.5	106.0	106.0	108.0	108.0	110.0	109.0	113.0	113.0	114.0
Support Services										
Student and Instruction Related Services	24.6	24.6	24.6	24.6	24.6	23.6	23.6	21.3	21.3	21.3
General Administration	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School Administrative Services	7.0	7.0	7.0	7.0	6.0	6.0	6.0	6.0	6.0	6.0
Central Services	2.8	2.8	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0
Plant Operations and Maintenance	10.7	11.3	11.3	11.3	11.3	11.3	11.3	11.8	11.3	11.3
Pupil Transportation	13.5	13.5	13.5	13.5	13.5	13.5	13.5	13.1	13.1	13.1
Total	<u>166.3</u>	<u>167.2</u>	<u>167.4</u>	<u>169.4</u>	<u>168.4</u>	<u>169.4</u>	<u>168.4</u>	<u>171.2</u>	<u>170.7</u>	<u>171.7</u>

Source: District Personnel Records

FLORHAM PARK BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teacher/Student Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School				
2009	1,047	\$ 15,907,406	\$ 15,193	0.03%	87	1:12	1:12	1,028	981	-0.19%	95.43%
2010	1,041	16,903,348	16,238	6.87%	87	1:12	1:12	1,037	994	0.88%	95.85%
2011	1,037	16,354,967	15,771	-2.87%	87	1:12	1:12	1,027	983	-0.96%	95.72%
2012	1,028	16,818,501	16,360	3.73%	89	1:12	1:12	1,026	980	-0.10%	95.52%
2013	1,029	17,482,532	16,990	3.85%	90	1:12	1:12	1,022	982	-0.39%	96.09%
2014	1,001	17,825,591	17,808	4.81%	89	1:12	1:12	1,003	964	-1.86%	96.11%
2015	986	18,282,246	18,542	4.12%	89	1:12	1:12	990	951	-1.30%	96.06%
2016	959	18,931,700	19,741	6.47%	90	1:10	1:10	966	927	-2.42%	95.96%
2017	954	19,559,177	20,502	3.86%	90	1:10	1:10	966	924	0.00%	95.65%
2018	971	20,973,596	21,600	5.35%	91	1:10	1:10	966	920	0.00%	95.24%

Sources: District records

**FLORHAM PARK BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
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>
<u>District Building</u>										
<u>Elementary</u>										
Brooklake										
Square Feet	50,700	50,700	50,700	50,700	50,700	50,700	50,700	50,700	50,700	50,700
Enrollment	350	346	325	339	347	324	297	316	327	328
Briarwood										
Square Feet	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Enrollment	350	365	352	360	355	350	352	301	310	318
<u>Middle School</u>										
Ridgedale										
Square Feet	76,100	76,100	76,100	76,100	76,100	76,100	76,100	76,000	76,000	76,000
Enrollment	343	331	351	331	327	327	337	342	317	325

Number of Schools at June 30, 2018
 Elementary = 2
 Middle School = 1
3

Source: District Records

FLORHAM PARK BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)

Undistributed Expenditures - Required
Maintenance for School Facilities
11-000-261-xxx

<u>School Facilities</u>	<u>Project Nos.</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>
Brooklake Elementary School	N/A	\$ 80,795	\$ 78,381	\$ 137,547	\$ 86,392	\$ 123,324	\$ 105,435	\$ 126,543	\$ 157,949	\$ 111,247	\$ 157,758
Briarwood Elementary School	N/A	113,747	70,827	103,820	76,142	83,628	96,050	117,308	146,422	103,576	151,218
Ridgedale Elementary School	N/A	<u>135,037</u>	<u>147,412</u>	<u>150,862</u>	<u>151,883</u>	<u>120,975</u>	<u>150,664</u>	<u>189,939</u>	<u>237,078</u>	<u>168,790</u>	<u>154,327</u>
Total School Facilities		<u>\$ 329,579</u>	<u>\$ 296,620</u>	<u>\$ 392,229</u>	<u>\$ 314,417</u>	<u>\$ 327,927</u>	<u>\$ 352,149</u>	<u>\$ 433,790</u>	<u>\$ 541,449</u>	<u>\$ 383,613</u>	<u>\$ 463,303</u>

Source: District Records

**FLORHAM PARK BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSIG		
Property - Blanket Building & Contents	\$ 55,696,206	\$ 5,000
Increased Cost of Construction	25,000,000	
Flood	75,000,000	
Computer Equipment	300,000	
Energy Systems - Property Damage	100,000,000	
Commercial Liability - Bodily Injury/Property Damage	11,000,000	
Workers Compensation	2,000,000	
School Leaders Errors and Omissions	11,000,000	5,000
Business Auto	11,000,000	1,000
Public Employee Dishonesty	100,000	
Money and Security	25,000	
Computer Fraud	100,000	
Depositor Forgery	100,000	
Student Accident	5,000,000	
Public Official Bond - Board Secretary	100,000	
Public Official Bond - Treasurer of School Monies	230,000	

Source: School District's records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Florham Park Board of Education
Florham Park, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Florham Park Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Florham Park Board of Education's basic financial statements and have issued our report thereon dated January 23, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Florham Park Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 23, 2019.

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 Florham Park Board of Education'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 Florham Park Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 23, 2019



LERCH, VINCI & HIGGINS, LLP

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

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Education
Florham Park Board of Education
Florham Park, New Jersey

Report on Compliance for Each Major State Program

We have audited the Florham Park Board of Education’s compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Florham Park Board of Education’s major state programs for the fiscal year ended June 30, 2018. The Florham Park Board of Education’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Florham Park Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 23, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

LERCH, VINCI & HIGGINS, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 23, 2019

FLORHAM PARK BOARD OF EDUCATION
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2017	Unearned	Accounts	Cash	Budgetary	Repayment of Prior Years Balances	June 30, 2018		Due to Grantor at June 30, 2018	MEMO GAAP Receivable
							Revenue Carryover Amount	Receivable Carryover Amount				(Account Receivable)	Unearned Revenue		
U.S. Department of Education															
Passed-through State Department of Education															
I.D.E.I.A Part B, Basic Regular	84.027	H027A170100	FT-1530-08	7/1/17-6/30/18	\$ 203,864		\$ 3,569	\$ (3,569)	\$ 190,025	\$ 203,864		\$ (17,408)	\$ 3,569		* \$ (13,839)
I.D.E.I.A. Part B, Basic Regular	84.027	H027A160100	FT-1530-08	7/1/16-6/30/17	207,882	\$ (810)	(3,569)	3,569	810						*
I.D.E.I.A. Preschool	84.173	H173A170114	PS-1530-08	7/1/17-6/30/18	8,515		770	(770)		6,714		(9,285)	2,571		* (6,714)
I.D.E.I.A. Preschool	84.173	H173A160114	PS-1530-08	7/1/16-6/30/17	8,582	(1,045)	(770)	770	1,045	-	-	-	-	-	* -
Total Special Education Cluster (IDEA)						(1,855)	-	-	191,880	210,578	-	(26,693)	6,140	-	* (20,553)
Title I Part A	84.010	S010A170030	NCLB153008	7/1/17-6/30/18	24,362		396	(396)		24,362		(24,758)	396		* (24,362)
Title I Part A	84.010	S010A160030	NCLB153008	7/1/16-6/30/17	24,396	(24,000)	(396)	396	24,000						* -
Title II Part A	84.367A	S367A170029	NCLB153008	7/1/17-6/30/18	13,801		6,512	(6,512)		13,466		(20,313)	6,847		* (13,466)
Title II Part A	84.367A	S367A160029	NCLB153008	7/1/16-6/30/17	23,781	(21,300)	(6,512)	6,512	21,300						* -
Title III Immigrant	84.365	S365A170030	NCLB153008	7/1/17-6/30/18			2,114	(2,114)				(2,114)	2,114		* -
Title III Immigrant	84.365	S365A160030	NCLB153008	7/1/16-6/30/17	2,114		(2,114)	2,114							* -
Title IV	84.424	S424A170031	NCLB153008	7/1/17-6/30/18	10,000					8,984		(10,000)	1,016		* (8,984)
Title IV	84.186A	N/A	NCLB153008	9/1/10-8/31/11	1,513	1,513	-	-	-	-	\$ 1,513	-	-	-	* -
Total U.S. Department of Education/Federal Awards						\$ (45,642)	\$ -	\$ -	\$ 237,180	\$ 257,390	\$ 1,513	\$ (83,878)	\$ 16,513	\$ -	* \$ (67,365)

This schedule was not subject to Single Audit in accordance with U.S. Uniform Guidance.

See Accompanying Notes to Schedule of Expenditures of Federal Awards

FLORHAM PARK BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title State Department of Education General Fund:	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Adjustment	June 30, 2018			MEMO	
										(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Combined Total Expenditures
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 441,376			\$ 400,985	\$ 441,376			\$ (40,391)			*	\$ 441,376
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	407,427	(37,045)		37,045							*	
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	17,063			15,502	17,063			(1,561)			*	17,063
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	17,063	(1,551)		1,551							*	
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	9,750			8,858	9,750			(892)			*	9,750
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	9,750	(887)		887							*	
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	9,750			8,858	9,750			(892)			*	9,750
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	9,750	(887)		887							*	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	9,460			8,594	9,460			(866)			*	9,460
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	9,460	(860)		860							*	
Total State Aid - Public Cluster				(41,230)	-	484,027	487,399	-	-	(44,602)	-	-	*	487,399
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	44,317			40,261	44,317			(4,056)			*	44,317
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	44,317	(4,029)		4,029							*	
Additional Non Public Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	22,957				22,957			(22,957)			*	22,957
Additional Non Public Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	8,798	(8,798)		8,798							*	
Total Transportation Aid Cluster				(12,827)	-	53,088	67,274	-	-	(27,013)	-	-	*	67,274
Extraordinary Special Education Costs Aid	18-495-034-5120-044	7/1/17-6/30/18	45,543				45,543			(45,543)			*	45,543
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16-6/30/17	64,188	(64,188)		64,188							*	
TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	548,603			548,603	548,603						*	548,603
TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	711,632			1,066,428	1,066,428						*	1,066,428
TPAF Pension - NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	25,784			25,880	25,880						*	25,880
TPAF Post Retirement Medical Contributions	18-495-034-5094-001	7/1/17-6/30/18	614,435			705,498	705,498						*	705,498
TPAF Long-Term Disability Insurance Contributions	18-495-034-5094-004	7/1/17-6/30/18	752			1,527	1,527						*	1,527
Total General Fund				(118,245)	-	2,949,239	2,948,152	-	-	(117,158)	-	-	*	2,948,152
Special Revenue Fund:													*	
New Jersey Nonpublic Aid													*	
Auxiliary Services													*	
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	15,497	11,466				\$ 11,466					*	
ESL	17-100-034-5120-067	7/1/16-6/30/17	2,284	1,457				1,457					*	
Total Nonpublic Auxiliary Services Aid (Chapter 192) Cluster				12,923	-			12,923					*	
Handicapped Services													*	
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	9,719	5,451				5,451					*	
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	15,663	11,161				11,161					*	
Supplemental Instruction	17-100-034-5120-066	7/1/16-6/30/17	6,278	4,866				4,866					*	
Total Nonpublic Handicapped Aid (Chapter 193) Cluster				21,478	-			21,478					*	
Nursing	18-100-034-5120-070	7/1/17-6/30/18	4,559			4,559	4,559						*	4,559
Technology	18-100-034-5120-373	7/1/17-6/30/18	1,739			1,739	1,739						*	1,739
Textbooks	18-100-034-5120-064	7/1/17-6/30/18	2,575			2,575	2,575						*	2,575
Security	18-100-034-5120-509	7/1/17-6/30/18	3,525			3,525	3,525						*	3,525
Total Special Revenue Fund				34,401	-	12,398	12,398	34,401					*	12,398
Total State Financial Assistance Subject to Single Audit Determination				(83,844)	-	2,961,637	2,960,550	34,401		(117,158)	-	-	*	2,960,550
State Financial Assistance													*	
Not Subject to Major Program Determination													*	
General Fund													*	
TPAF Pension Contributions	18-495-034-5094-002	7/1/17-6/30/18	711,632			(1,066,428)	(1,066,428)						*	(1,066,428)
TPAF Pension - NCGI Premiums	18-495-034-5094-004	7/1/17-6/30/18	25,784			(25,880)	(25,880)						*	(25,880)
TPAF Post Retirement Medical Contributions	18-495-034-5094-001	7/1/17-6/30/18	614,435			(705,498)	(705,498)						*	(705,498)
TPAF Long-Term Disability Insurance Contributions	18-495-034-5094-004	7/1/17-6/30/18	752			(1,527)	(1,527)						*	(1,527)
Total State Financial Assistance For Major Program Determination				\$ (83,844)	\$ -	\$ 1,162,304	\$ 1,161,217	\$ 34,401	\$ -	\$ (117,158)	\$ -	\$ -	*	\$ 1,161,217

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See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

The 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 a modified accrual basis with the exception of the revenue recognition of the delayed state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of certain state aid payments 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, which may include the delayed state aid payments, whereas the GAAP basis does not. The special revenue fund also recognizes the delayed state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$15,246 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,963,398	\$ 2,963,398
Special Revenue Fund	\$ 257,390	12,398	269,788
Total Financial Assistance	<u>\$ 257,390</u>	<u>\$ 2,975,796</u>	<u>\$ 3,233,186</u>

**FLORHAM PARK BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$548,603 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$1,092,308 , TPAF Post-Retirement Medical Benefits Contributions in the amount of \$705,498 and TPAF Long-Term Disability Insurance in the amount of \$1,527 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

**FLORHAM PARK BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

- 1) Material weakness(es) identified yes X no
- 2) Significant deficiency identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section Not Applicable

**FLORHAM PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part I – Summary of Auditor’s Results

State Awards Section

Internal Control over major programs:

(1) Material weakness(es) identified _____ yes X no

(2) Significant deficiency identified that are not considered to be material weakness(es)? _____ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08? _____ yes X no

Identification of major state programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>18-495-034-5120-089</u>	<u>Special Education Aid</u>
<u>18-495-034-5120-084</u>	<u>Security Aid</u>
<u>18-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>18-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>18-495-034-5120-101</u>	<u>Professional Learning Community Aid</u>
_____	_____

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

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

**FLORHAM PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 2 – 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.

**FLORHAM PARK BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Part 3 – Schedule of Federal and State Award 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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

NOT APPLICABLE

CURRENT YEAR STATE AWARDS

There are none.

**FLORHAM PARK BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

There were none.