

SCHOOL DISTRICT
OF
HENRY HUDSON REGIONAL



HENRY HUDSON REGIONAL BOARD OF EDUCATION
HIGHLANDS, NEW JERSEY

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

HENRY HUDSON REGIONAL BOARD OF EDUCATION

HIGHLANDS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY

**HENRY HUDSON REGIONAL BOARD OF EDUCATION
FINANCE DEPARTMENT**

HENRY HUDSON REGIONAL SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1 to 4.
Roster of Officials	5.
Consultants and Advisors	6.
Organizational Chart	7.
FINANCIAL SECTION	
Independent Auditor's Report	8 to 10.
Required Supplementary Information – Part I	
Management's Discussion and Analysis	11 to 16.
<u>Basic Financial Statements</u>	
A. District-wide Financial Statements:	
A-1 Statement of Net Position	17.
A-2 Statement of Activities	18 & 19.
B. Fund Financial Statements:	
Governmental Funds:	
B-1 Balance Sheet	20.
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	21 & 22.
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23.
Proprietary Funds:	
B-4 Statement of Net Position	24.
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	25.
B-6 Statement of Cash Flows	26.
Fiduciary Funds:	
B-7 Statement of Fiduciary Net Position	27.
B-8 Statement of Changes in Fiduciary Net Position	28.
Notes to Financial Statements	29 to 60.

HENRY HUDSON REGIONAL SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
Required Supplementary Information – Part II	
C. Budgetary Comparison Schedules:	
C-1 Budgetary Comparison Schedule – General Fund	61 to 70.
C-1b Budgetary Comparison Schedule – Education Jobs Fund	N/A
C-2 Budgetary Comparison Schedule – Special Revenue Fund	71.
Notes to the Required Supplementary Information	
C-3 Budgetary Comparison Schedule – Note to RSI	72.
Required Supplementary Information – Part III	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District’s Proportionate Share of the Net Pension Liability – PERS	73.
L-2 Schedule of District Contributions – PERS	74.
L-3 Schedule of the District’s Proportionate Share of the Net Pension Liability – TPAF	75.
M. Schedules Related to Accounting and Reporting for Postemployment Benefits Other Than Pensions	
M-1 Schedule of Changes in the Total OPEB Liability and Related Ratios	76.
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	77.
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aid Schedule of Expenditures – Budgetary Basis	N/A

HENRY HUDSON REGIONAL SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis	78.
F-1a Schedule of Project Revenues, Expenditures, Project Balance and Project Status – New Roof Project	79.
F-1b Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Partial Roof Replacement – Section A	80.
G. Proprietary Fund:	
Enterprise Fund:	
G-1 Schedule of Net Position	N/A
G-2 Schedule of Revenues, Expenses and Changes in Fund Net Position	N/A
G-3 Schedule of Cash Flows	N/A
Internal Service Fund:	
G-4 Schedule of Net Position	N/A
G-5 Schedule of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Schedule of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	81.
H-2 Combining Statement of Changes in Fiduciary Net Position	82.
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	83.
H-4 Payroll Agency Fund Schedule of Changes in Assets and Liabilities	84.
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	85.
I-1a Schedule of Loans Payable	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	86.

HENRY HUDSON REGIONAL SCHOOL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
STATISTICAL SECTION (Unaudited)	
Introduction to the Statistical Section	
Financial Trends	
J-1 Net Position by Component	87.
J-2 Changes in Net Position	88.
J-3 Fund Balances – Governmental Funds	89.
J-4 Changes in Fund Balances – Governmental Funds	90.
J-5 General Fund Other Local Revenue by Source	91.
Revenue Capacity	
J-6 Assessed Value and Estimated Actual Value of Taxable Property	92.
J-7 Direct and Overlapping Property Tax Rates	93.
J-8 Principal Property Taxpayers	94.
J-9 Property Tax Levies and Collections	95.
Debt Capacity	
J-10 Ratios of Outstanding Debt by Type	96.
J-11 Ratios of General Bonded Debt Outstanding	97.
J-12 Direct and Overlapping Governmental Activities Debt	98.
J-13 Legal Debt Margin Information	99.
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	100.
J-15 Principal Employers	101.
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	102.
J-17 Operating Statistics	103.
J-18 School Building Information	104.
J-19 Schedule of Required Maintenance Expenditures by School Facility	105.
J-20 Insurance Schedule	106.

HENRY HUDSON REGIONAL SCHOOL DISTRICT

TABLE OF CONTENTS

Page

SINGLE AUDIT SECTION

K-1	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107 & 108.
K-2	Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over Compliance Required by the Uniform Guidance and Schedules of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08	109 to 111.
K-3	Schedule of Expenditures of Federal Awards, Schedule A	112.
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	113.
K-5	Notes to Schedules of Awards and Financial Assistance	114 to 116.
K-6	Schedule of Findings and Questioned Costs	117 to 120.
K-7	Summary Schedule of Prior Audit Findings	121.

INTRODUCTORY SECTION



HENRY HUDSON REGIONAL SCHOOL DISTRICT

SERVING THE BOROUGHES OF ATLANTIC HIGHLANDS AND HIGHLANDS

One Grand Tour · Highlands, New Jersey 07732-2039

Phone: 732-872-1517

Fax: 732-872-1315

Karen Horner
Board President

Janet Sherlock
Business Administrator/Board Secretary

Dr. Susan Compton
Superintendent

November 16, 2018

The Honorable President and
Members of the Board of Education
Henry Hudson Regional School District
One Grand Tour
Highlands, New Jersey 07732

Dear Board Members/Citizens:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Henry Hudson Regional School District (District). This report is for the fiscal year ended June 30, 2018. This report contains financial statements, supplemental statements, and other financial and statistical information to provide complete and full disclosure of all material financial aspects of the District for the 2017-2018 fiscal year.

Responsibility for the accuracy, completeness and fairness of this report rests with the District and, more specifically, the office of the School Business Administrator. To the best of our knowledge and belief, this report and the enclosed data are accurate in all material aspects and are reported in a manner designed to present fairly the financial position and results of operation of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

This report was prepared in conformance with generally accepted accounting principles as set forth by the Governmental Accounting Standards Board (GASB) and is representative of the District's continuing commitment to provide meaningful financial information to the citizens of the District.

This report has been divided into four sections:

The Introductory Section: includes this transmittal letter, the District's organizational chart, a list of principal officials, and a map of the State of New Jersey.

The Financial Section: includes the unqualified opinion of our independent auditors, Robert A. Hulsart and Company, Certified Public Accountants, the basic financial statement, and the combining and individual fund and account group financial statements,

The Statistical Section: includes selected financial, economic, and demographic information, generally presented on a multi-year basis for comparative purposes.

The Single Audit Section: is in accordance with generally accepted auditing standards; audit requirements as prescribed by the office of Finance, Department of Education, State of New Jersey; and Government Auditing Standards issued by the Comptroller General of the United States. Information related to this single audit, including the auditor's report in the internal control structure and compliance with applicable laws and regulations and findings and questioned costs, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

The Henry Hudson Regional School District is an independent reporting entity within the criteria adopted by the GASB Statement No. 14. All funds and account groups of the District are included in this report. The District also acts as fiscal agent for State funds distributed to private schools located within the District boundaries. There are currently no private schools located within the district. The District encompasses the Boroughs of Atlantic Highlands and Highlands. The Board of Education is comprised of five members from Highlands and four members from Atlantic Highlands. They are elected to three-year terms and meet on the third Wednesday of each month for the Regular Board Meeting. During its meetings, the Board determines District goals and priorities and conducts the business of the Board of Education. Board meetings are open to the public and begin at 7:00 p.m. unless otherwise noted. The name of Henry Hudson Regional comes from the historic Henry Hudson Springs located in Atlantic Highlands. In 1609, Henry Hudson, sea captain of the Half Moon, touched land, and drew water from the spring. Ships continued to use this spring into the 1900's.

The District provides a full-range of educational services appropriate to grade levels 7-12. These include regular, as well as inclusive education for disabled youngsters. The District is the only 7-12 School District in Monmouth County. It is accredited by the Middle States Association of Colleges and Secondary Schools and approved by the New Jersey State Department of Education.

The Parent Teacher Organization (PTO) is highly active in the District and provides community support for a variety of programs and activities for the children.

ECONOMIC CONDITION

The District, located in Monmouth County, is comprised of the towns of Atlantic Highlands and Highlands. In October, 2012, both communities were hit by Super Storm Sandy. The Atlantic Highlands Marina was destroyed and many homes and businesses were damaged. In Highlands, the entire downtown area was destroyed. Every home and business was affected. The Atlantic Highlands Marina has been rebuilt and the downtown is thriving. The town of Highlands has rebuilt with many businesses reopening and many homes being raised. There is a major revitalization project underway in Highlands.

MAJOR INITIATIVES

Henry Hudson Regional continues to share a Superintendent of Schools with Atlantic Highlands Elementary School and Highlands Elementary School.

The Forty-Four (44) graduates of the Henry Hudson Regional School Class of 2018 earned a total of \$3,157,400.00 in scholarships. Thirty-Eight (38) members of the Henry Hudson Regional graduating class will be continuing their education in September 2018.

Most unique about Henry Hudson Regional is that twenty-seven percent (27%) of the student population plays an instrument in the award-winning school band. The school has also created a talented A Cappella Choir and Jazz Band. The Henry Hudson Regional School Concert Bands, both High School and Middle School placed 1st in their categories. In addition, Henry Hudson is the first school in Monmouth County to embrace the Arts High School Program and currently is the home to the Middle School of the Arts.

Henry Hudson Regional School continues to provide an exceptional educational experience for all students. The breadth of programs from special education to gifted and talented meets each child's unique needs. The 2017-2018 school year demonstrated a continuing emphasis on curriculum alignment to the national Common Core Curriculum Standards.

Henry Hudson Regional School District participates in shared services to keep costs at a minimum. In March 2012 Henry Hudson entered into an agreement with Atlantic Highlands to share a School Business Administrator/Board Secretary. Henry Hudson provides bus transportation for Highlands Elementary School and Atlantic Highlands Elementary. The liability/property insurance is in a group insurance fund through Boynton & Boynton, the health insurance is in a pooled insurance fund through Brown & Brown, and workman's compensation insurance is in the Monmouth-Ocean Counties Shared Services Insurance Fund through NJSBAIG. Transportation jointures are obtained through the MOESC (Monmouth-Ocean Educational Services Commission). Cooperative purchasing of transportation are also obtained through MOESC. Henry Hudson Regional School District is also a member of the Bayshore Jointure Commission. This group is comprised of ten (10) school districts. Henry Hudson Regional School District purchases gasoline for its school bus fleet through the Atlantic Highlands Harbor Commission. Henry Hudson Regional School District, Atlantic Highlands School District and Highlands School District participate in a shared Supervisor of Curriculum/Instruction and Supervisor of Special Services. School facilities are used extensively for community recreation programs. The school band and choruses participate in parades and concerts for both communities. The school is a designated Red Cross Emergency Shelter.

INTERNAL ACCOUNTING CONTROLS

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

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

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state awards.

BUDGETARY CONTROLS

The District maintains its accounts, appropriations and other financial records in accordance with the procedures established and prescribed by the State of New Jersey Department of Education.

The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipalities. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established by function and object of expenditure with an individual fund. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts at year end are carried forward to succeeding years and are not re-appropriated. These amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2018. As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

ACCOUNTING SYSTEM AND REPORTS

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

CASH MANAGEMENT

The District's cash management program addresses the issues of safety, liquidity and yield while maximizing returns. The District utilizes the New Jersey Cash Management Fund established by the Division of Investment of the Treasury Department under the jurisdiction of the New Jersey State Investment Council. The investment policy of the District is guided in large part by state statute as detailed in "Notes to Financial Statements," Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The District continues to protect its assets through a comprehensive insurance program. A schedule of insurance in force on June 30, 2018 is included in the Statistical Section of this report on Schedule J-20.

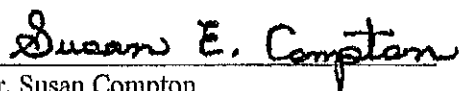
INDEPENDENT AUDIT

The State of New Jersey requires an annual audit by an independent certified public accounting firm. Robert A. Hulsart and Company was selected by the District to perform the audit for the fiscal year ended June 30, 2018. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996, as amended and the related Title 2 U.S. Code of Federal Regulations, Part 200 and the State Treasury Circular Letter 15-08 OMB. The Auditor's unqualified opinion rendered on the District's general basic financial statements, and their report on the combining and individual fund statements, is included in the financial section of this Comprehensive Annual Financial Report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

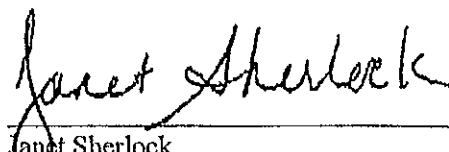
ACKNOWLEDGMENTS

The preparation of this report was made possible by the dedicated services of the entire staff of the Business Office. Finally, the support and commitment to excellence by the Henry Hudson Regional Board of Education and the citizens of the District was vital to the successful issuance of this report and continuing efforts being made to improve our financial management and reporting.

Yours truly,



Dr. Susan Compton
Superintendent



Janet Sherlock
School Business Administrator/Board Secretary

**HENRY HUDSON REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION**

One Grand Tour, Highlands, NJ 07732

ROSTER OF OFFICIALS

June 30, 2018

Members of the Board of Education

Term Expires

Karen Horner-Diebold, President	2019
Mark Heter	2019
Ezra Ardolino	2019
Michael Gannon	2020
Melissa Mohr	2020
Gail A. Woods-King, Vice President	2020
David Dowds	2021
Jay Mullan	2021
Robert Haas	2021

Other Officials

Title

Dr. Susan Compton	Superintendent
Janet Sherlock	School Business Administrator/Board Secretary
Jonathan Busch, Attorney	Solicitor

**HENRY HUDSON REGIONAL SCHOOL DISTRICT
BOARD OF EDUCATION
One Grand Tour, Highlands, NJ 07732**

Consultants and Advisors

Audit Firm

Robert A. Hulsart and Company
2807 Hurley Pond Road, Suite 100
P.O. Box 1409
Wall, New Jersey 07719

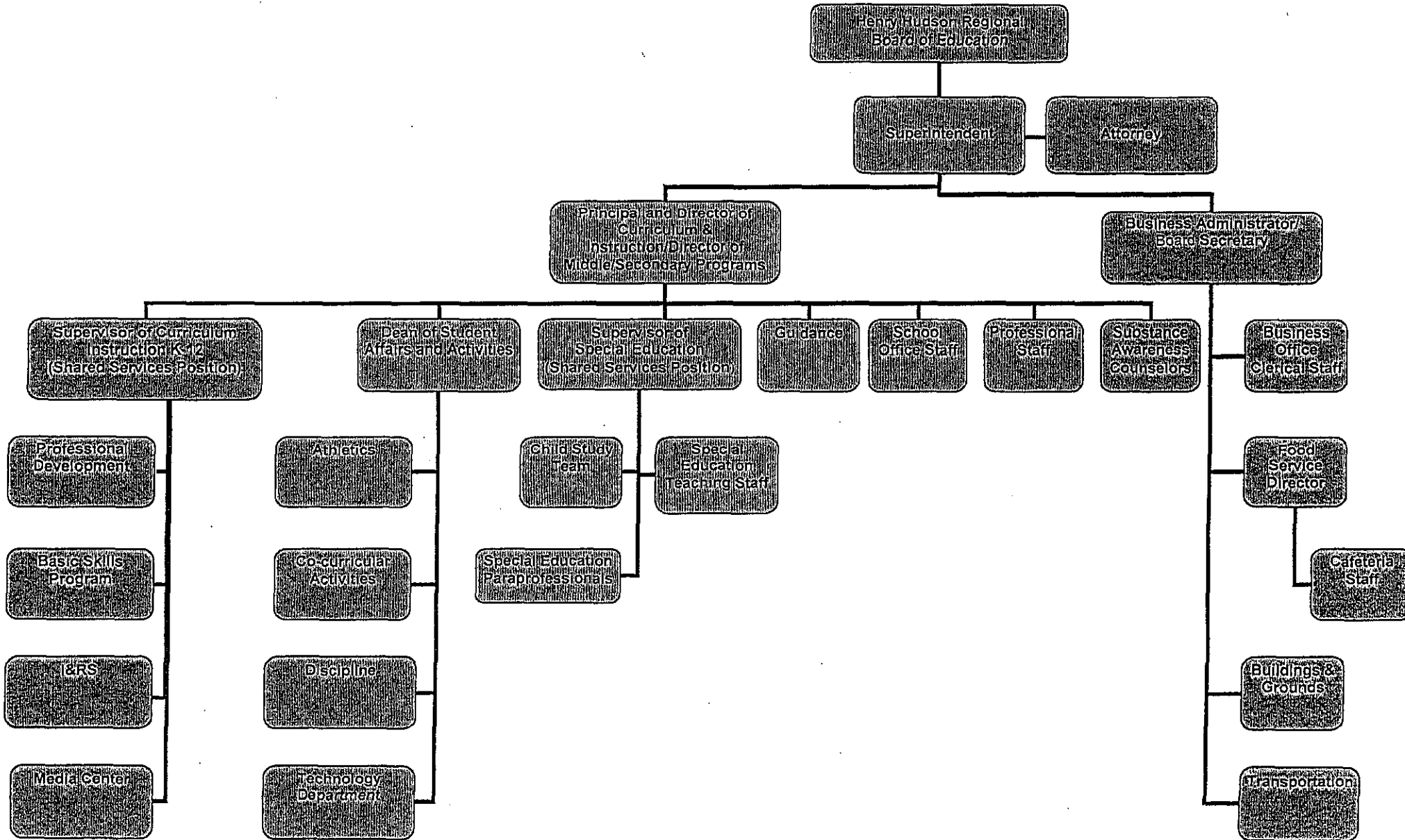
Attorney

Busch Law Group, LLC
450 Main Street
Metuchen, New Jersey 08840

Official Depository

TD Bank
207 Harmony Road
Middletown, New Jersey 07748

HENRY HUDSON REGIONAL SCHOOL DISTRICT
 BOARD OF EDUCATION
 ONE GRAND TOUR, HIGHLANDS, NJ 07732
 ORGANIZATIONAL CHART
 2017-2018



FINANCIAL SECTION

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

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Henry Hudson Regional School District
County of Monmouth
Highlands, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Opinions

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

Other Matters

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Henry Hudson Regional Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Henry Hudson Regional Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

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

November 16, 2018

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

HENRY HUDSON REGIONAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

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

Financial Highlights

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

- General revenues accounted for \$9,586,071 in revenue. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$377,962 to total revenues of \$9,964,033.
- Net Position of governmental activities increased by \$424,868.
- The School District had \$9,549,648 in expenses; only \$377,962 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$9,586,071 were adequate to provide for these programs.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

Enterprise Fund

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for the fiscal years ended 2018 and 2017.

Table 1
Net Position

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current and Other Assets	\$ 4,084,143	3,983,185
Capital Assets, Net	<u>11,912,508</u>	<u>12,057,460</u>
Total Assets	<u>\$ 15,996,651</u>	<u>16,040,645</u>
<u>Deferred Outflows of Resources</u>		
Contribution to Pension Plan	<u>\$ 322,083</u>	<u>516,946</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	<u>\$ 424,938</u>	<u>66,358</u>
<u>Liabilities</u>		
Other Liabilities	\$ 592,790	634,120
Long-Term Liabilities	<u>6,138,473</u>	<u>7,108,965</u>
Total Liabilities	<u>\$ 6,731,263</u>	<u>7,743,085</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ 6,622,508	6,337,460
Restricted	3,781,636	3,640,729
Unrestricted	<u>(1,241,611)</u>	<u>(1,230,041)</u>
Total Net Position	<u>\$ 9,162,533</u>	<u>8,748,148</u>

Table 2 shows the changes in net position for fiscal years ended 2018 and 2017.

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 143,291	146,506
Operating Grants and Contributions	234,671	238,255
General Revenues		
Property Taxes	7,772,487	7,790,537
Grants and Entitlements	1,721,347	1,682,533
Other	<u>92,237</u>	<u>115,341</u>
Total Revenues	<u>9,964,033</u>	<u>9,973,172</u>
<u>Program Expenses</u>		
Instruction	3,395,326	3,431,582
Support Services		
Pupils and Instructional Staff	1,389,051	1,448,395
General Administration, School Administration, Business	527,888	536,675
Operations and Maintenance of Facilities	645,586	706,630
Pupil Transportation	594,909	573,712
Interest on Debt	189,206	202,207
Unallocated Benefits	2,090,528	1,645,107
Other	513,398	515,734
Food Service	<u>203,756</u>	<u>216,481</u>
Total Expenses	<u>9,549,648</u>	<u>9,276,523</u>
Change in Net Position	<u>\$ 414,385</u>	<u>696,649</u>

Business-Type Activities

Revenues for the District's business-type activities (food service program) were comprised of charges for services and federal and state reimbursements.

- Food service expenses exceeded revenues by \$12,802.
- Charges for services represent \$143,291 of revenue. This represents amount paid by patrons for daily food services.
- Federal and State reimbursements for lunches, snacks and breakfast were \$47,663.

Governmental Activities

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

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

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

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

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

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

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

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

Other includes unallocated depreciation and amortization.

School Board Funds

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

As the School Board completed the fiscal year ended June 30, 2018, it reported a combined net position balance of \$9,162,533. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net position.

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

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

Capital Assets

At June 30, 2018, the School Board had approximately \$11,912,508 invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2018 fiscal year.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Capital Assets at June 30, 2018		
Land	\$ 83,060	
Site Improvements	16,823	
Buildings	11,382,926	
Machinery and Equipment	<u>403,925</u>	<u>25,774</u>
Total	<u>\$ 11,886,734</u>	<u>25,774</u>

Debt Administration

At June 30, 2018, the School District had \$7,143,425 as outstanding debt. Of this amount \$158,014 is for compensated absences, \$5,290,000 for bonds for school construction, and \$1,140,459 as a pension liability.

Economic Factors and Next Year's Budget

The Boroughs of Atlantic Highlands and Highlands are primarily residential communities, with few ratables. The majority of revenues needed to operate the District are derived from homeowners through property tax assessments and collections.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact: Mrs. Janet Sherlock School Business Administrator/Board Secretary at Henry Hudson Regional Board of Education, One Grand Tour, Highlands, NJ 07732.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

STATEMENT OF NET POSITION

Exhibit A-1

JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 221,318		221,318
Receivables, Net	38,532	3,753	42,285
Restricted Assets:			
Cash and Cash Equivalents	3,819,506	343	3,819,849
Inventory		691	691
Capital Assets Not Depreciated	83,060		83,060
Capital Assets, Net	11,803,674	25,774	11,829,448
Total Assets	<u>15,966,090</u>	<u>30,561</u>	<u>15,996,651</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>322,083</u>		<u>322,083</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>424,938</u>		<u>424,938</u>
<u>Liabilities</u>			
Accrued Interest	60,202		60,202
Accounts Payable	78,988		78,988
Deferred Revenue	3,600		3,600
Noncurrent Liabilities:			
Due Within One Year	450,000		450,000
Due Beyond One Year	6,138,473		6,138,473
Total Liabilities	<u>6,731,263</u>	<u>-</u>	<u>6,731,263</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	6,596,734	25,774	6,622,508
Restricted For:			
Other Purposes	3,781,636		3,781,636
Unrestricted	<u>(1,246,398)</u>	<u>4,787</u>	<u>(1,241,611)</u>
Total Net Position	<u>\$ 9,131,972</u>	<u>30,561</u>	<u>9,162,533</u>

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

STATEMENT OF ACTIVITIESJUNE 30, 2018

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 2,185,506			(2,185,506)		(2,185,506)
Special Education	731,377		154,642	(576,735)		(576,735)
Other Special Instruction	33,543			(33,543)		(33,543)
Other Instruction	444,900			(444,900)		(444,900)
Support Services:						
Tuition	490,145			(490,145)		(490,145)
Student & Instruction Related Services	898,906		32,366	(866,540)		(866,540)
School Administrative Services	153,674			(153,674)		(153,674)
General and Business Administrative Services	374,214			(374,214)		(374,214)
Plant Operations and Maintenance	645,586			(645,586)		(645,586)
Pupil Transportation	594,909			(594,909)		(594,909)
Unallocated Benefits	2,090,528			(2,090,528)		(2,090,528)
Interest on Long-Term Debt	189,206			(189,206)		(189,206)
Unallocated Depreciation	513,398			(513,398)		(513,398)
Total Government Activities	<u>9,345,892</u>	<u>-</u>	<u>187,008</u>	<u>(9,158,884)</u>	<u>-</u>	<u>(9,158,884)</u>
Business-Type Activities:						
Food Service	<u>203,756</u>	<u>143,291</u>	<u>47,663</u>		<u>(12,802)</u>	<u>(12,802)</u>
Total Business-Type Activities	<u>203,756</u>	<u>143,291</u>	<u>47,663</u>	<u>-</u>	<u>(12,802)</u>	<u>(12,802)</u>
Total Primary Government	<u>9,549,648</u>	<u>143,291</u>	<u>234,671</u>	<u>(9,158,884)</u>	<u>(12,802)</u>	<u>(9,171,686)</u>

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

STATEMENT OF ACTIVITIES

JUNE 30, 2018

	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	7,148,981		7,148,981
Taxes Levied for Debt Service	623,506		623,506
Federal and State Aid Not Restricted	1,721,347		1,721,347
Miscellaneous Income	35,853	2,319	38,172
Accounts Payable Cancelled/Interfund Cancelled	54,065		54,065
Total General Revenues, Special Items, Extraordinary Items and Transfers	<u>9,583,752</u>	<u>2,319</u>	<u>9,586,071</u>
Change in Net Position	424,868	(10,483)	414,385
Net Position - Beginning	<u>8,707,104</u>	<u>41,044</u>	<u>8,748,148</u>
Net Position- Ending	<u>\$ 9,131,972</u>	<u>30,561</u>	<u>9,162,533</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 221,318				221,318
Cash and Cash Equivalents-Restricted	3,781,636	12,176	25,694		3,819,506
Receivables from Other Governments	34,684	3,848			38,532
Interfund Receivable	1				1
Total Assets	\$ 4,037,639	16,024	25,694	-	4,079,357
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Accounts Payable	\$ 66,564	12,424			78,988
Deferred Revenue		3,600			3,600
Interfund Payable				1	1
Total Liabilities	66,564	16,024	-	1	82,589
Fund Balance:					
Restricted for:					
Excess Surplus-Designated for Subsequent Year's Expenditures	1,020,312				1,020,312
Excess Surplus	1,352,413				1,352,413
Maintenance Reserve	447,900				447,900
Capital Reserve Account	600,642				600,642
Assigned To:					
Designated for Subsequent Year's Expenditures-Maintenance Reserve	122,100				122,100
Designated for Subsequent Year's Expenditures-Capital Reserve	220,184				220,184
Designated by the BOE for Subsequent Year's Expenditures	18,085				18,085
Unassigned:					
General Fund	189,439				189,439
Capital Projects Fund			25,694		25,694
Debt Service				(1)	(1)
Total Fund Balances	3,971,075	-	25,694	(1)	3,996,768
Total Liabilities and Fund Balance	\$ 4,037,639	16,024	25,694	-	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$21,500,905 and the accumulated depreciation is \$9,614,171.	11,886,734
Accrued Interest	(60,202)
Deferred outflow of resources - contributions to the pension plan	322,083
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	(424,938)
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.	(6,588,473)
Net position of governmental activities	\$ 9,131,972

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

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 7,148,981			623,506	7,772,487
Miscellaneous	35,853				35,853
Total Local Sources	<u>7,184,834</u>	-	-	623,506	7,808,340
State Sources	1,721,347			-	1,721,347
Federal Sources		187,008			187,008
Total Revenues	<u>8,906,181</u>	<u>187,008</u>	<u>-</u>	<u>623,506</u>	<u>9,716,695</u>
<u>Expenditures</u>					
Current:					
Regular Instruction	2,407,580				2,407,580
Special Education Instruction	576,735	154,642			731,377
Other Special Instruction	33,543				33,543
Other Instruction	444,900				444,900
Support Services and Undistributed Costs:					
Tuition	490,145				490,145
Student and Instruction Related Services	866,540	32,366			898,906
School Administrative Services	153,674				153,674
Other Administrative Services	374,214				374,214
Plant Operations and Maintenance	645,586				645,586
Pupil Transportation	594,909				594,909
Unallocated Benefits	2,057,577				2,057,577
Debt Service:					
Principal				430,000	430,000
Interest and Other Charges				193,506	193,506
Capital Outlay	159,036				159,036
Total Expenditures	<u>8,804,439</u>	<u>187,008</u>	<u>-</u>	<u>623,506</u>	<u>9,614,953</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Exhibit B-2
Sheet 2 of 2

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Other Financing Sources and Uses:					
Cancel Interfund Payable-Capital Projects	29,614		(29,614)		-
State Grant Cancelled			(20,448)		(20,448)
Accounts Payable Cancelled	74,513				74,513
Total Other Financing Sources and Uses	<u>104,127</u>	<u>-</u>	<u>(50,062)</u>	<u>-</u>	<u>54,065</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>205,869</u>	<u>-</u>	<u>(50,062)</u>	<u>-</u>	<u>155,807</u>
Net Change in Fund Balances	205,869	-	(50,062)	-	155,807
Fund Balance - July 1	<u>3,765,206</u>		<u>75,756</u>	<u>(1)</u>	<u>3,840,961</u>
Fund Balance - June 30	<u>\$ 3,971,075</u>	<u>-</u>	<u>25,694</u>	<u>(1)</u>	<u>3,996,768</u>

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

HENRY HUDSON REGIONAL SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESJUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 155,807
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(513,398)
Capital Outlays	<u>381,110</u>
	(132,288)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	430,000
In the statement of activities certain operating activities are measured by the amount earned while in the government funds. Expenses are reported in the amount of financial resources used.	
Compensated Absences	(34,460)
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	(194,863)
Changes in pension liability	554,952
Pension related deferrals	(358,580)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental fund, interest is reported when due.	<u>4,300</u>
Change in Net Position of Governmental Activities	<u>\$ 424,868</u>

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

HENRY HUDSON REGIONAL SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2018

	<u>Enterprise Funds</u>
<u>Assets:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 343
Accounts Receivable:	
State	67
Federal	3,332
Miscellaneous	354
Inventory	691
Total Current Assets	<u>4,787</u>
Noncurrent Assets:	
Equipment	226,539
Accumulated Depreciation	<u>(200,765)</u>
Total Fixed Assets	<u>25,774</u>
Total Assets	<u>\$ 30,561</u>
<u>Net Position:</u>	
Investment in Capital Assets	\$ 25,774
Unrestricted	<u>4,787</u>
Total Net Position	<u>\$ 30,561</u>

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

HENRY HUDSON REGIONAL SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

Exhibit B-5

PROPRIETARY FUNDSJUNE 30, 2018

	<u>Enterprise Fund</u>
Operating Revenues:	
Daily Sales - Reimbursable Programs	\$ 79,337
Daily Sales - Non-Reimbursable Programs	63,954
Total Operating Revenues	<u>143,291</u>
Operating Expenses:	
Salaries	88,079
Cost of Sales - Reimbursable Programs	32,105
Cost of Sales - Non-Reimbursable Programs	39,239
Supplies and Materials	6,829
Management Fee	9,000
Cleaning	3,108
Insurance	6,272
Repairs	457
Depreciation	14,983
Miscellaneous	3,684
Operating Expenses	<u>203,756</u>
Operating Gain/(Loss)	(60,465)
Non-Operating Revenues:	
State Sources:	
State School Lunch Program	819
Federal Sources:	
National School Lunch Program	27,656
Federal PB Lunch Program	935
Federal Breakfast Program	8,877
Food Distribution Program	9,376
Total Non-Operating Revenues	<u>47,663</u>
Change in Net Position	(12,802)
Adjustment for Fixed Assets	2,319
Net Position, July 1	<u>41,044</u>
Net Position, June 30	<u>\$ 30,561</u>

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

HENRY HUDSON REGIONAL SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2018

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 143,291
Payments to Employees	(88,079)
Payments to Suppliers	(92,282)
Net Cash Provided (Used) by Operating Activities	<u>(37,070)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	819
Federal Sources	37,468
Net Cash Provided by Noncapital Financing Activities	<u>38,287</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,217
Cash and Cash Equivalents, July 1	<u>(874)</u>
Cash and Cash Equivalents, June 30	<u>\$ 343</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (60,465)
Depreciation	14,983
Federal Commodities Consumed	9,376
Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities	
Decrease/(Increase) in Inventory	155
Decrease/(Increase) in Accounts Receivable	(1,119)
Net Cash Provided (Used) by Operating Activities	<u>\$ (37,070)</u>

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

STATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

JUNE 30, 2018

	<u>Private Purpose Scholarship Fund</u>	<u>Unemployment Compensation Trust</u>
Assets:		
Cash and Cash Equivalents	<u>\$ 3,170</u>	<u>25,995</u>
Total Assets	<u>\$ 3,170</u>	<u>25,995</u>
Net Position:		
Reserved - Scholarships	<u>\$ 3,170</u>	
Reserved - Unemployment Benefits		<u>25,995</u>
Total Net Position	<u>\$ 3,170</u>	<u>25,995</u>

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

HENRY HUDSON REGIONAL SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

Exhibit B-8

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

	Private Purpose Scholarship Fund	Unemployment Compensation Trust
<u>Additions</u>		
Contributions:		
Other	\$ 10,364	6,658
Total Contributions	<u>10,364</u>	<u>6,658</u>
Investment Earnings:		
Interest	267	343
Net Investment Earnings	<u>267</u>	<u>343</u>
Total Additions	<u>10,631</u>	<u>7,001</u>
<u>Deductions</u>		
Unemployment Claims		17,030
Scholarships Awarded	10,239	
Total Deductions	<u>10,239</u>	<u>17,030</u>
Change in Net Position	392	(10,029)
Net Position - Beginning of Year	<u>2,778</u>	<u>36,024</u>
Net Position - End of the Year	<u>\$ 3,170</u>	<u>25,995</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION

HENRY HUDSON REGIONAL SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Henry Hudson Regional School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades 7-12. The operations of the District include one Regional Middle School/High School, located in the Highlands. The Henry Hudson Regional School District had an approximate enrollment at June 30, 2018 of 327 students.

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

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

B. Government-Wide Financial Statements

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

Governmental Fund Types

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

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

Capital Projects Fund: the capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Fiduciary Fund Types (Continued)

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

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

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

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

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenues and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types. Note that the District does not report encumbrances outstanding at year end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payment.

F. Encumbrances:

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

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

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

G. Short-Term Interfund Receivables/Payables:

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

H. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2018.

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

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

The District contracted with an outside service company during the 2007 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2006-2007 fiscal year and prior with a historical cost of \$2,000 or more. The District updates the 2007 report annually. Accumulated depreciation prior to fiscal year 2007, fiscal year 2007 depreciation expense, total accumulated depreciation and book values were also provided. The records are updated annually. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

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

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental Activities:				
Capital Assets That Are				
Not Being Depreciated:				
Land	\$ 83,060	_____	_____	83,060
Total	<u>83,060</u>	_____	_____	<u>83,060</u>
Depreciable Assets:				
Site Improvements	436,210			436,210
Buildings	17,898,471	195,530		18,094,001
Equipment	<u>2,843,190</u>	<u>44,444</u>	_____	<u>2,887,634</u>
Total	<u>21,177,871</u>	<u>239,974</u>	_____	<u>21,417,845</u>
Less: Accumulated				
Depreciation:				
Site Improvements	(414,301)	(5,086)		(419,387)
Buildings	(6,274,835)	(433,875)	(2,365)	(6,711,075)
Equipment	<u>(2,552,773)</u>	<u>(74,437)</u>	<u>143,501</u>	<u>(2,483,709)</u>
Total Accumulated				
Depreciation	<u>(9,241,909)</u>	<u>(513,398)</u>	<u>141,136</u>	<u>(9,614,171)</u>
Net Depreciable Assets	<u>11,935,962</u>	<u>(273,424)</u>	<u>141,136</u>	<u>11,803,674</u>
Governmental Activities				
Capital Assets (Net)	<u>\$ 12,019,022</u>	<u>(273,424)</u>	<u>141,136</u>	<u>11,886,734</u>

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Capital Assets and Depreciation

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2018</u>
Business-Type Activities:				
Equipment	\$ 230,627		(4,088)	226,539
Less: Accumulated Depreciation:				
Equipment	<u>(192,189)</u>	<u>(14,983)</u>	<u>6,407</u>	<u>(200,765)</u>
Business-Type Capital Assets (Net)	<u>\$ 38,438</u>	<u>(14,983)</u>	<u>2,319</u>	<u>25,774</u>

Depreciation expense was charged to governmental functions as follow:

Unallocated	<u>\$ 513,398</u>
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J. Compensated Absences

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

K. Deferred Revenue

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

L. Fund Equity

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

M. Net Position

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

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

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

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

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

Fund Balance

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)**M. Net Position (Continued)**

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

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

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

NOTE 2: Cash and Cash Equivalents and Investments

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

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

Deposits

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

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

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

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

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

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

Investments

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

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

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

	Cash and Cash <u>Equivalents</u>
Checking and Money Market Accounts	\$ 3,821,370
Cash Management Accounts	<u>335,015</u>
	<u>\$ 4,156,385</u>

The carrying amount of the District's cash and cash equivalents at June 30, 2018 was \$4,156,385 and the bank balance was \$4,340,536. Of the bank balance, \$250,000 was covered by federal depository insurance, \$3,755,521 was covered by a collateral pool maintained by the banks as required by New Jersey statutes and \$335,015 was uninsured.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Credit Risk Categories**

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

<u>Depository Account</u>	<u>Bank Balance June 30, 2018</u>
Insured:	
FDIC	\$ 250,000
GUDPA	3,755,521
Uninsured	335,015

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 District does not have a formal policy for custodial credit risk.

At June 30, 2018 the District held \$335,015 in uninsured deposits.

NOTE 3: General Long-Term Debt

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Long-Term Portion</u>	<u>2018-19 Payment</u>
Pension Liability	\$ 1,695,411		(554,952)	1,140,459	1,140,459	
Compensated Absences Payable	123,554	34,460		158,014	158,014	
Bonds Payable	<u>5,720,000</u>	<u> </u>	<u>(430,000)</u>	<u>5,290,000</u>	<u>4,840,000</u>	<u>450,000</u>
	<u>\$ 7,538,965</u>	<u>34,460</u>	<u>(984,952)</u>	<u>6,588,473</u>	<u>6,138,473</u>	<u>450,000</u>

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds.

Refunding bonds issued January 18, 2012 for \$7,415,000 for additions and renovations to the high school maturing March 1, 2028 with a balance of \$5,290,000 at June 30, 2018 with interest rates from 3% to 4%.

NOTE 3: General Long-Term Debt (Continued)**A. Bonds Payable (Continued)**

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

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018/2019	\$ 450,000	180,606	630,606
2019/2020	470,000	162,606	632,606
2020/2021	495,000	143,807	638,807
2021/2022	515,000	124,006	639,006
2022/2023	510,000	107,269	617,269
2023/24-2027/28	<u>2,850,000</u>	<u>284,531</u>	<u>3,134,531</u>
	<u>\$ 5,290,000</u>	<u>1,002,825</u>	<u>6,292,825</u>

NOTE 4: Pension Plans

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

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

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

NOTE 4: Pension Plans (Continued)

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

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

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

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.6% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

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

NOTE 4: Pension Plans (Continued)

During the year ended June 30, 2018, the State of New Jersey contributed \$678,766 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$235,757 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

Three-Year Trend Information for PERS

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>			
6/30/18	\$ 46,094	100%	0
6/30/17	53,696	100%	0
6/30/16	50,586	100%	0

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

Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<u>Funding</u>			
6/30/18	\$ 678,766	100%	0
6/30/17	624,919	100%	0
6/30/16	536,425	100%	0

Pension Expense Deferred Outflows/Inflows – PERS**Plan Description**

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

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible 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

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

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

Basis of Presentation

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

Allocation Methodology and Reconciliation to Financial Statements

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

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

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

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

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$46,094. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 26,854	
Changes of Assumptions	229,763	228,921
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	7,766	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	11,606	196,017
District Contributions Subsequent to the Measurement Date	<u>46,094</u>	<u> </u>
Total	<u>\$ 322,083</u>	<u>424,938</u>

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

\$322,083 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2018, the plan measurement date is June 30, 2017) will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

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

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
Collective Deferred Outflows of Resources	\$ 322,083	516,946
Collective Deferred Inflows of Resources	424,938	66,358
Collective Net Pension Liability	1,140,459	1,695,411
District's Proportion	.00490%	.00572%

Components of Net Pension Liability

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

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

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

	<u>2016</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 36,295,189,928	49,474,698,146	85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$ 29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability (Continued)**

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

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

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

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

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

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

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

Discount Rate

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

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

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

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

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

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

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

NOTE 4: Pension Plans (Continued)**Teachers Pensions and Annuity Fund (TPAF) (Continued)****Plan Description**

The following represents the membership tiers for TPAF:

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

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

Basis of Presentation

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

Allocation Methodology

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

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

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

Special Funding Situation

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

Components of Net Pension Liability

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

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

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2017</u>	<u>2016</u>
District's Liability	<u>\$ 20,404,952</u>	<u>24,058,733</u>
District's Proportion	.03015%	.03044%

NOTE 4: Pension Plans (Continued)**State Proportionate Share of Net Pension Liability Attributable to District (Continued)**

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

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

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

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

Long-Term Expected Rate of Return

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

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

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

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

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

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

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

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

NOTE 5: Post-Retirement Benefits Continued

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

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

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

TPAF participant retirees:

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

PERS participant retirees:

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

Total OPEB Liability

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

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

Inflation rate 2.50%

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

NOTE 5: Post-Retirement Benefits Continued

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

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

Health Care Trend Assumptions

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

Discount Rate

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

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

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

NOTE 5: Post-Retirement Benefits Continued

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

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

NOTE 6: Compensated Absences

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

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

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences as of June 30, 2018, was \$158,014.

NOTE 7: Capital Reserve Account

A capital reserve account was established by the Henry Hudson Regional Board of Education by inclusion of \$150,000 on October 18, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). 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 account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

NOTE 7: Capital Reserve Account (Continued)

The activity of the capital reserve for the July 1, 2017 to June 30, 2018 fiscal year is as follows:

Beginning Balance, July 1, 2017	\$ 670,826
2017/18 Board Resolution	<u>150,000</u>
Ending Balance, June 30, 2018	<u>\$ 820,826</u>

The District has appropriated \$220,184 to offset the 2018-19 budget.

NOTE 8: Inventory

Inventory in the Food Service Fund at June 30, 2018 consisted of the following:

Food	\$ 484
Supplies	<u>207</u>
	<u>\$ 691</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 9: Fund Balance Appropriated

General Fund – Of the \$4,045,512 General Fund fund balance at June 30, 2018, \$600,642 has been placed in the capital reserve; \$447,900 is in maintenance reserve; \$122,100 is maintenance reserve designated for subsequent years expenditures; \$220,184 is capital reserve designated for subsequent years expenditures; \$1,020,312 of excess surplus is designated for subsequent year's expenditures; \$1,352,413 is excess surplus; \$18,085 is designated for subsequent year's expenditures and \$263,876 is undesignated.

NOTE 10: Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget.

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

2017-18 Total General Fund Expenditures Per the CAFR	\$ 8,804,439
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(914,523)</u>
Adjusted 2017-18 General Fund Expenditures	<u>\$ 7,889,916</u>
2% of Adjusted 2017-18 General Fund Expenditures	<u>\$ 157,798</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>13,876</u>
Maximum Unassigned Fund Balance	<u>\$ 263,876</u>

Section 2

Total General Fund – Fund Balance @ 6-30-18	\$ 4,045,512
Decreased by:	
Legally Restricted:	
Designated for Subsequent Year’s Expenditures – Maintenance Reserve	(122,100)
Designated for Subsequent Year’s Expenditures – Capital Reserve	(220,184)
Designated for Subsequent Year’s Expenditures – Excess Surplus	(1,020,312)
Other Restricted Reserved Fund Balances	(1,048,542)
Assigned - Designated for Subsequent Years Expenditures	<u>(18,085)</u>
Total Unassigned Fund Balance	<u>\$ 1,616,289</u>
Restricted Fund Balance – Excess Surplus	<u>\$ 1,352,413</u>

Section 3

Excess Surplus Designated for Subsequent Years Expenditures	\$ 1,020,312
Excess Surplus	<u>1,352,413</u>
	<u>\$ 2,372,725</u>

Detail of Allowable Adjustments

Extraordinary Aid	\$ 2,038
Non-Public Transportation	<u>11,838</u>
	<u>\$ 13,876</u>

Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 447,900
Capital Reserve	<u>600,642</u>
	<u>\$ 1,048,542</u>

NOTE 11: Equity Balance (Continued)

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute which must be restricted for use in the next succeeding budget. Designated for subsequent year's represents the amount appropriated in the 2018-2019 budget.

Unrestricted is surplus not previously committed or reserved for any other purpose.

NOTE 12: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 13: Economic Dependency

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

NOTE 14: Risk Management

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Reimbursed</u>	<u>Balance</u>
2017-2018	\$ 6,658	343	17,030	25,995
2016-2017	6,358	143	147	36,024
2015-2016	6,205	59	1,852	29,670

NOTE 15: Deferred Compensation

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

Franklin Tempelton Trust	Siracusa Benefits
American Century Investment	AXA Equitable
Met Life Resources (Citistreet)	Mass Mutual

NOTE 16: Interfund Receivables and Payables

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

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

	<u>From</u>	<u>To</u>
General Fund	\$	1
Debt Service	<u>1</u>	-
	<u>\$ 1</u>	<u>1</u>

The interfund loan was due to a shortfall in debt service which will be raised in the 2018-2019 budget.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 10

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 7,148,981		7,148,981	7,148,981	-
Tuition		6,533	6,533	6,533	-
Interest on Investments			-	28,489	28,489
Miscellaneous	500		500	831	331
Total Local Sources	<u>7,149,481</u>	<u>6,533</u>	<u>7,156,014</u>	<u>7,184,834</u>	<u>28,820</u>
State Sources:					
Security Aid	60,908		60,908	60,908	-
Adjustment Aid	313,845	(16,013)	297,832	284,550	(13,282)
Transportation Aid	176,780		176,780	176,780	-
Special Education Aid	240,247		240,247	240,247	-
PARCC Readiness Aid	3,030		3,030	3,030	-
Pupil Growth Aid	3,030		3,030	3,030	-
Extraordinary Aid	18,936		18,936	22,038	3,102
Professional Learning Community Aid	2,790		2,790	2,790	-
Non Public Transportation			-	11,838	11,838
TPAF Pension Contribution			-	678,766	678,766
TPAF Social Security Contribution			-	235,757	235,757
Total State Sources	<u>819,566</u>	<u>(16,013)</u>	<u>803,553</u>	<u>1,719,734</u>	<u>916,181</u>
Total Revenues	<u>7,969,047</u>	<u>(9,480)</u>	<u>7,959,567</u>	<u>8,904,568</u>	<u>945,001</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 10

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Distributed Expenditures:					
Regular Programs - Instruction:					
Grades 7-8 - Salaries of Teachers	577,502	59,646	637,148	637,148	-
Grades 9-12 - Salaries of Teachers	1,632,494	(101,735)	1,530,759	1,446,526	84,233
Subtotal	<u>2,209,996</u>	<u>(42,089)</u>	<u>2,167,907</u>	<u>2,083,674</u>	<u>84,233</u>
Regular Programs - Home Instruction					
Salaries -Teachers	16,000	5,997	21,997	21,996	1
Purchased Professional Educational Services	10,000	(2,068)	7,932	7,649	283
Subtotal	<u>26,000</u>	<u>3,929</u>	<u>29,929</u>	<u>29,645</u>	<u>284</u>
Regular Programs - Undistributed Instruction:					
Purchased Technical Services	57,500	1,363	58,863	58,862	1
Other Purchased Services	2,500		2,500	1,199	1,301
General Supplies	251,161		251,161	156,824	94,337
Textbooks	86,100		86,100	35,647	50,453
Other Objects	44,876		44,876	41,729	3,147
Subtotal	<u>442,137</u>	<u>1,363</u>	<u>443,500</u>	<u>294,261</u>	<u>149,239</u>
Total Regular Programs - Instruction	<u>2,678,133</u>	<u>(36,797)</u>	<u>2,641,336</u>	<u>2,407,580</u>	<u>233,756</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

**Exhibit C-1
Sheet 3 of 10**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Multiple Disabilities					
Salaries of Teachers	310,500	(88,375)	222,125	212,775	9,350
Other Salaries for Instruction	88,011	(17,027)	70,984	59,333	11,651
Total Multiple Disabilities	<u>398,511</u>	<u>(105,402)</u>	<u>293,109</u>	<u>272,108</u>	<u>21,001</u>
Resource Room/Center:					
Salaries of Teachers	172,229	141,186	313,415	304,553	8,862
General Supplies	2,100		2,100	74	2,026
Other Objects	6,000		6,000		6,000
Total Resource Room/Center	<u>180,329</u>	<u>141,186</u>	<u>321,515</u>	<u>304,627</u>	<u>16,888</u>
Total Special Education - Instruction	<u>578,840</u>	<u>35,784</u>	<u>614,624</u>	<u>576,735</u>	<u>37,889</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	32,549	1,000	33,549	33,543	6
General Supplies	1,000	(1,000)	-		-
Total Basic Skills/Remedial - Instruction	<u>33,549</u>	<u>-</u>	<u>33,549</u>	<u>33,543</u>	<u>6</u>
School Sponsored Co-Curricular Activities - Instruction					
Salaries	324,478	8,519	332,997	307,055	25,942
Purchased Services		7,596	7,596	7,596	-
Supplies and Materials	37,776		37,776	23,588	14,188
Other Objects	132,938		132,938	106,661	26,277
Total School Sponsored Co-Curricular Activities	<u>495,192</u>	<u>16,115</u>	<u>511,307</u>	<u>444,900</u>	<u>66,407</u>
Total Distributed Expenditures	<u>3,785,714</u>	<u>15,102</u>	<u>3,800,816</u>	<u>3,462,758</u>	<u>338,058</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit C-1
Sheet 4 of 10

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs in State - Regular	11,000	16,115	27,115	17,865	9,250
Tuition to County Vocational School:					
Regular	126,520		126,520	107,880	18,640
Special	71,500		71,500	56,925	14,575
Tuition to Private School for Handicapped -					
Within State	656,660	(32,230)	624,430	307,475	316,955
Total Instruction	<u>865,680</u>	<u>(16,115)</u>	<u>849,565</u>	<u>490,145</u>	<u>359,420</u>
Attendance & Social Work:					
Salaries	3,917	5,396	9,313	9,032	281
Total Attendance & Social Work	<u>3,917</u>	<u>5,396</u>	<u>9,313</u>	<u>9,032</u>	<u>281</u>
Health Services:					
Salaries	55,796		55,796	55,657	139
Purchased Professional/Technical Services	16,200		16,200	14,909	1,291
Supplies and Materials	5,700		5,700	3,166	2,534
Other Objects	925		925	251	674
Total Health Services	<u>78,621</u>	<u>-</u>	<u>78,621</u>	<u>73,983</u>	<u>4,638</u>
Other Support Services - Students - Related Services:					
Salaries	8,000		8,000	899	7,101
Purchased Professional/Educational Services	37,700	(2,000)	35,700	19,249	16,451
Supplies and Materials	2,450		2,450	26	2,424
Total Related Services	<u>48,150</u>	<u>(2,000)</u>	<u>46,150</u>	<u>20,174</u>	<u>25,976</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

**Exhibit C-1
Sheet 5 of 10**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Support Services - Students - Regular:					
Salaries of Other Professional Staff	156,393	2,982	159,375	156,503	2,872
Salaries of Secretarial & Clerical	36,001		36,001	36,001	-
Other Purchased Services	17,800	(2,982)	14,818	8,119	6,699
Supplies and Materials	9,865		9,865	3,490	6,375
Other Objects	12,144		12,144	10,719	1,425
Total Other Support Services - Students - Regular	<u>232,203</u>	<u>-</u>	<u>232,203</u>	<u>214,832</u>	<u>17,371</u>
Other Support Services - Students - Special:					
Salaries of Other Professional Staff	248,488	3,982	252,470	252,470	-
Salaries of Secretarial & Clerical	20,352	(2,980)	17,372	15,781	1,591
Purchased Professional Educational Services	42,239	(1,002)	41,237	30,507	10,730
Supplies and Materials	3,000	(132)	2,868	1,560	1,308
Other Objects	15,500	165	15,665	11,300	4,365
Total Other Support Services - Students - Special	<u>329,579</u>	<u>33</u>	<u>329,612</u>	<u>311,618</u>	<u>17,994</u>
Improvement of Instructional Services:					
Salaries of Secretarial & Clerical	30,146	(5,852)	24,294	24,293	1
Purchased Professional Educational Services	37,424		37,424	37,423	1
Supplies & Materials	1,500		1,500	1,500	-
Other Objects	6,450	(1,578)	4,872	4,360	512
Total Improvement of Instructional Services	<u>75,520</u>	<u>(7,430)</u>	<u>68,090</u>	<u>67,576</u>	<u>514</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

**Exhibit C-1
Sheet 6 of 10**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media/Library:					
Salaries	36,750	(5,349)	31,401	31,400	1
Salaries of Technology Coordinators	77,000	(1,288)	75,712	73,500	2,212
Purchased Professional & Tech Services	31,992		31,992	30,950	1,042
Supplies & Materials	14,430		14,430	11,637	2,793
Other Objects	2,100		2,100	850	1,250
Total Educational Media/Library	<u>162,272</u>	<u>(6,637)</u>	<u>155,635</u>	<u>148,337</u>	<u>7,298</u>
Staff Training:					
Other Objects	62,500	(2,526)	59,974	20,988	38,986
Total Staff Training	<u>62,500</u>	<u>(2,526)</u>	<u>59,974</u>	<u>20,988</u>	<u>38,986</u>
Support Services - General Administration:					
Salaries	84,467	1,499	85,966	85,965	1
Legal Services	28,000		28,000	19,127	8,873
Audit Fees	15,500		15,500	14,900	600
Architectural/Engineering Services	2,000		2,000		2,000
Other Purchased Professional Services	5,225	7,437	12,662	12,661	1
Communications/Telephone	30,340	(4,911)	25,429	18,566	6,863
BOE Other Purchased Services	4,000		4,000	2,917	1,083
Other Purchased Services	15,348	18,661	34,009	33,504	505
Supplies & Materials	5,325		5,325	2,369	2,956
BOE In House Training Supplies	2,300		2,300	2,174	126
Miscellaneous Expenditures	16,110	(4,047)	12,063	9,500	2,563
BOE Membership Dues and Fees	6,750		6,750	6,138	612
Total Support Services - General Administration	<u>215,365</u>	<u>18,639</u>	<u>234,004</u>	<u>207,821</u>	<u>26,183</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit C-1
Sheet 7 of 10

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - School Administration:					
Salaries of Principals/Vice Principals	103,416		103,416	103,316	100
Salaries of Secretarial & Clerical	43,413	13,000	56,413	48,654	7,759
Supplies & Materials	6,700		6,700	883	5,817
Other Objects	1,500		1,500	821	679
Total Support Services - School Administration	<u>155,029</u>	<u>13,000</u>	<u>168,029</u>	<u>153,674</u>	<u>14,355</u>
Required Maintenance - Facilities:					
Cleaning, Repair & Maintenance Services	108,550	(3,147)	105,403	92,488	12,915
General Supplies	3,550		3,550		3,550
Total Allowable Maintenance Facilities	<u>112,100</u>	<u>(3,147)</u>	<u>108,953</u>	<u>92,488</u>	<u>16,465</u>
Other Operations & Maintenance:					
Salaries	41,922		41,922	41,883	39
Salaries-Aides	17,980		17,980		17,980
Purchased Professional/Technical Serv.	235,240	3,504	238,744	220,332	18,412
Cleaning, Repair & Maintenance Services	123,327	(3,504)	119,823	87,015	32,808
Insurance	42,892	(18,661)	24,231	14,981	9,250
Other Purchased Services	18,600		18,600	12,424	6,176
General Supplies	15,000		15,000	14,923	77
Natural Gas	59,000	(5,976)	53,024	45,183	7,841
Electricity	112,000		112,000	93,349	18,651
Other Objects	3,700		3,700	229	3,471
Total Other Operations & Maintenance	<u>669,661</u>	<u>(24,637)</u>	<u>645,024</u>	<u>530,319</u>	<u>114,705</u>
Security:					
Purchased Professional and Tech. Services	14,131	10,323	24,454	22,779	1,675
Total Security	<u>14,131</u>	<u>10,323</u>	<u>24,454</u>	<u>22,779</u>	<u>1,675</u>
Total Operations & Maintenance	<u>795,892</u>	<u>(17,461)</u>	<u>778,431</u>	<u>645,586</u>	<u>132,845</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

**Exhibit C-1
Sheet 8 of 10**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Student Transportation:					
Salaries Between Home & School-Regular	141,471	34,231	175,702	86,459	89,243
Salaries Between Home & School-Special	41,152		41,152	39,740	1,412
Cleaning, Repair, Maintenance Services	15,000		15,000	13,355	1,645
Rental Payments-School Buses	5,000		5,000	395	4,605
Contracted Services Between Home & School- Vendors	245,962	38,089	284,051	282,290	1,761
Contracted Services Other - Vendors	12,000		12,000		12,000
Contracted Services Special Ed. Joint Agreement	225,877	(72,476)	153,401	90,483	62,918
Contracted Services-Aid in Lieu-N.P.	58,314		58,314	47,632	10,682
Miscellaneous	6,043		6,043	6,031	12
Transportation Supplies	27,500		27,500	27,441	59
Other Objects	2,000		2,000	1,083	917
Total Student Transportation	<u>780,319</u>	<u>(156)</u>	<u>780,163</u>	<u>594,909</u>	<u>185,254</u>
Central Services:					
Salaries	141,426	156	141,582	141,545	37
Purchased Technical Services	19,470	38	19,508	19,508	-
Supplies & Materials	2,000	344	2,344	2,344	-
Miscellaneous Expenditures	3,500	(382)	3,118	2,996	122
Total Central Services	<u>166,396</u>	<u>156</u>	<u>166,552</u>	<u>166,393</u>	<u>159</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

**Exhibit C-1
Sheet 9 of 10**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Employee Benefits:					
Other Retirement Contrib. - Social Security	84,000		84,000	78,555	5,445
Other Retirement Contrib. - PERS	58,120		58,120	46,094	12,026
Other Retirement Contrib. - ERIP	4,750		4,750	3,109	1,641
Workman's Compensation	50,617		50,617	45,277	5,340
Health Benefits	1,006,375		1,006,375	962,119	44,256
Tuition Reimbursements	15,000		15,000		15,000
Other Employee Benefits	23,000		23,000	7,900	15,100
Total Unallocated Benefits	<u>1,241,862</u>	<u>-</u>	<u>1,241,862</u>	<u>1,143,054</u>	<u>98,808</u>
TPAF Pension Contribution (On Behalf)			-	678,766	(678,766)
TPAF Social Security Contribution (Reimbursed)			-	235,757	(235,757)
Total Undistributed Expenditures	<u>5,213,305</u>	<u>(15,101)</u>	<u>5,198,204</u>	<u>5,182,645</u>	<u>15,559</u>
Total General Current Expense	<u>8,999,019</u>	<u>1</u>	<u>8,999,020</u>	<u>8,645,403</u>	<u>353,617</u>
Capital Outlay:					
Equipment:					
Undistributed Expenditures - Instruction	69,850	35,000	104,850	103,799	1,051
School Buses-Regular	90,427		90,427		90,427
Assessment for Debt Service	40,184		40,184	40,184	-
Other Objects	31,000	(11,921)	19,079		19,079
Other Objects		15,053	15,053	15,053	-
Land & Improvements	55,600	(35,000)	20,600		20,600
Construction & Land Improvements	79,000	(3,132)	75,868		75,868
Purchased Professional Services	16,000		16,000		16,000
Total Capital Outlay	<u>382,061</u>	<u>-</u>	<u>382,061</u>	<u>159,036</u>	<u>223,025</u>
Total Current Expense, and Capital Outlay	<u>9,381,080</u>	<u>1</u>	<u>9,381,081</u>	<u>8,804,439</u>	<u>576,642</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

**Exhibit C-1
Sheet 10 of 10**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,412,033)	(9,481)	(1,421,514)	100,129	1,521,643
Other Financing Sources and Uses:					
Cancel Interfund Payable - Capital Projects				29,614	29,614
Accounts Payable Canceled				74,513	74,513
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,127</u>	<u>104,127</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	<u>(1,412,033)</u>	<u>(9,481)</u>	<u>(1,421,514)</u>	<u>204,256</u>	<u>1,625,770</u>
Fund Balance July 1	<u>3,841,256</u>		<u>3,841,256</u>	<u>3,841,256</u>	
Fund Balance June 30	<u>\$ 2,429,223</u>	<u>(9,481)</u>	<u>2,419,742</u>	<u>4,045,512</u>	<u>1,625,770</u>
Recapitulation:					
Restricted Fund Balance:					
Excess Surplus-Designated for Subsequent Years Expenditures				\$ 1,020,312	
Excess Surplus-Current Year				1,352,413	
Maintenance Reserve				447,900	
Capital Reserve				600,642	
Assigned Fund Balances:					
Designated for Subsequent Year's Expenditures - Capital Reserve				220,184	
Designated for Subsequent Year's Expenditures - Maintenance Reserve				122,100	
Designated for Subsequent Year's Expenditures By The BOE				18,085	
Unassigned Fund Balance				<u>263,876</u>	
				4,045,512	
Reconciliation to Governmental Funds Statement (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(74,437)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 3,971,075</u>	

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources	\$ -	3,600	3,600		3,600
Federal Sources	158,313	54,569	212,882	187,008	25,874
Total Revenues	<u>\$ 158,313</u>	<u>58,169</u>	<u>216,482</u>	<u>187,008</u>	<u>29,474</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 40,985	30,041	71,026	53,988	17,038
Other Purchased Services	75,592	23,212	98,804	98,804	
General Supplies	2,727	1,432	4,159	1,850	2,309
Other Objects		3,600	3,600	-	3,600
Total Instruction	<u>119,304</u>	<u>58,285</u>	<u>177,589</u>	<u>154,642</u>	<u>22,947</u>
Support Services:					
Other Salaries for Instruction		144	144	144	
Personal Services - Employee Benefits	7,377	4,227	11,604	11,604	
Purchased Professional and Technical Services		3,073	3,073	853	2,220
Other Purchased Services	18,153	(1,820)	16,333	14,434	1,899
Other Objects	4,787	(454)	4,333	4,235	98
Supplies and Materials	5,692	(2,286)	3,406	1,096	2,310
Total Support Services	<u>36,009</u>	<u>2,884</u>	<u>38,893</u>	<u>32,366</u>	<u>6,527</u>
Total Expenditures	<u>\$ 155,313</u>	<u>61,169</u>	<u>216,482</u>	<u>187,008</u>	<u>29,474</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

HENRY HUDSON REGIONAL SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit C-3

BUDGETARY COMPARISON SCHEDULE**NOTE TO RSI****FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 8,904,568	187,008
Difference - budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	76,050	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(74,437)</u>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 8,906,181</u>	<u>187,008</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 8,804,439	187,008
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total Expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,804,439</u>	<u>187,008</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - PERS

Exhibit L-1

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,140,459	1,695,411	1,320,824	1,077,893	1,175,869
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	-	-	-	-	-
Total	<u>\$ 1,140,459</u>	<u>1,695,411</u>	<u>1,320,824</u>	<u>1,077,893</u>	<u>1,175,869</u>
District's Covered-Employee Payroll	\$ 338,520	329,368	412,409	403,523	376,258
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	29.68%	19.43%	31.22%	37.44%	32.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	36.78%	31.20%	38.21%	42.74%	40.71%

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS

Exhibit L-2

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 53,696	53,696	47,461	53,484	50,297
Contributions in Relation to the Contractually Required Contribution	<u>53,696</u>	<u>53,696</u>	<u>47,461</u>	<u>53,484</u>	<u>50,297</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 338,520	329,368	412,409	403,523	376,258
Contributions as a Percentage of Covered-Employee Payroll	15.86%	16.30%	11.51%	13.25%	13.37%

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - TPAF

Exhibit L-3

LAST FIVE FISCAL YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>20,404,952</u>	<u>24,058,733</u>	<u>20,599,737</u>	<u>17,883,748</u>	<u>16,891,961</u>
Total	<u>\$ 20,404,952</u>	<u>24,058,733</u>	<u>20,599,737</u>	<u>17,883,748</u>	<u>16,891,961</u>
District's Covered-Employee Payroll	\$ 3,074,111	2,852,963	3,085,019	3,146,098	3,275,811
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	15.07%	11.86%	14.98%	17.59%	19.39%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS**LAST TWO FISCAL YEARS**

Exhibit M-1

	<u>2017</u>	<u>2016</u>
<u>State of New Jersey's Total OPEB Liability</u>		
Service Cost	\$ 2,391,878,884	1,723,999,319
Interest	1,699,441,736	1,823,643,792
Benefit Payments	(1,242,412,566)	(1,223,298,019)
Member Contributions	45,748,749	46,273,747
Change of Assumptions	(7,086,599,129)	8,611,513,521
Net Change in Total OPEB Liability	<u>(4,191,942,326)</u>	<u>10,982,132,360</u>
Total OPEB Liability - Beginning	<u>57,831,784,184</u>	<u>46,849,651,824</u>
Total OPEB Liability - Ending	<u>\$ 53,639,841,858</u>	<u>57,831,784,184</u>
<u>State's OPEB Liability Attributable to the District</u>		
Service Cost	\$ 611,634	*
Interest	582,625	*
Benefit Payments	(428,401)	*
Member Contributions	15,775	*
Change of Assumptions	(2,322,069)	*
Net Change in Total OPEB Liability	<u>(1,540,436)</u>	<u>*</u>
Total Attributable OPEB Liability - Beginning	<u>20,036,215</u>	<u>*</u>
Total Attributable OPEB Liability - Ending	<u>\$ 18,495,779</u>	<u>20,036,215</u>
District's Proportionate Share of Total OPEB Liability	Zero	Zero
District's Covered Payroll	\$ 3,412,631	3,182,331
District's Proportionate Share of OPEB Liability as a Percentage of its Covered-Employee Payroll	0.00%	0.00%
District's Contribution	None	None
State Covered Employee Payroll (6/30/16 Census Data)	\$ 13,493,400,208	13,493,400,208
Total State OPEB Liability as a Percentage of it's Covered-Employee Payroll	397.53%	428.59%

* - Information not available

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

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

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

SPECIAL REVENUE FUNDCOMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASISFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Title I</u>	<u>Title IIA</u>	<u>Basic Flow-Thru</u>	<u>Title IV</u>	<u>Total 2018</u>
Revenues:					
Federal Sources	\$ 62,305	15,670	103,196	5,837	187,008
Total Revenues	<u>\$ 62,305</u>	<u>15,670</u>	<u>103,196</u>	<u>5,837</u>	<u>187,008</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 49,218			4,770	53,988
Other Purchased Services			98,804		98,804
General Supplies	1,483			367	1,850
Total Instruction	<u>50,701</u>	<u>-</u>	<u>98,804</u>	<u>5,137</u>	<u>154,642</u>
Support Services:					
Other Salaries for Instruction		144			144
Employee Benefits	11,604				11,604
Purchased Professional and Technical Services		153		700	853
Other Purchased Services		14,434			14,434
Supplies and Materials		939	157		1,096
Other Objects			4,235		4,235
Total Support Services	<u>11,604</u>	<u>15,670</u>	<u>4,392</u>	<u>700</u>	<u>32,366</u>
Total Expenditures	<u>\$ 62,305</u>	<u>15,670</u>	<u>103,196</u>	<u>5,837</u>	<u>187,008</u>

CAPITAL PROJECTS FUND – F

CAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2018

Other Financing Sources/(Uses):	
State Grant Accounts Receivable Cancelled	\$ (20,448)
Interfund Cancelled	(29,614)
Total Other Financing Sources/(Uses)	<u>(50,062)</u>
Excess of Revenues Over Expenditures and Other Financing Sources/(Uses)	(50,062)
Fund Balance - Beginning	<u>75,756</u>
Fund Balance - Ending	<u>\$ 25,694</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit F-1a

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISNEW ROOF PROJECTFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
State Grant	\$ 377,040		377,040	394,000
Local Share	591,000		591,000	591,000
Total Revenues	<u>968,040</u>	<u>-</u>	<u>968,040</u>	<u>985,000</u>
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	68,000		68,000	68,000
Construction Services	874,599		874,599	917,000
Total Expenditures	<u>942,599</u>	<u>-</u>	<u>942,599</u>	<u>985,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 25,441</u>	<u>-</u>	<u>25,441</u>	<u>-</u>
<u>Additional Project Information</u>				
Project Number	#2120-050-14-1003-G04			
Grant Date	1/6/2014			
Original Authorized Cost	\$985,000			
Percentage Completion	100%			
Original Target Completion Date	6/30/2015			
Revised Target Completion Date	9/30/2016			

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit F-1b

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISPARTIAL ROOF REPLACEMENT-SECTION AFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
State Grant	\$ 182,000	(20,448)	161,552	161,552
Local Share	273,000	(29,614)	243,386	243,386
Total Revenues	<u>455,000</u>	<u>(50,062)</u>	<u>404,938</u>	<u>404,938</u>
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	31,303		31,303	31,350
Construction Services	373,382		373,382	423,650
Total Expenditures	<u>404,685</u>	<u>-</u>	<u>404,685</u>	<u>455,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 50,315</u>	<u>(50,062)</u>	<u>253</u>	<u>(50,062)</u>
<u>Additional Project Information</u>				
Project Number	#2120-050-14-1002			
Grant Date	9/11/2015			
Original Authorized Cost	\$455,000			
Percentage Completion	100%			
Original Target Completion Date	9/30/2016			
Revised Target Completion Date	9/30/2016			

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

HENRY HUDSON REGIONAL SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	<u>Agency</u>		<u>Scholarship Fund</u>	<u>Unemployment</u>	
	<u>Student</u>	<u>Agency</u>	<u>Non-Expendable</u>	<u>Compensation</u>	
	<u>Activity</u>	<u>Account</u>	<u>Trust Fund</u>	<u>Expendable</u>	<u>Total</u>
				<u>Trust Fund</u>	
Assets:					
Cash and Cash Equivalents	\$ 44,670	41,383	3,170	25,995	115,218
Total Assets	<u>\$ 44,670</u>	<u>41,383</u>	<u>3,170</u>	<u>25,995</u>	<u>115,218</u>
Liabilities:					
Due to Student Groups	\$ 44,670				44,670
Payroll Withholdings & Deductions		41,383			41,383
Total Liabilities	<u>\$ 44,670</u>	<u>41,383</u>			<u>86,053</u>
Net Position:					
Reserved - Scholarships			3,170		3,170
Reserved - Unemployment Benefits				25,995	25,995
Total Net Position			<u>3,170</u>	<u>25,995</u>	<u>29,165</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

Exhibit H-2

EXPENDABLE TRUST FUNDCOMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITIONFOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Scholarships</u>	<u>Unemployment Compensation Insurance Trust Fund</u>	<u>Totals</u>
Additions			
Local Source:			
Contributions	\$ 10,364	6,658	17,022
Interest on Investments	267	343	610
Total Additions	<u>10,631</u>	<u>7,001</u>	<u>17,632</u>
Deductions			
Scholarship Payments	10,239		10,239
Unemployment Claims		17,030	17,030
Total Deductions	<u>10,239</u>	<u>17,030</u>	<u>27,269</u>
Change in Net Position	392	(10,029)	(9,637)
Net Position, July 1	<u>2,778</u>	<u>36,024</u>	<u>38,802</u>
Net Position, June 30	<u>\$ 3,170</u>	<u>25,995</u>	<u>29,165</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

STUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Activities Account	\$ 39,696	77,549	72,575	44,670

HENRY HUDSON REGIONAL SCHOOL DISTRICT

PAYROLL AGENCY

Exhibit H-4

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 44,236	2,220,067	2,222,920	41,383
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	\$ 44,236	2,220,067	2,222,920	41,383

LONG-TERM DEBT - I

HENRY HUDSON REGIONAL SCHOOL DISTRICT

LONG-TERM LIABILITIES

SCHEDULE OF SERIAL BONDS

JUNE 30, 2018

Exhibit I-1

	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2017</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
2012 Refunding Issue	1/18/2012	\$ 7,415,000	3/1/2019	\$ 450,000	4.000%	<u>\$ 5,720,000</u>	<u>430,000</u>	<u>5,290,000</u>
			3/1/2020	470,000				
			3/1/2021	495,000				
			3/1/2022	515,000	3.250%			
			3/1/2023	510,000	3.000%			
			3/1/2024	525,000	3.125%			
			3/1/2025	540,000	3.250%			
			3/1/2026	580,000				
			3/1/2027	595,000				
			3/1/2028	610,000				

HENRY HUDSON REGIONAL SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

Exhibit I-3

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 623,506		623,506	623,506	
Total Revenues	<u>623,506</u>	<u>-</u>	<u>623,506</u>	<u>623,506</u>	<u>-</u>
Expenditures:					
Regular Debt Service:					
Interest	193,506	-	193,506	193,506	-
Redemption of Principal	430,000		430,000	430,000	
Total Regular Debt Service	<u>623,506</u>	<u>-</u>	<u>623,506</u>	<u>623,506</u>	<u>-</u>
Total Expenditures	<u>623,506</u>	<u>-</u>	<u>623,506</u>	<u>623,506</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance July 1	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>
Fund Balance June 30	<u>\$ (1)</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

HENRY HUDSON REGIONAL SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Government Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 5,397,716	5,154,140	4,862,476	3,264,022	3,325,911	4,727,157	5,683,071	5,597,396	6,299,022	6,596,734
Restricted	1,597,140	1,482,371	1,761,250	2,434,604	2,604,010	2,765,946	2,691,324	3,554,585	3,640,729	3,781,636
Unrestricted	<u>(22,258)</u>	<u>(1,745,953)</u>	<u>(1,898,444)</u>	<u>(20,348)</u>	<u>(50,070)</u>	<u>186,714</u>	<u>(1,121,808)</u>	<u>(1,160,686)</u>	<u>(1,232,647)</u>	<u>(1,246,398)</u>
Total Government Activities Net Position	<u>\$ 6,972,598</u>	<u>4,890,558</u>	<u>4,725,282</u>	<u>5,678,278</u>	<u>5,879,851</u>	<u>7,679,817</u>	<u>7,252,567</u>	<u>7,991,295</u>	<u>8,707,104</u>	<u>9,131,972</u>
Business-Type Activities:										
Invested in Capital Assets, Net of Related Debt			130,693	115,315	99,935	84,566	69,187	53,810	38,438	25,774
Unrestricted	<u>\$ 39,827</u>	<u>48,535</u>	<u>48,932</u>	<u>45,274</u>	<u>32,158</u>	<u>15,809</u>	<u>9,699</u>	<u>6,394</u>	<u>2,606</u>	<u>4,787</u>
Total Business-Type Activities Net Position	<u>\$ 39,827</u>	<u>48,535</u>	<u>179,625</u>	<u>160,589</u>	<u>132,093</u>	<u>100,375</u>	<u>78,886</u>	<u>60,204</u>	<u>41,044</u>	<u>30,561</u>
District-wide:										
Invested in Capital Assets, Net of Related Debt	\$ 5,397,716	5,154,140	4,993,169	3,379,337	3,425,846	4,811,723	5,752,258	5,651,206	6,337,460	6,622,508
Restricted	1,597,140	1,482,371	1,761,250	2,434,604	2,604,010	2,765,946	2,691,324	3,554,585	3,640,729	3,781,636
Unrestricted	<u>17,569</u>	<u>(1,697,418)</u>	<u>(1,849,512)</u>	<u>24,926</u>	<u>(17,912)</u>	<u>202,523</u>	<u>(1,112,109)</u>	<u>(1,154,292)</u>	<u>(1,230,041)</u>	<u>(1,241,611)</u>
Total District Net Position	<u>\$ 7,012,425</u>	<u>4,939,093</u>	<u>4,904,907</u>	<u>5,838,867</u>	<u>6,011,944</u>	<u>7,780,192</u>	<u>7,331,473</u>	<u>8,051,499</u>	<u>8,748,148</u>	<u>9,162,533</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(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>
Expenses:										
Governmental Activities	\$ 9,615,473	10,116,505	9,445,123	9,240,612	9,438,861	\$ 9,472,901	\$ 9,077,164	\$ 9,151,146	\$ 9,060,042	\$ 9,345,892
Business-Type Activities	244,769	239,153	249,061	225,083	233,314	233,193	207,531	210,652	216,481	203,756
Total District Expenses	<u>\$ 9,860,242</u>	<u>10,355,658</u>	<u>9,694,184</u>	<u>9,465,695</u>	<u>9,672,175</u>	<u>9,706,094</u>	<u>9,284,695</u>	<u>9,361,798</u>	<u>9,276,523</u>	<u>9,549,648</u>
Program Revenues:										
Governmental Activities	\$ 286,743	417,758	256,067	308,310	309,870	260,927	249,153	258,511	187,440	187,008
Business-Type Activities	245,443	240,031	234,089	206,047	204,818	201,475	186,042	191,970	197,321	190,954
Total Program Revenues	<u>\$ 532,186</u>	<u>657,789</u>	<u>490,156</u>	<u>514,357</u>	<u>514,688</u>	<u>462,402</u>	<u>435,195</u>	<u>450,481</u>	<u>384,761</u>	<u>377,962</u>
Net (Expense)/Revenue:										
Governmental Activities	\$ (9,328,730)	(9,698,747)	(9,189,056)	(8,932,302)	(9,128,991)	(9,211,974)	(8,828,011)	(8,892,635)	(8,872,602)	(9,158,884)
Business-Type Activities	674	878	(14,972)	(19,036)	(28,496)	(31,718)	(21,489)	(18,682)	(19,160)	(12,802)
Total District-wide Net (Expense)/Revenue	<u>\$ (9,328,056)</u>	<u>(9,697,869)</u>	<u>(9,204,028)</u>	<u>(8,951,338)</u>	<u>(9,157,487)</u>	<u>(9,243,692)</u>	<u>(8,849,500)</u>	<u>(8,911,317)</u>	<u>(8,891,762)</u>	<u>(9,171,686)</u>
General Revenues and Other Changes in Net Assets:										
Governmental Activities	\$ 9,366,476	9,349,112	9,323,174	9,527,609	9,532,531	9,369,830	9,809,252	9,631,343	9,588,411	9,583,752
Business-Type Activities	8,831	7,830	-	-	-	-	-	-	-	2,319
Total District-wide	<u>\$ 9,375,307</u>	<u>9,356,942</u>	<u>9,323,174</u>	<u>9,527,609</u>	<u>9,532,531</u>	<u>9,369,830</u>	<u>9,809,252</u>	<u>9,631,343</u>	<u>9,588,411</u>	<u>9,586,071</u>
Changes in Net Position:										
Governmental Activities	\$ 37,746	(349,635)	134,118	595,307	403,540	157,856	981,241	738,708	715,809	424,868
Business-Type Activities	\$ 9,505	8,708	(14,972)	(19,036)	(28,496)	(31,718)	(21,489)	(18,682)	(19,160)	(10,483)
Total District	<u>\$ 47,251</u>	<u>(340,927)</u>	<u>119,146</u>	<u>576,271</u>	<u>375,044</u>	<u>126,138</u>	<u>959,752</u>	<u>720,026</u>	<u>696,649</u>	<u>414,385</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(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>
General Fund:										
Reserved	1,760,683	1,646,015	1,761,250	2,357,361	2,564,009	2,765,945	2,647,972	\$ 3,462,024	\$ 3,573,171	\$ 3,781,636
Unreserved	<u>150,060</u>	<u>142,643</u>	<u>249,069</u>	<u>175,605</u>	<u>179,375</u>	<u>186,714</u>	<u>180,160</u>	<u>181,372</u>	<u>192,035</u>	<u>189,439</u>
Total General Fund	<u>1,910,743</u>	<u>1,788,658</u>	<u>2,010,319</u>	<u>2,532,966</u>	<u>2,743,384</u>	<u>2,952,659</u>	<u>2,828,132</u>	<u>3,643,396</u>	<u>3,765,206</u>	<u>3,971,075</u>
All Other Governmental Funds:										
Reserved										
Unreserved, Reported In:										
Special Revenue Fund						-	-			
Capital Projects Fund						-	43,352	92,561	75,756	25,694
Debt Service Fund	<u>7,361</u>	<u>1</u>	<u>1</u>	<u>77,243</u>	<u>40,001</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Total All Other Governmental Funds	<u>7,361</u>	<u>1</u>	<u>1</u>	<u>77,243</u>	<u>40,001</u>	<u>1</u>	<u>43,352</u>	<u>92,561</u>	<u>75,755</u>	<u>25,693</u>

HENRY HUDSON REGIONAL SCHOOL DISTRICT

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Tax Levy	\$ 7,709,224	7,985,531	8,008,592	7,995,185	7,895,181	7,877,585	7,926,485	7,876,120	7,790,537	7,772,487
Transportation Fees	-	-	-	-	-	-	-	-	-	-
Miscellaneous	104,476	73,111	88,047	75,768	136,834	71,938	76,506	57,443	129,366	35,853
State Sources	1,622,227	1,298,029	1,360,209	1,446,289	1,587,132	1,461,976	1,846,072	1,786,488	1,682,533	1,721,347
Federal Sources	217,292	340,703	199,651	257,611	205,611	196,684	200,268	200,731	181,512	167,008
Total Revenues	9,653,219	9,697,374	9,656,499	9,774,853	9,824,758	9,608,183	10,049,331	9,900,782	9,783,848	9,716,695
Expenditures:										
Instruction:										
Regular	2,127,849	2,447,173	2,686,969	2,236,170	2,195,873	2,215,781	2,129,352	2,051,060	2,259,103	2,407,580
Special	575,281	504,193	795,788	673,182	691,669	736,962	546,572	579,279	721,321	731,377
Other	474,199	480,047	442,365	498,283	514,129	501,881	694,269	480,888	450,733	478,443
Support Services:										
Tuition	410,728	492,368	576,839	445,364	486,386	500,859	481,818	479,790	546,910	490,145
Health Services	95,578	99,246	-	-	-	-	-	-	-	-
Student & Instruction Related Services	909,693	867,072	1,252,459	955,052	931,582	971,778	981,655	888,326	901,485	898,906
Educational Media Services	126,245	215,642	-	-	-	-	-	-	-	-
Instructional Staff Training	20,490	18,082	-	-	-	-	-	-	-	-
General Administrative Services	333,240	338,610	300,519	219,621	221,596	356,757	210,297	154,263	149,519	374,214
School Administrative Services	58,928	60,083	224,028	237,229	215,445	87,744	256,456	376,962	387,156	153,674
Plant Operations and Maintenance	746,558	674,034	709,314	650,921	642,209	637,746	652,085	628,276	706,630	645,586
Student Transportation Services	787,885	892,939	882,558	706,738	780,952	772,918	652,604	584,848	573,712	594,909
Business and Other Support Services	217,096	240,000	-	39,036	-	-	-	-	-	-
Unallocated Employee Benefits	1,714,819	1,876,789	737,902	1,823,285	1,986,696	1,913,645	1,704,488	1,669,127	1,916,738	2,057,577
Debt Service:										
Principal	300,000	300,000	325,000	395,000	370,000	370,000	390,000	410,000	435,000	430,000
Interest and Other Charges	402,413	390,037	377,663	217,014	256,494	241,656	230,557	218,856	206,557	193,506
Capital Outlay	-	-	46,177	139,134	298,964	153,755	1,209,428	503,706	415,983	159,036
Total Expenditures	9,301,002	9,896,315	9,357,581	9,236,029	9,591,995	9,461,482	10,139,581	9,025,381	9,670,847	9,614,953
Excess/(Deficiency) of Revenues										
Over/(Under) Expenditures	352,217	(198,941)	298,918	538,824	232,763	146,701	(90,250)	875,401	113,101	101,742
Other Financing Sources/(Uses):										
Accounts Receivable/Encumbrances Cancelled	-	69,496	(77,258)	-	2,879	22,574	9,074	(10,928)	(17,660)	54,065
Proceeds from Borrowing	-	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	61,066	14,764	-	-	-	9,563	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	69,496	(77,258)	61,066	17,643	22,574	9,074	(10,928)	(8,097)	54,065
Net Change in Fund Balances	\$ 352,217	(129,445)	221,660	599,890	250,406	169,275	(81,176)	864,473	105,004	155,807
Debt Service as a Percentage of Noncapital Expenditures	7.55%	6.97%	7.55%	6.73%	6.74%	6.57%	6.95%	7.38%	6.93%	6.58%

Source: District records

Note: Noncapital expenditures are total expenditures less Capital Outlay.

HENRY HUDSON REGIONAL SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE

LAST TEN FISCAL YEARS
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)
 (UNAUDITED)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Intermediate</u> <u>Sources</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Prior Year</u> <u>Orders</u> <u>Canceled</u>	<u>Miscellaneous</u>	<u>Totals</u>
2018	\$	-				28,820	28,820
2017		-				129,366	129,366
2016		47,106				10,337	57,443
2015	0	47,106			-	29,400	76,506
2014	4,745	41,106			22,574	26,087	94,512
2013	6,493	35,388			17,643	46,610	106,134
2012	0	-	-	-	-	-	5,948
2011	6,529	-	27,196	24,141	-	24,233	88,047
2010	8,961	12,008	20,415	-	-	4,273	45,657
2009	22,780	-	18,829	-	-	33,414	75,023

Source: District records

HENRY HUDSON REGIONAL SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN YEARS
 (UNAUDITED)

<u>Year Ending</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate</u>
<u>Atlantic Highlands</u>							
2018	11,431,100	775,849,700	84,621,300	4,490,500	19,385,300	895,777,900	1.061
2017	7,430,700	557,946,000	55,786,300	3,059,500	12,092,900	636,315,400	1.433
2016	7,640,200	557,003,900	55,382,000	3,059,500	11,657,400	634,743,000	1.397
2015	7,607,200	554,413,500	54,193,700	3,059,500	11,657,400	630,931,300	1.344
2014	9,378,400	551,475,500	53,187,400	3,059,500	11,602,900	628,703,700	1.347
2013	9,933,500	551,738,800	54,430,000	3,059,500	11,602,900	632,086,285	1.315
2012	9,514,900	563,254,400	54,608,700	3,059,500	11,602,900	632,040,400	1.316
2011	10,314,300	551,253,300	54,865,000	3,059,500	11,662,900	632,771,827	1.333
2010	9,920,700	552,850,800	56,896,470	3,077,000	11,662,900	634,407,870	1.302
2009	9,150,600	552,278,800	57,549,350	3,077,000	11,662,900	633,718,650	1.269
2008	9,634,800	552,573,700	56,800,100	3,077,000	11,662,900	633,748,500	1.246
<u>Highlands</u>							
2018	19,855,500	524,510,500	51,176,400	-	10,493,900	606,036,300	
2017	21,600,300	513,634,900	49,334,515	-	9,212,300	593,782,015	1.233
2016	23,143,000	513,280,700	49,608,600	-	7,128,200	593,160,500	1.191
2015	14,285,900	504,097,000	49,673,700	-	7,099,800	575,156,400	1.251
2014	15,190,700	497,195,200	51,194,500	-	6,380,400	569,960,800	1.208
2013	10,641,100	502,960,100	54,962,600	-	6,417,800	575,346,016	1.221
2012	8,219,700	530,670,500	59,937,900	-	7,191,200	606,348,709	1.185
2011	8,537,000	531,161,900	60,490,500	-	7,191,200	542,150,500	1.178
2010	6,305,700	486,247,200	45,943,500	-	5,451,300	543,947,700	1.347
2009	6,137,100	486,093,700	45,560,300	-	5,451,300	543,242,400	1.358
2008	5,921,900	484,785,900	46,916,700	-	4,782,300	542,406,800	1.350

Source: Abstract of Ratables

HENRY HUDSON REGIONAL SCHOOL DISTRICT

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS
(RATE PER \$100 OF ASSESSED VALUE)
(UNAUDITED)

Year Ended	Local School	Regional School	Municipal	County	County Open Space	Total
<u>Atlantic Highlands</u>						
2018	0.580	0.481	0.625	0.250	0.025	1.961
2017	0.787	0.646	0.856	0.350	0.019	2.658
2016	0.759	0.638	0.858	0.348	0.018	2.621
2015	0.726	0.618	0.838	0.355	0.016	2.553
2014	0.712	0.635	0.787	0.010	0.018	2.162
2013	0.712	0.603	0.750	0.343	0.018	2.426
2012	0.719	0.597	0.697	0.351	0.019	2.383
2011	0.720	0.613	0.683	0.343	0.019	2.378
2010	0.711	0.591	0.657	0.341	0.020	2.320
2009	0.687	0.582	0.622	0.350	0.021	2.262
2008	0.677	0.569	0.607	0.339	0.021	2.213
<u>Highlands</u>						
2018	0.621	0.577	1.285	0.314	0.005	2.802
2017	0.617	0.616	1.280	0.283	0.016	2.812
2016	0.562	0.629	1.268	0.292	0.016	2.767
2015	0.561	0.690	1.211	0.317	0.016	2.795
2014	0.519	0.689	1.156	0.329	0.016	2.709
2013	0.514	0.707	1.047	0.305	0.016	2.589
2012	0.506	0.679	1.031	0.312	0.017	2.545
2011	0.500	0.678	0.921	0.319	0.018	2.436
2010	0.562	0.785	1.068	0.381	0.022	2.818
2009	0.569	0.789	1.052	0.344	0.230	2.984
2008	0.594	0.756	0.974	0.357	0.022	2.703

Source: Abstract of Ratables

HENRY HUDSON REGIONAL SCHOOL DISTRICT

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)Atlantic Highlands

	2017			2008		
	Taxable Assessed Value	Rank (Optional)	% of Total District Net Assessed Value	Taxable Assessed Value	Rank (Optional)	% of Total District Net Assessed Value
Liberty Atlantic Hlds REO, LLC \$	6,727,500	1	1.05%			
Elk Harbor	6,461,500	2	1.01%			
Casriel	5,004,600	3	0.78%			
McConnell	3,157,900	4	0.49%			
Krikorian	2,628,300	5	0.41%			
Atlantic Pier	2,472,000	6	0.39%			
Thomas Paine House, LLC	1,971,500	7	0.31%			
Laurmim Assoc.	1,958,700	8	0.31%			
Sandy Hook Bay Parking LLC	1,888,400	9	0.30%			
Verizon-NJ	1,723,881	10	0.27%			
Total	<u>\$ 33,994,281</u>		<u>5.32%</u>	<u>\$</u>		<u>0%</u>

Highlands

	2017			2008		
	Taxable Assessed Value	Rank (Optional)	% of Total District Net Assessed Value	Taxable Assessed Value	Rank (Optional)	% of Total District Net Assessed Value
Pulte Homes of NJ	\$ 10,311,800	1	1.70%	\$		
Highlands Landing Corporation	3,613,500	2	0.60%			
DBCDS, LLC	2,481,100	5	0.41%			
Highlander Development Group,	2,243,200	6	0.37%			
Bahr's Resturant, Inc	2,991,300	3	0.49%			
Shore Landing, LLC	1,871,100	10	0.31%			
Shannon Enterprises, LLC	2,051,600	7	0.34%			
Gateway Realty, Inc.	2,030,600	8	0.34%			
Highlands Waterfront, LLC	1,993,500	9	0.33%			
Sandy Hook Developers, LLC	2,862,400	4	0.47%			
Total	<u>\$ 32,450,100</u>		<u>5.35%</u>	<u>\$</u>		<u>0%</u>

N/A Not Available

Source: Municipal Tax Assessor

HENRY HUDSON REGIONAL SCHOOL DISTRICT

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 ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
<u>Atlantic Highlands</u>				
2009	4,299,030	4,299,030	100.00%	-
2010	3,381,628	3,381,628	100.00%	-
2011	3,421,053	3,421,053	100.00%	-
2012	3,875,418	3,875,418	100.00%	-
2013	3,781,339	3,781,339	100.00%	-
2014	3,811,748	3,811,748	100.00%	-
2015	3,997,914	3,997,914	100.00%	-
2016	3,907,492	3,907,492	100.00%	-
2017	4,056,243	4,056,243	100.00%	-
2018	4,115,690	4,115,690	100.00%	-
<u>Highlands</u>				
2009	2,998,874	2,998,874	100.00%	-
2010	3,921,226	3,921,226	100.00%	-
2011	3,884,876	3,884,876	100.00%	-
2012	4,119,767	4,119,767	100.00%	-
2013	4,113,842	4,113,842	100.00%	-
2014	4,065,837	4,065,837	100.00%	-
2015	3,928,570	3,928,570	100.00%	-
2016	3,968,628	3,968,628	100.00%	-
2017	3,734,294	3,734,294	100.00%	-
2018	3,656,797	3,656,797	100.00%	-

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

HENRY HUDSON REGIONAL SCHOOL DISTRICT

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities	Total District	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases		
2008	9,125,000	-	-	-	-	9,125,000	924.14
2009	8,825,000	-	-	-	-	8,825,000	896.39
2010	8,525,000	-	-	-	-	8,525,000	865.92
2011	8,200,000	-	-	-	-	8,200,000	863.25
2012	7,695,000	-	-	-	-	7,695,000	819.05
2013	7,325,000	-	-	-	-	7,325,000	784.35
2014	6,955,000	-	-	-	-	6,955,000	744.73
2015	6,565,000	-	-	-	-	6,565,000	702.97
2016	6,155,000	-	-	-	-	6,155,000	655.48
2017	5,720,000	-	-	-	-	5,720,000	609.16
2018	5,677,000	-	-	-	-	5,677,000	576.64

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

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

N/A Not available at the time of audit

HENRY HUDSON REGIONAL SCHOOL DISTRICT

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			
2008	9,125,000	-	9,125,000	1.44%	924.14
2009	8,825,000	-	8,825,000	1.39%	896.39
2010	8,525,000	-	8,525,000	1.34%	865.92
2011	8,200,000	-	8,200,000	1.30%	863.25
2012	7,695,000	-	7,695,000	0.64%	821.85
2013	7,325,000	-	7,325,000	0.59%	786.45
2014	6,955,000	-	6,955,000	0.59%	746.73
2015	6,565,000	-	6,565,000	0.56%	708.81
2016	6,155,000	-	6,155,000	0.52%	655.48
2017	5,720,000	-	5,720,000	0.49%	609.94
2018	5,677,000	-	5,677,000	#DIV/0!	621.66

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- a See Exhibit NJ J-6 for property tax data.
- b Population data can be found in Exhibit NJ J-14.
- N/A Not available at the time of audit.

HENRY HUDSON REGIONAL SCHOOL DISTRICT
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2018
 (UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Atlantic Highlands			\$ N/A
Highlands			N/A
County of Monmouth			<u>N/A</u>
Subtotal, Overlapping Debt			
Henry Hudson Regional School District Direct Debt			— 5,677,000
Total Direct and Overlapping Debt			<u>\$ 5,677,000</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Monmouth County Board of Taxation.

HENRY HUDSON REGIONAL SCHOOL DISTRICT

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS
(UNAUDITED)

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis

(Atlantic Highlands & Highlands Combined)	2017	\$ 1,240,779,300
	2016	\$ 1,224,713,315
	2015	\$ 1,227,903,500
	(A)	<u>\$ 3,693,396,115</u>
Average Equalized Valuation of Taxable Property	(A/3)	\$ 1,231,132,038
Debt Limit (4% of Average Equalization Value)	(B)	\$ 49,245,282
Total Net Debt Applicable To Limit	(C)	<u>5,677,000</u>
Legal Debt Margin	(B-C)	<u>\$ 43,568,282</u>

	Fiscal Year				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 67,480,891	\$ 57,482,369	\$ 58,649,499	\$ 64,607,430	\$ 64,607,430
Total Net Debt Applicable To Limit	<u>9,125,000</u>	<u>8,825,000</u>	<u>8,525,000</u>	<u>8,200,000</u>	<u>7,762,405</u>
Legal Debt Margin	<u>\$ 58,355,891</u>	<u>\$ 48,657,369</u>	<u>\$ 50,124,499</u>	<u>\$ 56,407,430</u>	<u>\$ 56,845,025</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	13.52%	15.35%	14.54%	12.69%	12.01%
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 56,533,450	\$ 52,901,195	\$ 53,192,072	\$ 50,997,902	49,245,282
Total Net Debt Applicable To Limit	<u>6,955,000</u>	<u>6,565,000</u>	<u>6,155,000</u>	<u>5,720,000</u>	<u>5,677,000</u>
Legal Debt Margin	<u>\$ 49,578,450</u>	<u>\$ 46,336,195</u>	<u>\$ 47,037,072</u>	<u>\$ 45,277,902</u>	<u>43,568,282</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.30%	12.41%	11.57%	11.22%	11.53%

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

HENRY HUDSON REGIONAL SCHOOL DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS
 (UNAUDITED)

<u>Year</u>	<u>Population</u>	<u>County Per Capita</u>	<u>Unemployment Rate</u>
Atlantic Highlands			
2008	4,613	55,826	5.3%
2009	4,602	57,353	6.9%
2010	4,594	54,771	11.1%
2011	4,494	41,785	11.3%
2012	4,385	39,350	8.5%
2013	4,354	40,976	5.8%
2014	4,336	42,749	5.1%
2015	4,385	42,021	5.5%
2016	4,393	42,269	5.3%
2017	4,311	42,749	3.6%
Highlands			
2008	5,310	55,826	5.4%
2009	5,272	57,353	6.9%
2010	5,251	54,771	11.2%
2011	5,005	41,785	11.4%
2012	4,978	39,350	8.5%
2013	4,960	40,976	5.8%
2014	4,926	42,749	5.1%
2015	5,005	42,021	5.5%
2016	4,985	42,269	3.7%
2017	4,821	42,749	5.4%

HENRY HUDSON REGIONAL SCHOOL DISTRICT

PRINCIPAL EMPLOYERS

CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)

BOROUGH OF ATLANTIC HIGHLANDS

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Municipal Employment</u>
UNAVAILABLE		1			1	
		2			2	
		3			3	
		4			4	
		5			5	
		6			6	
		7			7	
		8			8	
		9			9	
		10			10	
Total	<u> </u>		<u> </u>	<u> </u>		<u> </u>

BOROUGH OF HIGHLANDS

<u>Employer</u>	<u>2018</u>			<u>2009</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Municipal Employment</u>
UNAVAILABLE		1			1	
		2			2	
		3			3	
		4			4	
		5			5	
		6			6	
		7			7	
		8			8	
		9			9	
		10			10	
Total	<u> </u>		<u> </u>	<u> </u>		<u> </u>

Information not available at time of CAFR preparation

HENRY HUDSON REGIONAL SCHOOL DISTRICT

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	35	36	38.3	40.2	41.6	39.9	37.0	35.6	37.0	38.0
Regular	8	8	8.0	5.0	6.0	5.0	5.0	5.9	5.9	5.0
Student and Instruction Related Services	23	22	16.2	11.1	10.0	9.3	10.1	8.5	10.0	9.0
General Administration Services	3	3	2.5	2.7	2.7	2.7	2.7	1.7	2.1	2.1
School Administrative Services	1	2	1.0	1.8	1.8	1.8	1.7	1.8	2.1	1.8
Business Administrative Services	3	4	2.5	2.0	1.0	2.0	2.5	2.0	2.0	2.0
Pupil Transportation	4	4	3.0	3.0	3.0	3.0	3.5	3.5	3.5	4.0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>77</u>	<u>79</u>	<u>71.5</u>	<u>65.8</u>	<u>66.1</u>	<u>63.7</u>	<u>62.5</u>	<u>59.0</u>	<u>62.6</u>	<u>61.9</u>

Source: District Personnel Records

HENRY HUDSON REGIONAL SCHOOL DISTRICT

OPERATING STATISTICS

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Student Teacher Ratio High School</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)</u>	<u>Percentage Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2009	438	8,598,589	19,631	#REF!	1:9	434.2	408.8	#REF!	94.15%
2010	434	9,206,278	21,213	8.05%	1:9	428.2	403.7	-1.38%	94.28%
2011	402	8,608,741	21,415	0.95%	1:9	392.6	372.9	-8.31%	94.98%
2012	378	7,684,279	20,329	-5.07%	1:9	351.4	333.2	-10.49%	94.82%
2013	363	7,672,841	21,137	3.98%	1:9	349.3	329.7	-0.60%	94.39%
2014	322	7,857,846	24,403	15.45%	1:8	310.8	294.7	-11.02%	94.82%
2015	311	7,726,297	24,843	1.80%	1:8	307.0	291.0	-1.22%	94.78%
2016	305	7,035,138	23,066	-7.15%	1:8	295.4	278.4	-3.78%	94.25%
2017	322	7,580,960	23,543	2.07%	1:9	305.2	287.5	3.30%	94.22%
2018	327	7,917,886	24,214	2.85%	1:9	305.0	286.4	-0.04%	93.88%

Source: District records

Note: Enrollment based on annual October District count.

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

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

LAST TEN FISCAL YEARS
(UNAUDITED)

<u>District/Building</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>
Regional High School										
Square Feet	94,733	94,733	94,733	94,733	94,733	94,733	94,733	94,733	94,733	94,733
Capacity (Students)	563	563	563	563	563	563	563	563	563	563
Enrollment	434	428	402	378	363	322	311	305	322	327

Source: District Records

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF REQUIRED MAINTENANCE

LAST TEN FISCAL YEARS
(UNAUDITED)UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

	<u>*School Facilities Project # (s)</u>	<u>Henry Hudson Regional High School</u>
2009	N/A	187,685
2010	N/A	108,097
2011	N/A	98,850
2012	N/A	104,171
2013	N/A	72,763
2014	N/A	54,968
2015	N/A	59,004
2016	N/A	97,130
2017	N/A	99,754
2018	N/A	81,175

School facilities as defined under EFCFA.

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

Source: District records

HENRY HUDSON REGIONAL SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2018
(UNAUDITED)

		<u>Coverage</u>	<u>Deductible</u>
Property		\$ 26,754,716	\$ 2,500
	Extra	500,000	
Comprehensive General Liability	Occurrence	1,000,000	
	Aggregate	2,000,000	
Employee Benefits Liability	Occurrence	1,000,000	
	Aggregate	2,000,000	
Automobile	Liability	1,000,000	250 (Comprehensive)
	Uninsured Motorist	1,000,000	500 (Collision)
	Hired & Non-Owned	1,000,000	
Excess Liability		10,000,000	
Board Legal Liability	Occurrence	1,000,000	5,000
	Annual Aggregate	1,000,000	
Workers Compensation	Professional	3,663,707	
	Nonprofessional	134,235	
Performance Bonds:			
	Board Secretary/Business Administrator	200,000	
	Honesty Blanket Bond	22,500	225

Source: District records

SINGLE AUDIT SECTION

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

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

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

K-1

Honorable President and Members
of the Board of Education
Henry Hudson Regional School District
County of Monmouth
Highlands, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Henry Hudson Regional Board of Education, County of Monmouth, State of New Jersey as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Henry Hudson Regional Board of Education, County of Monmouth, State of New Jersey's basic financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

November 16, 2018

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
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Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4990

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND SCHEDULES OF EXPENDITURE OF STATE
FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

K-2

Honorable President and Members
of the Board of Education
Henry Hudson Regional School District
County of Monmouth
Highlands, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey's major state programs for the year ended June 30, 2018. The Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey'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; and prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey'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 Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey's compliance.

Opinion on Each Major State Program

In our opinion, the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey's, 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 year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey's 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 Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey'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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the Henry Hudson Regional School District, County of Monmouth, State of New Jersey'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 a 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 was for the limited purposes 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 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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

November 16, 2018

HENRY HUDSON REGIONAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Schedule A
K-3

Federal Grantor/ Pass-Through Grantor/ Project Title	Federal CFDA Number	Federal Fain Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Year Balances	Balance at June 30, 2018									
					From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor							
U.S. Department of Agriculture																						
Passed Through State Department of Education:																						
National School Lunch Program	10.555	171NJ304N1099	N/A	\$ 29,121	07/01/2016	06/30/2017	\$ (1,381)			1,381												
National School Lunch Program	10.555	181NJ304N1099	N/A	27,656	07/01/2017	06/30/2018				25,419	(27,656)		(2,237)									
PE Lunch Program	10.555	181NJ304N1099	N/A	935	07/01/2017	06/30/2018				858	(935)		(77)									
PE Lunch Program	10.555	171NJ304N1099	N/A	875	07/01/2016	06/30/2017	(43)			43												
School Breakfast Program	10.553	171NJ304N1099	N/A	15,418	07/01/2016	06/30/2017	(822)			822												
School Breakfast Program	10.553	181NJ304N1099	N/A	8,877	07/01/2017	06/30/2018				7,859	(8,877)		(1,018)									
Food Distribution Program	10.550	181NJ304N1099	N/A	9,376	07/01/2017	06/30/2018				9,376	(9,376)											
Total U.S. Department of Agriculture							(2,246)	-	-	45,758	(46,844)	-	(3,332)	-	-							
U.S. Department of Education																						
Passed Through State Department of Education:																						
Title I	84.010	S010A150030	NCLB18	77,489	07/01/2017	06/30/2018				60,233	(62,305)		(2,072)									
Title I	84.010	S010A160030	NCLB17	61,526	07/01/2016	06/30/2017	(1,434)			1,434												
Title IIA	84.367	S367A160029	NCLB18	19,789	07/01/2016	06/30/2017				15,669	(15,670)		(1)									
Title IV	84.424	S424A170031	NCLB18	10,000	07/01/2017	06/30/2018				4,469	(5,837)		(1,368)									
IDEA Part B Basic	84.027	H027A160100	IDEA18	105,605	07/01/2017	06/30/2018				102,789	(103,196)		(407)									
IDEA Part B Basic	84.027	H027A160100	IDEA17	106,784	07/01/2016	06/30/2017	(735)			735												
Total U.S. Department of Education							(2,169)	-	-	185,329	(187,008)	-	(3,848)	-	-							
Total Federal Financial Assistance							\$ (4,415)	-	-	231,087	(233,852)	-	(7,180)	-	-							

See Accompanying Notes to Schedules of Financial Assistance.

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Grantor/Program	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017		Cash Received	Budgetary Expenditures	Adjustment	Repayment of Prior Year Balances	Balance at June 30, 2018			MEMO		
			From	To	Deferred Revenue Accounts Receivable	Due To Grantor					Carryover (Walkover) Amount	(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education:																
Special Education Aid	18-495-034-5120-089	\$ 240,247	07/01/2017	06/30/2018			217,470	(240,247)						(22,777)	240,247	
Transportation Aid-Non Public	18-495-034-5120-014	11,838	07/01/2017	06/30/2018				(11,838)			(11,838)				11,838	
Transportation Aid-Non Public	17-495-034-5120-014	5,568	07/01/2016	06/30/2017	(5,568)		5,568									
Transportation Aid	18-495-034-5120-014	176,780	07/01/2017	06/30/2018			160,032	(176,780)						(16,748)	176,780	
Adjustment Aid	18-495-034-5120-085	284,550	07/01/2017	06/30/2018			269,546	(284,550)						(28,286)	284,550	
Extraordinary Aid	17-495-034-5120-044	12,517	07/01/2016	06/30/2017	(12,517)		12,517									
Extraordinary Aid	18-495-034-5120-044	22,038	07/01/2017	06/30/2018				(22,038)			(22,038)				22,038	
Security Aid	18-495-034-5120-084	60,908	07/01/2017	06/30/2018			55,102	(60,908)						(5,806)	60,908	
PARCC Readiness Aid	18-495-034-5120-098	3,030	07/01/2017	06/30/2018			2,732	(3,030)						(298)	3,030	
Per Pupil Growth Aid	18-495-034-5120-097	3,030	07/01/2017	06/30/2018			2,732	(3,030)						(298)	3,030	
Professional Learning Community Aid	18-495-034-5120-101	2,790	07/01/2017	06/30/2018			2,566	(2,790)						(224)	2,790	
On-Behalf TPAF Pension Contributions	18-495-034-5095-002	678,766	07/01/2017	06/30/2018			678,766	(678,766)							678,766	
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	17-495-034-5095-003	219,987	07/01/2016	06/30/2017	(11,053)		11,053									
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	18-495-034-5095-003	235,757	07/01/2017	06/30/2018			235,757	(235,757)							235,757	
					(29,138)	-	1,653,841	(1,719,734)		-	(33,876)	-	-	(74,437)	1,719,734	
State Department of Agriculture:																
National School Lunch Program (State Share)		819	07/01/2017	06/30/2018			752	(819)			(67)				819	
National School Lunch Program (State Share)	17-100-010-3350-023	715	07/01/2016	06/30/2017	(35)		35									
					(35)	-	787	(819)		-	(67)	-	-		819	
Capital Projects:																
ROD Grant - Roof Replacement Project	2120-050-14-1002	182,000	07/01/2015	06/30/2016	(182,000)		161,553		20,447							
ROD Grant - Classroom Construction Project	2120-050-14-1002	19,200	07/01/2015	06/30/2016	(19,200)		19,200									
					(201,200)	-	180,753		20,447	-	-	-	-			
Special Revenue:																
Nonpublic Aid:																
Compensatory Education	17-100-034-5120-067	8,062	07/01/2016	06/30/2017	8,062					(8,062)						
Examination and Classification Initial	17-100-034-5120-066	5,220	07/01/2016	06/30/2017	5,220					(5,220)						
					13,282	-	-	-		(13,282)	-	-	-			
Total State Financial Assistance					\$ (217,091)	-	1,835,381	(1,720,553)	20,447	(13,282)	(33,943)	-	-	(74,437)	1,720,553	
Less on Behalf TPAF Pension System Contributions								\$ (678,766)								
Total for State Financial Assistance-Major Program Determination								\$ (1,041,787)								
See Accompanying Notes to Schedules of Financial Assistance.																

BOARD OF EDUCATION

K-5

HENRY HUDSON SCHOOL DISTRICT**NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE****JUNE 30, 2018****NOTE 1: General**

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

NOTE 2: Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting and than recorded in the special revenue fund which are presented using the budgetary basis of accounting. These bases of accounting are described in the Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

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

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

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>					
Actual Amounts (Budgetary)					
"Revenues" from the Schedule					
of Expenditures of State					
Financial Assistance	\$ 1,719,734			819	1,720,553
Difference – Budget to "GAAP"					
Grant Accounting Budgetary					
Basis Differs from GAAP					
in that Encumbrances are					
Recognized as Expenditures					
and the Related Revenue					
is Recognized					
The Last State Aid Payment					
Is Recognized as Revenue					
for Budgetary Purposes,					
and Differs from GAAP					
Which does not Recognize					
This Revenue Until the					
Subsequent Year When the					
State Recognizes the Related					
Expense (GASB 33)	<u>1,613</u>	—	—	—	<u>1,613</u>
Total State Revenue as Reported					
on the Statement of Revenues,					
Expenditures and Changes in					
Fund Balances	<u>\$ 1,721,347</u>	—	—	<u>819</u>	<u>1,722,166</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of Federal Awards	\$	187,008	46,844	233,852
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures, and the Related Revenue is Recognized	_____	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	\$ _____	<u>187,008</u>	<u>46,844</u>	<u>233,852</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2018. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018.

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Part 1 - Summary of Auditor's Results

Financial Statement Section

Unmodified

(A) Type of auditor's report issued:

(B) Internal control over financial reporting:

1) Material weakness(es) identified?

_____ Yes x No

2) Were reportable conditions(s) identified that were not considered to be material weaknesses?

_____ Yes x No

(C) Noncompliance material to general purpose financial statements noted?

_____ Yes x No

HENRY HUDSON REGIONAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Part 1 - Summary of Auditor's Results (Continued)

Federal Awards Section

N/A

State Awards Section

(J) Dollar threshold used to determine Type A programs: \$750,000

(K) Auditee qualified as low-risk auditee? Yes x No

(L) Type of auditor's report on compliance for major programs: Unmodified

(M) Internal control over compliance:

(1) Material Weakness(es) identified? Yes x No

(2) Were reportable condition(s) identified that were not considered to material weaknesses? Yes x No

(N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB's Circular 15-08? Yes x No

(O) Identification of major programs:

GMIS Number(s)

18-495-034-5120-089
18-495-034-5120-085
18-495-034-5120-084
18-495-034-5120-014
18-495-034-5120-097
18-495-034-5120-098
18-495-034-5120-101

Name of State Program

Special Education Aid (Public Cluster)
Adjustment Aid (Public Cluster)
Security Aid (Public Cluster)
Transportation Aid (Public Cluster)
Per Pupil Growth Aid (Public Cluster)
PARCC Readiness Aid (Public Cluster)
Professional Learning Community Aid (Public Cluster)

HENRY HUDSON REGIONAL SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018*Part 2 - Schedule of Financial Statement Findings*

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

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

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 Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08, as amended.

FEDERAL AWARDS

N/A

STATE AWARDS

Finding: None

State program information: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

Management's response: N/A

HENRY HUDSON REGIONAL SCHOOL DISTRICT

121.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

Prior Audit Findings:

N/A