

**LEBANON BOROUGH SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2018**

**Responsibility of the Management of  
Lebanon Borough School District  
Hunterdon County, New Jersey**



**LEBANON BOROUGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2018**

**TABLE OF CONTENTS**

	<u>Page</u>
Introduction Section (unaudited)	
Letter of Transmittal	1 - 4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7
Financial Section	
Independent Auditors' Report	8 - 10
<b>Required Supplementary Information - Part I</b>	
Management's Discussion and Analysis	11 - 18
Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	19
A-2 Statement of Activities	20
B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	21 - 22
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	23 - 24
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds	
B-4 Combining Statement of Fund Net Position	26
B-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	27
B-6 Combining Statement of Cash Flows	28
Fiduciary Funds	
B-7 Statement of Fiduciary Net Position	29
B-8 Statement of Changes in Fiduciary Net Position	N/A
Notes to the Financial Statements	30 - 64

**LEBANON BOROUGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2018**

**TABLE OF CONTENTS (continued)**

	<u>Page</u>
<b>Required Supplementary Information - Part II</b>	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule - General Fund	65 - 70
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Special Revenue Fund - Budgetary Comparison Schedule	71
Notes to the Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	72
<b>Required Supplementary Information - Part III</b>	
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 - Public Employees Retirement System	73
L-2 Schedule of District's Contribution - Public Employees Retirement System	74
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund	75
L-4 Schedule of District's Contribution - Teacher's Pension and Annuity Fund	76
M. Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits (GASB 75)	
M-1 Schedule of the District's Proportionate Share of the Net Other Postemployment Employee Benefits Liability	77

**LEBANON BOROUGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2018**

**TABLE OF CONTENTS (continued)**

	Page
Notes to the Required Supplementary Information - Part III	78
<b>Other Supplementary Information</b>	
D. School Based Budget Schedules	N/A
Combining and Individual Non-Major Fund Financial Statements	
E. Special Revenue Fund	
E-1 Combining Schedule of Revenues and Expenditures - Budgetary Basis	79
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	N/A
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	N/A
G. Proprietary Funds	
Enterprise Fund	
G-1 Combining Statement of Net Position	80
G-2 Combining Statement of Revenues, Expenses and Changes in Fund Net Position	81
G-3 Combining Statement of Cash Flows	82
H. Fiduciary Funds	
H-1 Combining Statement of Net Position	83
H-2 Combining Statement of Changes in Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	84
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	85
I. Long-Term Debt	N/A

**LEBANON BOROUGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2018**

**TABLE OF CONTENTS (continued)**

Statistical Section	<u>Page</u>
J. Statistical Section (Unaudited)	
J-1 Net Position by Component	86
J-2 Changes in Net Position	87 - 89
J-3 Fund Balances - Governmental Funds	90
J-4 Changes in Fund Balances - Governmental Funds	91 - 92
J-5 General Fund - Other Local Revenues by Source	93
J-6 Assessed Value and Actual Value of Taxable Property	94
J-7 Direct and Overlapping Property Tax Rates	95
J-8 Principal Property Taxpayers	96
J-9 Property Tax Levies and Collections	97
J-10 Ratios of Outstanding Debt by Type	98
J-11 Ratios of General Bonded Debt Outstanding	99
J-12 Direct and Overlapping Governmental Activities Debt	100
J-13 Legal Debt Margin Information	101
J-14 Demographic and Economic Statistics	102
J-15 Principal Employers	103
J-16 Full Time Equivalent District Employees by Function/Program	104
J-17 Operating Statistics	105
J-18 School Building Information	106
J-19 Schedule of Required Maintenance Expenditures by School Facility	107
J-20 Insurance Schedule	108
 Single Audit Section	
K. Single Audit Section	
K-1 Independent Auditors' 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	109 - 110
K-2 Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance of New Jersey OMB Circular Letter 15-08	N/A
K-3 Schedule of Expenditures of Federal Awards - Schedule A	111
K-4 Schedule of Expenditures State Financial Assistance - Schedule B	112
K-5 Notes to the Schedules of Awards and Financial Assistance	113 - 114
K-6 Schedule of Findings and Questioned Costs - Section I	115 - 116
K-7 Schedule of Findings and Questioned Costs - Sections II and III	117
K-8 Summary Schedule of Prior Audit Findings	118

# Lebanon Borough School District

6 Maple Street  
Lebanon, New Jersey 08833

Bruce Arcurio  
Chief School Administrator

Patricia Duell  
School Business Administrator

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February 4, 2019

Honorable President and  
Members of the Board of Education  
Lebanon Borough School District  
County of Hunterdon, New Jersey

Dear Board Members:

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

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

1.) **REPORTING ENTITY AND ITS SERVICES:** Lebanon Borough School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Lebanon Borough Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 6. These include regular, as well as special education for handicapped youngsters. The District completed the 2017/18 fiscal year with an enrollment of 110 students, which is greater than the prior year finish. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2017-18	106.0	3.9%
2016-17	102.0	3%
2015-16	99.0	8%
2014-15	92.0	0.0%
2013-14	92.0	10%
2012-13	84.0	2.5%
2011-12	82.1	9.6%
2010-11	75.0	(11.8%)
2009-10	85.0	1.05%
2008-09	81.0	(1.22%)

2.) **ECONOMIC CONDITION AND OUTLOOK:** Lebanon Borough is an established community and is experiencing some development and expansion. It is expected that the community will continue to prosper.

3.) **MAJOR INITIATIVES:**

- a. Emphasis on Core Curriculum Standards has resulted in:
  - Standardized test scores that exceed state and national averages
  - High testing achievement for those students taking the fourth grade New Jersey ASK Science Proficiency Test.
- b. All students receive special instructions in the following areas by teacher specialist: Technology, Art, Music, Gifted and Talented/Enrichment.
- c. Small class size allows staff to individualize classroom instruction.
- d. In-class instructional support for mainstreamed Special Education students.
- e. Staff development opportunities for all professional staff.

4.) **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

7.) **FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8.) **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in Notes to the Financial Statements, Notes 1 and 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9.) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.



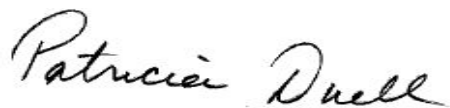
**10.) OTHER INFORMATION:**

**A) Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of BKC, CPAs, P.C. was selected by the Board of Education. In addition to meeting the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

**11.) ACKNOWLEDGMENTS:**

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

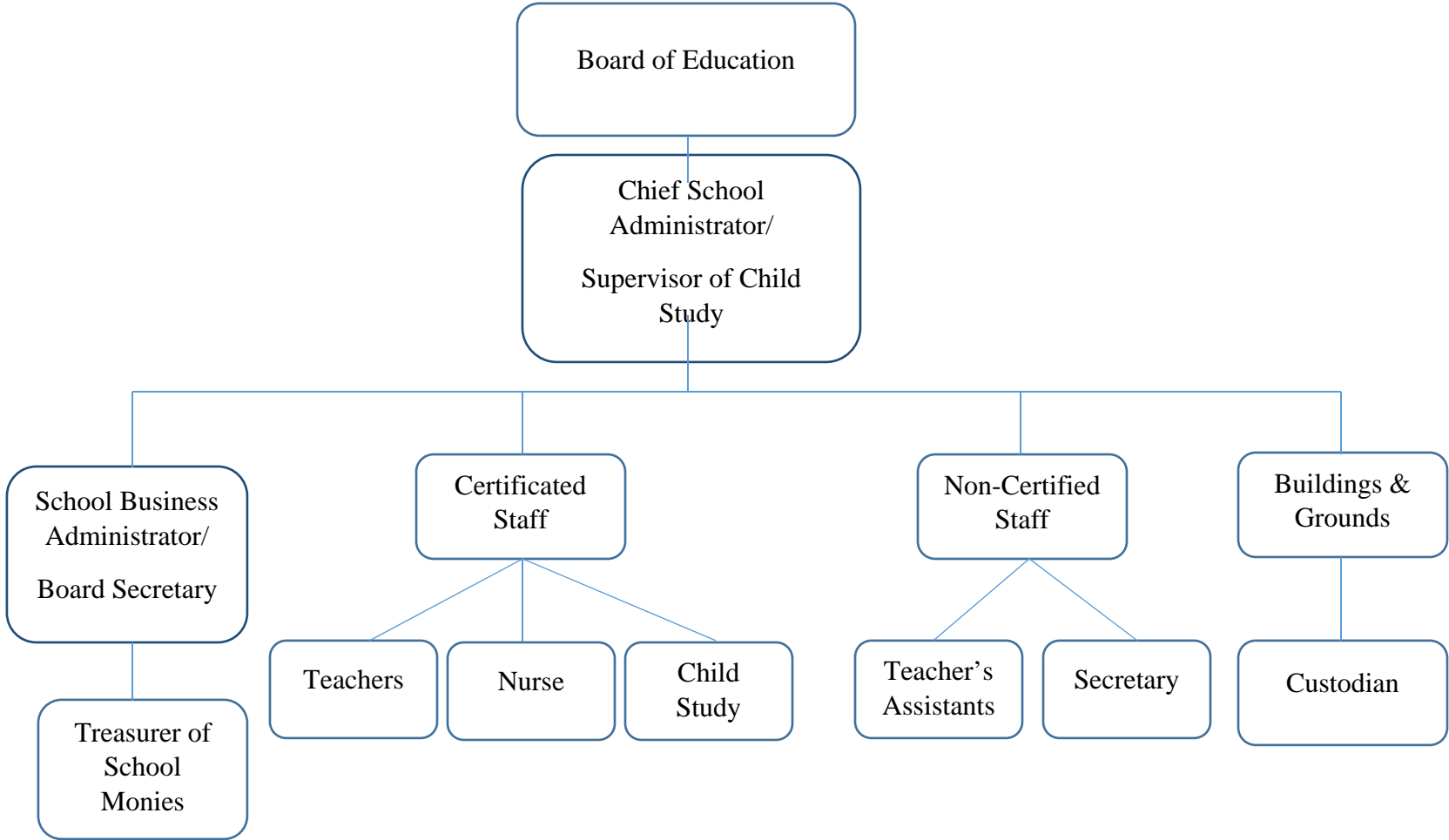
Respectfully submitted,



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Patricia Duell  
School Business Administrator/Board Secretary

Lebanon Borough School District  
Organizational Chart



**LEBANON BOROUGH BOARD OF EDUCATION**  
**Roster of Officials**  
**June 30, 2018**

<u>Name</u>	<u>Term Expires</u>
Jaclyn Carruthers, President	2019
Daniel Elwell, Vice President	2019
David Abeles	2018
Christine Burton	2018
Melissa Toledo	2018

Other District Officials

Mr. Bruce Arcurio, Chief School Administrator  
Mrs. Patricia Duell, School Business Administrator/Board Secretary  
Mrs. Cheryl Zarra, Treasurer of School Monies  
Comegno Law Group, Board Attorney

**LEBANON BOROUGH BOARD OF EDUCATION**  
**Consultants and Advisors**  
**June 30, 2018**

Audit Firm:

BKC, CPAs, PC  
114 Broad St.  
Flemington, NJ 08822

Architect:

Gianforcaro Architects, Engineers & Planners  
55 East Main St. Suite 1  
Chester, NJ 07930

Attorney:

Comegno Law Group  
521 Pleasant Valley Ave.  
Moorestown, NJ 08057

Official Depository:

Investor's Savings Bank  
55 Old Highway 22#4  
Clinton, NJ 08809



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## Independent Auditors' Report

Honorable President and  
Members of the Board of Education  
Lebanon Borough School District  
County of Hunterdon, 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 Lebanon Borough School District (the District) in the County of Hunterdon, 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 audit. We conducted our audit 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

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 Lebanon Borough School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 7 to the financial statements, in 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### Other Matters

#### Required Supplementary Information

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

### Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, 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 and Schedule of Expenditures of State Financial Assistance required

by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction and statistical sections have not been subject 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 District's internal control over financial reporting and compliance.



**BKC, CPAs, PC**



**Michael Holk, CPA, PSA**

February 4, 2019  
Flemington, New Jersey

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

The discussion and analysis of Lebanon Borough 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; readers should also review the notes to the basic financial statement and financial statement to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- In total, net position decreased \$59,775 which represents a 2.67 percent decrease from fiscal year 2017.
- General revenues accounted for \$3,876,578 in revenue or 97.56 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$97,071 or 2.44 percent to total revenues of \$3,973,649.
- Total assets of governmental activities decreased by \$29,249 as cash and cash equivalents decreased by \$68,801, receivables increased by \$18,646 and capital assets increased by \$20,906. The change in total assets is primarily the result of a decrease in emergency reserve cash for appropriations budgeted in the current year being offset by an increase in accounts receivable for federal grants expended.
- The School District had \$4,033,424 in expenses; only \$97,071 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$3,876,578 were adequate to provide for these programs.
- Among major funds, the general fund had \$3,243,697 in revenues and \$3,288,840 in expenditures and other financing uses. The general fund's balance decreased \$45,143 over 2017.

**Using this Generally Accepted Accounting Principles Report (GAAP)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lebanon Borough 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. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Lebanon Borough School District, the general fund is by far the most significant fund.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

**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 fiscal year 2018?" The Statement of Net Position and the Statement of Activities 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 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 net 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 reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

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

**Fund Financial Statements**

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, and capital projects fund.

**Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds measure and report the operating results by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

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 Position) and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**The School District as a Whole**

Table 1 provides a summary of the District's net position at June 30, 2018 with comparisons to June 30, 2017.

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

	Fiscal Year Ended		Variance	
	06/30/18	06/30/17	Dollars	%
<b>Assets</b>				
Current and other assets	\$ 844,523	\$ 889,098	\$ (44,575)	(5.01)
Capital assets	1,918,333	1,897,687	20,646	1.09
Total assets	<u>2,762,856</u>	<u>2,786,785</u>	<u>(23,929)</u>	<u>(0.86)</u>
<b>Deferred outflows of resources</b>				
Deferred amount on pension activity	<u>233,335</u>	<u>410,260</u>	<u>(176,925)</u>	<u>(43.13)</u>
<b>Liabilities</b>				
Long-term liabilities	523,961	944,578	(420,617)	(44.53)
Other liabilities	<u>5,550</u>	<u>5,023</u>	<u>527</u>	<u>10.49</u>
Total liabilities	<u>529,511</u>	<u>949,601</u>	<u>(420,090)</u>	<u>(44.24)</u>
<b>Deferred outflows of resources</b>				
Deferred amount on pension activity	<u>291,590</u>	<u>12,579</u>	<u>279,011</u>	<u>2,218.07</u>
<b>Net position</b>				
Net investment in capital assets	1,918,333	1,897,687	20,646	1.09
Restricted	562,016	609,275	(47,259)	(7.76)
Unrestricted	<u>(305,259)</u>	<u>(272,097)</u>	<u>(33,162)</u>	<u>12.19</u>
Total net position	<u>\$ 2,175,090</u>	<u>\$ 2,234,865</u>	<u>\$ (59,775)</u>	<u>(2.67)</u>

Total assets decreased \$23,929. Cash and cash equivalents decreased by \$63,221, receivables increased by \$18,646 and capital assets increased by \$20,646. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements of the School District, decreased by \$33,162.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 provides a summary of the District's changes in net position in the fiscal year 2018 with comparisons to fiscal year 2017.

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

	Fiscal Year Ended		Variance	
	06/30/18	06/30/17	Dollars	%
Revenues				
Program revenues				
Charges for services	\$ 42,521	\$ 56,757	\$ (14,236)	(25.08)
Operating grants	54,550	56,977	(2,427)	(4.26)
Capital grants	-	5,533	(5,533)	(100.00)
General revenues				
Property taxes	2,654,833	2,602,777	52,056	2.00
Unrestricted grants	1,205,207	917,479	287,728	31.36
Other	16,538	5,099	11,439	224.34
Total revenues	<u>3,973,649</u>	<u>3,644,622</u>	<u>329,027</u>	9.03
Program expenses				
Instruction				
Regular	1,668,388	1,501,930	166,458	11.08
Special	192,037	168,419	23,618	14.02
Other	163,096	122,272	40,824	33.39
Support services				
Tuition	660,986	633,971	27,015	4.26
Student and instructional staff	687,912	598,406	89,506	14.96
General and business administration	307,044	269,930	37,114	13.75
School administration	1,296	1,277	19	1.49
Maintenance	234,232	241,928	(7,696)	(3.18)
Transportation	98,789	69,933	28,856	41.26
Milk service	855	731	124	16.96
Child care	18,789	-	18,789	100.00
Total expenses	<u>4,033,424</u>	<u>3,608,797</u>	<u>424,627</u>	11.77
Increase (decrease) in net position	<u>\$ (59,775)</u>	<u>\$ 35,825</u>	<u>\$ (95,600)</u>	(266.85)

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

**Governmental Activities**

Property taxes made up 67 percent of revenues for governmental activities for the Lebanon Borough School District for fiscal year 2018. The Board of Education and School Administrators work diligently to provide a through and efficient education to the students of Lebanon Borough School District within the constraints of laws governing school district operations.

Instruction and student support services comprise 84 percent of District expenses. Administration, Buildings and Grounds maintenance and other employer related expenses account for the remaining 16 percent.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to fiscal year 2017 have been made.

Table 3 provides a summary of the School District's cost of governmental and business type services in 2017 and 2018.

**Table 3**  
**Cost of Governmental and Business Type Services**

	Total Cost of Services		Net Cost of Services	
	06/30/18	06/30/17	06/30/18	06/30/17
Instruction	\$2,023,521	\$1,792,621	\$1,937,389	\$1,683,045
Support services				
Tuition	660,986	633,971	660,986	633,971
Student and instructional staff	687,912	598,406	683,925	589,820
General and business administration	307,044	269,930	307,044	269,359
School administration	1,296	1,277	1,296	1,274
Plant operations and maintenance	234,232	241,928	234,102	241,808
Pupil transportation	98,789	69,933	98,789	69,933
Business type services				
Milk service	855	731	233	320
Child care	18,789	-	12,589	-
Total expenses	<u>\$4,033,424</u>	<u>\$3,608,797</u>	<u>\$3,936,353</u>	<u>\$3,489,530</u>

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

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

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

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

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

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

The dependence upon tax revenues is apparent. For all activities local tax revenue support is 66.8 percent. The community, as a whole, is the primary support of the Lebanon Borough School District.

**The School District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,298,247; expenditures of \$3,330,868 and transfers out to other funds of \$12,522. The net negative change in fund balance for all major funds was \$45,143. This was primarily a result of an increase in expenditures for capital outlay.

**General Fund Budgeting Highlights**

The School District'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.

During the course of the fiscal 2018 year, the School District amended its general fund budget as needed. The School District uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the general fund, budget basis revenue was \$2,909,913 or \$40,688 above original budgeted estimates of \$2,869,225. This difference was due primarily to an increase in tuition, interest on investments, and the sale of technology supplies.

The general fund revenues and other financing sources of the School District was lower than expenditures and other financing uses by approximately \$44,138.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

**Capital Assets**

At the end of the fiscal year 2018, the School District had \$1,918,333 invested in land, buildings, furniture and equipment.

Table 4 provides a summary of the School District's capital assets net of depreciation at June 30, 2018 with comparisons to June 30, 2017.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation)**

	Fiscal Year Ended		Variance	
	06/30/18	06/30/17	Dollars	%
Land	\$ 10,503	\$ 10,503	\$ -	-
Construction in progress	81,771	12,782	68,989	539.74
Buildings and improvements	1,792,585	1,835,556	(42,971)	(2.34)
Furniture and equipment	33,474	38,846	(5,372)	(13.83)
Total	<u>\$ 1,918,333</u>	<u>\$ 1,897,687</u>	<u>\$ 20,646</u>	1.09

Overall, capital assets increased \$20,646 from fiscal year 2017 to fiscal year 2018. Increases in capital acquisitions (primarily construction in progress) were offset by depreciation expenses during the fiscal year.

**Debt Administration**

At June 30, 2018, the School District had \$523,961 of long-term liabilities consisting of compensated absences and PERS net pension liability.

At June 30, 2018, the School District's overall legal debt margin was \$8,335,372 and the unvoted debt margin was \$8,335,372.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**  
**Unaudited**

Table 5 provides a summary of the District's long-term liabilities at June 30, 2018 with comparisons to June 30, 2017.

**Table 5**  
**Long-term Liabilities at Year-End**

	Year Ended		Variance	
	06/30/18	06/30/17	Dollars	%
PERS net pension liability	\$ 450,897	\$ 892,529	\$ (441,632)	(49.48)
Compensated absences	73,064	52,049	21,015	40.38
Total	<u>\$ 523,961</u>	<u>\$ 944,578</u>	<u>\$ (420,617)</u>	(44.53)

**For the Future**

The Lebanon Borough School District is in good financial condition presently. A major concern is the increased reliance on local property taxes. Future finances are not without challenges as expenses continue to grow and state funding is stagnant.

Lebanon Borough School District is primarily a residential community, with very few ratables; thus, the tax burden is focused on homeowners. During the budget process in the Spring, it was a concern to the Administration and Board of Education how future budgets would be financed; therefore, Board and Administration continually review all costs centers in the District.

In conclusion, the Lebanon Borough 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 any questions about this report or need additional information contact Patricia Duell, School Business Administrator at [tduell@lebanonschool.org](mailto:tduell@lebanonschool.org).

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 384,201	\$ 6,759	\$ 390,960
Receivables, net	39,071	-	39,071
<b>Restricted assets</b>			
Capital reserve account - cash	215,592	-	215,592
Emergency reserve account - cash	126,550	-	126,550
Maintenance reserve account - cash	72,350	-	72,350
<b>Capital assets, net</b>			
Land	10,503	-	10,503
Construction in progress	81,771	-	81,771
Other capital assets, net of depreciation	1,823,851	2,208	1,826,059
Total assets	<u>2,753,889</u>	<u>8,967</u>	<u>2,762,856</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	<u>233,335</u>	<u>-</u>	<u>233,335</u>
<b>Liabilities</b>			
Unearned revenue	11	5,539	5,550
<b>Long-term liabilities</b>			
Due within one year	7,535	-	7,535
Due beyond one year	516,426	-	516,426
Total liabilities	<u>523,972</u>	<u>5,539</u>	<u>529,511</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	<u>291,590</u>	<u>-</u>	<u>291,590</u>
<b>Net position</b>			
Net investment in capital assets	1,916,125	2,208	1,918,333
<b>Restricted for</b>			
Capital reserve	215,592	-	215,592
Emergency reserve	126,550	-	126,550
Maintenance reserve	72,350	-	72,350
Tuition reserve	147,524	-	147,524
Unrestricted	<u>(306,479)</u>	<u>1,220</u>	<u>(305,259)</u>
<b>Total net position</b>	<u>\$ 2,171,662</u>	<u>\$ 3,428</u>	<u>\$ 2,175,090</u>

See accompanying notes to financial statements.



## **FUND FINANCIAL STATEMENTS**

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash & cash equivalents	\$ 384,201	\$ -	\$ -	\$ -	\$ 384,201
Due from other funds	16,472	-	-	-	16,472
Receivables from other governments					
Federal	-	9,754	-	-	9,754
State	18,606	-	-	-	18,606
Local	3,482	-	-	-	3,482
Other accounts receivable	510	-	-	-	510
Restricted cash & cash equivalents	414,492	-	-	-	414,492
<b>Total assets</b>	<b>\$ 837,763</b>	<b>\$ 9,754</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 847,517</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 9,753	\$ -	\$ -	\$ 9,753
Unearned revenue	10	1	-	-	11
<b>Total liabilities</b>	<b>10</b>	<b>9,754</b>	<b>-</b>	<b>-</b>	<b>9,764</b>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet (continued)**  
**June 30, 2018**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital reserve	\$ 215,592	\$ -	\$ -	\$ -	\$ 215,592
Emergency reserve	126,550	-	-	-	126,550
Maintenance reserve	72,350	-	-	-	72,350
Tuition reserve	147,524	-	-	-	147,524
Committed fund balance					
Encumbrances	21,661	-	-	-	21,661
Assigned					
Designated for subsequent year's expenditures	23,263	-	-	-	23,263
Unassigned fund balance	230,813	-	-	-	230,813
Total fund balances	837,753	-	-	-	837,753
 Total liabilities and fund balances	 \$ 837,763	 \$ 9,754	 \$ -	 \$ -	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,587,627 and the accumulated depreciation is \$1,671,502.	1,916,125
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(58,255)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(523,961)
Total net position of governmental activities	\$ 2,171,662

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>					
<b>Local sources</b>					
Local tax levy	\$ 2,654,833	\$ -	\$ -	\$ -	\$ 2,654,833
Tuition charges	35,569	-	-	-	35,569
Interest earned on emergency expense reserve funds	1,488	-	-	-	1,488
Interest earned on capital reserve funds	2,423	-	-	-	2,423
Interest earned on investments	6,460	-	-	-	6,460
Miscellaneous	6,216	2,568	-	-	8,784
	<u>2,706,989</u>	<u>2,568</u>	<u>-</u>	<u>-</u>	<u>2,709,557</u>
State sources	536,708	-	-	-	536,708
Federal sources	-	51,982	-	-	51,982
Total revenues	<u>3,243,697</u>	<u>54,550</u>	<u>-</u>	<u>-</u>	<u>3,298,247</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instructional</b>					
Regular instruction	968,831	20,164	-	-	988,995
Special education instruction	84,020	30,399	-	-	114,419
Other special instruction	74,231	-	-	-	74,231
Other instruction	2,200	-	-	-	2,200
<b>Support service &amp; undistributed costs</b>					
Tuition	660,986	-	-	-	660,986
Student & instruction related services	473,639	3,987	-	-	477,626
General & business administrative services	186,228	-	-	-	186,228
School administrative services	1,032	-	-	-	1,032
Plant operations & maintenance	205,679	-	-	-	205,679
Pupil transportation	98,789	-	-	-	98,789

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures					
Current (continued)					
Support service & undistributed costs (cont'd)					
Unallocated benefits	\$ 415,937	\$ -	\$ -	\$ -	\$ 415,937
Capital outlay	104,746	-	-	-	104,746
Total expenditures	<u>3,276,318</u>	<u>54,550</u>	<u>-</u>	<u>-</u>	<u>3,330,868</u>
Excess (deficit) of revenues over (under) expenditures	<u>(32,621)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,621)</u>
Other financing sources (uses)					
Transfers out	<u>(12,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,522)</u>
Total other financing sources (uses)	<u>(12,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,522)</u>
Net change in fund balance	(45,143)	-	-	-	(45,143)
Fund balances, July 1	<u>882,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>882,896</u>
Fund balances, June 30	<u>\$ 837,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 837,753</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Total net changes in fund balances - governmental fund (from B-2) \$ (45,143)

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 expenses.

This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 104,746	
Depreciation expense	<u>(83,840)</u>	20,906

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. (14,304)

In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (21,015)

Change in net position of governmental activities \$ (59,556)

See accompanying notes to financial statements.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Milk Service Fund	Child Care Program	Total
	<u>          </u>	<u>          </u>	<u>          </u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,220	\$ 5,539	\$ 6,759
Total current assets	<u>1,220</u>	<u>5,539</u>	<u>6,759</u>
Noncurrent assets			
Capital assets	41,879	-	41,879
Less: accumulated depreciation	<u>(39,671)</u>	<u>-</u>	<u>(39,671)</u>
Total noncurrent assets	<u>2,208</u>	<u>-</u>	<u>2,208</u>
Total assets	<u>3,428</u>	<u>5,539</u>	<u>8,967</u>
Liabilities			
Current liabilities			
Due to other funds	<u>-</u>	<u>5,539</u>	<u>5,539</u>
Net position			
Invested in capital assets, net of related debt	2,208	-	2,208
Unrestricted	<u>1,220</u>	<u>-</u>	<u>1,220</u>
Total net position	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ 3,428</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	Milk Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - non-reimbursable programs	\$ 622	\$ -	\$ 622
Child care revenues	-	6,200	6,200
Total operating revenues	<u>622</u>	<u>6,200</u>	<u>6,822</u>
Operating expenses			
Costs of sales	414	-	414
Salaries	-	16,983	16,983
Employee benefits	-	1,299	1,299
Supplies	181	507	688
Depreciation	260	-	260
Total operating expenses	<u>855</u>	<u>18,789</u>	<u>19,644</u>
Operating income (loss)	<u>(233)</u>	<u>(12,589)</u>	<u>(12,822)</u>
Non-operating revenues (expenses)			
Local sources			
Interest on investments	14	37	51
Miscellaneous	-	30	30
Total non-operating revenues (expenses)	<u>14</u>	<u>67</u>	<u>81</u>
Other financing sources			
Transfer in from general fund	<u>-</u>	<u>12,522</u>	<u>12,522</u>
Change in net position	(219)	-	(219)
Net position, beginning	<u>3,647</u>	<u>-</u>	<u>3,647</u>
Net position, ending	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ 3,428</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Cash Flow**  
**For the Fiscal Year Ended June 30, 2018**

	Milk Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 622	\$ 6,200	\$ 6,822
Payments to employees	-	(16,983)	(16,983)
Payments for employee benefits	-	(1,299)	(1,299)
Payments to vendors	(595)	(507)	(1,102)
Net cash used for operating activities	<u>27</u>	<u>(12,589)</u>	<u>(12,562)</u>
Cash flows from non-capital related financing activities			
Interfund activity	-	18,061	18,061
Miscellaneous	-	30	30
Net cash flows from non-capital related financing activities	<u>-</u>	<u>18,091</u>	<u>18,091</u>
Cash flows from investing activities			
Interest on investments	<u>14</u>	<u>37</u>	<u>51</u>
Net increase (decrease) in cash and cash equivalents	41	5,539	5,580
Cash and cash equivalents, July 1	<u>1,179</u>	<u>-</u>	<u>1,179</u>
Cash and cash equivalents, June 30	<u>\$ 1,220</u>	<u>\$ 5,539</u>	<u>\$ 6,759</u>
Reconciliation of operating loss to net cash used for operating activities			
Operating loss	\$ (233)	\$ (12,589)	\$ (12,822)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation	<u>260</u>	<u>-</u>	<u>260</u>
Net cash provided by (used for) operating activities	<u>\$ 27</u>	<u>\$ (12,589)</u>	<u>\$ (12,562)</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2018**

	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 695	\$ 7,096
Total assets	<u>\$ 695</u>	<u>\$ 7,096</u>
<b>Liabilities</b>		
Due to other funds	\$ -	\$ 1,180
Due to student groups	695	-
Payroll deductions and withholdings	-	5,916
Total liabilities	<u>\$ 695</u>	<u>\$ 7,096</u>

See accompanying notes to financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

The financial statements of the Lebanon Borough School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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 accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts overall financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of five members elected to three-year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2018 of 109 students.

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

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

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or service, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

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

The District reports the following major governmental funds:

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment, which are classified in the capital outlay sub-fund.

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



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board Resolution.

*Special Revenue Fund* - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes in the special revenue fund.

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

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

Additionally, the District reports the following fund types:

Proprietary Fund types

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

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

The District's enterprise funds are comprised of the milk service fund and Child Care program.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

All proprietary funds are accounted for on a current financial resource's measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years

Fiduciary fund types

*Trust and Agency Funds* - This fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District:

*Student Activities Agency Fund* - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

*Payroll Agency Fund* - This fund accounts for the withholding and remittance of employee salary deductions.

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. 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 NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board Resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. 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 unearned 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.

F. Tuition receivable

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

G. Tuition payable

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

H. Short-term interfund receivable and payables

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

I. Inventories and prepaid items

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

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Communication & security systems equipment	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (i.e., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 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 rights to the benefits.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. 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 Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

N. 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 credits, grantors, or laws or regulations of their 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.

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - Governmental Funds (continued)

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Use of estimates

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

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF pension contributions, reimbursed TPAF Social Security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Tax assessments and property taxes (continued)

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$ 10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits and investments

Cash equivalents and investments - Cash and cash equivalents include petty cash, change funds, and cash on deposit with public depositories. The District does not have any investments.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

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



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 3 - Deposits and investments (continued)

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the District relative to the happening of a future condition.

N.J.S.A. 17:9-41 e.t. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and saving banks the deposits of which are federally insured.

As of June 30, 2018, the District's bank balances of \$887,948 were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	637,948
	\$ 887,948

Deposits at June 30, 2018 appear in the financial statements as summarized below:

Cash		\$ 813,243
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 384,201
Enterprise funds, Statement of Net Position	B-4	6,759
Fiduciary funds, Statement of Net Position	B-7	7,791
Restricted cash		
Governmental activities, Balance Sheet	B-1	414,492
Total cash		\$ 813,243

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 10,503	\$ -	\$ -	\$ 10,503
Construction in progress	12,782	79,889	10,900	81,771
Total	<u>23,285</u>	<u>79,889</u>	<u>10,900</u>	<u>92,274</u>
Capital assets, being depreciated				
Land improvements	14,300	-	-	14,300
Building & improvements	3,313,054	35,757	-	3,348,811
Furniture & equipment	132,242	-	-	132,242
Total	<u>3,459,596</u>	<u>35,757</u>	<u>-</u>	<u>3,495,353</u>
Accumulated depreciation				
Land improvements	14,300	-	-	14,300
Building & improvements	1,477,498	78,728	-	1,556,226
Furniture & equipment	95,864	5,112	-	100,976
Total	<u>1,587,662</u>	<u>83,840</u>	<u>-</u>	<u>1,671,502</u>
Total capital assets being depreciated, net	<u>1,871,934</u>	<u>(48,083)</u>	<u>-</u>	<u>1,823,851</u>
Transfer	<u>-</u>	<u>(10,900)</u>	<u>(10,900)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 1,895,219</u>	<u>\$ 20,906</u>	<u>\$ -</u>	<u>\$ 1,916,125</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 41,879	\$ -	\$ -	\$ 41,879
Less: accumulated depreciation	39,411	260	-	39,671
Business type activities capital assets, net	<u>\$ 2,468</u>	<u>\$ (260)</u>	<u>\$ -</u>	<u>\$ 2,208</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets (continued)  
 Depreciation expense was charged to governmental functions in the current year as follows:

Instruction	
Regular	\$ 47,058
Special education	4,081
Other special instruction	107
Other instruction	107
Support services	
Student & instruction	23,005
General & business administration	9,045
School administration	50
Plant operation & maintenance	387
Total depreciation expense, governmental activities	\$ 83,840

Note 5 - Long-term debt  
 Long-term liability activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
PERS net pension liability	\$ 892,529	\$ -	\$ 441,632	\$ 450,897	\$ -
Compensated absences payable	52,049	24,137	3,122	73,064	7,535
Total governmental activities long-term liabilities	\$ 944,578	\$ 24,137	\$ 444,754	\$ 523,961	\$ 7,535

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2018 is \$8,335,372. The general obligation debt at June 30, 2018, is \$0 resulting in a legal debt margin of \$8,335,372.

Note 6 - Pension plans  
Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The TPAF retirement system 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 Board and the system's other related non-contributing employers. The PERS and DCRP are considered cost sharing multiple-employer plans.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
A. Public employees' retirement systems (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). For additional information about PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

The vesting and benefit provisions are set by NJSA 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

The following represents the membership Tiers for PERS:

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

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial 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 excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the state and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as 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.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended 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

The contribution policy for PERS is set by N.J.S.A. 45:15A 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.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Contributions (continued)

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 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.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1<sup>st</sup> until eventually reaching 7.50% of base salary effective July 1, 2018.

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2017 are as follows:

	2017
Total pension liability	\$ 868,779
Plan fiduciary net position	417,882
Net pension liability	\$ 450,897

Plan fiduciary net position as a percentage of the total pension liability 48.10%

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 (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.00%

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Components of net pension liability (continued)

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For local employees, mortality tables are set back two years for males and seven 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. Postretirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one 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 three years for males and set forward one 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.

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 Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
A. Public employees' retirement systems (PERS) (continued)  
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected 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 asset	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 rate in the most recent State 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 plans 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.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District 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% point lower or 1% point higher than the current rate:

	2017
At current discount rate (5.00%)	\$ 450,897
At a 1% lower rate (4.00%)	559,368
At a 1% higher rate (6.00%)	360,527

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,617	\$ -
Changes of assumptions	90,840	90,507
Net difference between projected and actual earnings on pension plan investments	3,070	-
Changes in proportion and differences between District contributions and proportionate share of contributions	110,864	201,083
District contributions subsequent to the measurement date	17,944	-
<b>Total</b>	<b>\$ 233,335</b>	<b>\$ 291,590</b>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2018, the plan measurement date is June 30, 2017) of \$17,944 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2017:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Differences between expected and actual experience	\$ 10,669	\$ 3,292	\$ 3,344	\$ 10,617
Changes of assumptions	118,835	-	27,995	90,840
Differences between projected and actual earnings on pension plan investments	21,875	(19,327)	(522)	3,070
Deferred inflows of resources				
Changes of assumptions	-	(110,709)	(20,202)	(90,507)
Net of deferred outflows (inflows)	<u>\$ 151,379</u>	<u>\$ (126,744)</u>	<u>\$ 10,615</u>	<u>\$ 14,020</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year Ended June 30,

2018	\$ 10,615
2019	16,018
2020	9,706
2021	(12,909)
2022	(9,410)
Total	<u>\$ 14,020</u>

Pension expense

For the year ended June 30, 2018, the District recognized net pension expense of \$31,914 which represents the District's proportionate share of allocable plan pension expense of \$32,522, less the net amortization of deferred amounts from changes in proportion of \$9,436, plus other adjustments to the net pension liability of \$8,828. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ended June 30, 2017 are as follows:

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	21,030
Interest on total pension liability		38,164
Member contributions		(10,004)
Administrative expense		262
Expected investment return net of investment expense		(27,249)
Pension expense related to specific liabilities of individual employers		(296)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		7,792
Amortization of expected versus actual experience		3,344
Amortization of projected versus actual investment earnings on pension plan investments		(521)
Pension expense	\$	32,522

B. Teachers' pension and annuity fund (TPAF)

Plan description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a 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 contributions, 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). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Plan description (continued)

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 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective Tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25-years of service. Deferred retirement is available to members who have at least 10-years of service credit and have not reached the service retirement age for the respective Tier.

Contributions

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 the State fiscal year 2017, the 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 non-employer 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 non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ended June 30, 2017, the State of New Jersey contributed \$98,597 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1<sup>st</sup> until eventually reaching 7.50% of base salary effective July 1, 2018.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
B. Teachers' pension and annuity fund (TPAF) (continued)  
Components of net pension liability

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the State's proportionate share of the net pension liability attributable to the employer, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for the fiscal year ended June 30, 2017 is as follows:

State's proportionate share of net pension liability	\$	5,920,127
District's proportionate share of net pension liability		-
Employer pension expense and related revenue		410,116
Non-employer contribution		98,597
Allocable proportionate percentage		.0087804960%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the State for the year ended June 30, 2017 are as follows:

Service cost	\$	264,964
Interest on total pension liability		289,137
Member contributions		(69,182)
Administrative expense		1,043
Expected investment return net of investment expense		(140,584)
Pension expense related to specific liabilities of individual employers		(31)
Recognition of deferred inflows/outflows of resources		
Amortization of economic/demographic gains or losses		63,324
Amortization of assumption changes or inputs		4,666
Amortization of investment gains or losses		(3,221)
Pension expense	\$	410,116

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)  
B. Teacher's pension and annuity fund (TPAF) (continued)  
Collective net pension liability and actuarial information

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2017 is as follows:

	2017
Total pension liability	\$ 7,937,195
Plan fiduciary net position	2,017,068
Net pension liability	\$ 5,920,127
Plan fiduciary net position as a percentage of the total pension liability	25.41%

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 (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial 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 Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)  
B. Teacher's pension and annuity fund (TPAF) (continued)  
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected 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 asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%

Discount rate

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District 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% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2017</u>
At current discount rate (4.25%)	\$ 5,920,127
At a 1% lower rate (3.25%)	7,033,297
At a 1% higher rate (5.25%)	5,003,093

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2018) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: [www.prudential.com/njdcprp](http://www.prudential.com/njdcprp).

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year 2018 was \$742.

D. Contribution requirements

During the year ended June 30, 2018, the State of New Jersey contributed \$100,922 to the TPAF for post-retirement medical benefits, \$3,702 for non-contributory insurance premiums, \$426 for long-term disability insurance and \$152,553 for pension costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$77,186 during the year ended June 30, 2018 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Chapter 6 of PL 1990 required TPAF and 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. Chapter 103 of PL 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2017, there were 112,966 statewide retirees eligible for post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62 of PL 1994. Funding of post-retirement medical premiums are on a pay-as-you-go basis.

The State is also responsible for the cost attributable to Chapter 126 of PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a School District or County College with 25-years of service. In fiscal year 2017, the State paid \$238.9 million toward Chapter 126 of PL 1992 benefits for 20,913 eligible retired members.

GASB Statement No. 75 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

*Plan Description* - The School District participates in the State Health Benefits Program (SHBP), a multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to state employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to employees, retirees, and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a Resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 or by visiting their website at [www.nj.gov/treasury/pensions](http://www.nj.gov/treasury/pensions).

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

*Funding Policy* - Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

*Total OPEB liability* - Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

Total OPEB liability

For purposes of reporting required GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2017 is as follows:

	2017
State's proportionate share of the OPEB liability	\$ 53,639,841,858
District's proportionate share of the State's OPEB liability	4,896,131
Employer pension expense and related revenue	258,383
Allocable proportionate percentage	.009127788%

Changes in the total OPEB liability

	Total OPEB Liability
Total OPEB liability at June 30, 2016	\$ 5,290,780
Service cost	172,178
Interest cost	154,149
Change of benefit terms	-
Differences between expected and actual experiences	-
Changes of assumptions	(611,747)
Member contributions	4,176
Gross benefit payments	(113,405)
Total OPEB liability at June 30, 2017	\$ 4,896,131

There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

Total OPEB liability (continued)

The total non-employer 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 non-employer 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%
	TPAF	PERS
	(based on years	(based on age)
Salary increases	of service)	)
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

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.

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 was 3.58%. 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.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits (continued)

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the total non-employer OPEB liability as of June 30, 2017, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>Total OPEB Liability (school retirees)</u>	2017
At current discount rate (3.58%)	\$ 4,896,131
At a 1% lower rate (2.58%)	5,812,061
At a 1% higher rate (4.58%)	4,169,607

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

<u>Total OPEB Liability (school retirees)</u>	2017
Healthcare cost trend rate	\$ 4,896,131
At a 1% lower rate (1% decrease)	4,026,594
At a 1% higher rate (1% increase)	6,050,865

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$258,383 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - 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, permit 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:

- Equitable
- Midland National

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 9 - Interfund receivable and payables

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

Fund	Receivable Fund	Payable Fund
General fund	\$ 16,472	\$ -
Special revenue fund	-	9,753
Child care fund	-	5,539
Payroll agency fund	-	1,180
Total	\$ 16,472	\$ 16,472

The balance due from the payroll agency fund to the general fund represents canceled payroll balances determined to be due to the general fund totaling \$1,180. The balance due from the child care fund to the general fund represents the net amount of transactions processed in the general fund for the child care fund totaling \$18,061 less the amount transferred from the general fund to the child care fund totaling \$12,522. The balance due from the special revenue fund to the general fund represents a loan from the general fund of \$9,753 due to cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Amounts received or are receivables from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

Note 11 - 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, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Risk management (continued)

*New Jersey Unemployment Compensation Insurance* - The District has elected to fund its NJ Unemployment Compensation Insurance under the Contributory Method. Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the state. Any claims for unemployment are paid for by the state from those funds.

Note 12 - Legal reserve accounts

A capital reserve account was established by the District 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 Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. 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 NJSA 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$47,524 to their tuition reserve account by Board Resolution in June 2018 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 213,169	\$ -	\$ 2,423	\$ -	\$ -	\$215,592
Emergency	203,756	-	1,488	21,306	100,000	126,550
Maintenance	72,350	-	-	-	-	72,350
Tuition	120,000	47,524	-	-	20,000	147,524
Total	<u>\$ 609,275</u>	<u>\$ 47,524</u>	<u>\$ 3,911</u>	<u>\$ 21,306</u>	<u>\$ 120,000</u>	<u>\$562,016</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 13 - Fund balances - Budgetary basis

As described in Note 1 N-Fund Equity (Fund Balance) may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2018 is as follows:

	2018
Restricted	
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 215,592
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	126,550
Tuition reserve account - Represents funds accumulated to finance for a foreseeable future tuition adjustment pursuant to N.J.A.C. 6A:23A-17.1(f).	147,524
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:76-9).	72,350
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	21,661
Assigned	
Designated for subsequent year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	23,263
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	249,974
Total fund balance - budgetary basis (Exhibit C-1)	856,914
Last state aid payments not recognized on GAAP basis	(19,161)
Total fund balance - GAAP basis (Exhibit B-1)	\$ 837,753

Note 14 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2018 of \$306,479 on Schedule A-1 Statement of Net Position. The deficit balance is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 15 - Lease obligations

Operating leases

As of June 30, 2018, the District had operating leases for small information technology devices and a copier. The future minimum rental payments under the operating lease are as follows:

Year Ended June 30,	Amount
2019	\$ 20,068
2020	4,428
2021	4,428
2022	4,428
2023	4,428
2024	1,107
Total	\$ 38,887

Note 16 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the year end date of this report.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. This statement, which is effective for reporting periods beginning after June 15, 2019, is not expected to have a material impact on the District's financial reporting.

Note 17 - Subsequent events

The District has evaluated subsequent events through February 4, 2019, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

## **BUDGETARY COMPARISON SCHEDULES**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 2,654,833	\$ -	\$ 2,654,833	\$ 2,654,833	\$ -
Tuition from individuals	21,500	-	21,500	35,569	14,069
Unrestricted miscellaneous revenues	640	-	640	12,676	12,036
Interest earned on current expense emergency reserve	600	-	600	1,488	888
Interest earned on maintenance reserve	60	-	60	-	(60)
Interest earned on capital reserve funds	500	-	500	2,423	1,923
<b>Total</b>	<b>2,678,133</b>	<b>-</b>	<b>2,678,133</b>	<b>2,706,989</b>	<b>28,856</b>
State Sources					
School choice aid	38,478	-	38,478	38,478	-
Categorical transportation aid	14,601	-	14,601	14,601	-
Extraordinary aid	-	-	-	9,827	9,827
Categorical special education aid	65,216	-	65,216	65,815	599
Categorical security aid	8,174	-	8,174	8,174	-
Additional adjustment aid	61,273	-	61,273	61,273	-
PARCC readiness aid	1,050	-	1,050	1,050	-
Per pupil growth aid	1,050	-	1,050	1,050	-
Professional learning community aid	1,250	-	1,250	1,250	-
Other state aid	-	-	-	1,406	1,406
TPAF pension (on-behalf)	-	-	-	156,255	156,255
TPAF social security (reimbursed)	-	-	-	77,186	77,186
TPAF post retirement benefits	-	-	-	100,922	100,922
TPAF long-term disability insurance	-	-	-	426	426
<b>Total</b>	<b>191,092</b>	<b>-</b>	<b>191,092</b>	<b>537,713</b>	<b>346,621</b>
<b>Total revenues</b>	<b>\$ 2,869,225</b>	<b>\$ -</b>	<b>\$ 2,869,225</b>	<b>\$ 3,244,702</b>	<b>\$ 375,477</b>
<b>EXPENDITURES</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 107,365	\$ (9,607)	\$ 97,758	\$ 97,668	\$ 90
Kindergarten	87,685	(7,893)	79,792	79,522	270
Grades 1-5	420,081	11,127	431,208	430,753	455
Grades 6-8	79,840	(4,583)	75,257	75,257	-
Home instruction					
Salaries of teacher	500	(170)	330	330	-
Regular programs - undistributed instruction					
Other purchased services	15,000	4,088	19,088	19,036	52
General supplies	33,287	978	34,265	33,088	1,177
Textbooks	4,000	(3,365)	635	635	-
Other objects	1,000	(393)	607	607	-
<b>Total</b>	<b>748,758</b>	<b>(9,818)</b>	<b>738,940</b>	<b>736,896</b>	<b>2,044</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Special education					
Resource room/resource center					
Salaries of teachers	\$ 52,760	\$ 1,069	\$ 53,829	\$ 53,700	\$ 129
Other salaries for instruction	8,500	(8,500)	-	-	-
General supplies	1,804	(1,804)	-	-	-
Textbooks	1,000	(1,000)	-	-	-
<b>Total</b>	<b>64,064</b>	<b>(10,235)</b>	<b>53,829</b>	<b>53,700</b>	<b>129</b>
<b>Total special education</b>	<b>64,064</b>	<b>(10,235)</b>	<b>53,829</b>	<b>53,700</b>	<b>129</b>
Basic skills/remedial					
Salaries of teachers	64,660	(200)	64,460	64,460	-
General supplies	1,000	(1,000)	-	-	-
<b>Total</b>	<b>65,660</b>	<b>(1,200)</b>	<b>64,460</b>	<b>64,460</b>	<b>-</b>
School-sponsored co/extra curricular activities - instruction					
Salaries	4,200	(2,000)	2,200	2,200	-
<b>Total</b>	<b>4,200</b>	<b>(2,000)</b>	<b>2,200</b>	<b>2,200</b>	<b>-</b>
<b>Total instruction regular</b>	<b>\$ 882,682</b>	<b>\$ (23,253)</b>	<b>\$ 859,429</b>	<b>\$ 857,256</b>	<b>\$ 2,173</b>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ 561,622	\$ 2,250	\$ 563,872	\$ 563,872	\$ -
Tuition to other LEAs within the state - special	15,971	-	15,971	15,971	-
Tuition to priv. school for the disabled w/i state	81,143	-	81,143	81,143	-
<b>Total</b>	<b>658,736</b>	<b>2,250</b>	<b>660,986</b>	<b>660,986</b>	<b>-</b>
Undistributed expenditures - health services					
Salaries	74,010	1,757	75,767	75,367	400
Purchased professional and technical services	1,653	(83)	1,570	1,535	35
Other purchased services	500	(500)	-	-	-
Supplies and materials	2,500	(1,454)	1,046	778	268
<b>Total</b>	<b>78,663</b>	<b>(280)</b>	<b>78,383</b>	<b>77,680</b>	<b>703</b>
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	61,500	3,435	64,935	64,810	125
Supplies and materials	1,427	(1,427)	-	-	-
<b>Total</b>	<b>62,927</b>	<b>2,008</b>	<b>64,935</b>	<b>64,810</b>	<b>125</b>
Undistributed expend - other supp. service stds. - extra service					
Salaries	14,574	38,468	53,042	53,038	4
Purchased professional - educational services	-	18,275	18,275	16,445	1,830
<b>Total</b>	<b>14,574</b>	<b>56,743</b>	<b>71,317</b>	<b>69,483</b>	<b>1,834</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Undistributed expenditures - child study teams					
Salaries of other professional staff	\$ 88,851	\$ 198	\$ 89,049	\$ 83,799	\$ 5,250
Salaries of secretarial and clerical assistants	13,438	-	13,438	13,438	-
Purchased professional - educational services	16,662	(2,981)	13,681	6,952	6,729
Other purchased professional & technical services	1,000	(800)	200	191	9
Supplies and materials	1,000	(856)	144	144	-
<b>Total</b>	<b>120,951</b>	<b>(4,439)</b>	<b>116,512</b>	<b>104,524</b>	<b>11,988</b>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	37,500	4,000	41,500	36,200	5,300
Salaries of other professional staff	2,500	(2,500)	-	-	-
Salaries of secretarial & clerical assist	13,438	-	13,438	13,438	-
Other purchased services	500	(500)	-	-	-
Supplies and materials	500	(500)	-	-	-
Other objects	250	(250)	-	-	-
<b>Total</b>	<b>54,688</b>	<b>250</b>	<b>54,938</b>	<b>49,638</b>	<b>5,300</b>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	-	332	332	332	-
Other purchased services	6,600	(6,600)	-	-	-
Supplies and materials	600	(600)	-	-	-
<b>Total</b>	<b>7,200</b>	<b>(6,868)</b>	<b>332</b>	<b>332</b>	<b>-</b>
Undistributed expend. - support service - general admin.					
Salaries	57,375	8,579	65,954	58,454	7,500
Legal services	6,572	(6,007)	565	454	111
Audit fees	10,490	375	10,865	10,865	-
Other purchased professional services	2,500	(2,500)	-	-	-
Communications/telephone	7,500	(2,581)	4,919	4,294	625
BOE other purchased services	7,000	(7,000)	-	-	-
Misc. purch services	-	6,361	6,361	6,287	74
General supplies	500	(500)	-	-	-
Miscellaneous expenditures	2,500	3,781	6,281	5,105	1,176
BOE membership dues and fees	2,000	(19)	1,981	1,891	90
<b>Total</b>	<b>96,437</b>	<b>489</b>	<b>96,926</b>	<b>87,350</b>	<b>9,576</b>
Undistributed expend. - support service - school admin.					
Other purchased services	-	1,032	1,032	1,032	-
<b>Total</b>	<b>-</b>	<b>1,032</b>	<b>1,032</b>	<b>1,032</b>	<b>-</b>
Undistributed expenditures - central services					
Salaries	80,000	-	80,000	80,000	-
Purchased professional services	-	7,678	7,678	6,700	978
Purchased technical services	8,861	(7,771)	1,090	1,090	-
Miscellaneous purchased services	250	1,956	2,206	2,206	-
Supplies and materials	1,500	(112)	1,388	1,388	-
Other objects	2,000	(880)	1,120	1,120	-
<b>Total</b>	<b>92,611</b>	<b>871</b>	<b>93,482</b>	<b>92,504</b>	<b>978</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	\$ 25,225	\$ (11,351)	\$ 13,874	\$ 13,685	\$ 189
Other objects	-	946	946	946	-
<b>Total</b>	<b>25,225</b>	<b>(10,405)</b>	<b>14,820</b>	<b>14,631</b>	<b>189</b>
Undistributed expenditures - custodial services					
Salaries	92,694	(13,086)	79,608	78,479	1,129
Purchased professional and technical services	600	(600)	-	-	-
Cleaning, repair, and maintenance service	4,200	10,571	14,771	14,771	-
Other purchased property services	5,185	2,339	7,524	6,286	1,238
Insurance	23,000	(4,353)	18,647	18,647	-
Miscellaneous purchased services	2,000	(1,958)	42	-	42
General supplies	12,900	(5,034)	7,866	6,277	1,589
Energy (natural gas)	20,000	(1,500)	18,500	15,948	2,552
Energy (electricity)	23,750	(7,250)	16,500	16,500	-
Other objects	500	-	500	375	125
<b>Total</b>	<b>184,829</b>	<b>(20,871)</b>	<b>163,958</b>	<b>157,283</b>	<b>6,675</b>
Undistributed expenditures - security					
Purchased professional and technical services	-	204	204	204	-
Cleaning, repair, and maintenance service	1,500	123	1,623	1,593	30
General supplies	250	(250)	-	-	-
<b>Total</b>	<b>1,750</b>	<b>77</b>	<b>1,827</b>	<b>1,797</b>	<b>30</b>
Undistributed expenditures - student transportation service					
Management fee - esc & ctsa trans. program	1,022	1,679	2,701	2,701	-
Contract serv-aid in lieu pymts - non-public schools	4,420	2,580	7,000	7,000	-
Contract serv-aid in lieu pymts - choice school students	884	(179)	705	705	-
Contr service (oth. than between home & school) - vend	-	1,510	1,510	1,510	-
Contr service (between home & school) - joint agreements	40,000	(5,680)	34,320	34,320	-
Contr service (sp ed stds) - vendors	20,000	24,506	44,506	44,506	-
Contract service (reg. students) - escs & ctsas	15,000	(6,953)	8,047	8,047	-
<b>Total</b>	<b>81,326</b>	<b>17,463</b>	<b>98,789</b>	<b>98,789</b>	<b>-</b>
Allocated benefits - employee benefits					
Regular programs - instruction					
Health benefits	239,721	(7,028)	232,693	231,935	758
<b>Total</b>	<b>239,721</b>	<b>(7,028)</b>	<b>232,693</b>	<b>231,935</b>	<b>758</b>
Special programs - instruction					
Health benefits	39,160	935	40,095	40,091	4
<b>Total</b>	<b>39,160</b>	<b>935</b>	<b>40,095</b>	<b>40,091</b>	<b>4</b>
Health services					
Health benefits	44,694	952	45,646	45,646	-
<b>Total</b>	<b>44,694</b>	<b>952</b>	<b>45,646</b>	<b>45,646</b>	<b>-</b>
Other supp services - students - extraordinary					
Health benefits	25,630	258	25,888	25,888	-
<b>Total</b>	<b>25,630</b>	<b>258</b>	<b>25,888</b>	<b>25,888</b>	<b>-</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES (cont'd)</b>					
Other supp services - child study teams					
Health benefits	\$ 30,571	\$ (5,421)	\$ 25,150	\$ 24,466	\$ 684
Total	30,571	(5,421)	25,150	24,466	684
Improvement of instruction services					
Health benefits	14,259	(3,087)	11,172	11,172	-
Total	14,259	(3,087)	11,172	11,172	-
Support services - general administration					
Health benefits	3,193	3,181	6,374	6,374	-
Total	3,193	3,181	6,374	6,374	-
Custodial services					
Health benefits	31,200	768	31,968	31,968	-
Total	31,200	768	31,968	31,968	-
Total allocated benefits - employees	\$ 428,428	\$ (9,442)	\$ 418,986	\$ 417,540	\$ 1,446
Unallocated benefits - employee benefits					
Social security contributions	\$ 30,000	\$ (5,881)	\$ 24,119	\$ 22,642	\$ 1,477
Other retirement contributions - PERS	28,000	(10,056)	17,944	17,944	-
Other retirement contributions - regular	3,000	(1,805)	1,195	1,168	27
Unemployment compensation	5,500	995	6,495	6,099	396
Workmen's compensation	14,300	(929)	13,371	13,371	-
Health benefits	8,300	(8,300)	-	-	-
Tuition reimbursement	4,500	(330)	4,170	3,475	695
Other employee benefits	8,000	8,449	16,449	16,449	-
Total	101,600	(17,857)	83,743	81,148	2,595
On-behalf TPAF pension contribution	-	-	-	156,255	(156,255)
On-behalf TPAF post retirement medical benefits	-	-	-	100,922	(100,922)
On-behalf TPAF long-term disability insurance	-	-	-	426	(426)
Reimbursed TPAF social security contribution	-	-	-	77,186	(77,186)
Total	-	-	-	334,789	(334,789)
Total undistributed expenditures	\$ 2,009,945	\$ 11,021	\$ 2,020,966	\$ 2,314,316	\$ (293,350)
Total current	\$ 2,892,627	\$ (12,232)	\$ 2,880,395	\$ 3,171,572	\$ (291,177)
Capital outlay					
Equipment					
Undistributed					
Undistributed expend. - required maint. for school facilities:	\$ -	\$ 24,857	\$ 24,857	\$ 24,857	\$ -
Undistributed expenditures - custodial services	28,452	(25,727)	2,725	2,725	-
Total equipment	28,452	(870)	27,582	27,582	-
Facilities acquisition and construction service					
Architectural/engineering services	25,000	(3,500)	21,500	1,360	20,140
Construction services	-	79,304	79,304	75,804	3,500
Capital outlay - transfer to capital projects	75,000	(75,000)	-	-	-
Total facilities acquisition and construction service	100,000	804	100,804	77,164	23,640

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Total capital outlay	\$ 128,452	\$ (66)	\$ 128,386	\$ 104,746	\$ 23,640
Total expenditures	\$ 3,021,079	\$ (12,298)	\$ 3,008,781	\$ 3,276,318	\$ (267,537)
Excess (deficiency) of revenues over (under) expenditures	\$ (151,854)	\$ 12,298	\$ (139,556)	\$ (31,616)	\$ 107,940
Other financing sources (uses)					
Operating transfer out					
Transfer to enterprise fund - board contribution	-	(12,522)	(12,522)	(12,522)	-
Total other financing sources (uses)	-	(12,522)	(12,522)	(12,522)	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	(151,854)	(224)	(152,078)	(44,138)	107,940
Fund balances, July 1	901,052	-	901,052	901,052	-
Fund balances, June 30	\$ 749,198	\$ (224)	\$ 748,974	\$ 856,914	\$ 107,940
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (33,014)	\$ -	\$ (33,014)	\$ (33,014)	\$ -
Interest deposit to capital reserve	500	-	500	2,423	1,923
Interest earned on emergency reserve	600	-	600	1,488	888
Withdrawal from emergency reserve	(100,000)	-	(100,000)	(78,694)	21,306
Interest earned on maintenance reserve	60	-	60	-	(60)
Increase in tuition reserve		47,524	47,524	47,524	-
Withdrawal from tuition reserve	(20,000)	-	(20,000)	(20,000)	-
Budgeted fund balance	-	(47,748)	(47,748)	36,135	83,883
Total	\$ (151,854)	\$ (224)	\$ (152,078)	\$ (44,138)	\$ 107,940
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 215,592	
Emergency reserve				126,550	
Maintenance reserve				72,350	
Tuition reserve					
Year 2017-2018				47,524	
Year 2016-2017				100,000	
Committed fund balance					
Year-end encumbrances				21,661	
Assigned fund balance					
Designated for subsequent year's expenditures				23,263	
Unassigned fund balance				249,974	
Fund balance per budgetary basis				856,914	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				(19,161)	
Fund balance per governmental funds (GAAP)				\$ 837,753	

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local sources	\$ 2,569	\$ -	\$ 2,569	\$ 2,568	\$ (1)
Federal sources	51,982	-	51,982	51,982	-
Total revenues	<u>\$ 54,551</u>	<u>\$ -</u>	<u>\$ 54,551</u>	<u>\$ 54,550</u>	<u>\$ (1)</u>
<b>Expenditures</b>					
<b>Instruction</b>					
Other salaries for instruction	\$ 30,399	\$ -	\$ 30,399	\$ 30,399	\$ -
General supplies	20,165	-	20,165	20,164	1
Totals	<u>50,564</u>	<u>-</u>	<u>50,564</u>	<u>50,563</u>	<u>1</u>
<b>Support services</b>					
Purchased professional & technical services	1,918	-	1,918	1,918	-
General supplies	2,069	-	2,069	2,069	-
Total	<u>3,987</u>	<u>-</u>	<u>3,987</u>	<u>3,987</u>	<u>-</u>
Total expenditures	<u>\$ 54,551</u>	<u>\$ -</u>	<u>\$ 54,551</u>	<u>\$ 54,550</u>	<u>\$ 1</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 3,244,702	\$ 54,550
Difference - Budget to GAAP		
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 expenses (GASB 33)		
State aid receivable prior year	18,156	-
State aid receivable current year	<u>(19,161)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 3,243,697</u>	<u>\$ 54,550</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 3,276,318</u>	<u>\$ 54,550</u>
Total expenditures (GAAP Basis)	<u>\$ 3,276,318</u>	<u>\$ 54,550</u>

See independent auditors' report.

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.001936975%	0.00301356%	0.00248496%	0.00258544%	0.00198373%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 450,897	\$ 892,529	\$ 557,824	\$ 484,065	\$ 379,130	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	147,237	136,334	133,654	203,156	159,982	142,170	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	330.73%	667.79%	274.58%	302.57%	266.67%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A

NOTE: N/A = Information Not Available

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of District's Contributions - Public Employees Retirement System**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 17,944	\$ 27,174	\$ 21,364	\$ 21,314	\$ 14,947	\$ 14,882	\$ 17,708	\$ 14,888	\$ 7,833	\$ 9,602
Contributions in relation to the contractually required contribution	(17,944)	(27,174)	(21,364)	(21,314)	(14,947)	(14,882)	(17,708)	(14,888)	(7,833)	(9,602)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 147,237	\$ 136,334	\$ 133,654	\$ 203,156	\$ 159,982	\$ 142,170	\$ 121,026	\$ 128,909	\$ 156,995	\$ 123,913
Contributions as a percentage of covered employee payroll	12.19%	19.93%	15.98%	10.49%	9.34%	10.47%	14.63%	11.55%	4.99%	7.75%

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	-	5,920,127	6,196,691	5,125,559	4,006,348	4,743,236	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 5,920,127</b>	<b>\$ 6,196,691</b>	<b>\$ 5,125,559</b>	<b>\$ 4,006,348</b>	<b>\$ 4,743,236</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	\$ 1,014,499	\$ 948,699	\$ 970,105	\$ 886,676	\$ 764,613	\$ 669,552	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A

NOTE: N/A = Information Not Available

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of District's Contributions - Teacher's Pension and Annuity Fund**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 156,255	\$ 98,763	\$ 63,068	\$ 43,843	\$ 31,711	\$ 60,643	\$ 28,773	\$ 2,620	\$ 2,814	\$ 2,741
Contributions in relation to the contractually required contribution	(156,255)	(98,763)	(63,068)	(43,843)	(31,711)	(60,643)	(28,773)	(2,620)	(2,814)	(2,741)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 1,014,499	\$ 948,699	\$ 970,105	\$ 886,676	\$ 764,613	\$ 669,552	\$ 867,393	\$ 885,333	\$ 1,060,638	\$ 852,199
Contributions as a percentage of covered employee payroll	15.40%	10.41%	6.50%	4.94%	4.15%	9.06%	3.32%	0.30%	0.27%	0.32%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Other**  
**Postemployment Employee Benefits Liability**  
**Last Ten Fiscal Years**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportionate share of the other post employment employee benefits liability (asset) - percentage	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other post employment employee benefits liability (asset) - value	N/A	\$ -	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other post employment employee benefits liability (asset) associated with the District	N/A	4,896,131	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ -</b>	<b>\$ 4,896,131</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	N/A	\$ 1,085,033	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

NOTE: N/A = Information Not Available

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information - Part III**  
**(Unaudited)**  
**June 30, 2018**

- Note 1 - Special funding situation - TPAF  
The participating employer allocations included in the Supplemental Schedule of Employer Special Funding Allocations and the Supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF  
The discount rate increased from 3.22% in State fiscal year 2016 to 4.25% in State fiscal year 2017. The inflation rate was 2.50% for State fiscal years 2016 and 2.25% for State fiscal year 2017.
- Note 3 - Changes in assumptions - PERS  
The discount rate increased from 3.98% in State fiscal year 2016 to 5.00% in State fiscal year 2017. The inflation rate increased from 3.08% for State fiscal year 2016 to 2.25% for State fiscal year 2017.
- Note 4 - Changes in assumptions - other post-retirement employee benefits  
The other post-retirement employee benefits discount rate increased from 2.85% in State fiscal year 2016 to 3.58% in State fiscal year 2017. The inflation rate was not available for State fiscal year 2016 and for State fiscal year 2017 was 2.50%.
- Note 5 - Changes in healthcare trend assumptions - other post-retirement employee benefits  
For pre-Medicare Preferred Provider Organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For Health Maintenance Organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.
- Note 6 - Changes in benefit term assumptions - other post-retirement employee benefits  
There were no changes of the benefit terms from June 30, 2016 to June 30, 2017.

## **SPECIAL REVENUE FUND**

### **DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

	Local	Small, Rural School Achievement	ESSA Title IIA	IDEA Basic	IDEA Preschool	Total
<b>Revenues</b>						
Local sources	\$ 2,568	\$ -	\$ -	\$ -	\$ -	\$ 2,568
Federal sources	-	19,665	1,918	28,537	1,862	51,982
<b>Total revenues</b>	<b>\$ 2,568</b>	<b>\$ 19,665</b>	<b>\$ 1,918</b>	<b>\$ 28,537</b>	<b>\$ 1,862</b>	<b>\$ 54,550</b>
<b>Expenditures</b>						
<b>Instruction</b>						
Salaries	\$ -	\$ -	\$ -	\$ 28,537	\$ 1,862	\$ 30,399
General supplies	499	19,665	-	-	-	20,164
<b>Total</b>	<b>499</b>	<b>19,665</b>	<b>-</b>	<b>28,537</b>	<b>1,862</b>	<b>50,563</b>
<b>Support services</b>						
Purchased professional and technical services	-	-	1,918	-	-	1,918
Supplies & materials	2,069	-	-	-	-	2,069
<b>Total</b>	<b>2,069</b>	<b>-</b>	<b>1,918</b>	<b>-</b>	<b>-</b>	<b>3,987</b>
<b>Total expenditures</b>	<b>\$ 2,568</b>	<b>\$ 19,665</b>	<b>\$ 1,918</b>	<b>\$ 28,537</b>	<b>\$ 1,862</b>	<b>\$ 54,550</b>

See independent auditors' report.

## **CAPITAL PROJECTS FUND**

### **DETAIL STATEMENTS**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by Proprietary Funds.

(NOT APPLICABLE TO THIS REPORT)

## **PROPRIETARY FUND**

### **DETAIL STATEMENTS**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Milk Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash & cash equivalents	\$ 1,220	\$ 5,539	\$ 6,759
Total current assets	<u>1,220</u>	<u>5,539</u>	<u>6,759</u>
Noncurrent assets			
Capital assets	41,879	-	41,879
Less: accumulated depreciation	<u>(39,671)</u>	<u>-</u>	<u>(39,671)</u>
Total noncurrent assets	<u>2,208</u>	<u>-</u>	<u>2,208</u>
Total assets	<u>3,428</u>	<u>5,539</u>	<u>8,967</u>
Liabilities			
Current liabilities			
Due to other funds	<u>-</u>	<u>5,539</u>	<u>5,539</u>
Net position			
Invested in capital assets, net of related debt	2,208	-	2,208
Unrestricted	<u>1,220</u>	<u>-</u>	<u>1,220</u>
Total net position	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ 3,428</u>

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Revenues, Expenses, and**  
**Changes in Fund Net Position**  
**For the Fiscal Year Ended June 30, 2018**

	Milk Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - non-reimbursable programs	\$ 622	\$ -	\$ 622
Child care revenues	-	6,200	6,200
Total operating revenues	<u>622</u>	<u>6,200</u>	<u>6,822</u>
Operating expenses			
Costs of sales	414	-	414
Salaries	-	16,983	16,983
Employee benefits	-	1,299	1,299
Supplies	181	507	688
Depreciation expense	260	-	260
Total operating expenses	<u>855</u>	<u>18,789</u>	<u>19,644</u>
Operating income (loss)	<u>(233)</u>	<u>(12,589)</u>	<u>(12,822)</u>
Non-operating revenues (expenses)			
Local sources			
Interest on investments	14	37	51
Miscellaneous	-	30	30
Total non-operating revenues (expenses)	<u>14</u>	<u>67</u>	<u>81</u>
Other financing sources			
Transfer in from general fund	<u>-</u>	<u>12,522</u>	<u>12,522</u>
Change in net position	(219)	-	(219)
Net position, beginning	<u>3,647</u>	<u>-</u>	<u>3,647</u>
Net position, ending	<u>\$ 3,428</u>	<u>\$ -</u>	<u>\$ 3,428</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2018**

	Milk Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 622	\$ 6,200	\$ 6,822
Payments to employees	-	(16,983)	(16,983)
Payments for employee benefits	-	(1,299)	(1,299)
Payments to vendors	(595)	(507)	(1,102)
Net cash used for operating activities	<u>27</u>	<u>(12,589)</u>	<u>(12,562)</u>
Cash flows from non-capital related financing activities			
Interfund activity	-	18,061	18,061
Miscellaneous	-	30	30
Net cash flows from non-capital related financing activities	<u>-</u>	<u>18,091</u>	<u>18,091</u>
Cash flows from investing activities			
Interest on investments	<u>14</u>	<u>37</u>	<u>51</u>
Net increase (decrease) in cash and cash equivalents	41	5,539	5,580
Cash and cash equivalents, July 1	<u>1,179</u>	<u>-</u>	<u>1,179</u>
Cash and cash equivalents, June 30	<u>\$ 1,220</u>	<u>\$ 5,539</u>	<u>\$ 6,759</u>
Reconciliation of operating loss to net cash used for operating activities			
Operating loss	\$ (233)	\$ (12,589)	\$ (12,822)
Adjustments to reconcile operating loss to net cash used for operating activities			
Depreciation	<u>260</u>	<u>-</u>	<u>260</u>
Net cash used for operating activities	<u>\$ 27</u>	<u>\$ (12,589)</u>	<u>\$ (12,562)</u>

See independent auditors' report.

## **FIDUCIARY FUNDS**

### **DETAIL STATEMENTS**

Fiduciary Funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Net Position**  
**June 30, 2018**

	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 695	\$ 7,096	\$ 7,791
<b>Total assets</b>	<b>\$ 695</b>	<b>\$ 7,096</b>	<b>\$ 7,791</b>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 1,180	\$ 1,180
Due to students groups	695	-	695
Payroll deductions & withholdings	-	5,916	5,916
<b>Total liabilities</b>	<b>\$ 695</b>	<b>\$ 7,096</b>	<b>\$ 7,791</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Student Activity Agency Fund Schedule of Receipts & Disbursements**  
**June 30, 2018**

	<u>Balance</u> <u>07/01/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/18</u>
Assets				
Cash and cash equivalents	\$ 539	\$ 2,535	\$ 2,379	\$ 695
Total assets	<u>\$ 539</u>	<u>\$ 2,535</u>	<u>\$ 2,379</u>	<u>\$ 695</u>
Liabilities				
Due to student groups	\$ 539	\$ 2,535	\$ 2,379	\$ 695
Total liabilities	<u>\$ 130</u>	<u>\$ 2,535</u>	<u>\$ 2,379</u>	<u>\$ 695</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Payroll Agency Fund Schedule of Receipts & Disbursements**  
**June 30, 2018**

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
<b>Assets</b>				
Cash and cash equivalents	\$ 2,508	\$ 1,519,936	\$ 1,515,348	\$ 7,096
<b>Total assets</b>	<b>\$ 2,508</b>	<b>\$ 1,519,936</b>	<b>\$ 1,515,348</b>	<b>\$ 7,096</b>
<b>Liabilities</b>				
Due to other funds	\$ 480	\$ 4,400	\$ 3,700	\$ 1,180
Payroll deductions and withholdings	1,771	637,655	634,556	4,870
Net payroll	257	877,881	877,092	1,046
<b>Total liabilities</b>	<b>\$ 2,508</b>	<b>\$ 1,519,936</b>	<b>\$ 1,515,348</b>	<b>\$ 7,096</b>

See independent auditors' report.

## **LONG-TERM DEBT SCHEDULES**

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

(NOT APPLICABLE TO THIS REPORT)

## **STATISTICAL SECTION**



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Statistical Section J Series**

Contents	Page
<b>FINANCIAL TRENDS</b>	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
<b>REVENUE CAPACITY</b>	
These schedules contain trend information to help the reader assess the District's most significant local revenue Sources, the Property Tax.	J-6 to J-9
<b>DEBT CAPACITY</b>	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
<b>OPERATING INFORMATION</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Net Position by Component**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 1,683,316	\$ 1,800,620	\$ 1,908,092	\$ 1,943,739	\$ 1,875,601	\$ 1,840,060	\$ 1,976,950	\$ 1,951,718	\$ 1,895,219	\$ 1,916,125
Restricted	231,721	269,789	314,995	353,164	597,951	599,825	445,130	469,860	609,275	562,016
Unrestricted	429,231	460,756	433,839	400,427	314,718	(145,116)	(184,173)	(226,499)	(273,276)	(306,479)
Total governmental activities	<u>\$ 2,344,268</u>	<u>\$ 2,531,165</u>	<u>\$ 2,656,926</u>	<u>\$ 2,697,330</u>	<u>\$ 2,788,270</u>	<u>\$ 2,294,769</u>	<u>\$ 2,237,907</u>	<u>\$ 2,195,079</u>	<u>\$ 2,231,218</u>	<u>\$ 2,171,662</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,987	\$ 2,727	\$ 2,468	\$ 2,208
Unrestricted	5,449	6,395	6,761	7,407	7,756	5,323	1,569	1,234	1,179	1,220
Total business-type activities	<u>\$ 5,449</u>	<u>\$ 6,395</u>	<u>\$ 6,761</u>	<u>\$ 7,407</u>	<u>\$ 7,756</u>	<u>\$ 5,323</u>	<u>\$ 4,556</u>	<u>\$ 3,961</u>	<u>\$ 3,647</u>	<u>\$ 3,428</u>
District-wide										
Net investment in capital assets	\$ 1,683,316	\$ 1,800,620	\$ 1,908,092	\$ 1,943,739	\$ 1,875,601	\$ 1,840,060	\$ 1,979,937	\$ 1,954,445	\$ 1,897,687	\$ 1,918,333
Restricted	231,721	269,789	314,995	353,164	597,951	599,825	445,130	469,860	609,275	562,016
Unrestricted	434,680	467,151	440,600	407,834	322,474	(139,793)	(182,604)	(225,265)	(272,097)	(305,259)
Total district-wide	<u>\$ 2,349,717</u>	<u>\$ 2,537,560</u>	<u>\$ 2,663,687</u>	<u>\$ 2,704,737</u>	<u>\$ 2,796,026</u>	<u>\$ 2,300,092</u>	<u>\$ 2,242,463</u>	<u>\$ 2,199,040</u>	<u>\$ 2,234,865</u>	<u>\$ 2,175,090</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Net Position**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 786,211	\$ 832,127	\$ 758,752	\$ 825,775	\$ 965,736	\$ 1,027,792	\$ 1,123,180	\$ 1,171,939	\$ 1,501,930	\$ 1,668,388
Special education	83,951	179,298	237,907	212,626	115,613	64,029	128,670	146,752	168,419	192,037
Other special education	100,884	101,076	40,512	42,184	31,277	36,665	87,030	97,009	114,841	135,713
Other instruction	3,140	3,928	4,685	4,578	2,681	3,395	2,761	6,134	7,431	27,383
Support services										
Tuition	391,374	370,400	506,009	438,574	377,117	330,470	394,890	490,732	633,971	660,986
Student & instruction related services	560,563	522,370	536,546	631,812	359,387	565,805	639,257	643,825	598,406	687,912
General & business administrative services	95,717	114,329	106,795	198,834	398,048	433,000	401,782	386,294	269,930	307,044
School administration	69,339	69,663	63,474	77,951	122,059	27,149	1,242	1,271	1,277	1,296
Plant operations & maintenance	169,900	172,390	181,853	167,672	188,054	199,797	203,325	220,065	241,928	234,232
Pupil transportation	35,425	63,263	43,927	44,141	51,416	47,439	55,140	58,341	69,933	98,789
Interest on long-term debt	31,792	20,592	9,392	1,648	-	-	-	-	-	-
Total governmental activities expenses	<u>2,328,296</u>	<u>2,449,436</u>	<u>2,489,852</u>	<u>2,645,795</u>	<u>2,611,388</u>	<u>2,735,541</u>	<u>3,037,277</u>	<u>3,222,362</u>	<u>3,608,066</u>	<u>4,013,780</u>
Business-type activities										
Milk service	1,326	975	860	769	670	3,534	1,684	980	731	855
Child care program	-	-	-	-	-	-	-	-	-	18,789
Total business-type activities	<u>1,326</u>	<u>975</u>	<u>860</u>	<u>769</u>	<u>670</u>	<u>3,534</u>	<u>1,684</u>	<u>980</u>	<u>731</u>	<u>19,644</u>
Total district expenses	<u>\$ 2,329,622</u>	<u>\$ 2,450,411</u>	<u>\$ 2,490,712</u>	<u>\$ 2,646,564</u>	<u>\$ 2,612,058</u>	<u>\$ 2,739,075</u>	<u>\$ 3,038,961</u>	<u>\$ 3,223,342</u>	<u>\$ 3,608,797</u>	<u>\$ 4,033,424</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program revenues										
Governmental activities										
Charges for services										
Regular instruction	\$ 315	\$ -	\$ 936	\$ 9,202	\$ 10,600	\$ 18,800	\$ 14,490	\$ 15,595	\$ 56,204	\$ 35,569
Special education instruction	-	-	-	10,455	-	-	-	-	-	-
Student & instruction related services	-	-	-	-	-	-	20	17	22	-
General & business administrative services	-	-	-	-	-	-	1	1	-	-
Plant operations & maintenance	-	-	208	360	120	120	711	120	120	130
Operating grants & contributions	58,698	92,017	56,423	64,285	53,511	55,951	44,241	51,283	56,977	54,550
Capital grants & contributions	-	-	-	-	-	-	81,206	14,315	5,533	-
Total governmental activities program revenues	<u>59,013</u>	<u>92,017</u>	<u>57,567</u>	<u>84,302</u>	<u>64,231</u>	<u>74,871</u>	<u>140,669</u>	<u>81,331</u>	<u>118,856</u>	<u>90,249</u>
Business-type activities										
Charges for services										
Milk service	2,664	1,905	1,218	1,366	992	1,076	897	380	411	622
Child care program	-	-	-	-	-	-	-	-	-	6,200
Total business-type activities program revenues	<u>2,664</u>	<u>1,905</u>	<u>1,218</u>	<u>1,366</u>	<u>992</u>	<u>1,076</u>	<u>897</u>	<u>380</u>	<u>411</u>	<u>6,822</u>
Total district-program revenues	<u>\$ 61,677</u>	<u>\$ 93,922</u>	<u>\$ 58,785</u>	<u>\$ 85,668</u>	<u>\$ 65,223</u>	<u>\$ 75,947</u>	<u>\$ 141,566</u>	<u>\$ 81,711</u>	<u>\$ 119,267</u>	<u>\$ 97,071</u>
Net (expense) revenues										
Governmental activities	\$ (2,269,283)	\$ (2,357,419)	\$ (2,432,285)	\$ (2,561,493)	\$ (2,547,157)	\$ (2,660,670)	\$ (2,896,608)	\$ (3,141,031)	\$ (3,489,210)	\$ (3,923,531)
Business-type activities	1,338	930	358	597	322	(2,458)	(787)	(600)	(320)	(12,822)
Total district-wide net expenses	<u>\$ (2,267,945)</u>	<u>\$ (2,356,489)</u>	<u>\$ (2,431,927)</u>	<u>\$ (2,560,896)</u>	<u>\$ (2,546,835)</u>	<u>\$ (2,663,128)</u>	<u>\$ (2,897,395)</u>	<u>\$ (3,141,631)</u>	<u>\$ (3,489,530)</u>	<u>\$ (3,936,353)</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 2,115,684	\$ 2,115,684	\$ 2,190,311	\$ 2,224,117	\$ 2,268,599	\$ 2,172,561	\$ 2,237,738	\$ 2,381,237	\$ 2,602,777	\$ 2,654,833
Taxes levied for debt service	209,592	198,392	187,192	106,296	-	-	-	-	-	-
Unrestricted grants & contributions	265,740	223,586	174,406	261,390	364,796	354,521	593,769	711,997	917,479	1,205,207
Investment earnings	3,857	2,955	915	6,636	4,028	4,270	3,159	1,203	4,404	10,371
Miscellaneous income	1,989	3,699	5,222	3,458	674	-	4,780	3,766	689	6,086
Special item-proceeds on disposition of assets	-	-	-	-	-	-	300	-	-	-
Transfer	-	-	-	-	-	-	-	-	-	(12,522)
Total governmental activities	<u>2,596,862</u>	<u>2,544,316</u>	<u>2,558,046</u>	<u>2,601,897</u>	<u>2,638,097</u>	<u>2,531,352</u>	<u>2,839,746</u>	<u>3,098,203</u>	<u>3,525,349</u>	<u>3,863,975</u>
Business-type activities										
Investment earnings	16	16	8	49	27	25	8	5	6	51
Miscellaneous income	-	-	-	-	-	-	12	-	-	30
Transfer	-	-	-	-	-	-	-	-	-	12,522
Total business-type activities	<u>16</u>	<u>16</u>	<u>8</u>	<u>49</u>	<u>27</u>	<u>25</u>	<u>20</u>	<u>5</u>	<u>6</u>	<u>12,603</u>
Total district-wide	<u>\$ 2,596,878</u>	<u>\$ 2,544,332</u>	<u>\$ 2,558,054</u>	<u>\$ 2,601,946</u>	<u>\$ 2,638,124</u>	<u>\$ 2,531,377</u>	<u>\$ 2,839,766</u>	<u>\$ 3,098,208</u>	<u>\$ 3,525,355</u>	<u>\$ 3,876,578</u>
Change in net position										
Governmental activities	\$ 327,579	\$ 186,897	\$ 125,761	\$ 40,404	\$ 90,940	\$ (129,318)	\$ (56,862)	\$ (42,828)	\$ 36,139	\$ (59,556)
Business-type activities	1,354	946	366	646	349	(2,433)	(767)	(595)	(314)	(219)
Total district	<u>\$ 328,933</u>	<u>\$ 187,843</u>	<u>\$ 126,127</u>	<u>\$ 41,050</u>	<u>\$ 91,289</u>	<u>\$ (131,751)</u>	<u>\$ (57,629)</u>	<u>\$ (43,423)</u>	<u>\$ 35,825</u>	<u>\$ (59,775)</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General fund										
Restricted	\$ 415,708	\$ 439,615	\$ 318,976	\$ 474,517	\$ 715,411	\$ 616,878	\$ 334,238	\$ 363,388	\$ 609,275	\$ 562,016
Committed	9,311	9,316	5,360	13,684	1,741	16,600	3,490	13,112	33,014	21,661
Assigned	51,163	114,001	252,770	99,864	-	1,600	-	-	-	23,263
Unassigned	237,551	236,621	246,753	237,094	234,231	234,587	231,514	229,553	240,607	230,813
Total general fund	<u>\$ 713,733</u>	<u>\$ 799,553</u>	<u>\$ 823,859</u>	<u>\$ 825,159</u>	<u>\$ 951,383</u>	<u>\$ 869,665</u>	<u>\$ 569,242</u>	<u>\$ 606,053</u>	<u>\$ 882,896</u>	<u>\$ 837,753</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,945	\$ 106,472	\$ -	\$ -
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,945</u>	<u>\$ 106,472</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax levy	\$ 2,325,276	\$ 2,314,076	\$ 2,377,503	\$ 2,330,413	\$ 2,268,599	\$ 2,172,561	\$ 2,237,738	\$ 2,381,237	\$ 2,602,777	\$ 2,654,833
Tuition charges	-	-	-	19,555	10,600	18,800	14,330	15,355	21,500	35,569
Interest earnings	3,857	2,955	915	6,636	4,028	4,270	3,159	1,203	4,404	10,371
Miscellaneous	1,989	5,557	6,020	5,556	794	8,216	5,791	4,886	8,190	8,784
State sources	267,853	225,553	175,349	257,198	364,796	354,521	378,190	399,035	451,884	536,708
State sources - capital projects	-	-	-	-	-	-	81,206	14,315	5,533	-
Federal sources	56,585	88,192	54,890	66,739	53,511	47,855	44,241	50,283	49,596	51,982
<b>Total revenues</b>	<b>2,655,560</b>	<b>2,636,333</b>	<b>2,614,677</b>	<b>2,686,097</b>	<b>2,702,328</b>	<b>2,606,223</b>	<b>2,764,655</b>	<b>2,866,314</b>	<b>3,143,884</b>	<b>3,298,247</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	573,384	612,896	540,854	594,992	666,093	706,976	656,588	657,657	707,209	736,896
Special education instruction	63,951	67,707	131,031	116,730	58,446	31,270	48,981	50,210	52,933	53,700
Other special instruction	73,267	73,771	26,502	27,546	24,919	30,335	59,730	63,010	63,796	64,460
School sponsored/other instructional	2,642	3,315	3,742	3,675	2,150	2,675	2,100	4,500	4,700	2,200
<b>Support services</b>										
Tuition	389,500	368,521	504,091	436,674	375,224	330,470	394,890	490,732	633,971	660,986
Student & inst related services	372,679	359,609	380,719	444,062	242,715	395,480	382,248	351,775	317,664	366,467
General administration	46,589	59,376	48,108	133,530	309,412	284,790	191,434	179,310	84,854	87,350
School administration services	41,691	50,621	45,024	57,337	98,138	20,813	984	1,008	1,008	1,032
Central services	43,301	42,830	47,507	50,907	54,271	101,612	104,478	87,169	87,340	92,504
Plant operations & maintenance	148,157	147,780	150,362	137,968	153,800	162,341	158,844	169,115	170,433	173,711
Pupil transportation	35,425	63,263	43,927	44,141	51,416	47,439	55,140	58,341	69,933	98,789
Employee benefits	253,069	285,273	298,398	314,522	304,111	343,540	449,769	424,530	447,275	498,688
On-behalf TPAF pension & social security contribution	119,528	123,137	126,491	152,132	181,898	145,199	182,193	212,698	249,526	334,789
Capital outlay	17,695	2,005	-	-	-	29,050	2,499	13,850	25,894	104,746
Special revenue funds	58,698	92,017	56,423	64,285	53,511	55,951	44,241	51,283	56,977	54,550
Capital projects	-	-	-	-	-	-	203,014	35,788	-	-
<b>Debt service</b>										
Principal	175,000	175,000	175,000	103,000	-	-	-	-	-	-
Interest & other charges	34,592	23,392	12,192	3,296	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,449,168</b>	<b>2,550,513</b>	<b>2,590,371</b>	<b>2,684,797</b>	<b>2,576,104</b>	<b>2,687,941</b>	<b>2,937,133</b>	<b>2,850,976</b>	<b>2,973,513</b>	<b>3,330,868</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Fund Balances - Governmental Funds (continued)**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Excess (deficiency) of revenues over (under) expenditures	\$ 206,392	\$ 85,820	\$ 24,306	\$ 1,300	\$ 126,224	\$ (81,718)	\$ (172,478)	\$ 15,338	\$ 170,371	\$ (32,621)
Other financing uses										
Transfers out	-	-	-	-	-	-	-	-	-	(12,522)
Net change in fund balances	<u>\$ 206,392</u>	<u>\$ 85,820</u>	<u>\$ 24,306</u>	<u>\$ 1,300</u>	<u>\$ 126,224</u>	<u>\$ (81,718)</u>	<u>\$ (172,478)</u>	<u>\$ 15,338</u>	<u>\$ 170,371</u>	<u>\$ (45,143)</u>
Debt service as a percentage of non-capital expenditures	9.43%	8.44%	7.79%	4.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund - Other Local Revenues by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Interest income	\$ 3,857	\$ 2,955	\$ 915	\$ 6,636	\$ 4,028	\$ 4,028	\$ 3,159	\$ 1,203	\$ 4,404	\$ 10,371
Tuition	-	-	-	19,555	10,600	10,600	14,330	15,595	21,500	35,569
Refunds	-	8	-	236	-	-	-	-	-	-
Rental	-	-	-	-	-	-	591	120	120	120
Prior year										
Refunds	738	-	352	857	-	-	-	-	75	1,944
Outstanding checks canceled	1,118	782	150	-	-	-	-	-	20	-
Accounts payable canceled	-	-	527	-	-	-	3,632	-	-	-
Excess payroll balance canceled	-	515	22	-	-	-	1,000	-	-	-
I-Pad sales	-	-	-	-	-	-	-	-	-	3,520
E-Rate telephone reimbursements	-	1,729	4,100	2,275	674	-	-	-	-	-
Miscellaneous	133	665	279	450	120	120	568	4,526	594	632
<b>Annual totals</b>	<b>\$ 5,846</b>	<b>\$ 6,654</b>	<b>\$ 6,345</b>	<b>\$ 30,009</b>	<b>\$ 15,422</b>	<b>\$ 14,748</b>	<b>\$ 23,280</b>	<b>\$ 21,444</b>	<b>\$ 26,713</b>	<b>\$ 52,156</b>

Source: District Records

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Vacant land	\$ 20,349,100	\$ 18,632,900	\$ 3,071,000	\$ 3,378,200	\$ 3,382,200	\$ 1,541,600	\$ 1,529,600	\$ 1,420,900	\$ 1,418,900	\$ 1,418,900
Residential	188,128,400	195,305,400	152,497,700	152,203,500	152,148,400	154,328,000	154,414,600	154,290,900	154,509,500	154,498,600
Farm regular	842,000	842,000	681,000	681,000	681,000	681,000	681,000	681,000	681,000	681,000
Q farm	5,859	5,859	30,279	30,279	29,923	29,923	29,923	29,923	29,923	29,923
Commercial	106,826,900	106,168,100	100,201,000	89,249,100	88,706,900	88,137,700	88,252,700	80,913,300	80,837,600	80,581,700
Industrial	11,213,400	11,213,400	9,668,000	8,748,080	8,172,380	8,172,380	8,713,980	8,713,980	8,713,980	8,713,980
Apartment	1,301,000	1,301,000	10,678,400	17,275,800	19,915,800	21,079,800	26,106,800	26,106,800	28,141,000	28,141,000
<b>Total assessed value</b>	<b>328,666,659</b>	<b>333,468,659</b>	<b>276,827,379</b>	<b>271,565,959</b>	<b>273,036,603</b>	<b>273,970,403</b>	<b>279,728,603</b>	<b>272,156,803</b>	<b>274,331,903</b>	<b>274,065,103</b>
Public utilities (a)	1,536,124	1,194,467	1,194,467	780,720	659,123	-	-	-	-	-
<b>Net valuation taxable</b>	<b>\$ 330,202,783</b>	<b>\$ 334,663,126</b>	<b>\$ 278,021,846</b>	<b>\$ 272,346,679</b>	<b>\$ 273,695,726</b>	<b>\$ 273,970,403</b>	<b>\$ 279,728,603</b>	<b>\$ 272,156,803</b>	<b>\$ 274,331,903</b>	<b>\$ 274,065,103</b>
Estimated actual county equalized value	\$ 303,175,862	\$ 330,253,732	\$ 300,015,040	\$ 284,970,889	\$ 277,132,165	\$ 262,423,758	\$ 280,317,269	\$ 269,916,496	\$ 281,020,183	\$ 277,169,400
Percentage of net valuation to estimated actual equalized value	108.91%	101.34%	92.67%	95.57%	98.76%	104.40%	99.79%	100.83%	97.62%	98.88%
<b>Total direct school tax rate (b)</b>	<b>\$ 0.70</b>	<b>\$ 0.71</b>	<b>\$ 0.84</b>	<b>\$ 0.83</b>	<b>\$ 0.79</b>	<b>\$ 0.82</b>	<b>\$ 0.85</b>	<b>\$ 0.96</b>	<b>\$ 0.97</b>	<b>\$ 0.99</b>

Source: Municipal Tax Assessor

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

- (a) Taxable value of machinery, implements and equipment's of telephone and messenger system companies
- (b) Tax rates are per \$100

- \* Revalued/Reassessed
- \* Limited exemptions and abatements

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(Rate Per \$100 of Assessed Value)**

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)			Municipality	County	
			Total Direct School Tax Rate					
2009	\$ 0.64	\$ 0.06	\$ 0.70	\$ 0.34	\$ 0.19	\$ 0.32	\$ 1.55	
2010	0.65	0.06	0.71	0.43	0.19	0.34	1.67	
2011	* 0.80	0.04	0.84	0.58	0.25	0.36	2.03	
2012	0.83	-	0.83	0.57	0.28	0.37	2.05	
2013	0.79	-	0.79	0.61	0.30	0.36	2.06	
2014	0.82	-	0.82	0.63	0.33	0.35	2.13	
2015	0.85	-	0.85	0.59	0.36	0.37	2.17	
2016	0.96	-	0.96	0.57	0.39	0.34	2.26	
2017	0.97	-	0.97	0.50	0.40	0.38	2.25	
2018	0.99	-	0.99	0.48	0.44	0.39	2.30	

Sources: Municipal Tax Collector

NOTE: NJSA 18A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (a) The District's basic tax rate is calculated from the A4F Form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.

\* Revalued/Reassessed

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT  
Principal Property Taxpayers,  
Current Year and Nine Years Ago**

	2018			2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Presidential Place at Lebanon LLC	\$ 26,000,000	1	9.49%	\$ -	-	-
Wells Operating Part LP c/o Thomson	16,000,000	2	5.84%	17,500,000	2	5.30%
Camelot Ridge, LLC	14,881,900	3	5.43%	9,364,000	3	2.84%
IHP Lebanon	7,382,800	4	2.69%	-	-	-
Hunterdon Executive Center	6,000,000	5	2.19%	-	-	-
Architectural Holdings LLC	5,700,000	6	2.08%	7,569,900	5	2.29%
Cokesbury Road Industrial Park LLC	5,500,000	7	2.01%	-	-	-
Joseph P Moglia & Daughters LLC	5,272,900	8	1.92%	6,454,100	7	1.95%
Hunterdon Plaza Associates LLC	5,050,000	9	1.84%	5,900,000	9	1.79%
111 Cokesbury LLC	3,885,380	10	1.42%	6,165,600	8	1.87%
Aqua Realty LLC	-	-	-	22,000,000	1	6.66%
Bellemead Dev Corp/Mack-Cali Realty Co	-	-	-	8,880,000	4	2.69%
IA Orchard Hotels Lebanon LLC	-	-	-	7,500,000	6	2.27%
HBG New Jersey LLC	-	-	-	5,657,600	10	1.71%
	<u>\$ 95,672,980</u>		<u>34.91%</u>	<u>\$ 96,991,200</u>		<u>29.37%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Year Ended June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2009	\$ 2,325,276	\$ 2,325,276	100.00%
2010	2,314,076	2,314,076	100.00%
2011	2,377,503	2,377,503	100.00%
2012	2,330,413	2,330,413	100.00%
2013	2,268,599	2,268,599	100.00%
2014	2,172,561	2,172,561	100.00%
2015	2,237,738	2,237,738	100.00%
2016	2,381,237	2,381,237	100.00%
2017	2,602,777	2,602,777	100.00%
2018	2,654,833	2,654,833	100.00%

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

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

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2009	\$ 453,000	\$ -	\$ -	\$ -	\$ -	\$ 453,000	0.33%	\$ 226
2010	278,000	-	-	-	-	278,000	0.31%	205
2011	103,000	-	-	-	-	103,000	0.11%	73
2012	-	-	-	-	-	-	N/A	N/A
2013	-	-	-	-	-	-	N/A	N/A
2014	-	-	-	-	-	-	N/A	N/A
2015	-	-	-	-	-	-	N/A	N/A
2016	-	-	-	-	-	-	N/A	N/A
2017	-	-	-	-	-	-	N/A	N/A
2018	-	-	-	-	-	-	N/A	N/A

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.  
(2) The Lebanon Borough School District had no bonded debt as of June 30, 2018 and the previous six fiscal years.

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

N/A - Not Applicable

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ 453,000	\$ -	\$ 453,000	0.14%	\$ 226
2010	278,000	-	278,000	0.08%	205
2011	103,000	-	103,000	0.04%	73
2012	-	-	-	N/A	N/A
2013	-	-	-	N/A	N/A
2014	-	-	-	N/A	N/A
2015	-	-	-	N/A	N/A
2016	-	-	-	N/A	N/A
2017	-	-	-	N/A	N/A
2018	-	-	-	N/A	N/A

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

(2) The Lebanon Borough School District had no bonded debt as of June 30, 2018 and the previous six fiscal years.

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

N/A - Not Applicable

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2017**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 4,305,000	100.00	\$ 4,305,000
Regional High School	9,743,000	3.40	331,183
County general obligation debt	85,249,037	1.30	<u>1,111,965</u>
Subtotal, overlapping debt			5,748,148
School district direct debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 5,748,148</u></u>

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

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

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

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT  
Legal Debt Margin Information  
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2018

	<u>Equalized Valuation Basis</u>	
	2017	\$ 277,439,222
	2016	278,671,997
	2015	<u>277,425,967</u>
		<u>\$ 833,537,186</u>
Average equalized valuation of taxable property		<u>\$ 277,845,729</u>
Debt limit (3.0% of average equalization value)		\$ 8,335,372
Total net debt applicable to limit		<u>-</u>
Legal debt margin		<u>\$ 8,335,372</u>

	<u>Fiscal Year</u>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt limit	\$ 8,261,643	\$ 8,110,519	\$ 8,135,022	\$ 8,306,449	\$ 8,335,372
Total net debt applicable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$ 8,261,643</u>	<u>\$ 8,110,519</u>	<u>\$ 8,135,022</u>	<u>\$ 8,306,449</u>	<u>\$ 8,335,372</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

	<u>Fiscal Year</u>				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 9,528,440	\$ 9,699,418	\$ 9,541,180	\$ 9,189,075	\$ 8,695,624
Total net debt applicable	453,000	278,000	103,000	-	-
Legal debt margin	<u>\$ 9,075,440</u>	<u>\$ 9,421,418</u>	<u>\$ 9,438,180</u>	<u>\$ 9,189,075</u>	<u>\$ 8,695,624</u>
Total net debt applicable to the limit as a percentage of debt limit	4.75%	2.87%	1.08%	0.00%	0.00%

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

(a) Limit Set by NJSA 18A:24-19

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2009	2,007	\$ 143,556,696	\$ 71,528	11.9%
2010	1,365	97,257,615	71,251	12.2%
2011	1,608	117,083,304	72,813	12.0%
2012	1,701	128,680,650	75,650	12.3%
2013	1,694	127,700,496	75,384	6.3%
2014	1,690	132,328,690	78,301	5.3%
2015	1,674	134,966,250	80,625	4.6%
2016	1,669	137,039,921	82,109	3.8%
2017	1,669	N/A	N/A	3.5%
2018	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept. of Labor and Workforce.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce.

N/A      Information Is Not Available

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Principal Employers**  
**Current Year and Nine Years Ago**

2018

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2009

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Full Time Equivalent District Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction										
Regular	8.7	9.1	8.9	9.2	10.7	9.6	9.4	9.4	11.5	13.3
Special education	5.5	5.5	4.2	2.7	2.0	1.0	1.0	2.0	2.0	1.6
Support services										
Student and instruction related services	3.0	2.8	3.1	3.7	3.8	4.0	4.4	4.4	4.0	3.5
General administration	0.1	0.2	0.2	0.2	0.6	3.0	3.0	3.0	3.0	2.0
School administration services	1.0	0.6	0.4	0.4	0.6	-	-	-	-	1.0
Plant operations and maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5	1.5	1.5
Total	<u>19.3</u>	<u>19.2</u>	<u>17.8</u>	<u>17.2</u>	<u>18.7</u>	<u>18.6</u>	<u>18.8</u>	<u>20.3</u>	<u>22.0</u>	<u>22.9</u>

Source: District Personnel Records

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Operating Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff ( b )	Teacher Ratio	Average Daily Enrollment (ADE) ( c )	Average Daily Attendance (ADA) ( c )	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	81	\$ 2,221,881	\$ 27,431	-2.96%	11	1 to 7.40	81.0	78.7	-1.22%	97.16%
2010	85	2,342,605	27,560	0.47%	12	1 to 7.10	85.0	82.5	4.94%	97.06%
2011	73	2,403,179	32,920	19.45%	12	1 to 6.10	75.0	72.3	-11.76%	96.40%
2012	89	2,578,501	28,972	-11.99%	12	1 to 7.42	82.1	79.4	9.47%	96.71%
2013	79	2,576,104	32,609	12.55%	13	1 to 6.08	76.0	74.1	-7.43%	97.50%
2014	91	2,658,891	29,219	-10.40%	14	1 to 6.50	91.0	87.2	19.74%	95.82%
2015	90	2,731,620	30,351	3.88%	14	1 to 6.43	92.4	88.7	1.56%	95.99%
2016	102	2,801,338	27,464	-9.51%	15	1 to 6.52	97.8	94.7	5.82%	96.87%
2017	102	2,947,619	28,898	5.22%	12	1 to 8.58	102.7	99.9	5.01%	97.27%
2018	109	3,226,122	29,597	2.42%	13	1 to 8.00	109.8	106.7	6.92%	97.13%

Source: District Records

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

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

District Building	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Lebanon Borough School (1989)										
Square feet	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369
Capacity (students)	143	143	143	143	143	143	143	143	143	143
Enrollment	81	85	73	89	79	91	90	102	99	104

Number of Schools at June 30, 2018  
 Elementary & Middle = 1

Source: District Facilities Office

N/A = Not Available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Required Maintenance Expenditures by School Facility**  
**Last Ten Fiscal Years**

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ended</u>	<u>Lebanon Borough School</u>	<u>Total</u>
2009	\$ 13,269	\$ 13,269
2010	23,266	23,266
2011	26,762	26,762
2012	16,645	16,645
2013	27,229	27,229
2014	13,374	13,374
2015	18,541	18,541
2016	17,050	17,050
2017	19,393	19,393
2018	14,631	14,631
 Total school facilities	 <u>\$ 190,160</u>	 <u>\$ 190,160</u>

\* School Facilities as Defined Under EFCFA.  
(NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District Records

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2018**  
**(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
School Commercial Package Policy - NJ School Boards Assoc.		
Insurance Group		
Property - Building Blanket and Contents (Fund Limit)	\$ 500,000	\$ 1,000
General Liability	6,000,000	-
Equipment Breakdown	100,000,000	1,000
Crime Public Employee Dishonesty	100,000	500
Auto Liability	6,000,000	-
Auto Physical Damage	Actual Cash Value	1,000
School Board Legal Liability - NJ School Boards Assoc.		
Insurance Group		
Errors and Omissions	6,000,000	5,000
Workers Compensation - NJ School Boards Assoc.		
Insurance Group		
Employers Liability	2,000,000	-
Disease Each Employee	2,000,000	-
Disease Policy Limit	2,000,000	-
Public Employees' Faithful Performance - NJ School Boards Assoc.		
Insurance Group		
Treasurer of School Monies	145,000	1,000
School Board Secretary	50,000	500
Student Accident Insurance - BMI Benefits Through Berkeley		
Base Limit	1,000,000	-
Catastrophic Limit	1,000,000	-
Voluntary Limit	500,000	-
Pollution Policy - NJ School Boards Assoc.		
Insurance Group Through Zurich		
Claim Limit	1,000,000	25,000
Aggregate Limit	11,000,000	-

Source: District Records

See independent auditors' report.



**SINGLE AUDIT SECTION**



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**Independent Auditors' 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**

Honorable President and  
Members of the Board of Education  
Lebanon Borough School District  
County of Hunterdon, 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental Activities, the Business-type Activities, and the aggregate remaining fund information of the Lebanon Borough School District, County of Hunterdon, the State of New Jersey, (the District), 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, and have issued our report thereon dated February 4, 2019.

**Internal Control Over Financial Reporting**

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

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



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

#### Compliance and Other Matters

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

#### 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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
BKC, CPAs, PC  
  
Michael Holk, CPA, PSA

February 4, 2019  
Flemington, New Jersey

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards - Schedule A**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Program Title	Federal		Project Number	Program or Award Amount	Grant Period		Balance 06/30/17	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment	Balance June 30, 2018		
	CFDA Number	FAIN Number			From	To						of Prior Year Balance	Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education															
Special revenue fund															
Title II A	84.367A	S367A170029	ESSA-2590-18	\$ 1,918	07/01/17	06/30/18	\$ -	\$ -	\$ 725	\$ 1,918	\$ -	\$ -	\$ (1,193)	\$ -	\$ -
Rural education achievement program	84.358A	S358B170030	S358A170286	19,665	07/01/17	10/01/18	-	-	19,665	19,665	-	-	-	-	-
IDEA basic	84.027	H027A170100	IDEA-2590-18	28,537	07/01/17	06/30/18	-	-	19,976	28,537	-	-	(8,561)	-	-
IDEA preschool	84.173	H173A170114	IDEA-2590-18	1,862	07/01/17	06/30/18	-	-	1,862	1,862	-	-	-	-	-
Total special revenue fund							-	-	42,228	51,982	-	-	(9,754)	-	-
Total federal financial assistance							\$ -	\$ -	\$ 42,228	\$ 51,982	\$ -	\$ -	\$ (9,754)	\$ -	\$ -

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance - Schedule B**  
**For the Fiscal Year Ended June 30, 2018**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2017		Cash Received	Budgetary Expenditure	Repayment of Prior Year Balance	Balance June 30, 2018			Memo	
					Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
					From	To								
State Department of Education														
General fund														
Special education categorical aid	18-495-034-5120-089	\$ 65,815	07/01/17	06/30/18	\$ -	\$ -	\$ 59,236	\$ 65,815	\$ -	\$ -	\$ -	\$ -	\$ 6,579	\$ 65,815
Security aid	18-495-034-5120-084	8,174	07/01/17	06/30/18	-	-	7,357	8,174	-	-	-	-	817	8,174
Additional adjustment aid	18-495-034-5120-085	61,273	07/01/17	06/30/18	-	-	55,148	61,273	-	-	-	-	6,125	61,273
Transportation aid	18-495-034-5120-014	14,601	07/01/17	06/30/18	-	-	13,142	14,601	-	-	-	-	1,459	14,601
PARCC readiness aid	18-495-034-5120-098	1,050	07/01/17	06/30/18	-	-	945	1,050	-	-	-	-	105	1,050
Per pupil growth aid	18-495-034-5120-097	1,050	07/01/17	06/30/18	-	-	945	1,050	-	-	-	-	105	1,050
School choice aid	18-495-034-5120-068	38,478	07/01/17	06/30/18	-	-	34,632	38,478	-	-	-	-	3,846	38,478
Professional learning community aid	18-495-034-5120-101	1,250	07/01/17	06/30/18	-	-	1,125	1,250	-	-	-	-	125	1,250
Extraordinary special education costs aid	17-495-034-5120-044	8,947	07/01/16	06/30/17	(8,947)	-	8,947	-	-	-	-	-	-	8,947
Extraordinary special education costs aid	18-495-034-5120-044	9,827	07/01/17	06/30/18	-	-	-	9,827	-	(9,827)	-	-	-	9,827
Non-public transportation aid	17-495-034-5120-014	1,762	07/01/16	06/30/17	(1,762)	-	1,762	-	-	-	-	-	-	1,762
Non-public transportation aid	18-495-034-5120-014	1,406	07/01/17	06/30/18	-	-	-	1,406	-	(1,406)	-	-	-	1,406
On behalf TPAF pension contribution - teachers' pension & annuity fund	18-495-034-5094-002	152,553	07/01/17	06/30/18	-	-	152,553	152,553	-	-	-	-	-	152,553
On behalf TPAF pension contribution - non-contributory insurance	18-495-034-5094-004	3,702	07/01/17	06/30/18	-	-	3,702	3,702	-	-	-	-	-	3,702
On behalf TPAF pension contribution - post retirement medical	18-495-034-5094-001	100,922	07/01/17	06/30/18	-	-	100,922	100,922	-	-	-	-	-	100,922
On behalf TPAF pension contribution - long-term disability insurance	18-495-034-5094-004	426	07/01/17	06/30/18	-	-	426	426	-	-	-	-	-	426
Reimbursed TPAF social security contribution	17-495-034-5094-003	68,161	07/01/16	06/30/17	(6,570)	-	6,570	-	-	-	-	-	-	68,161
Reimbursed TPAF social security Contribution	18-495-034-5094-003	77,186	07/01/17	06/30/18	-	-	69,813	77,186	-	(7,373)	-	-	-	77,186
Total general fund					<u>(17,279)</u>	<u>-</u>	<u>517,225</u>	<u>537,713</u>	<u>-</u>	<u>(18,606)</u>	<u>-</u>	<u>-</u>	<u>19,161</u>	<u>616,583</u>
Special revenue fund														
Nonpublic handicapped services aid														
Examination and classification	17-100-034-5120-066	1,621	07/01/16	06/30/17	-	1,621	-	-	1,621	-	-	-	-	-
Corrective speech	17-100-034-5120-066	884	07/01/16	06/30/17	-	884	-	-	884	-	-	-	-	-
Supplemental instruction	17-100-034-5120-066	785	07/01/16	06/30/17	-	785	-	-	785	-	-	-	-	-
Nonpublic auxiliary services aid														
English as a second language	17-100-034-5120-067	914	07/01/16	06/30/17	-	914	-	-	914	-	-	-	-	-
Total special revenue fund					<u>-</u>	<u>4,204</u>	<u>-</u>	<u>-</u>	<u>4,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total state financial assistance					<u>\$ (17,279)</u>	<u>\$ 4,204</u>	<u>\$ 517,225</u>	<u>537,713</u>	<u>\$ 4,204</u>	<u>\$ (18,606)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,161</u>	<u>\$ 616,583</u>
Less: On behalf TPAF pension system contributions								<u>(257,603)</u>						
Total for state financial assistance - major program determination								<u>\$ 280,110</u>						

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Lebanon Borough School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance 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 Schedules of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting. This basis of accounting is described in Notes 1 (C) and 1 (D) to the District's Basic Financial Statements.

Note 3 - Relationship of financial statements

The Basic Financial Statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(1,005) for the general fund and \$0 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General fund	\$ -	\$ 536,708	\$ 536,708
Special revenue fund	51,982	-	51,982
Total awards and financial assistance	<u>\$ 51,982</u>	<u>\$ 536,708</u>	<u>\$ 588,690</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2018**

- Note 4 - Relationship to federal and state financial reports  
Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.
- Note 5 - Other  
The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2018. TPAF Social Security Contribution 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.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified?  Yes  No
2. Were significant deficiencies identified?  Yes  None reported

Noncompliance material to basic financial statements noted?

Yes  No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified?  Yes  No
2. Were significant deficiencies identified?  Yes  None reported

What was the type of auditor's report issued on compliance for major programs?

\_\_\_\_\_

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

Yes  No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs?

\_\_\_\_\_

Did the auditee qualify as a low-risk auditee?

Yes  No



**LEBANON BOROUGH SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs - Section I  
For the Fiscal Year Ended June 30, 2018**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs?

Not Applicable

Did the auditee qualify as a low-risk auditee?

Yes  No

Internal Control Over Major Programs:

1. Were material weakness(es) identified?

Yes  No

2. Were there significant deficiencies identified that are not considered to be material weaknesses?

Yes  None reported

What was the type of auditor's report issued on compliance for major programs?

Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable?

Yes  No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>
<i>Not applicable</i>

<u>Name of State Program</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section II and III**  
**For the Fiscal Year Ended June 30, 2018**

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2018.

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

There were no findings or questioned costs for the year ended June 30, 2018.

**LEBANON BOROUGH SCHOOL DISTRICT  
Summary Schedule of Prior - Year Audit Findings  
And Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2018**

Status of Prior Year Findings

There were no prior year findings or questioned costs.