

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

Leonia, New Jersey

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

**Prepared by
Business Office**

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INTRODUCTORY SECTION



LEONIA PUBLIC SCHOOLS

EDWARD A. BERTOLINI, Ed.D
Superintendent Of Schools
07605

570 GRAND AVENUE
LEONIA, NJ

(201) 302-5200 ext. 1200
FAX: 201-947-4782

January 18, 2019

Honorable President and
Members of the Board of Education
Leonia School District
County of Bergen, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Leonia 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 district. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the related U.S. Uniform Guidance and the State Treasury Circular Letter OMB 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". 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: Leonia School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds of the District are included in this report. The Leonia Board of Education and its school constitute the District's reporting entity.

The District provided a full range of educational services appropriate to regular students grade levels K through 12. These include regular and special education for handicapped, school-aged individuals. The District completed FY 2017-2018 with an average daily enrollment of 1884.2. The following Average Daily Enrollment figures, reported in the School Summary Register, detail the changes in student enrollment over the last ten (10) years:

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2017/2018	1884.2	
2016/2017	1821.7	1.04
2015/2016	1820.7	-0.3
2014/2015	1824.9	8.2
2013/2014	1687.1	-0.8
2012/2013	1833.5	0.5
2011/2012	1825.1	1.7
2010/2011	1796.1	1.2
2009/2010	1776.0	1.3
2008/2009	1754.4	1.1

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Leonia is substantially developed with both residential and commercial taxpayers. The situation is expected to continue, which suggests that its tax base will remain stable.

3) MAJOR INITIATIVES Our District continues to meet its educational challenges through a series of ambitious curriculum initiatives based on the Long Range Curriculum Plan, which must be completed to maintain educational integrity. Curriculum advances and enhancements include the areas of English Language Arts, Mathematics, 21st Century Skill, Technology, Social Studies and Science.

In order to maintain dialogue with the staff, in-service training in the curriculum areas are offered to all staff members. The district also continues to offer technology training during the school day, as well as after-school hours and summer recess. The Quality School Assurance Continuum addresses this area.

In addition to technology, in-service training has focused on reading, language and mathematics instruction to address the PARCC requirements. Professional Development has also thoroughly addressed the assimilation of NGSS and NJ Student Learning Standards. District in-service has focused

on a diversified curriculum meeting the needs of each child as well as establishing Professional Learning Communities for our teachers throughout the district.

4) INTERNAL ACCOUNTING CONTROLS:

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. 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 assignments 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. These funds are explained in "Notes to the Financial Statements".

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) DEBT ADMINISTRATION: The District is continually reviewing the cost of the current debt and along with the advice of Bond Counsel makes determinations as to the refunding potential of current issuances.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". The District has adopted a cash management plan

which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 and was revised in 2009 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. Each year the Board designates its official depository at its reorganization meeting.

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

11) OTHER INFORMATION:

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of the related U.S. Uniform Guidance and State Treasury Circular Letter OMB 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's report related specifically to the single audit is included in the single audit section of this report.

12) ACKNOWLEDGMENTS:

I would like to express appreciation to the members of the Leonia Board of Education for their commitment to provide fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the maintenance of the school district's financial operation. Further, the preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff and other members in the central office.

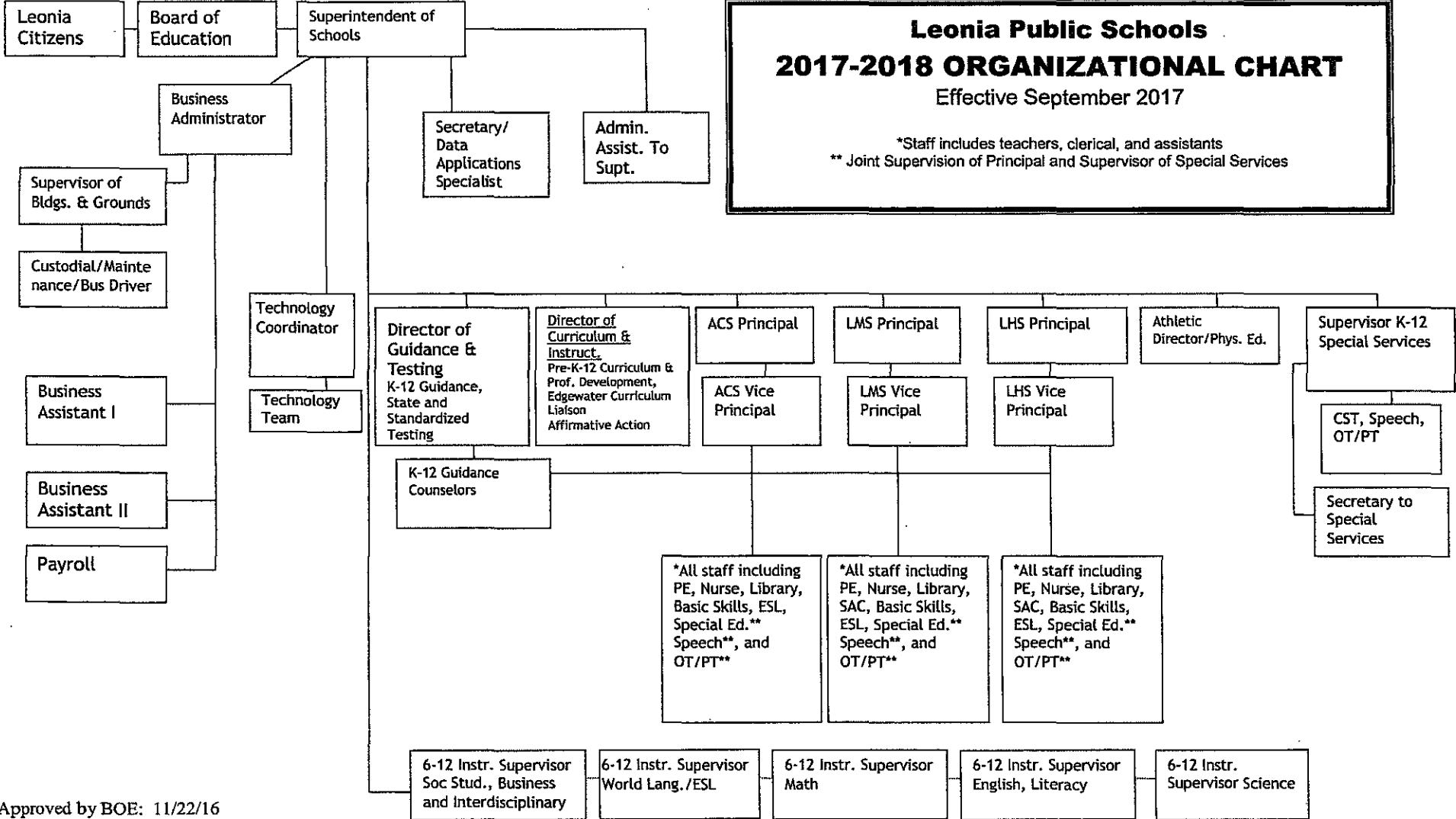
Respectfully submitted,



Edward A. Bertolini
Superintendent of Schools

Leonia Public Schools
2017-2018 ORGANIZATIONAL CHART
 Effective September 2017

*Staff includes teachers, clerical, and assistants
 ** Joint Supervision of Principal and Supervisor of Special Services



Approved by BOE: 11/22/16
 organizationchart/dp

**LEONIA BOARD OF EDUCATION
LEONIA, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

Members of the Board of Education

Term Expires

Lisa Klein, President	Jan. 2021
Anthony Cassano, Vice President	Jan. 2021
Roland Weimer	Jan. 2021
Noreen Wilds	Jan. 2019
Mary Albanese	Jan. 2020
Neo Antoniadis	Jan. 2019
Steven Meester	Jan. 2019
Bryce Robins	Jan. 2020
Dr. Zinaida Schuller	Jan. 2020
Sandy Klein – Edgewater Representative	Jan. 2021

Other Officials

Joanne Megargee, Superintendent
Beverly Vlietstra, Business Administrator
Antoinette Kelly, Treasurer of School Funds

**Leonia Board of Education
Leonia, New Jersey**

**Consultants and Advisors
June 30, 2018**

Audit Firm

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

Attorney

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, NJ 07410

Official Depository

Provident Bank
322 Broad Avenue
Leonia, NJ 07605

NVE Bank
310 Broad Avenue
Leonia, NJ 07605

TD Bank
1400 Palisade Avenue
Fort Lee, NJ 07024

Bank of America
301 Fort Lee Road
Leonia, NJ 07605

JP Morgan Chase
50 Grand Avenue
Englewood, NJ 07631

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Adoption of New Accounting Pronouncement

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Leonia Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Leonia Board of Education.

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

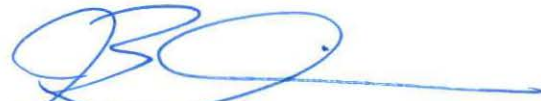
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2019 on our consideration of the Leonia Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Leonia Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Leonia Board of Education's internal control over financial reporting and compliance.

LERCH, VINCI & HIGGINS, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 18, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

LEONIA BOARD OF EDUCATION

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

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

FINANCIAL HIGHLIGHTS

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

- The assets and deferred outflows of resources of the Leonia Board of Education exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,028,622. (Net Position)
- The District's total net position increased by \$295,050 or 4%.
- Overall District revenues were \$46,877,229. General revenues accounted for \$24,882,759 or 53% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21,994,470 or 47% of total revenues.
- The school district had \$45,901,567 in expenses for governmental activities; only \$21,303,582 of these expenses were offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$24,881,366 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$8,644,053. Of this amount, \$7,855,567 is fund balance restricted for specific purposes, \$560,253 has been assigned to 2018/2019 expenditures and the remaining amount is the unassigned fund balance of \$228,233.
- The General Fund fund balance at June 30, 2018 was \$5,784,987, a decrease of \$3,467,926 compared to the ending fund balance at June 30, 2017 of \$9,252,913.
- The General Fund unassigned budgetary fund balance at June 30, 2018 was \$865,308, which represents an increase of \$188,640 when compared to the ending unassigned budgetary fund balance at June 30, 2017 of \$676,668.
- The District's total outstanding long-term liabilities decreased by \$5,136,724 during the current fiscal year.

LEONIA BOARD OF EDUCATION

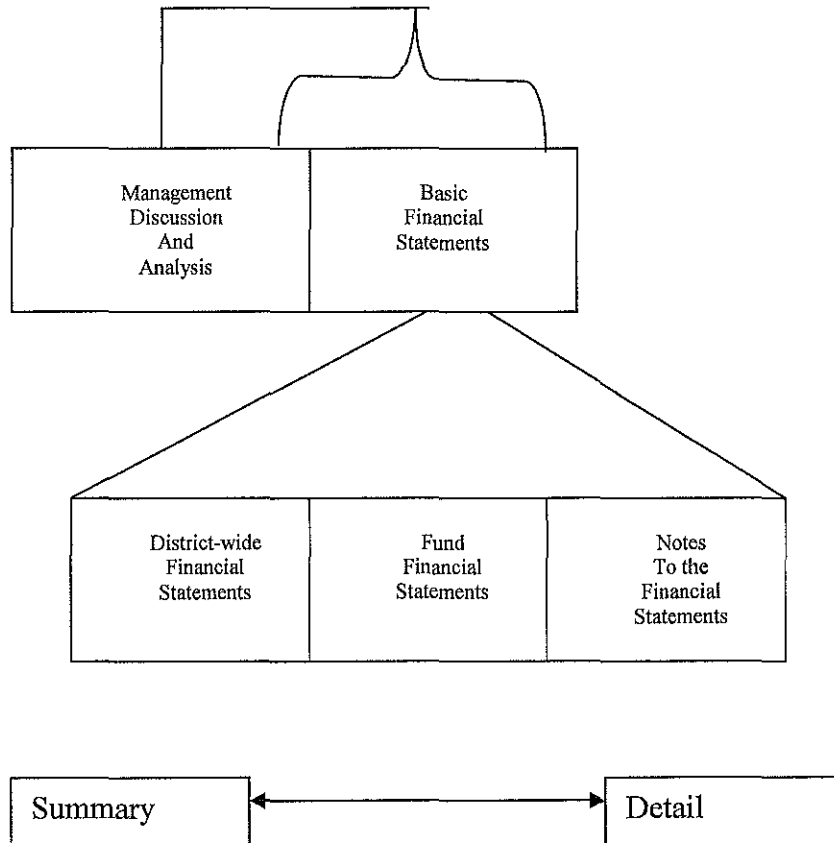
Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



LEONIA BOARD OF EDUCATION

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

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

Major Features of the District-Wide and Fund Financial Statements

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

District-Wide Statements

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

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

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

LEONIA BOARD OF EDUCATION

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial resources* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- *Enterprise Funds* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has two enterprise funds, for its food service (cafeteria) program and enrichment program.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for assets and other resources that belong to others. The District is responsible for ensuring that the assets and other resources reported in these funds are used only for their intended purposes and by those to whom they belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these resources to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found following the financial statements.

LEONIA BOARD OF EDUCATION

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's *combined* net position was \$7,028,622 and \$6,733,572 on June 30, 2018 and 2017, respectively as follows:

Statement of Net Position
As of June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current Assets	\$ 9,661,763	\$ 14,672,096	\$ 288,831	\$ 271,071	\$ 9,950,594	\$ 14,943,167
Capital Assets	<u>32,395,936</u>	<u>29,553,333</u>	<u>40,822</u>	<u>33,088</u>	<u>32,436,758</u>	<u>29,586,421</u>
Total Assets	<u>42,057,699</u>	<u>44,225,429</u>	<u>329,653</u>	<u>304,159</u>	<u>42,387,352</u>	<u>44,529,588</u>
Deferred Outflows of Resources	<u>2,410,408</u>	<u>3,426,159</u>	<u>-</u>	<u>-</u>	<u>2,410,408</u>	<u>3,426,159</u>
Total Assets and Deferred Outflows of Resources	<u>44,468,107</u>	<u>47,651,588</u>	<u>329,653</u>	<u>304,159</u>	<u>44,797,760</u>	<u>47,955,747</u>
Liabilities						
Other Liabilities	1,377,129	1,330,652	62,479	46,359	1,439,608	1,377,011
Long-Term Liabilities	<u>34,119,721</u>	<u>39,256,445</u>	<u>-</u>	<u>-</u>	<u>34,119,721</u>	<u>39,256,445</u>
Total Liabilities	<u>35,496,850</u>	<u>40,587,097</u>	<u>62,479</u>	<u>46,359</u>	<u>35,559,329</u>	<u>40,633,456</u>
Deferred Inflows of Resources	<u>2,207,719</u>	<u>584,334</u>	<u>2,090</u>	<u>4,385</u>	<u>2,209,809</u>	<u>588,719</u>
Total Liabilities and Deferred Inflows of Resources	<u>37,704,569</u>	<u>41,171,431</u>	<u>64,569</u>	<u>50,744</u>	<u>37,769,138</u>	<u>41,222,175</u>
Net Position:						
Net Investment in Capital Assets	8,561,795	6,633,571	40,822	33,088	8,602,617	6,666,659
Restricted	3,093,100	4,307,587			3,093,100	4,307,587
Unrestricted	<u>(4,891,357)</u>	<u>(4,461,001)</u>	<u>224,262</u>	<u>220,327</u>	<u>(4,667,095)</u>	<u>(4,240,674)</u>
Total Net Position	<u>\$ 6,763,538</u>	<u>\$ 6,480,157</u>	<u>\$ 265,084</u>	<u>\$ 253,415</u>	<u>\$ 7,028,622</u>	<u>\$ 6,733,572</u>

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

LEONIA BOARD OF EDUCATION

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

The District's total net position of \$7,028,622 at June 30, 2018 represents a \$295,050 or 4% increase from the prior year. The following presents the changes in net position for the fiscal years ended June 30, 2018 and 2017.

Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	\$ 7,952,896	\$ 8,390,205	\$ 501,170	\$ 468,982	\$ 8,454,066	\$ 8,859,187
Operating Grants and Contributions	13,350,686	12,074,642	189,718	202,047	13,540,404	12,276,689
General Revenues						
Property Taxes	21,398,706	20,989,456			21,398,706	20,989,456
Unrestricted State Aid	3,005,440	2,959,111			3,005,440	2,959,111
Other	477,220	40,718	1,393	-	478,613	40,718
Total Revenues	46,184,948	44,454,132	692,281	671,029	46,877,229	45,125,161
Expenses						
Instruction						
Regular	20,668,300	21,369,913			20,668,300	21,369,913
Special Education	6,864,974	7,050,114			6,864,974	7,050,114
Other Instruction	1,178,530	1,151,573			1,178,530	1,151,573
School Sponsored Activities and Athletics	1,237,176	1,276,705			1,237,176	1,276,705
Support Services						
Student and Instruction Related Serv.	5,185,269	5,084,897			5,185,269	5,084,897
General Administrative Services	1,005,807	1,038,399			1,005,807	1,038,399
School Administrative Services	3,400,669	3,551,790			3,400,669	3,551,790
Central Administrative Services	774,779	776,196			774,779	776,196
Plant Operations and Maintenance	3,567,740	3,647,477			3,567,740	3,647,477
Student Transportation	1,159,054	1,229,918			1,159,054	1,229,918
Interest on Long-Term Debt	859,269	910,328			859,269	910,328
Food Services			636,420	598,168	636,420	598,168
Enrichment Program	-	-	44,192	35,075	44,192	35,075
Total Expenses	45,901,567	47,087,310	680,612	633,243	46,582,179	47,720,553
Change in Net Position	283,381	(2,633,178)	11,669	37,786	295,050	(2,595,392)
Net Position Beginning of Year	6,480,157	9,113,335	253,415	215,629	6,733,572	9,328,964
Net Position, End of Year	\$ 6,763,538	\$ 6,480,157	\$ 265,084	\$ 253,415	\$ 7,028,622	\$ 6,733,572

LEONIA BOARD OF EDUCATION

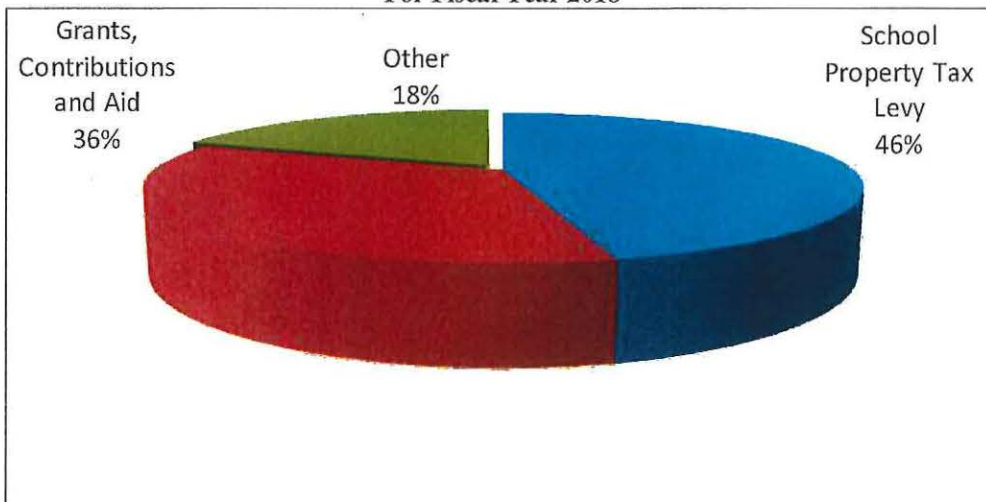
Management's Discussion and Analysis Fiscal Year Ended June 30, 2018

Governmental Activities. The District's total governmental activities' revenues, which includes State and Federal grants, were \$46,184,948 for the fiscal year ended June 30, 2018, property taxes of \$21,398,706 represented 46% of revenues. Another significant portion of revenues came from grants and contributions and unrestricted state aid which totaled \$16,356,126 and represented 36% of revenues. In addition, charges for services from tuition, transportation services, related service fees and facility rental represented 17% of revenues. Miscellaneous income such as interest, prior year refunds and other miscellaneous items represented 1% of revenues.

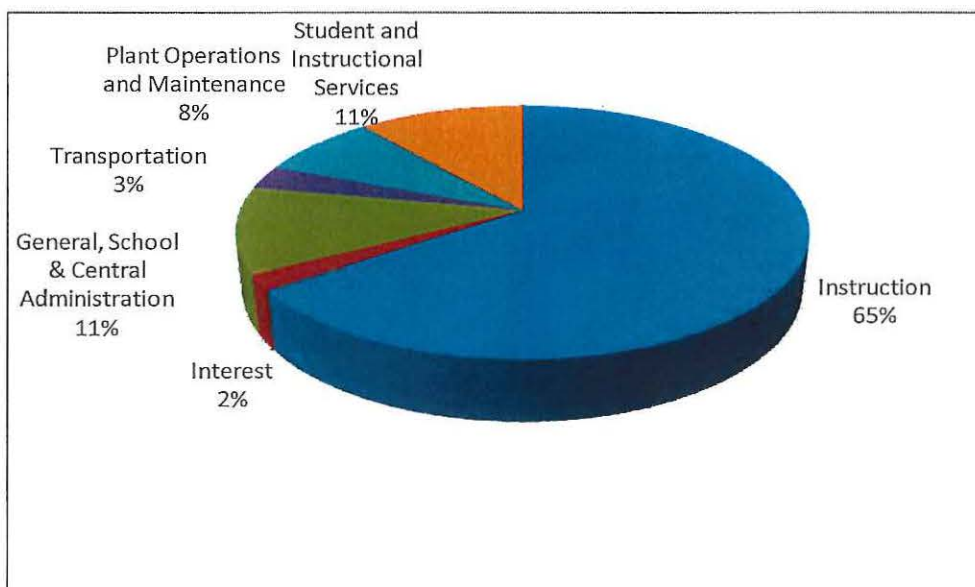
The total cost of all governmental activities programs and services was \$45,901,567 for the fiscal year ended June 30, 2018. The District's expenses are predominantly related to educating and caring for students. Instruction costs were \$29,948,980 (65%) of total expenses. Support services costs were \$15,093,318 (33%) of total expenses and interest on debt totaled \$859,269 (2%) of total expenses.

For fiscal year 2018, total governmental activities revenues exceeded expenses increasing net position for governmental activities by \$283,381 from the previous year.

**Revenues by Sources – Governmental Activities
For Fiscal Year 2018**



**Expenses by Use – Governmental Activities
For Fiscal Year 2018**



LEONIA BOARD OF EDUCATION

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

Total and Net Cost of Governmental Activities. The District's total cost of services was \$45,901,567. After applying program revenues, derived from operating grants and contributions of \$13,350,686 and charges for services of \$7,952,896, the net cost of services of the District is \$24,597,985 for the fiscal year ended June 30, 2018.

Total and Net Cost of Governmental Activities

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction				
Regular	\$ 20,668,300	\$ 21,369,913	\$ 7,835,251	\$ 8,224,922
Special Education	6,864,974	7,050,114	2,018,191	2,433,945
Other Instruction	1,178,530	1,151,573	733,761	732,604
School Sponsored Activities and Athletics	1,237,176	1,276,705	822,754	870,150
Support Services				
Student and Instruction Related Svcs.	5,185,269	5,084,897	4,470,446	4,923,851
General Administrative Services	1,005,807	1,038,399	961,579	1,038,399
School Administrative Services	3,400,669	3,551,790	2,646,225	2,930,869
Central Administrative Services	774,779	776,196	629,533	661,152
Plant Operations and Maintenance	3,567,740	3,647,477	3,243,921	3,354,271
Student Transportation	1,159,054	1,229,918	509,355	678,988
Interest on Long Term Debt	859,269	910,328	726,969	773,312
Total	\$ 45,901,567	\$ 47,087,310	\$ 24,597,985	\$ 26,622,463

Business-Type Activities – The District's total business-type activities revenues were \$692,281 for the fiscal year ended June 30, 2018. Charges for services of \$501,170 accounted for 72% of total revenues and operating grants and contributions of \$189,718 accounted for 28% of total revenues.

Total cost of all business-type activities programs and services was \$680,612 for the fiscal year ended June 30, 2018. Food service expenses of \$636,420 represented 94% of total expense and the enrichment program expenses of \$44,192 represented 6% of total expenses.

For fiscal year 2018, total business-type activities revenues exceeded expenses, increasing net position by \$11,669 or 5% over the previous year.

LEONIA BOARD OF EDUCATION

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$8,644,053 at June 30, 2018, a decrease of \$5,075,424 from last year's fund balance of \$13,719,477. The District restricted fund balances decreased \$5,644,532, the assigned fund balances increased \$474,336 while the unassigned fund balance of the governmental funds increased \$94,772 at June 30, 2018. The decrease to the restricted fund balance was mainly the result of expenditures for the High School addition and renovation project which were funded by fund balances restricted for capital projects.

Revenues for the District's governmental funds were \$39,199,373, while total expenditures were \$44,274,797 for the fiscal year ended June 30, 2018.

GENERAL FUND

The General Fund includes the primary operations of the District in providing educational services to students from grades Pre-K through 12 including pupil transportation, extra-curricular activities and plant operation and maintenance costs.

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Local Sources:				
Property Tax Levy	\$ 19,373,545	\$ 18,671,582	\$ 701,963	4%
Tuition	7,075,917	7,465,217	(389,300)	-5%
Other	1,334,177	963,953	370,224	38%
State Sources	8,301,573	7,536,451	765,122	10%
Federal Sources	<u>32,279</u>	<u>24,953</u>	<u>7,326</u>	29%
Total General Fund Revenues	<u>\$ 36,117,491</u>	<u>\$ 34,662,156</u>	<u>\$ 1,455,335</u>	<u>4%</u>

For fiscal year 2018, total General Fund revenues increased \$1,455,335 or 4% from the previous year. Property taxes increased \$701,963 or 4% to support increases in operating costs. Tuition revenues decreased \$389,300 or 5% due to a decrease in enrollment from other school districts. As indicated, State aid increased \$765,122 or 10% mainly due to the increase of on-behalf TPAF pension contributions made by the State for the District's teaching professionals.

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase <u>(Decrease)</u>	Percent Change
Instruction	\$ 22,433,937	\$ 21,001,569	\$ 1,432,368	7%
Support Services	12,814,444	12,563,177	251,267	2%
Debt Service	913,065	115,907	797,158	688%
Capital Outlay	<u>123,971</u>	<u>346,604</u>	<u>(222,633)</u>	-64%
Total Expenditures	<u>\$ 36,285,417</u>	<u>\$ 34,027,257</u>	<u>\$ 2,258,160</u>	<u>7%</u>

LEONIA BOARD OF EDUCATION

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

GENERAL FUND (Continued)

For fiscal year 2018, total General Fund expenditures increased \$2,258,160 or 7% from the previous year. Increases in regular education instruction costs and student and instructional related support service costs, as well as, debt service were the major factors for the increase in the current fiscal year.

In fiscal year 2018 General Fund expenditures and other financing uses exceeded revenues by \$3,467,926. Therefore, the total fund balance of \$9,252,913 at June 30, 2017 decreased to a fund balance of \$5,784,987 at June 30, 2018. After deducting restricted and assigned fund balances, the unassigned fund balance increased from \$133,461 at June 30, 2017 to \$228,233 at June 30, 2018. However, the District decreased restricted fund balances (capital reserve, maintenance reserve and excess surplus) by \$4,037,034 at June 30, 2018.

CAPITAL ASSET AND DEBT ADMINISTRATION

At the end of fiscal year 2018, the District had \$32,395,936 invested in land, buildings, furniture, equipment and vehicles for governmental activities and \$40,822 for business type activity. The following is a comparison of the June 30, 2018 and 2017 balances:

**Capital Assets at June 30, 2018 and 2017
(Net of Accumulated Depreciation)**

	Governmental		Business-Type		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land and Land Improvements	\$ 125,736	\$ 127,096			\$ 125,736	\$ 127,096
Construction in Progress	5,108,325	463,605			5,108,325	463,605
Building and Building Improvements	27,004,027	28,543,820			27,004,027	28,543,820
Machinery and Equipment	<u>157,848</u>	<u>418,812</u>	<u>\$ 40,822</u>	<u>\$ 33,088</u>	<u>198,670</u>	<u>451,900</u>
Total Capital Assets	<u>\$ 32,395,936</u>	<u>\$ 29,553,333</u>	<u>\$ 40,822</u>	<u>\$ 33,088</u>	<u>\$ 32,436,758</u>	<u>\$ 29,586,421</u>

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

LONG TERM LIABILITIES

At June 30, 2018 the District had \$34,119,721 of total outstanding long term liabilities. Of this amount, \$21,512,304 is for serial bonds, \$3,364,082 is for capital leases, \$469,469 is for compensated absences, and \$8,773,866 is for net pension liability. For fiscal year 2017/2018 total outstanding long-term liabilities decreased by \$5,136,724. The following is a comparison of the June 30, 2018 and 2017 balances:

**Outstanding Long-Term Liabilities
as of June 30, 2018 and 2017**

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Serial Bonds (including unamortized premium)	\$ 21,512,304	\$ 23,497,982
Capital Leases	3,364,082	4,245,163
Compensated Absences	469,469	359,866
Net Pension Liability	<u>8,773,866</u>	<u>11,153,434</u>
Total Long-Term Liabilities	<u>\$ 34,119,721</u>	<u>\$ 39,256,445</u>

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

LEONIA BOARD OF EDUCATION

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made through budget transfers to prevent over expenditures in specific line item accounts.

For fiscal year 2018 General Fund budgetary expenditures and other financing uses exceeded budgetary revenues decreasing budgetary fund balance \$3,374,058. After deducting fund balances restricted and assigned, the unassigned budgetary fund balance increased \$188,640 from an unassigned fund balance of \$676,668 at June 30, 2017 to \$865,308 at June 30, 2018. In addition, the District decreased its capital reserve \$3,100,000 from \$3,965,000 at June 30, 2017 to \$865,000 at June 30, 2018.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

These indicators were considered when adopting the budget for fiscal year 2018-2019. Budgeted expenditures in the General Fund decreased approximately 9% to \$33,770,412 for fiscal year 2018-2019. The majority of the decrease represents a reduction in capital outlay appropriations related to the High School addition and renovation project which was funded from a withdrawal of capital reserve in the amount of \$3,300,000 in the 2017-2018 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, Leonia Board of Education, 570 Grand Ave., NJ 07605.

BASIC FINANCIAL STATEMENTS

**LEONIA BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 7,084,716	\$ 248,750	\$ 7,333,466
Receivables, Net	2,559,026	28,794	2,587,820
Internal Receivable	39	(39)	-
Inventory		11,326	11,326
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	17,982		17,982
Capital Assets, Not Being Depreciated	5,217,693		5,217,693
Capital Assets, Being Depreciated, net	<u>27,178,243</u>	<u>40,822</u>	<u>27,219,065</u>
 Total Assets	 <u>42,057,699</u>	 <u>329,653</u>	 <u>42,387,352</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Amounts on Refunding on Debt	311,279		311,279
Deferred Amounts on Net Pension Liability	<u>2,099,129</u>	<u>-</u>	<u>2,099,129</u>
 Total Deferred Outflow of Resources	 <u>2,410,408</u>	 <u>-</u>	 <u>2,410,408</u>
 Total Assets and Deferred Outflow of Resources	 <u>44,468,107</u>	 <u>329,653</u>	 <u>44,797,760</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	960,229	44,812	1,005,041
Intergovernmental Payable	863		863
Accrued Interest on Bonds	359,419		359,419
Unearned Revenue	56,618	17,667	74,285
Noncurrent Liabilities			
Due Within One Year	2,875,963		2,875,963
Due Beyond One Year	<u>31,243,758</u>	<u>-</u>	<u>31,243,758</u>
 Total Liabilities	 <u>35,496,850</u>	 <u>62,479</u>	 <u>35,559,329</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	2,207,719		2,207,719
Deferred Commodities Revenue	<u>-</u>	<u>2,090</u>	<u>2,090</u>
 Total Deferred Inflows of Resources	 <u>2,207,719</u>	 <u>2,090</u>	 <u>2,209,809</u>
 Total Liabilities and Deferred Inflows of Resources	 <u>37,704,569</u>	 <u>64,569</u>	 <u>37,769,138</u>
NET POSITION			
Net Investment in Capital Assets	8,561,795	40,822	8,602,617
Restricted for:			
Capital Projects	2,974,660		2,974,660
Plant Maintenance	100,000		100,000
Other Purposes	18,440		18,440
Unrestricted (Deficit)	<u>(4,891,357)</u>	<u>224,262</u>	<u>(4,667,095)</u>
 Total Net Position	 <u>\$ 6,763,538</u>	 <u>\$ 265,084</u>	 <u>\$ 7,028,622</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Instruction							
Regular	\$ 20,668,300	\$ 5,446,609	\$ 7,386,440		\$ (7,835,251)		\$ (7,835,251)
Special Education	6,864,974	1,629,308	3,217,475		(2,018,191)		(2,018,191)
Other Instruction	1,178,530		444,769		(733,761)		(733,761)
School Sponsored Activities and Athletics	1,237,176		414,422		(822,754)		(822,754)
Support Services							
Student and Instruction Related Services	5,185,269	180,811	534,012		(4,470,446)		(4,470,446)
General Administrative Services	1,005,807		44,228		(961,579)		(961,579)
School Administrative Services	3,400,669		754,444		(2,646,225)		(2,646,225)
Central Administrative Services	774,779		145,246		(629,533)		(629,533)
Plant Operations and Maintenance	3,567,740	109,711	214,108		(3,243,921)		(3,243,921)
Student Transportation	1,159,054	586,457	63,242		(509,355)		(509,355)
Interest on Long-Term Debt	859,269	-	132,300	-	(726,969)	-	(726,969)
Total Governmental Activities	45,901,567	7,952,896	13,350,686	-	(24,597,985)	-	(24,597,985)
Business-Type Activities:							
Food Service	636,420	447,251	189,718			\$ 549	549
Enrichment Program	44,192	53,919	-	-	-	9,727	9,727
Total Business-Type Activities	680,612	501,170	189,718	-	-	10,276	10,276
Total Primary Government	\$ 46,582,179	\$ 8,454,066	\$ 13,540,404	\$ -	(24,597,985)	10,276	(24,587,709)

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Continued

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

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ (24,597,985)	\$ 10,276	\$ (24,587,709)
General Revenues			
Taxes:			
Property Taxes, Levied for General Purposes, Net	19,373,545		19,373,545
Property Taxes Levied for Debt Service	2,025,161		2,025,161
State Aid - Unrestricted	2,702,251		2,702,251
State Aid for Debt Service Principal	303,189		303,189
Interest Earnings	83,787	1,393	85,180
Miscellaneous Income	393,433	-	393,433
Total General Revenues	24,881,366	1,393	24,882,759
Change in Net Position	283,381	11,669	295,050
Net Position Beginning of Year	6,480,157	253,415	6,733,572
Net Position End of Year	\$ 6,763,538	\$ 265,084	\$ 7,028,622

FUND FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
ASSETS					
Cash and Cash Equivalents	\$ 3,662,442		\$ 3,403,834	\$ 18,440	\$ 7,084,716
Receivables From Other Governments	2,427,572	\$ 109,661			2,537,233
Other Accounts Receivable		14,201			14,201
Due From Other Funds	25,866				25,866
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	-	-	17,982	-	17,982
 Total Assets	 <u>\$ 6,115,880</u>	 <u>\$ 123,862</u>	 <u>\$ 3,421,816</u>	 <u>\$ 18,440</u>	 <u>\$ 9,679,998</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 289,647	\$ 61,286	\$ 581,190		\$ 932,123
Compensated Absences Payable	28,106				28,106
Due to Other Funds		18,235			18,235
Payable to State Governments		863			863
Unearned Revenue	13,140	43,478	-	-	56,618
 Total Liabilities	 <u>330,893</u>	 <u>123,862</u>	 <u>581,190</u>	 <u>-</u>	 <u>1,035,945</u>
Fund Balances					
Restricted					
Capital Reserve	805,000				805,000
Capital Reserve - Designated for Subsequent Year's Expenditures	60,000				60,000
Maintenance Reserve	100,000				100,000
Emergency Reserve - Designated for Subsequent Year's Expenditures	100,100				100,100
Excess Surplus	1,692,502				1,692,502
Excess Surplus-Designated for Subsequent Year's Budget	2,238,899				2,238,899
Capital Projects Fund			2,840,626		2,840,626
Debt Service Fund				\$ 18,440	18,440
Assigned					
Year End Encumbrances	560,071				560,071
Designated for Subsequent Year's Expenditures	182				182
Unassigned	228,233	-	-	-	228,233
 Total Fund Balances	 <u>5,784,987</u>	 <u>-</u>	 <u>2,840,626</u>	 <u>18,440</u>	 <u>8,644,053</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,115,880</u>	 <u>\$ 123,862</u>	 <u>\$ 3,421,816</u>	 <u>\$ 18,440</u>	 <u>\$ 9,679,998</u>

LEONIA BOARD OF EDUCATION
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 AS OF JUNE 30, 2018

Total Fund Balance (Exhibit B-1) \$ 8,644,053

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$53,356,420 and the accumulated depreciation is \$20,960,484. 32,395,936

Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over life of the debt. 311,279

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 2,099,129	
Deferred Inflows of Resources	<u>(2,207,719)</u>	(108,590)

The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is: (359,419)

Long-term liabilities, are not due payable in the current period and therefore are not reported as liabilities in the funds.

General Obligation Bonds (including unamortized premium)	(21,512,304)	
Capital Leases Payable	(3,364,082)	
Compensated Absences	(469,469)	
Net Pension Liability	<u>(8,773,866)</u>	(34,119,721)

Total Net Assets of Governmental Activities (Exhibit A-1) \$ 6,763,538

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 19,373,545			\$ 2,025,161	\$ 21,398,706
Tuition	7,075,917				7,075,917
Transportation	586,457				586,457
Miscellaneous	747,720	\$ 28,079	\$ 20,022	-	795,821
	<hr/>				<hr/>
Total - Local Sources	27,783,639	28,079	20,022	2,025,161	29,856,901
State Sources	8,301,573	7,842		435,489	8,744,904
Federal Sources	32,279	565,289	-	-	597,568
	<hr/>				<hr/>
Total Revenues	36,117,491	601,210	20,022	2,460,650	39,199,373
EXPENDITURES					
Instruction					
Regular	15,473,072	101,087			15,574,159
Special Education	5,131,402	364,137			5,495,539
Other Instruction	878,046				878,046
School Sponsored Activities and Athletics	951,417				951,417
Support Services					
Student and Instruction Related Services	4,291,418	135,986			4,427,404
General Administrative Services	920,643				920,643
School Administrative Services	2,709,609				2,709,609
Central Administrative Services	641,536				641,536
Plant Operations and Maintenance	3,194,917				3,194,917
Student Transportation	1,056,321				1,056,321
Debt Service					
Principal	881,081			1,910,000	2,791,081
Interest	31,984			833,450	865,434
Capital Outlay	123,971	-	4,644,720	-	4,768,691
	<hr/>				<hr/>
Total Expenditures	36,285,417	601,210	4,644,720	2,743,450	44,274,797
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(167,926)	-	(4,624,698)	(282,800)	(5,075,424)
OTHER FINANCING SOURCES (USES)					
Transfers In			3,300,000	301,100	3,601,100
Transfers Out	(3,300,000)	-	(301,100)	-	(3,601,100)
	<hr/>				<hr/>
Total Other Financing Sources (Uses)	(3,300,000)	-	2,998,900	301,100	-
Net Change in Fund Balances	(3,467,926)	-	(1,625,798)	18,300	(5,075,424)
Fund Balance, Beginning of Year	9,252,913	-	4,466,424	140	13,719,477
	<hr/>				<hr/>
Fund Balance, End of Year	\$ 5,784,987	\$ -	\$ 2,840,626	\$ 18,440	\$ 8,644,053

**LEONIA BOARD OF EDUCATION
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 Change in Fund Balances - Governmental Funds (Exhibit B-2) **\$ (5,075,424)**

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

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

Capital Outlays	\$ 4,768,691	
Depreciation Expense	<u>(1,926,088)</u>	2,842,603

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

Principal Repayments:		
General Obligations Bonds	1,910,000	
Capital Lease Agreements	<u>881,081</u>	2,791,081

In the statement of activities, certain amounts related to the issuance of long term debt re deferred and amortized over the term of the debt. In the governmental funds, these amounts either provide or use current resources. These amounts represent the current year amortization of the costs related to the issuance of long term debt.

Deferred Amounts on Refunding of Debt	(88,127)	
Original Issue Premium	<u>75,678</u>	(12,449)

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

Increase in Compensated Absences	(109,603)	
Increase in Pension Expense	<u>(171,441)</u>	(281,044)

In the Statement of Activities, interest on long-term debt is accrued, regardless of when due. In governmental funds, interest is reported when due. The decrease in accrued interest is an addition in the reconciliation.

18,614

Change in Net Position of Governmental Activities (Exhibit A-2) **\$ 283,381**

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

	Business-Type Activities Enterprise Fund		
	Food Services	Non-Major Enrichment Program	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 199,084	\$ 49,666	\$ 248,750
Intergovernmental Receivable	28,794		28,794
Inventories	11,326	-	11,326
Total Current Assets	<u>239,204</u>	<u>49,666</u>	<u>288,870</u>
Noncurrent Assets			
Capital Assets			
Furniture, Machinery and Equipment	360,664		360,664
Less: Accumulated Depreciation	(319,842)	-	(319,842)
Total Noncurrent Assets	<u>40,822</u>	<u>-</u>	<u>40,822</u>
Total Assets	<u>280,026</u>	<u>49,666</u>	<u>329,692</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	44,663	149	44,812
Due to Other Funds		39	39
Unearned Revenue	12,147	5,520	17,667
Total Current Liabilities	<u>56,810</u>	<u>5,708</u>	<u>62,518</u>
DEFERRED INFLOW OF RESOURCES			
Deferred Commodities Revenue	<u>2,090</u>	<u>-</u>	<u>2,090</u>
Total Liabilities and Deferred Inflow of Resources	<u>58,900</u>	<u>5,708</u>	<u>64,608</u>
NET POSITION			
Investment in Capital Assets	40,822		40,822
Unrestricted	180,304	43,958	224,262
Total Net Position	<u>\$ 221,126</u>	<u>\$ 43,958</u>	<u>\$ 265,084</u>

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

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

	Business-Type Activities Enterprise Fund		
	<u>Food Services</u>	<u>Non-Major Enrichment Program</u>	<u>Total</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales - Reimbursable Programs	\$ 257,829		\$ 257,829
Daily Sales - Non Reimbursable Programs	189,422		189,422
Program Fees	-	\$ 53,919	53,919
Total Operating Revenues	<u>447,251</u>	<u>53,919</u>	<u>501,170</u>
OPERATING EXPENSES			
Salaries and Employee Benefits	260,834	40,791	301,625
Cost of Sales - Reimbursable Programs	223,150		223,150
Cost of Sales - Non Reimbursable Programs	80,662		80,662
Other Purchased Services	5,248		5,248
Supplies and Materials	13,649	3,401	17,050
Management Fee	26,891		26,891
Miscellaneous	13,360		13,360
Depreciation Expense	12,626	-	12,626
Total Operating Expenses	<u>636,420</u>	<u>44,192</u>	<u>680,612</u>
Operating Income (Loss)	<u>(189,169)</u>	<u>9,727</u>	<u>(179,442)</u>
NONOPERATING REVENUES			
State Sources:			
State School Lunch Program	5,747		5,747
Federal Sources			
School Breakfast Program	10,358		10,358
National School Lunch Program	127,799		127,799
Food Distribution Program	45,814	-	45,814
Investment Interest			
Interest Income	1,393	-	1,393
Total Nonoperating Revenues	<u>191,111</u>	<u>-</u>	<u>191,111</u>
Change in Net Position	1,942	9,727	11,669
Net Position, Beginning of Year	<u>219,184</u>	<u>34,231</u>	<u>253,415</u>
Net Position, End of Year	<u>\$ 221,126</u>	<u>\$ 43,958</u>	<u>\$ 265,084</u>

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

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

	Business-Type Activities Enterprise Fund		
	Major Food Services	Non-Major Enrichment Program	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 448,917	\$ 55,599	\$ 504,516
Cash Payments for Employees' Salaries and Benefits	(260,834)	(40,791)	(301,625)
Cash Payments to Suppliers for Goods and Services	(306,409)	(3,252)	(309,661)
Net Cash Provided (Used) By Operating Activities	(118,326)	11,556	(106,770)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Cash Received from State and Federal Subsidy Reimbursements	126,276		126,276
Cash Received from/for Other Funds	19,149	39	19,188
Net Cash Provided by Noncapital and Related Activities	145,425	39	145,464
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(20,360)	-	(20,360)
Net Cash (Used) by Capital and Financing Related Activities	(20,360)	-	(20,360)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Earnings Received	1,393	-	1,393
Net Cash Provided by Capital and Financing Related Activities	1,393	-	1,393
Net Increase in Cash and Cash Equivalents	8,132	11,595	19,727
Cash and Cash Equivalents, Beginning of Year	190,952	38,071	229,023
Cash and Cash Equivalents, End of Year	\$ 199,084	\$ 49,666	\$ 248,750
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ (189,169)	\$ 9,727	\$ (179,442)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	12,626		12,626
Non-Cash Commodities	45,814		45,814
Change in Assets, Liabilities and Deferred Inflows of Resources (Increase)/Decrease in Inventory	407		407
Increase/(Decrease) in Accounts Payable	12,625	149	12,774
Increase/(Decrease) in Unearned Revenue	1,666	1,680	3,346
Increase/(Decrease) in Deferred Commodities Revenue	(2,295)	-	(2,295)
Total Adjustments	70,843	1,829	72,672
Net Cash Provided (Used) By Operating Activities	\$ (118,326)	\$ 11,556	\$ (106,770)
Non- Cash Investing, Capital and Financing Activities: Value Received - Food Distribution Program	\$ 43,519		

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

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

	Stephanie O'Brien Scholarship <u>Fund</u>	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 9,115	\$ 213,071	\$ 803,618
Due from Other Funds	<u>-</u>	<u>-</u>	<u>10,954</u>
 Total Assets	 <u>9,115</u>	 <u>213,071</u>	 <u>814,572</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 242,037
Accrued Salaries and Wages			20,720
Summer Savings Plan			390,693
Reserve for Flex Spending			4,300
Due to Other Funds		11,099	7,447
Due to Student Groups	<u>-</u>	<u>-</u>	<u>149,375</u>
 Total Liabilities	 <u>-</u>	 <u>11,099</u>	 <u>\$ 814,572</u>
NET POSITION			
Held In Trust For Unemployment Claims and Other Purposes	<u>\$ 9,115</u>	<u>\$ 201,972</u>	

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

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

	Stephanie O'Brien Scholarship <u>Fund</u>	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS		
Investment Earnings		
Interest	\$ 33	
Contributions		
District		\$ 80,602
Employees	-	49,085
	<hr/>	<hr/>
Total Additions	33	129,687
	<hr/>	<hr/>
DEDUCTIONS		
Scholarship Awards		
Unemployment Claims	-	17,285
	<hr/>	<hr/>
Total Deductions	-	17,285
	<hr/>	<hr/>
Change in Net Position	33	112,402
Net Position Beginning of Year	9,082	89,570
	<hr/>	<hr/>
Net Position, End of Year	\$ 9,115	\$ 201,972
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Leonia Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials from the Borough of Leonia and one appointed representative from the Edgewater Board of Education. The Board is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

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

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

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

B. New Accounting Standards

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

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

C. Basis of Presentation - Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

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

The *enrichment fund* accounts for the activities of the District's elementary after school program and the middle school summer program which provides classroom instruction after school during the fall and spring and a summer program for students that will be attending their first year at high school.

Additionally, the government reports the following fund types:

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

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

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

Reclassifications

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. Inventories

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

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities inventory at year-end is reported as deferred inflows of resources.

4. Restricted Assets

Certain assets are classified as restricted on the balance sheet because they are maintained in separate bank accounts and their use is limited by capital lease agreements for capital projects.

5. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	50
Building Improvements	20-30
Machinery and Equipment	8-15
Office Equipment and Furniture	5-10
Computer Equipment	5

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

7. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits.

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

8. *Pensions*

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Pensions (Continued)*

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

9. *Long-Term Obligations*

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

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

10. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

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

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

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

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

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

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2018 audited excess surplus that is required to be appropriated in the 2019/2020 original budget certified for taxes.

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

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Debt Service – Represents fund balance restricted specifically for the repayment of long-term debt principal and interest in the Debt Service Fund.

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

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

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

11. *Fund Balance Policies*

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution or formal Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District has no committed fund balances at year end.

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

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

2. *Property Taxes*

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

3. *Tuition Revenues and Expenditures*

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

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$180,139. The increase was funded by additional grant awards and the reappropriation of prior year general fund encumbrances.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

B. Capital Reserve

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve (Continued)

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

Balance, July 1, 2017	\$ 3,965,000
Increased by	
Deposits Approved by Board Resolution	<u>200,000</u>
	4,165,000
Withdrawals	
Approved in District Budget	<u>(3,300,000)</u>
Balance, June 30, 2018	<u>\$ 865,000</u>

The withdrawals from the capital reserve were for use in the high school addition and renovation project, which is consistent with the district’s Long Range Facilities Plan. \$60,000 of the capital reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

C. Maintenance Reserve

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

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

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

Balance, July 1, 2017	\$ 300,000
Increased by	
Deposits Approved by Board Resolution	<u>100,000</u>
	400,000
Withdrawals	
Approved in District Budget	<u>(300,000)</u>
Balance, June 30, 2018	<u>\$ 100,000</u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$1,851,999. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Emergency Reserve

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

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

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

Balance, July 1, 2017	\$ 100,000
Increased by	
Deposits Approved in District Budget	<u>100</u>
Balance, June 30, 2018	<u>\$ 100,100</u>

\$100,100 of the emergency reserve balance at June 30, 2018 was designated and appropriated for use in the 2018/2019 original budget certified for taxes.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$3,931,401. Of this amount, \$2,238,899 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$1,692,502 will be appropriated in the 2019/2020 original budget certified for taxes.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits were \$8,359,270 and bank and brokerage firm balances of the Board's deposits amounted to \$8,770,990. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>8,770,990</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 none of the Board's bank balances were exposed to custodial credit risk.

Investments

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

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2018, the Board had the following investments:

<u>Investment Type:</u>	<u>Fair Value</u>
U.S. Government Securities	\$ <u>17,982</u>

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk. As of June 30, 2018, \$17,982 of the Board’s investments was exposed to custodial credit risk as follows:

	<u>Fair Value</u>
Uninsured and Collateralized:	
Collateral held by pledging financial institution's trust department not in the Board's name	\$ <u>17,982</u>

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

The fair value of the above-listed investment was based on market prices provided by the Fiscal Agent.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental-				
Federal		\$109,661	\$ 27,641	\$ 137,302
State	\$ 51,510		1,153	52,663
Local	2,376,062			2,376,062
Accounts	<u>-</u>	<u>14,201</u>	<u>-</u>	<u>14,201</u>
 Gross Receivables	 2,427,572	 123,862	 28,794	 2,580,228
Less: Allowance for Uncollectibles	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Net Total Receivables	 <u>\$2,427,572</u>	 <u>\$123,862</u>	 <u>\$ 28,794</u>	 <u>\$2,580,228</u>

C. Unearned Revenue

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

General Fund	
Prepaid Tuition Revenue	\$ 13,140
Special Revenue Fund	
Unencumbered Grant Draw Downs	<u>43,478</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 56,618</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 109,368			\$ 109,368
Construction in Progress	463,605	\$ 4,644,720	-	5,108,325
Total Capital Assets, Not Being Depreciated	<u>572,973</u>	<u>4,644,720</u>	<u>-</u>	<u>5,217,693</u>
Capital Assets, Being Depreciated:				
Land Improvements	450,590			450,590
Buildings and Building Improvements	45,817,356			45,817,356
Machinery and Equipment	1,746,810	123,971	-	1,870,781
Total Capital Assets Being Depreciated	<u>48,014,756</u>	<u>123,971</u>	<u>-</u>	<u>48,138,727</u>
Less Accumulated Depreciation for:				
Land Improvements	(432,862)	(1,360)		(434,222)
Buildings and Building Improvements	(17,273,536)	(1,539,793)		(18,813,329)
Machinery and Equipment	(1,327,998)	(384,935)	-	(1,712,933)
Total Accumulated Depreciation	<u>(19,034,396)</u>	<u>(1,926,088)</u>	<u>-</u>	<u>(20,960,484)</u>
Total Capital Assets, Being Depreciated, Net	<u>28,980,360</u>	<u>(1,802,117)</u>	<u>-</u>	<u>27,178,243</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,553,333</u>	<u>\$ 2,842,603</u>	<u>\$ -</u>	<u>\$ 32,395,936</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Machinery and Equipment	\$ 340,304	\$ 20,360	-	\$ 360,664
Total Capital Assets, Not Being Depreciated	<u>340,304</u>	<u>20,360</u>	<u>-</u>	<u>360,664</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(307,216)	(12,626)	-	(319,842)
Total Accumulated Depreciation	<u>(307,216)</u>	<u>(12,626)</u>	<u>-</u>	<u>(319,842)</u>
Total Capital Assets, Being Depreciated, Net	<u>(307,216)</u>	<u>(12,626)</u>	<u>-</u>	<u>(319,842)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 33,088</u>	<u>\$ 7,734</u>	<u>\$ -</u>	<u>\$ 40,822</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

Governmental Activities:

Instruction

Regular	\$ 858,055
Special Education	267,850
Other Instruction	53,396
School-Sponsored/Activities and Athletics	<u>47,614</u>
Total Instruction	<u>1,226,915</u>

Support Services

Student and Instruction Related Services	278,684
General Administrative Services	31,704
School Administrative Services	173,772
Central Administrative Services	31,464
Plant Operations and Maintenance	144,273
Student Transportation	<u>39,276</u>

Total Support Services	<u>699,173</u>
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Total Governmental Funds	<u>\$ 1,926,088</u>
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Business-Type Activities:

Food Service Fund	<u>\$ 12,626</u>
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Total Depreciation Expense-Business-Type Activities	<u>\$ 12,626</u>
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Construction and Other Significant Commitments

The District has the following active construction projects as of June 30, 2018:

<u>Project</u>	<u>Remaining Commitment</u>
High School Addition and Renovation Project	<u>\$ 1,995,689</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 18,235
General Fund	Payroll Agency Fund	39
General Fund	Payroll Agency Fund	7,447
General Fund	Unemployment Trust Fund	145
Payroll Agency Fund	Unemployment Trust Fund	<u>10,954</u>
 Total		 <u>\$ 36,820</u>

The above balances are the result of revenues earned in one fund which are due to another fund, expenditures paid by one fund on behalf of another fund or to cover cash balances which were in an overdraft position.

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

Interfund transfers

	<u>Transfer In</u>		
	<u>Capital Projects Fund</u>	<u>Debt Service</u>	<u>Total</u>
Transfer Out:			
General Fund	\$ 3,300,000		\$3,300,000
Capital Projects Fund	<u>-</u>	<u>\$ 301,100</u>	<u>301,100</u>
 Total	 <u>\$ 3,300,000</u>	 <u>\$ 301,100</u>	 <u>\$3,601,100</u>

The above transfers are the result of utilizing fund balances in one fund to finance expenditures in another fund.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing copiers totaling \$281,629 and building improvements totaling \$4,115,698 under capital leases. The leases are for terms of 5 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Construction in Progress	\$ 3,600,000
Building Improvements	515,698
Machinery and Equipment	<u>281,629</u>
 Total	 <u>\$ 4,397,327</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 913,065
2020	913,065
2021	849,295
2022	<u>849,295</u>
 Total minimum lease payments	 3,524,720
Less: amount representing interest	<u>(160,638)</u>
 Present value of minimum lease payments	 <u>\$ 3,364,082</u>

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

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

\$17,350,000, 2010 School Improvement Bonds, due in annual installments of \$810,000 to \$1,380,000 through July 15, 2030, interest at 2.50% to 4.00%	\$13,910,000
\$11,685,000, 2011 School Refunding Bonds, due in annual installments of \$1,140,000 to \$1,305,000 through August 15, 2023, interest at 3.471% to 5.000%	<u>7,335,000</u>
Total	<u>\$21,245,000</u>

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

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2019	\$ 1,950,000	\$ 773,800	\$ 2,723,800
2020	2,025,000	703,675	2,728,675
2021	2,100,000	628,675	2,728,675
2022	2,170,000	539,550	2,709,550
2023	2,225,000	456,372	2,681,372
2024-2028	6,815,000	1,377,759	8,192,759
2029-2033	<u>3,960,000</u>	<u>242,400</u>	<u>4,202,400</u>
Total	<u>\$ 21,245,000</u>	<u>\$ 4,722,231</u>	<u>\$ 25,967,231</u>

Statutory Borrowing Power

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

4% of Equalized Valuation Basis (Municipal)	\$ 54,980,489
Less: Net Debt	<u>21,245,000</u>
Remaining Borrowing Power	<u>\$ 33,735,489</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable	\$ 23,155,000		\$ 1,910,000	\$ 21,245,000	\$ 1,950,000
Add: Unamortized Premium	<u>342,982</u>	<u>-</u>	<u>75,678</u>	<u>267,304</u>	<u>-</u>
	23,497,982	-	1,985,678	21,512,304	1,950,000
Capital Leases	4,245,163		881,081	3,364,082	847,230
Compensated Absences	359,866	\$ 130,620	21,017	469,469	78,733
Net Pension Liability	<u>11,153,434</u>	<u>-</u>	<u>2,379,568</u>	<u>8,773,866</u>	<u>-</u>
Governmental Activity					
Long-Term Liabilities	<u>\$ 39,256,445</u>	<u>\$ 130,620</u>	<u>\$ 5,267,344</u>	<u>\$ 34,119,721</u>	<u>\$ 2,875,963</u>

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The District is a member of the School Alliance Insurance Fund (SAIF or Group). The Group is a risk sharing public entity pool, established for the purpose of insuring against property, liability, student activities and worker's compensation claims.

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

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

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

SAIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

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

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

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Paid</u>	Ending <u>Balance</u>
2018	\$ 80,602	\$ 49,085	\$ 17,285	\$ 201,972
2017	66,774	39,724	18,279	89,570
2016	83,260	48,899	142,685	1,351

B. Contingent Liabilities

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

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

C. Federal Arbitrage Regulations

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

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

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

The following represents the membership tiers for PERS:

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

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

The following represent the membership tiers for TPAF:

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

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

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

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

Other Pension Funds

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Other Pension Funds (Continued)

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

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

Plan Amendments

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

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

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 349,167	\$ 2,062,771	\$ 61,318
2017	334,552	1,500,879	52,681
2016	344,139	1,070,985	36,774

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$1,264 and \$522, respectively for PERS and the State contributed \$3,513 and \$3,401, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,091,185 during the fiscal year ended June 30, 2018 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$8,773,866 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the District’s proportionate share was .03769 percent, which was an increase of .00003 percent from its proportionate share measured as of June 30, 2016 of .03766 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$520,608 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 206,594	
Changes of Assumptions	1,767,632	\$ 1,761,151
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	59,744	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>65,159</u>	<u>446,568</u>
Total	<u>\$ 2,099,129</u>	<u>\$ 2,207,719</u>

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ 132,251
2020	132,251
2021	106,906
2022	(297,504)
2023	<u>(182,494)</u>
	<u>\$ (108,590)</u>

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	2.25%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	RP-2000

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2040
Municipal Bond Rate *	From July 1, 2040 and Thereafter

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	\$ 10,884,576	\$ 8,773,866	\$ 7,015,383

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

Pension Plan Fiduciary Net Position

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

GASB No. 68, requires participating employers in TPAF to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The non-employer allocation percentages presented are based on the ratio of the State's contributions made as a non-employer toward the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the fiscal year ended June 30, 2017. Non-employer allocation percentages have been rounded for presentation purposes.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and non-employer contributions by the State. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. For the fiscal year ended June 30, 2017, the State's pension contribution was less than the actuarial determined amount.

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

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$6,250,428 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as both a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$89,966,565. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .13343 percent, which was a decrease of .00034 percent from its proportionate share measured as of June 30, 2016 of .13377 percent.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

TPAF

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

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

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

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

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

* The municipal bond return rate used is 3.58% as of the measurement date of June 30, 2017. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 106,883,101</u>	<u>\$ 89,966,565</u>	<u>\$ 76,030,649</u>

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

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

Plan Description and Benefits Provided

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

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

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

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Funded Status and Funding Progress

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2017, there were 112,966, retirees receiving post-retirement medical benefits and the State contributed \$1.39 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$1,332,300, \$1,250,574 and \$1,275,248, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

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

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

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$4,130,218. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$60,119,124. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .11208 percent, which was an increase of .00053 percent from its proportionate share measured as of June 30, 2016 of .11155 percent.

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% to 4.55%
Rate Thereafter	2.00% to 5.45%
Mortality	RP-2014 Headcount-Weighted Healthy Employee, Healthy Annuitant and Disabled Male/Female Mortality Table with Fully Generational Mortality Improvement Projections from the Central Year Using Scale MP-2017
Long-Term Rate of Return	1.00%

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Actuarial Assumptions (Continued)

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

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

The discount rate represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Changes in the Total OPEB Liability

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

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ 64,509,007
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 3,067,118
Interest on the Total OPEB Liability	1,895,658
Changes of Assumptions	(7,942,606)
Gross Benefit Payments	(1,463,960)
Contributions from the Member	53,907
Net Changes	\$ (4,389,883)
Balance, June 30, 2017 Measurement Date	\$ 60,119,124

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

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

Sensitivity of OPEB Liability

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 71,365,738	\$ 60,119,124	\$ 51,198,203

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Sensitivity of OPEB Liability (Continued)

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability (School Retirees)	\$ 49,442,168	\$ 60,119,124	\$ 74,297,996

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

F. Tax Abatements

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

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

REQUIRED SUPPLEMENTARY INFORMATION - PART II
BUDGETARY COMPARISON SCHEDULES

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

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 19,373,545		\$ 19,373,545	\$ 19,373,545	
Tuition	7,164,237		7,164,237	7,075,917	\$ (88,320)
Transportation Fees from Other LEAs	514,964		514,964	586,457	71,493
Interest Earned	15,000		15,000	63,765	48,765
Miscellaneous Revenue	460,500	-	460,500	683,955	223,455
Total Local Sources	<u>27,528,246</u>	<u>-</u>	<u>27,528,246</u>	<u>27,783,639</u>	<u>255,393</u>
State Sources					
Equalization Aid	2,614,849		2,614,849	2,614,849	
Security Aid	27,544		27,544	27,544	
Transportation Aid	11,212		11,212	11,212	
Special Education Categorical Aid	896,489		896,489	896,489	
PARCC Readiness	14,050		14,050	14,050	
Per Pupil Growth Aid	14,050		14,050	14,050	
Professional Learning Community Aid	14,010		14,010	14,010	
Extraordinary Aid	139,773		139,773	303,168	163,395
Lead Testing Aid				10,300	10,300
TPAF Contribution (On-Behalf)					
Pension Contribution				2,013,899	2,013,899
Pension - NCGI Premium				48,872	48,872
Post Retirement Medical Benefits				1,332,300	1,332,300
Long Term Disability Insurance				3,513	3,513
TPAF Social Security Reimbursements (On-Behalf)	-	-	-	1,091,185	1,091,185
Total State Sources	<u>3,731,977</u>	<u>-</u>	<u>3,731,977</u>	<u>8,395,441</u>	<u>4,663,464</u>
Federal Source					
Semi	21,958	-	21,958	32,279	10,321
Total Federal Sources	<u>21,958</u>	<u>-</u>	<u>21,958</u>	<u>32,279</u>	<u>10,321</u>
Total Revenues	<u>31,282,181</u>	<u>-</u>	<u>31,282,181</u>	<u>36,211,359</u>	<u>4,929,178</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool	98,367	\$ 25,952	124,319	124,319	-
Kindergarten	337,540	(35,990)	301,550	301,550	-
Grades 1-5	2,389,599	5,016	2,394,615	2,340,876	53,739
Grades 6-8	2,247,404	232,746	2,480,150	2,263,208	216,942
Grades 9-12	3,689,324	264,374	3,953,698	3,731,481	222,217
Regular Programs - Home Instruction					
Salaries of Teachers	40,000	-	40,000	14,607	25,393
Purchased Professional Educational Services	20,000	(17,397)	2,603		2,603
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	298,508	40,486	338,994	338,839	155
Purchased Professional-Educational Services		5,500	5,500	5,500	-
Other Purchased Services	200,000	(191,024)	8,976	2,074	6,902
General Supplies	723,180	(32,721)	690,459	462,128	228,331
Textbooks	146,000	(18,874)	127,126	116,707	10,419
Other Objects	2,000	(2,000)	-	-	-
Total Regular Programs	<u>10,191,922</u>	<u>276,068</u>	<u>10,467,990</u>	<u>9,701,289</u>	<u>766,701</u>
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	219,162	76,790	295,952	264,443	31,509
Other Salaries for Instruction	47,672	3,017	50,689	50,689	-
General Supplies	3,530	-	3,530	2,051	1,479
Textbooks	4,320	(2,000)	2,320	997	1,323
Total Learning and/or Language Disabilities	<u>274,684</u>	<u>77,807</u>	<u>352,491</u>	<u>318,180</u>	<u>34,311</u>
Behavioral Disabilities					
Salaries of Teachers	121,195	(121,195)	-	-	-
General Supplies	300	(300)	-	-	-
Textbooks	500	(500)	-	-	-
Total Behavioral Disabilities	<u>121,995</u>	<u>(121,995)</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Multiple Disabilities					
Salaries of Teachers	\$ 477,811	\$ (15,783)	\$ 462,028	\$ 462,005	\$ 23
Other Salaries for Instruction	234,770	(17,525)	217,245	209,140	8,105
General Supplies	7,500	(1,752)	5,748	968	4,780
Textbooks	2,100	-	2,100	942	1,158
Total Multiple Disabilities	722,181	(35,060)	687,121	673,055	14,066
Resource Room/Resource Center					
Salaries of Teachers	848,864	4,849	853,713	842,613	11,100
Other Salaries for Instruction	211,828	2,269	214,097	182,383	31,714
General Supplies	1,425	-	1,425	1,254	171
Textbooks	1,725	-	1,725	1,307	418
Total Resource Room	1,063,842	7,118	1,070,960	1,027,557	43,403
Autistic Program					
Salaries of Teachers	335,271	(4,000)	331,271	308,067	23,204
Other Salaries of Instruction	373,876	17,741	391,617	374,463	17,154
Purchased Professional-Educational Services	26,000	420	26,420	9,433	16,987
General Supplies	5,120	(420)	4,700	2,931	1,769
Textbooks	1,800	-	1,800	612	1,188
Total Autistic Program	742,067	13,741	755,808	695,506	60,302
Preschool Disabilities - Part-Time					
Salaries of Teachers	118,538	(111,439)	7,099	-	7,099
General Supplies	1,000	-	1,000	-	1,000
Textbooks	1,000	-	1,000	-	1,000
Total Preschool Disabilities - Part-Time	120,538	(111,439)	9,099	-	9,099
Preschool Disabilities - Full-Time					
Salaries of Teachers	56,114	-	56,114	56,010	104
Other Salaries for Instruction	95,344	217	95,561	95,481	80
General Supplies	2,000	-	2,000	1,200	800
Textbooks	200	-	200	-	200
Total Preschool Disabilities - Full-Time	153,658	217	153,875	152,691	1,184
Total Special Education	3,198,965	(169,611)	3,029,354	2,866,989	162,365
Basic Skills/Remedial					
Salaries of Teachers	255,576	2,406	257,982	257,982	-
General Supplies	1,000	-	1,000	975	25
Textbooks	2,500	(898)	1,602	275	1,327
Other Objects	1,000	-	1,000	-	1,000
Total Basic Skills/Remedial	260,076	1,508	261,584	259,232	2,352
Bilingual Education					
Salaries of Teachers	300,956	8,274	309,230	309,230	-
General Supplies	2,000	-	2,000	1,237	763
Textbooks	2,500	-	2,500	974	1,526
Total Bilingual Education	305,456	8,274	313,730	311,441	2,289
School Sponsored Co-Curricular Activities					
Salaries	204,642	11,201	215,843	191,373	24,470
General Supplies	5,000	7,317	12,317	7,465	4,852
Other Objects	2,500	-	2,500	1,076	1,424
Total School Sponsored Co-Curricular Activities	212,142	18,518	230,660	199,914	30,746
School Sponsored Athletics - Instruction					
Salaries	329,999	-	329,999	314,423	15,576
Purchased Services	4,000	(1,000)	3,000	1,859	1,141
Supplies & Materials	75,000	3,501	78,501	69,586	8,915
Other Objects	17,500	(5,921)	11,579	8,597	2,982
Transfers to Cover Deficit (Agency Funds)	40,000	16,300	56,300	54,000	2,300
Total School Sponsored Athletics - Instruction	466,499	12,880	479,379	448,465	30,914
Total - Instruction	14,635,060	147,637	14,782,697	13,787,330	995,367

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

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs within the State-Special	\$ 325,950	\$ (100,000)	\$ 225,950	\$ 207,077	\$ 18,873
Tuition to County Vocational School District-Reg.	332,500	-	332,500	309,758	22,742
Tuition to CSSD and Regular Day Schools	215,000	(84,475)	130,525	130,525	-
Tuition to Private Schools for the Disabled within State	319,409	95,289	414,698	372,199	42,499
Tuition - State Facilities	24,775	-	24,775	24,775	-
Total Undistributed Expenditures - Instruction	1,217,634	(89,186)	1,128,448	1,044,334	84,114
Attendance and Social Work					
Salaries	21,000	100,845	121,845	118,978	2,867
Salary Drop Out Prevention Officer/Coordinators	15,000	(15,000)	-	-	-
Other Purchased Services	1,000	-	1,000	761	239
Total Attendance and Social Work	37,000	85,845	122,845	119,739	3,106
Health Services					
Salaries	283,038	4,155	287,193	285,057	2,136
Purchased Professional & Technical Services	35,000	58,611	93,611	77,610	16,001
Supplies and Materials	21,200	(13,567)	7,633	6,110	1,523
Total Health Services	339,238	49,199	388,437	368,777	19,660
Speech, OT, PT & Related Services					
Salaries	502,917	57,083	560,000	498,363	61,637
Purchased Professional/Educational Services	264,234	(102,237)	161,997	46,232	115,765
Supplies and Materials	7,020	-	7,020	5,021	1,999
Total Speech, OT, PT & Related Services	774,171	(45,154)	729,017	549,616	179,401
Extra Services					
Salaries	269,418	18,758	288,176	288,176	-
Purchased Professional-Educational Services	45,000	5,380	50,380	44,107	6,273
Total Extra Services	314,418	24,138	338,556	332,283	6,273
Guidance					
Salaries of Other Professional Staff	419,467	76,512	495,979	495,979	-
Salaries of Secretarial and Clerical Assistants	61,474	-	61,474	60,325	1,149
Other Purchased Prof. and Tech. Services	10,350	-	10,350	4,895	5,455
Supplies and Materials	23,500	(5,408)	18,092	7,740	10,352
Other Objects	300	-	300	254	46
Total Guidance	515,091	71,104	586,195	569,193	17,002
Child Study Teams					
Salaries of Other Professional Staff	532,429	149,845	682,274	682,274	-
Salaries of Secretarial and Clerical Assistants	44,625	-	44,625	43,875	750
Purchased Professional-Educational Services	15,600	22,385	37,985	20,064	17,921
Other Purchased Prof. and Tech. Services	25,960	(6,641)	19,319	2,450	16,869
Misc. Purchased Services	-	2,400	2,400	2,400	-
Supplies and Materials	15,000	(6,500)	8,500	3,611	4,889
Other Objects	890	-	890	-	890
Total Child Study Teams	634,504	161,489	795,993	754,674	41,319

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

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Other Professional Staff	\$ 4,000	\$ 115,724	\$ 119,724	\$ 119,724	-
Purchased Professional-Educational Services	5,000	(2,500)	2,500	-	2,500
Total Improvement of Instruction Services/ Other Support Services-Instructional Staff	9,000	113,224	122,224	119,724	2,500
Educational Media Services/School Library					
Salaries	164,586	1,831	166,417	166,417	-
Salaries of Technology Coordinators		201,220	201,220	201,220	-
Supplies and Materials	31,000	(3,496)	27,504	24,134	3,370
Total Educational Media Services/School Library	195,586	199,555	395,141	391,771	3,370
Instructional Staff Training Services					
Purchased Professional-Educational Services	50,000	7,340	57,340	37,303	20,037
Other Purchased Services	25,000	(2,500)	22,500	40	22,460
Total Instructional Staff Training Services	75,000	4,840	79,840	37,343	42,497
Support Services General Administration					
Salaries	451,067	(114,281)	336,786	336,786	-
Legal Services	55,000	(1,500)	53,500	29,144	24,356
Audit Fees	35,000	(3,780)	31,220	31,220	-
Architectural/Engineering Services	-	18,725	18,725	18,725	-
Other Purchased Professional Services	31,500	4,918	36,418	36,418	-
Communications/Telephone	17,500	158,312	175,812	161,806	14,006
BOE Other Purchased Services	12,500	(1,272)	11,228	10,728	500
Misc. Purchased Services	34,000	68,233	102,233	97,788	4,445
Supplies and Materials	1,000	3,775	4,775	4,380	395
Miscellaneous Expenditures	15,000	21,286	36,286	35,986	300
BOE Membership Dues and Fees	4,000	1,049	5,049	5,049	-
Total Support Services General Administration	656,567	155,465	812,032	768,030	44,002
Support Services School Administration					
Salaries of Principals/Asst. Principals	823,388	-	823,388	765,469	57,919
Salaries of Other Professional Staff	764,328	(5,895)	758,433	752,930	5,503
Salaries of Secretarial and Clerical Assistants	436,424	(108,887)	327,537	327,537	-
Other Purchased Services	70,000	20,669	90,669	89,041	1,628
Supplies and Materials	57,225	(21,261)	35,964	25,540	10,424
Other Objects	20,850	10,206	31,056	17,915	13,141
Total Support Services School Administration	2,172,215	(105,168)	2,067,047	1,978,432	88,615
Central Services					
Salaries	307,284	(23,292)	283,992	277,398	6,594
Purchased Professional Services	78,000	26,145	104,145	103,674	471
Purchased Technical Services	25,000	-	25,000	12,390	12,610
Misc. Purchased Services		1,640	1,640	1,229	411
Supplies and Materials	5,000	13,644	18,644	16,923	1,721
Interest on Lease Purchase Agreements	80,000	(46,000)	34,000	33,310	690
Miscellaneous Expenditures	4,000	-	4,000	3,129	871
Total Central Services	499,284	(27,863)	471,421	448,053	23,368
Administration - Information Technology Services					
Salaries	59,801	-	59,801	56,832	2,969
Purchased Technical Services	4,000	2,518	6,518	6,518	-
Total Administration Information Technology Svcs.	63,801	2,518	66,319	63,350	2,969

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

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Required Maintenance for School Facilities					
Salaries	\$ 278,110	\$ (29,611)	\$ 248,499	\$ 229,944	\$ 18,555
Cleaning, Repair and Maintenance Services	1,646,608	(1,221,124)	425,484	196,373	229,111
General Supplies	22,000	1,242	23,242	16,199	7,043
Other Objects	2,000	(712)	1,288	-	1,288
Total Required Maint. For School Facilities	1,948,718	(1,250,205)	698,513	442,516	255,997
Custodial Services					
Salaries	971,146	6,128	977,274	850,145	127,129
Salaries - Non-Instructional Aides	198,197	57,048	255,245	243,902	11,343
Purchased Professional and Technical Services	8,843	-	8,843	2,961	5,882
Cleaning, Repair and Maintenance Services	34,528	(11,041)	23,487	12,133	11,354
Rental of Land & Bldg - Other than Lease Purchase	4,000	104	4,104	4,104	-
Other Purchased Property Services	17,890	20,231	38,121	23,289	14,832
Insurance	206,488	792	207,280	205,965	1,315
Miscellaneous Purchased Services	1,000	(792)	208	-	208
General Supplies	147,261	19	147,280	113,741	33,539
Energy (Natural Gas)	224,626	(67,616)	157,010	140,938	16,072
Energy (Electricity)	568,376	(110,000)	458,376	384,308	74,068
Energy (Gasoline)	25,000	(12,000)	13,000	660	12,340
Other Objects	1,000	290	1,290	1,290	-
Total Custodial Services	2,408,355	(116,837)	2,291,518	1,983,436	308,082
Care and Upkeep of Grounds					
Salaries	58,381	4,628	63,009	63,009	-
Cleaning, Repair and Maintenance Svc.	50,000	9,196	59,196	51,070	8,126
General Supplies	2,000	8,668	10,668	9,321	1,347
Total Care and Upkeep of Grounds	110,381	22,492	132,873	123,400	9,473
Security					
Salaries	132,000	13,576	145,576	145,576	-
Total Security	132,000	13,576	145,576	145,576	-
Student Transportation Services					
Salaries for Pupil Trans (Bet. Home & Sch)-Regular	372,715	18,710	391,425	391,425	-
Salaries for Pupil Trans (Bet. Home & Sch)-Sp. Ed.	-	25,793	25,793	25,793	-
Cleaning, Repair and Maintenance Services	75,000	36,026	111,026	95,848	15,178
Contracted Services (Other Than Between Home & School) - Vendors	32,000	(9,000)	23,000	1,000	22,000
Contracted Services (Between Home & School)-Joint Agreements	75,000	(75,000)	-	-	-
Contracted Services (Special Education Students)- Joint Agreements	375,000	32,678	407,678	400,060	7,618
Transportation Supplies	100,000	(55,000)	45,000	723	44,277
Other Objects	2,000	275	2,275	2,275	-
Total Student Transportation Services	1,031,715	(25,518)	1,006,197	917,124	89,073
Unallocated Benefits - Employee Benefits					
Social Security Contributions	496,818	(25,000)	471,818	452,218	19,600
TPAF Contributions - ERIP	-	-	-	-	-
Other Retirement Contribution-PERS	375,000	(23,743)	351,257	350,851	406
Other Retirement Contribution-Regular	50,000	27,000	77,000	61,318	15,682
Unemployment Compensation	10,000	70,631	80,631	80,602	29
Worker's Compensation	209,270	(3,000)	206,270	205,246	1,024
Health Benefits	4,236,376	320,443	4,556,819	4,547,094	9,725
Tuition Reimbursement	20,000	-	20,000	13,058	6,942
Other Employee Benefits	67,500	106,617	174,117	169,167	4,950
Total Unallocated Benefits - Employee Benefits	5,464,964	472,948	5,937,912	5,879,554	58,358

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

Exhibit C-1

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
TPAF Pension Contribution (Non Budgeted)					
Pension Contribution				\$ 2,013,899	\$ (2,013,899)
Pension - NCGI Premium				48,872	(48,872)
Post Retirement Medical Benefits				1,332,300	(1,332,300)
Long Term Disability Insurance				3,513	(3,513)
TPAF Social Security Reimbursements (Non Budgeted)	-	-	-	1,091,185	(1,091,185)
	-	-	-	4,489,769	(4,489,769)
Total Undistributed Expenditures	\$ 18,599,642	\$ (283,538)	\$ 18,316,104	21,526,694	(3,210,590)
Total Current Expenditures	33,234,702	(135,901)	33,098,801	35,314,024	(2,215,223)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures					
Child Study Team		3,000	3,000	3,000	-
Student Transportation-Non-Instructional Equipment		50,000	50,000	50,000	-
Care and Upkeep of Grounds		54,231	54,231	54,218	13
Required Maintenance of School Facilities	-	16,753	16,753	16,753	-
Total Equipment	-	123,984	123,984	123,971	13
Facilities and Acquisitions					
Lease Purchase Agreements - Principal	720,000	97,834	817,834	802,329	15,505
Other Objects	1,000		1,000	1,000	1,000
Assessment for Debt Service on SDA Funding	44,993	-	44,993	44,993	-
Total Facilities and Acquisitions	765,993	97,834	863,827	847,322	16,505
Interest Emergency Reserve	100		100	100	-
Interest Capital Reserve	1,000	-	1,000	-	1,000
	1,100	-	1,100	100	1,000
Total Capital Outlay	767,093	221,818	988,911	971,393	17,518
Transfer of Funds to Charter Schools	10,022	-	10,022	-	10,022
Total Expenditures - General Fund	34,011,817	85,917	34,097,734	36,285,417	(2,187,683)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,729,636)	(85,917)	(2,815,553)	(74,058)	2,741,495
Other Financing Sources (Uses)					
Transfer Out to Capital Projects	(3,300,000)	-	(3,300,000)	(3,300,000)	-
Total Other Financing Sources (Uses)	(3,300,000)	-	(3,300,000)	(3,300,000)	-
Excess (Deficiency) of Revenues Over (Under) Expenditures and Financing Sources	(6,029,636)	(85,917)	(6,115,553)	(3,374,058)	2,741,495
Fund Balances, Beginning of Year (Restated)	9,796,120	-	9,796,120	9,796,120	-
Fund Balances, End of Year	\$ 3,766,484	\$ (85,917)	\$ 3,680,567	\$ 6,422,062	\$ 2,741,495
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 805,000	
Capital Reserve - Designated for Subsequent Year's Expenditures				60,000	
Maintenance Reserve				100,000	
Emergency Reserve - Designated for Subsequent Year's Expenditures				100,100	
Excess Surplus				1,692,502	
Excess Surplus - Designated for Subsequent Year's Expenditures				2,238,899	
Assigned					
Year End Encumbrances				560,071	
Designated for Subsequent Year's Expenditures				182	
Unassigned				865,308	
Fund Balance Per State Budgetary Basis of Accounting				6,422,062	
Reconciliation to Governmental Funds Statements (GAAP)					
Less State Aid not Recognized on a GAAP Basis				(637,075)	
Fund Balance per Governmental Funds (GAAP)				\$ 5,784,987	

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

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
State	\$ 12,872	\$ (4,167)	\$ 8,705	\$ 7,842	\$ (863)
Federal	567,508	37,986	605,494	565,289	(40,205)
Local Sources					
Miscellaneous	-	60,403	60,403	28,079	(32,324)
Total Revenues	<u>580,380</u>	<u>94,222</u>	<u>674,602</u>	<u>601,210</u>	<u>(73,392)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	81,067	(70,999)	10,068	5,500	4,568
Purchased Prof. Tech. Svc.	4,000	771	4,771	4,221	550
Tuition	385,431	(18,622)	366,809	364,137	2,672
General Supplies	18,730	43,030	61,760	43,018	18,742
Textbooks	1,960	14,770	16,730	16,008	722
Total Instruction	<u>491,188</u>	<u>(31,050)</u>	<u>460,138</u>	<u>432,884</u>	<u>27,254</u>
Support Services					
Other Salaries	15,000	95,000	110,000	109,998	2
Purchased Prof. Tech. Svc.	14,233	(5,835)	8,398	7,224	1,174
Other Purchased Services	21,351	11,762	33,113	8,056	25,057
Miscellaneous Purchased Services	3,510	(309)	3,201	3,201	-
Cleaning Repair and Maintenance Services		2,875	2,875		2,875
Travel	4,164	(50)	4,114	1,089	3,025
General Supplies	7,144	13,279	20,423	6,418	14,005
Total Support Services	<u>65,402</u>	<u>116,722</u>	<u>182,124</u>	<u>135,986</u>	<u>46,138</u>
Unallocated Benefits					
Personal Services - Employee Benefits	23,790	8,550	32,340	32,340	-
Total Unallocated Employee Benefits	<u>23,790</u>	<u>8,550</u>	<u>32,340</u>	<u>32,340</u>	<u>-</u>
Total Expenditures	<u>580,380</u>	<u>94,222</u>	<u>674,602</u>	<u>601,210</u>	<u>73,392</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II
BUDGETARY COMPARISON SCHEDULES

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual revenue amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 36,211,359	\$ 601,210
Difference - Budget to GAAP:		
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements (2017-18)	(637,075)	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements (2016-17)	543,207	
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Adjust for Encumbrances:		
Add Prior Year Encumbrances, Net of Cancellations		
Less Current Year Encumbrances	-	-
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 36,117,491</u>	<u>\$ 601,210</u>
Uses/Outflows of Resources		
Actual expenditure amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 36,285,417	\$ 601,210
Differences-Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Adjust for Encumbrances:		
Add Prior Year Encumbrances, Net of Cancellations		
Less Current Year Encumbrances	-	-
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 36,285,417</u>	<u>\$ 601,210</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

AND

OTHER POST-EMPLOYMENT BENEFITS INFORMATION

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

Public Employees Retirement System

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.03769%	0.03766%	0.04003%	0.04161%	0.04079%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 8,773,866	\$ 11,153,434	\$ 8,985,629	\$ 7,790,670	\$ 7,796,000
District's Covered-Employee Payroll	\$ 2,651,491	\$ 2,459,534	\$ 2,439,335	\$ 2,566,468	\$ 2,566,468
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	330.90%	453.48%	368.36%	303.56%	303.76%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

**LEONIA BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 349,167	\$ 334,552	\$ 344,139	\$ 343,033	\$ 307,353
Contributions in Relation to the Contractually Required Contribution	<u>349,167</u>	<u>334,552</u>	<u>344,139</u>	<u>343,033</u>	<u>307,353</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 2,651,491	\$ 2,459,534	\$ 2,439,335	\$ 2,566,468	\$ 2,566,468
Contributions as a Percentage of Covered-Employee Payroll	13.17%	13.60%	14.11%	13.37%	11.98%

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

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

Teachers Pension and Annuity Fund

Last Five Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00%	0.00%	0.00%	0.00%	0.00%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 89,966,565</u>	<u>\$ 105,229,126</u>	<u>\$ 86,975,627</u>	<u>\$ 73,937,267</u>	<u>\$ 71,863,561</u>
Total	<u>\$ 89,966,565</u>	<u>\$ 105,229,126</u>	<u>\$ 86,975,627</u>	<u>\$ 73,937,267</u>	<u>\$ 71,863,561</u>
District's Covered-Employee Payroll	14,418,312	13,796,178	13,801,527	13,286,892	13,286,892
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

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

Change of Benefit Terms: None.

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

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

Postemployment Health Benefit Plan

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 3,067,118
Interest on Total OPEB Liability	1,895,658
Changes of Assumptions	(7,942,606)
Gross Benefit Payments	(1,463,960)
Contribution from the Member	<u>53,907</u>
Net Change in Total OPEB Liability	(4,389,883)
Total OPEB Liability - Beginning	<u>64,509,007</u>
Total OPEB Liability - Ending	<u>\$ 60,119,124</u>
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	<u>60,119,124</u>
Total OPEB Liability - Ending	<u>\$ 60,119,124</u>
District's Covered-Employee Payroll	<u>\$ 17,069,803</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

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

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

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

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

Changes in Benefit Terms:

None.

Changes of Assumptions

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

SPECIAL REVENUE FUND

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

	IDEA Basic	IDEA Preschool	Title I	Title IIA	Title III	Title III Immigrant	Title IV	Nonpublic Technology	Nonpublic Textbooks	Nonpublic Nursing	Nonpublic Security	Perkins Grant	Local Grants	Total
REVENUES														
Local													\$28,079	\$ 28,079
State								\$ 884	\$ 1,807	\$ 3,201	\$ 1,950			7,842
Federal	\$ 353,625	\$ 10,512	\$145,402	\$28,919	\$ 8,797	\$ 1,289	\$ 10,000	-	-	-	-	\$ 6,745	-	565,289
Total Revenues	\$ 353,625	\$ 10,512	\$145,402	\$28,919	\$ 8,797	\$ 1,289	\$ 10,000	\$ 884	\$ 1,807	\$ 3,201	\$ 1,950	\$ 6,745	\$28,079	\$ 601,210
EXPENDITURES														
Instruction														
Salaries of Teachers					\$ 5,500									\$ 5,500
Purchased Prof. and Technical Services												\$ 4,221		4,221
Tuition	\$ 353,625	\$ 10,512												364,137
Other Professional Services														-
General Supplies			\$ 20,000			\$ 1,289	\$ 10,000	\$ 884			\$ 1,950	1,435	\$ 7,460	43,018
Textbooks									\$ 1,807				14,201	16,008
Other Objects	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Instruction	353,625	10,512	20,000	-	5,500	1,289	10,000	884	1,807	-	1,950	5,656	21,661	432,884
Support Services														
Other Salaries			90,000	\$ 19,998										109,998
Personal Services - Employee Benefits			25,200	5,600	1,540									32,340
Purchased Professional and Technical Services			5,724	1,500										7,224
Purchased Professional-Educational Services														-
Other Purchased Services			4,478	1,821	1,757									8,056
Cleaning, Repair and Maintenance Services														-
Miscellaneous Purchased Services										\$ 3,201				3,201
Travel												1,089		1,089
Supplies and Materials	-	-	-	-	-	-	-	-	-	-	-	-	6,418	6,418
Total Support Services	-	-	125,402	28,919	3,297	-	-	-	-	3,201	-	1,089	6,418	168,326
Total Expenditures	\$ 353,625	\$ 10,512	\$145,402	\$28,919	\$ 8,797	\$ 1,289	\$ 10,000	\$ 884	\$ 1,807	\$ 3,201	\$ 1,950	\$ 6,745	\$28,079	\$ 601,210

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

THIS SCHEDULE IS NOT APPLICABLE

CAPITAL PROJECTS FUND

**LEONIA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Transfer to Debt Service Fund</u>	<u>Balance, June 30, 2018</u>
		<u>Prior Year</u>	<u>Current Year</u>		
Lease Purchase Lighting & Security	\$ 654,250	\$ 628,932			\$ 25,318
2009 Referendum Projects - Solar, Roof Replacement, HVAC, Emergency Generators at Anna C. Scott Elementary, Leonia Middle School and Leonia High School	17,386,962	16,380,214		\$ 301,100	705,648
High School Addition and Renovation Project	<u>7,217,985</u>	<u>463,605</u>	<u>\$ 4,644,720</u>	<u>-</u>	<u>2,109,660</u>
	<u>\$ 25,259,197</u>	<u>\$ 17,472,751</u>	<u>\$ 4,644,720</u>	<u>\$ 301,100</u>	<u>\$ 2,840,626</u>
Project Balances, June 30, 2018					\$ 2,840,626
Less: Unrealized Capital Reserve Transfer					<u>-</u>
Fund Balance, June 30, 2018 GAAP Basis					<u>\$ 2,840,626</u>
<u>Recapitulation of Fund Balance</u>					
Restricted For Capital Projects:					
Reserve for Encumbrances					\$ 1,995,689
Available for Capital Projects Expenditures					<u>844,937</u>
Total Fund Balance - Restricted for Capital Projects					<u>\$ 2,840,626</u>

**LEONIA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

REVENUES AND OTHER FINANCING SOURCES

Revenues	
Interest Income	\$ 20,022
Other Financing Sources	
Transfer from Capital Reserve Fund	<u>3,300,000</u>
 Total Revenues	 <u>3,320,022</u>

EXPENDITURES AND OTHER FINANCING USES

Legal Services	385
Architects/Engineers	210,308
Other Purchases Professional and Technical Services	146,085
Construction Services	4,167,252
Supplies and Materials	120,690
Transfer to Debt Service Fund	<u>301,100</u>
 Total Expenditures and Other Financing Uses	 <u>4,945,820</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	 (1,625,798)
 Fund Balance, Beginning of Year	 <u>4,466,424</u>
 Fund Balance, End of Year	 <u>\$ 2,840,626</u>
 Reconciliation to GAAP	
Fund Balance, June 30, 2018 - Budgetary Basis	<u>\$ 2,840,626</u>
 Fund Balance, June 30, 2018 - GAAP Basis	 <u>\$ 2,840,626</u>

**LEONIA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
LEASE PURCHASE LIGHTING & SECURITY EQUIPMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Other Financing Sources -Lease Purchase	\$ 651,000		\$ 651,000	\$ 651,000
Earnings on Investments	<u>3,158</u>	<u>\$ 92</u>	<u>3,250</u>	<u>3,250</u>
Total Revenues	<u>654,158</u>	<u>92</u>	<u>654,250</u>	<u>654,250</u>
Expenditures and Other Financing Uses				
Salaries	19,000		19,000	19,000
Purchased Professional and Technical Services	28,037		28,037	28,037
Construction Services	573,495		573,495	598,813
Other Objects	<u>8,400</u>	<u>-</u>	<u>8,400</u>	<u>8,400</u>
Total Expenditures and Other Financing Uses	<u>628,932</u>	<u>-</u>	<u>628,932</u>	<u>654,250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 25,226</u>	<u>\$ 92</u>	<u>\$ 25,318</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 651,000			
Additional Authorized Cost	<u>3,250</u>			
Revised Authorized Cost	<u>\$ 654,250</u>			
Percentage Increase over Original Authorized Cost	100%			
Percentage Completion	100%			
Original Target Completion Date	6/30/2010			
Revised Target Completion Date	6/30/2010			

**LEONIA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
2009 REFERENDUM PROJECT - SOLAR, ROOF REPLACEMENT, HVAC, EMERGENCY GENERATORS AT
ANNA C. SCOTT ELEMENTARY, LEONIA MIDDLE SCHOOL & LEONIA HIGH SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond Proceeds	\$ 17,350,000		\$ 17,350,000	\$ 17,350,000
Other Financing Sources	21,032		21,032	21,032
Earnings on Investment	12,232	\$ 3,698	15,930	15,930
	<u>17,383,264</u>	<u>3,698</u>	<u>17,386,962</u>	<u>17,386,962</u>
Expenditures and Other Financing Uses				
Salaries	149,212		149,212	155,000
Purchased Professional and Technical Services	2,040,622		2,040,622	1,702,500
Legal	792,734		792,734	400,000
Construction Services	13,237,610		13,237,610	14,599,239
General Supplies	52,615		52,615	33,264
Other Objects	107,421	-	107,421	496,959
Transfer To Debt Service Fund	-	301,100	301,100	-
	<u>16,380,214</u>	<u>301,100</u>	<u>16,681,314</u>	<u>17,386,962</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 1,003,050</u>	<u>\$ (297,402)</u>	<u>\$ 705,648</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	\$ 17,350,000			
Original Authorized Cost	20,300,000			
Reduced Authorized Cost	<u>(2,913,038)</u>			
Revised Authorized Cost	<u>\$ 17,386,962</u>			
Percentage Decrease from Original Authorized				
Cost	-14.00%			
Percentage Completion	100%			
Original Target Completion Date	2013/14			
Revised Target Completion Date	2015/16			

**LEONIA BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
HIGH SCHOOL ADDITION AND RENOVATION PROJECT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Capital Lease Proceeds	\$ 3,600,000		\$ 3,600,000	\$ 3,600,000
Transfers from Capital Reserve Fund	300,000	\$ 3,300,000	3,600,000	3,600,000
Earnings on Investment	1,753	16,232	17,985	17,985
	<u>3,901,753</u>	<u>3,316,232</u>	<u>7,217,985</u>	<u>7,217,985</u>
Total Revenues				
Expenditures and Other Financing Uses				
Legal Services	19,039	385	19,424	20,000
Architectural/Engineering	420,097	210,308	630,405	800,000
Other Purchased Professional and Technical Services	3,448	146,085	149,533	150,000
Construction Services		4,167,252	4,167,252	6,026,232
Supplies and Materials		120,690	120,690	200,000
Other Objects	21,021	-	21,021	21,753
	<u>463,605</u>	<u>4,644,720</u>	<u>5,108,325</u>	<u>7,217,985</u>
Total Expenditures and Other Financing Uses				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 3,438,148</u>	<u>\$ (1,328,488)</u>	<u>\$ 2,109,660</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 7,200,000			
Additional Authorized Cost	17,985			
Revised Authorized Cost	<u>\$ 7,217,985</u>			
Percentage Increase from Original Authorized Cost	0.25%			
Percentage Completion	64%			
Original Target Completion Date	August 2018			
Revised Target Completion Date	August 2018			

ENTERPRISE FUNDS

**LEONIA BOARD OF EDUCATION
ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

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

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

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

THIS SCHEDULE IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

AGENCY FUNDS

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

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 149,375	\$ 654,243	\$ 803,618
Due from Other Funds	<u>-</u>	<u>10,954</u>	<u>10,954</u>
Total Assets	<u>\$ 149,375</u>	<u>\$ 665,197</u>	<u>\$ 814,572</u>
LIABILITIES			
Due to Student Groups	\$ 149,375		\$ 149,375
Payroll Deductions and Withholdings		\$ 242,037	242,037
Accrued Salaries and Wages		20,720	20,720
Summer Savings Plan		390,693	390,693
Flexible Spending Deposits		4,300	4,300
Due to Other Funds	<u>-</u>	<u>7,447</u>	<u>7,447</u>
Total Liabilities	<u>\$ 149,375</u>	<u>\$ 665,197</u>	<u>\$ 814,572</u>

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

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

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

	<u>Balance July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
Anna C. Scott Elementary School	\$ 5,164	\$ 11,306	\$ 12,072	\$ 4,398
Leonia Middle School	22,901	85,407	88,263	20,045
Leonia Middle School Athletics	1,135	8,098	7,323	1,910
Leonia High School	137,124	316,387	334,104	119,407
Leonia High School Athletics	860	52,669	49,914	3,615
	<u>\$ 167,184</u>	<u>\$ 473,867</u>	<u>\$ 491,676</u>	<u>\$ 149,375</u>

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

	<u>Balance, July 1, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2018</u>
Due from Other Funds			\$ 10,954	\$ (10,954)
Payroll Deductions and Withholdings	\$ 210,087	\$ 9,679,664	9,647,714	242,037
Accrued Salaries and Wages	20,826	12,713,148	12,713,254	20,720
Summer Savings Plan		390,693		390,693
Flexible Spending Deposits	5,370	19,636	20,706	4,300
Due to Other Funds	7,055	1,182,179	1,181,787	7,447
	<u>\$ 243,338</u>	<u>\$ 23,985,320</u>	<u>\$ 23,574,415</u>	<u>\$ 654,243</u>

LONG-TERM DEBT

LEONIA BOARD OF EDUCATION
 LONG TERM DEBT
 SCHEDULE OF SERIAL BONDS PAYABLE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>					
School Improvement Bonds	7/15/2010	\$ 17,350,000	7/15/2018	\$ 810,000	2.500				
			7/15/2019	850,000	3.000				
			7/15/2020	900,000	3.000				
			7/15/2021	920,000	3.125				
			7/15/2022	960,000	3.250				
			7/15/2023	1,005,000	3.500				
			7/15/2024	1,050,000	3.500				
			7/15/2025	1,100,000	4.000				
			7/15/2026	1,150,000	4.000				
			7/15/2027	1,205,000	4.000				
			7/15/2028	1,260,000	4.000				
			7/15/2029	1,320,000	4.000				
			7/15/2030	1,380,000	4.000				
School Refunding Bonds	12/1/2011	\$ 11,685,000	8/15/2018	1,140,000	5.000				
			8/15/2019	1,175,000	3.191				
			8/15/2020	1,200,000	5.000				
			8/15/2021	1,250,000	5.000				
			8/15/2022	1,265,000	3.471				
			8/15/2023	1,305,000	3.854				
						\$ 23,155,000	\$ -	\$ 1,910,000	\$ 21,245,000

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

	Amount of Original <u>Issue</u>	Interest <u>Rate</u>	Balance, <u>July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	Balance, <u>June 30, 2018</u>
<u>Capital Leases</u>						
Copier Leases	281,629	5.00%	\$ 177,324		\$ 56,186	\$ 121,138
Leonia High School Addition and Renovations	3,600,000	1.8961%	3,600,000		731,372	2,868,628
LED Lighting Upgrade	515,698	1.798%	<u>467,839</u>	<u>-</u>	<u>93,523</u>	<u>374,316</u>
Total			<u>\$ 4,245,163</u>	<u>\$ -</u>	<u>\$ 881,081</u>	<u>\$ 3,364,082</u>

**DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 2,025,161		\$ 2,025,161	\$ 2,025,161	\$ -
State Sources					
Debt Service Aid Type II	435,489	-	435,489	435,489	-
Total Revenues	<u>2,460,650</u>	<u>-</u>	<u>2,460,650</u>	<u>2,460,650</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	1,910,000		1,910,000	1,910,000	
Interest	851,750	-	851,750	833,450	18,300
Total Expenditures	<u>2,761,750</u>	<u>-</u>	<u>2,761,750</u>	<u>2,743,450</u>	<u>18,300</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(301,100)</u>	<u>-</u>	<u>(301,100)</u>	<u>(282,800)</u>	<u>18,300</u>
Other Financing Sources (Uses)					
Transfer In	301,100	-	301,100	301,100	-
Total Other Financing Sources (Uses)	<u>301,100</u>	<u>-</u>	<u>301,100</u>	<u>301,100</u>	<u>-</u>
Excess(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expendit	-	-	-	18,300	18,300
Fund Balance, Beginning of Year	140	-	140	140	-
Fund Balance, End of Year	<u>\$ 140</u>	<u>\$ -</u>	<u>\$ 140</u>	<u>\$ 18,440</u>	<u>\$ 18,300</u>
Recapitulation of Fund Balance					
Restricted for Debt Service:					
Available for Debt Service Expenditures				<u>\$ 18,440</u>	
Total Fund Balance - Restricted For Debt Service				<u>\$ 18,440</u>	

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

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

**LEONIA BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(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	\$ 5,740,947	\$ 5,157,650	\$ 1,843,529	\$ 3,567,769	\$ 4,506,173	\$ 5,712,963	\$ 7,133,247	\$ 9,058,650	\$ 6,633,571	\$ 8,561,795
Restricted	1,246,247	1,724,772	5,719,734	6,844,553	8,394,947	8,361,485	7,878,190	3,465,366	4,307,587	3,093,100
Unrestricted	506,380	16,554,239	135,429	(395,027)	662,822	1,230,478	(6,255,467)	(3,410,681)	(4,461,001)	(4,891,357)
Total Governmental Activities Net Position	\$ 7,493,574	\$ 23,436,661	\$ 7,698,692	\$ 10,017,295	\$ 13,563,942	\$ 15,304,926	\$ 8,755,970	\$ 9,113,335	\$ 6,480,157	\$ 6,763,538
Business-Type Activities										
Net Investment in Capital Assets	\$ 209,930	\$ 10,678	\$ 134,832	\$ 116,591	\$ 98,431	\$ 81,694	\$ 70,160	\$ 56,877	\$ 33,088	\$ 40,822
Unrestricted	105,840	46,378	92,491	41,490	38,618	79,817	120,881	158,752	220,327	224,262
Total Business-Type Activities Net Position	\$ 315,770	\$ 57,056	\$ 227,323	\$ 158,081	\$ 137,049	\$ 161,511	\$ 191,041	\$ 215,629	\$ 253,415	\$ 265,084
District-Wide										
Net Investment in Capital Assets	\$ 5,950,877	\$ 5,168,328	\$ 1,978,361	\$ 3,684,360	\$ 4,604,604	\$ 5,794,657	\$ 7,203,407	\$ 9,115,527	\$ 6,666,659	\$ 8,602,617
Restricted	1,246,247	1,724,772	5,719,734	6,844,553	8,394,947	8,361,485	7,878,190	3,465,366	4,307,587	3,093,100
Unrestricted	612,220	16,600,617	227,920	(353,537)	701,440	1,310,295	(6,134,586)	(3,251,929)	(4,240,674)	(4,667,095)
Total District Net Position	\$ 7,809,344	\$ 23,493,717	\$ 7,926,015	\$ 10,175,376	\$ 13,700,991	\$ 15,466,437	\$ 8,947,011	\$ 9,328,964	\$ 6,733,572	\$ 7,028,622

LEONIA BOARD OF EDUCATION
 CHANGES IN NET POSITION
 LAST NINE FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

		Fiscal Year Ended June 30,								
		2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$	8,948,986	\$ 11,583,485	\$ 11,857,637	\$ 12,936,547	\$ 13,034,616	\$ 15,046,198	\$ 18,037,432	\$ 21,369,913	\$ 20,668,300
Special Education		2,325,638	3,882,016	4,069,473	4,354,889	4,067,369	4,343,963	6,087,129	7,050,114	6,864,974
Other Instruction		1,072,389	1,574,085	1,766,825	1,907,323	1,477,424	1,700,584	765,954	1,151,573	1,178,530
School Sponsored Activities and Athletics								1,068,739	1,276,705	1,237,176
Support Services:										
Tuition						939,292	1,201,853			
Student and Instruction Related Services		3,542,291	3,799,681	3,555,638	3,874,090	3,738,145	4,357,902	4,402,031	5,084,897	5,185,269
General Administration		620,909	758,483	743,030	835,755	862,726	975,965	1,027,863	1,038,399	1,005,807
School Administrative Services		1,579,450	1,997,308	2,088,630	2,218,964	2,256,390	2,631,735	2,746,612	3,551,790	3,400,669
Central Services		475,810	524,700	501,602	517,856	532,921	534,720	672,407	776,196	774,779
Administrative Technology Information		46,896	52,208	51,104	49,927	342,135	52,041			
Plant Operations And Maintenance		2,305,022	2,670,762	2,609,561	2,459,671	2,951,108	3,070,387	3,377,650	3,647,477	3,567,740
Pupil Transportation		871,819	738,546	864,890	869,404	735,952	1,219,968	1,010,974	1,229,918	1,159,054
Allocated and Unallocated Employee Benefits		4,221,277								
TPAF Pension		853,747								
TPAF Social Security		1,002,302								
Capital Outlay		2,321,797								
Interest On Long-Term Debt		766,003	1,037,356	1,203,519	1,102,316	1,174,041	971,609	963,811	910,328	859,269
Unallocated Depreciation		-	612,497	612,347	609,110	613,111	1,245,092	-	-	-
Total Governmental Activities Expenses		30,954,356	29,231,127	29,924,256	31,735,852	32,725,230	37,352,017	40,160,602	47,087,310	45,901,567
Business-Type Activities										
Food Service		572,294	644,432	654,910	597,490	594,031	610,360	599,559	598,168	636,420
Enrichment Program		-	-	-	-	-	-	41,143	35,073	44,192
Total Business-Type Activities Expense		572,294	644,432	654,910	597,490	594,031	610,360	640,702	633,243	680,612
Total District Expenses	\$	31,526,650	\$ 29,875,559	\$ 30,579,166	\$ 32,333,342	\$ 33,319,261	\$ 37,962,377	\$ 40,801,304	\$ 47,720,553	\$ 46,582,179
Program Revenues										
Governmental Activities										
Charges For Services	\$	5,539,070	\$ 6,805,622	\$ 6,380,736	\$ 7,853,616	\$ 7,059,374	\$ 7,072,840	\$ 8,079,596	\$ 8,390,205	\$ 7,952,896
Operating Grants and Contributions		3,961,792	3,678,027	3,900,929	4,719,225	4,200,899	7,942,538	9,270,239	12,074,642	13,350,686
Capital Grants and Contributions		31,013	-	-	-	-	-	-	-	-
Total Governmental Activities Program Revenues		9,531,875	10,483,649	10,281,665	12,572,841	11,260,273	15,015,378	17,349,835	20,464,847	21,303,582
Business-Type Activities										
Charges For Services										
Food Service		327,607	474,755	434,217	391,202	402,676	404,103	407,154	425,997	447,251
Enrichment Program						32,885	50,190	57,750	42,985	53,919
Operating Grants And Contributions		129,298	197,157	151,451	185,256	182,932	185,976	200,385	202,047	189,718
Total Business Type Activities Program Revenues		456,905	671,912	585,668	576,458	618,493	640,269	665,289	671,029	690,888
Total District Program Revenues	\$	9,988,780	\$ 11,155,561	\$ 10,867,333	\$ 13,149,299	\$ 11,878,766	\$ 15,655,647	\$ 18,015,124	\$ 21,135,876	\$ 21,994,470
Net (Expense)/Revenue										
Governmental Activities										
	\$	(21,422,481)	\$ (18,747,478)	\$ (19,642,591)	\$ (19,163,011)	\$ (21,464,957)	\$ (22,336,639)	\$ (22,810,767)	\$ (26,622,463)	\$ (24,597,985)
Business-Type Activities										
		(115,389)	27,480	(69,242)	(21,032)	24,462	29,909	24,587	37,786	10,276
Total District-Wide Net Expenses	\$	(21,537,870)	\$ (18,719,998)	\$ (19,711,833)	\$ (19,184,043)	\$ (21,440,495)	\$ (22,306,730)	\$ (22,786,180)	\$ (26,584,677)	\$ (24,587,709)

LEONIA BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST NINE FISCAL YEARS
 (Unaudited)
 (accrual basis of accounting)

	Fiscal Year Ended June 30,								
	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Assets									
Governmental Activities									
Property Taxes Levied For General Purposes, Net	\$ 17,080,859	\$ 16,469,998	\$ 16,717,048	\$ 17,051,389	\$ 17,392,417	\$ 17,740,265	\$ 18,095,075	\$ 18,671,582	\$ 19,373,545
Taxes Levied For Debt Service		1,971,912	2,048,594	2,105,052	2,337,877	2,334,694	2,329,197	2,317,874	2,025,161
Federal and State Aid - Unrestricted		1,977,262	2,442,702	2,639,154	2,638,407	2,647,508	2,667,743	2,672,428	2,702,251
Federal and State Aid Restricted	2,258,831	32,390	366,712	337,697	399,928	411,785	271,843	286,683	303,189
Miscellaneous Income	1,264,697	290,813	386,138	576,366	437,312	449,432	45,936	40,718	477,220
Other Financing Sources	17,244,090								
Adjustments	(482,909)	-	-	-	-	-	-	-	-
Total Governmental Activities	37,365,568	20,742,375	21,961,194	22,709,658	23,205,941	23,583,684	23,409,794	23,989,285	24,881,366
Business-Type Activities									
Miscellaneous Income	386	393							1,393
Transfers	(143,711)	-	-	-	-	-	-	-	-
Total Business-Type Activities	(143,325)	393	-	-	-	-	-	-	1,393
Total District-Wide	\$ 37,222,243	\$ 20,742,768	\$ 21,961,194	\$ 22,709,658	\$ 23,205,941	\$ 23,583,684	\$ 23,409,794	\$ 23,989,285	\$ 24,882,759
Change in Net Position									
Governmental Activities	\$ 15,943,087	\$ 1,994,897	\$ 2,318,603	\$ 3,546,647	\$ 1,740,984	\$ 1,247,045	\$ 599,027	\$ (2,633,178)	\$ 283,381
Business-Type Activities	(258,714)	27,873	(69,242)	(21,032)	24,462	29,909	24,587	37,786	11,669
Total District	\$ 15,684,373	\$ 2,022,770	\$ 2,249,361	\$ 3,525,615	\$ 1,765,446	\$ 1,276,954	\$ 623,614	\$ (2,595,392)	\$ 295,050

Note: GASB requires ten (10) years of information to be presented. This District has only eight (8) years of information available. Each year the District will add the new year until ten years of information is presented.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,246,247	\$ 1,723,073								
Restricted			\$ 2,048,471	\$ 4,102,406	\$ 6,270,780	\$ 7,399,276	\$ 7,332,373	\$ 8,183,692	\$ 9,033,535	\$ 4,996,501
Assigned			437,534	530,138	760,823	657,372	1,520,191	606,319	85,917	560,253
Unassigned			430,369	382,898	690,732	413,393	288,445	128,003	133,461	228,233
Unreserved	<u>150,102</u>	<u>182,761</u>	-	-	-	-	-	-	-	-
Total General Fund	<u>\$ 1,396,349</u>	<u>\$ 1,905,834</u>	<u>\$ 2,916,374</u>	<u>\$ 5,015,442</u>	<u>\$ 7,722,335</u>	<u>\$ 8,470,041</u>	<u>\$ 9,141,009</u>	<u>\$ 8,918,014</u>	<u>\$ 9,252,913</u>	<u>\$ 5,784,987</u>
All Other Governmental Funds										
Restricted			\$ 2,647,467	\$ 2,498,255	\$ 2,132,104	\$ 962,209	\$ 959,618	\$ 1,028,416	\$ 4,466,564	\$ 2,859,066
Committed			757,516	425,533		879,928	115,546			
Unreserved, reported in										
Capital Projects Fund	\$ 353,893	16,371,460								
Debt Service Fund	<u>2,385</u>	<u>1,717</u>	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 356,278</u>	<u>\$ 16,373,177</u>	<u>\$ 3,404,983</u>	<u>\$ 2,923,788</u>	<u>\$ 2,132,104</u>	<u>\$ 1,842,137</u>	<u>\$ 1,075,164</u>	<u>\$ 1,028,416</u>	<u>\$ 4,466,564</u>	<u>\$ 2,859,066</u>

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

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

	Fiscal Year Ended June 30,							
	2011	2012	2013	2014	2015	2016	2017	2018
Revenues								
Tax Levy	\$ 18,441,910	\$ 18,765,642	\$ 19,156,441	\$ 19,730,294	\$ 20,074,959	\$ 20,424,272	\$ 20,989,456	\$ 21,398,706
Tuition Charges	6,300,782	5,908,294	7,255,372	6,513,234	6,515,773	7,079,285	7,465,217	7,075,917
Transportation	504,840	472,442	598,244	546,141	557,067	482,141	539,967	586,457
Miscellaneous	310,943	410,492	622,312	499,934	496,979	575,702	429,541	795,821
State Sources	5,033,040	6,025,474	7,105,173	6,646,566	7,173,278	7,350,182	7,968,115	8,744,904
Federal Sources	634,510	660,516	533,549	530,046	546,460	608,387	656,210	597,568
Total Revenues	<u>31,226,025</u>	<u>32,242,860</u>	<u>35,271,091</u>	<u>34,466,215</u>	<u>35,364,516</u>	<u>36,519,969</u>	<u>38,048,506</u>	<u>39,199,373</u>
Expenditures								
Instruction								
Regular Instruction	11,556,447	11,841,778	12,849,252	9,354,753	9,460,612	14,496,750	14,663,848	15,574,159
Special Education Instruction	3,882,016	4,069,473	4,354,889	3,048,556	2,774,242	5,195,515	5,281,141	5,495,539
Other Instruction	1,570,466	1,766,825	1,907,323	1,040,983	1,028,180	603,795	760,353	878,046
School Sponsored Activities and Athletics						874,030	897,077	951,417
Support Services								
Tuition				939,292	1,201,853			
Student and Inst. Related Services	3,826,013	3,517,108	3,838,100	2,968,482	3,205,119	4,086,234	4,131,579	4,427,404
General Administrative Services	758,483	743,030	835,755	723,608	750,821	997,939	934,715	920,643
School Administrative Services	2,104,865	2,117,554	2,203,376	1,604,448	1,631,558	2,360,078	2,615,302	2,709,609
Central Administrative Services	524,700	501,602	517,856	387,404	313,598	595,405	614,669	641,536
Administrative Information Technology	52,208	51,104	49,926	51,175	52,041			
Plant Operations And Maintenance	2,668,200	2,606,178	2,455,812	2,677,331	2,555,560	3,251,440	3,197,781	3,194,917
Student Transportation Services	732,014	863,341	869,404	733,727	883,266	975,778	1,111,305	1,056,321
Unallocated Employee Benefits				7,274,017	7,890,539			
Capital Outlay	13,327,604	546,524	824,652	458,958	966,653	348,458	1,325,907	4,768,691
Debt Service								
Principal	845,000	1,172,655	1,528,664	1,685,000	1,740,000	1,876,647	1,957,436	2,791,081
Interest	1,044,405	2,139,381	1,120,872	1,060,742	1,006,478	964,967	900,044	865,434
Total Expenditures	<u>42,892,421</u>	<u>31,936,553</u>	<u>33,355,881</u>	<u>34,008,476</u>	<u>35,460,520</u>	<u>36,627,036</u>	<u>38,391,157</u>	<u>44,274,797</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	<u>(11,666,396)</u>	<u>306,307</u>	<u>1,915,210</u>	<u>457,739</u>	<u>(96,004)</u>	<u>(107,067)</u>	<u>(342,651)</u>	<u>(5,075,424)</u>
Other Financing Sources (Uses)								
Capital Leases (Non-Budgeted)	148,743					281,629		
Capital Lease Proceeds							4,115,698	
Bond Proceeds	17,350,000	871,565	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>17,498,743</u>	<u>871,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,629</u>	<u>4,115,698</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 5,832,347</u>	<u>\$ 1,177,872</u>	<u>\$ 1,915,210</u>	<u>\$ 457,739</u>	<u>\$ (96,004)</u>	<u>\$ 174,562</u>	<u>\$ 3,773,047</u>	<u>\$ (5,075,424)</u>
Debt Service as a Percentage of								
Noncapital Expenditures	6.39%	10.55%	8.14%	8.18%	7.96%	7.83%	7.71%	9.26%

* Noncapital expenditures are total expenditures less capital outlay.

Note: GASB requires ten (10) years of information to be presented. This District has only eight (8) years of information available. Each year the District will add the new year until ten years of information is presented.

**LEONIA BOARD OF EDUCATION
GOVERNMENTAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Rental of Facilities</u>	<u>Refunds</u>	<u>Related Service Fees</u>	<u>Sale of SRECS</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 3,954	\$ 107,748	\$ 83,265			\$ 2,143	\$ 197,110
2010	18,480	104,820	39,192			147,439	309,931
2011	28,218	207,956				74,769	310,943
2012	6,775	166,435				212,924	386,134
2013	9,334	214,162				352,867	576,363
2014	14,341	203,486				219,483	437,310
2015	10,301	239,719				199,412	449,432
2016	11,639	225,198		\$ 292,972		34,297	564,106
2017	18,146	266,149		\$ 118,872		20,819	423,986
2018	63,765	109,711	5,706	\$ 180,811	\$ 359,841	27,886	747,720

Source: School District's Records

**LEONIA BOARD OF EDUCATION
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN YEARS
 (Unaudited)**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2009	\$ 6,144,800	\$ 1,169,734,100	\$ 86,503,900	\$ 26,634,700	\$ 67,719,400	\$ 1,356,736,900	\$ 1,084,744	\$ 1,357,821,644	\$ 1,620,917,444	\$ 1.237
2010 *	6,103,300	1,169,364,300	83,977,200	25,643,800	67,022,400	1,352,111,000	986,425	1,353,097,425	1,467,897,970	1.313
2011	5,574,800	1,167,816,900	82,187,500	25,643,800	65,160,200	1,346,383,200	898,843	1,347,282,043	1,433,653,199	1.381
2012	5,752,200	1,164,056,900	81,434,000	25,643,800	64,660,200	1,341,547,100	1,057,657	1,342,604,757	1,383,380,144	1.462
2013	6,024,400	1,159,321,800	78,889,900	24,493,800	64,206,900	1,332,936,800	1,050,232	1,333,987,032	1,290,672,611	1.472
2014	5,473,900	1,053,103,100	76,487,100	23,924,900	62,869,300	1,221,858,300	840,140	1,222,698,440	1,290,672,611	1.630
2015	5,530,300	1,054,144,600	75,982,400	23,443,500	62,924,300	1,222,025,100	839,562	1,222,864,662	1,290,894,000	1.659
2016	5,259,900	1,055,626,500	74,161,400	23,243,500	62,839,300	1,221,130,600	804,032	1,221,934,632	1,352,790,640	1.620
2017	6,798,300	1,057,674,500	74,877,100	22,654,500	62,789,800	1,224,794,200	809,114	1,225,603,314	1,378,384,722	1.730
2018	6,899,700	1,059,436,700	75,357,100	22,654,500	62,789,800	1,227,137,800	797,016	1,227,934,816	1,227,934,816	1.755

a Tax rates are per \$100

Source: County Abstract of Ratables

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

Calendar Year	School	Overlapping Rates		Total Direct and Overlapping Tax Rate
		Municipality	County	
2009	\$ 1.237	\$ 0.703	\$ 0.230	\$ 2.170
2010	1.313	0.761	0.213	2.287
2011	1.381	0.778	0.221	2.380
2012	1.462	0.785	0.227	2.474
2013	1.472	0.796	0.220	2.488
2014	1.630	0.877	0.239	2.746
2015	1.659	0.879	0.253	2.791
2016	1.620	0.893	0.272	2.785
2017	1.730	0.898	0.283	2.911
2018	1.755	0.910	0.281	2.946

Source: County Abstract of Ratables

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

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
DC-2 Christie Heights, LLC	\$ 10,200,000	0.83%		
Puck Leonia, LLC/ST Leonia, LLC	9,794,400	0.80%		
Leonia Associates			\$ 5,381,300	0.75%
Center Point Willow Tree, LLC	8,200,000	0.67%		
Kurtz, Anthony & Nora III, LLC	7,500,000	0.61%	4,700,000	0.66%
400 Willow Tree Rd., LLC	7,300,000	0.59%		
Beck-Cohen Associates			4,233,700	0.59%
Fairlawn Company	7,207,000	0.59%	3,680,800	0.51%
Summer Family Holdings, LLC			4,069,000	0.57%
Home Properties			3,372,700	0.47%
Leonia Manor Partners	5,250,000	0.43%	2,853,400	0.40%
CVS Pharmacy	4,250,000	0.35%		
Southwin Farms C/O Soigar Vitamins	3,740,000	0.30%	2,374,100	0.33%
Leonia Terrace Corp.	3,428,000	0.28%		
Kurtz, Anthony & Nora II, LLC			2,300,000	0.32%
First Realty			2,088,700	0.29%
	<u>\$ 66,869,400</u>	<u>4.86%</u>	<u>\$ 35,053,700</u>	<u>4.89%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount Collected	Percentage of Levy
2009	\$ 16,502,468	\$ 16,502,468	100.00%		\$ 16,502,468	100.00%
2010	17,080,859	17,080,859	100.00%		17,080,859	100.00%
2011	18,441,910	18,441,910	100.00%		18,441,910	100.00%
2012	18,765,642	18,765,642	100.00%		18,765,642	100.00%
2013	19,156,441	19,156,441	100.00%		19,156,441	100.00%
2014	19,730,294	19,730,294	100.00%		19,730,294	100.00%
2015	20,074,959	20,074,959	100.00%		20,074,959	100.00%
2016	20,424,272	20,424,272	100.00%		20,424,272	100.00%
2017	20,989,456	20,989,456	100.00%		20,989,456	100.00%
2018	21,398,706	19,676,235	91.95%	\$ 1,722,471	21,398,706	100.00%

LEONIA BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities		Total District	Population	Per Capita
	General Obligation Bonds	Capital Leases			
2009	\$ 17,110,000		\$ 17,110,000	8,611	\$ 1,987
2010	16,350,000		16,350,000	8,960	1,825
2011	31,730,000		31,730,000	9,032	3,513
2012	31,730,000	\$ 121,088	31,851,088	9,085	3,506
2013	30,230,000	92,424	30,322,424	9,130	3,321
2014	28,545,000	62,714	28,607,714	9,169	3,120
2015	26,805,000	31,919	26,836,919	9,214	2,913
2016	25,010,000	231,901	25,241,901	9,226	2,736
2017	23,155,000	4,245,163	27,400,163	9,262	2,958
2018	21,245,000	3,364,082	24,609,082	9,262 *	2,657

Source: District records

* Estimated

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita
2009	\$ 16,350,000		\$ 16,350,000	1.20%	\$ 1,899
2010	31,730,000		31,730,000	2.34%	3,541
2011	32,855,000		32,855,000	2.44%	3,638
2012	31,730,000		31,730,000	2.36%	3,493
2013	28,545,000		28,545,000	2.14%	3,127
2014	28,545,000		28,545,000	2.33%	3,113
2015	26,805,000		26,805,000	2.19%	2,909
2016	25,010,000		25,010,000	2.05%	2,711
2017	23,155,000		23,155,000	1.89%	2,500
2018	21,245,000		21,245,000	1.73%	2,294

Source: District records

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

	<u>Net Debt</u>
Municipal Debt: (1)	
Leonia Board of Education (As of June 30, 2018)	\$ 21,245,000
Borough of Leonia	<u>11,997,655</u>
	<u>33,242,655</u>
Overlapping Debt Apportioned to the Municipality:	
Bergen County	
County of Bergen (A)	10,128,001
Bergen County Utilities Authority (B)	<u>1,869,683</u>
	<u>11,997,684</u>
Total Direct and Overlapping Debt	<u>\$ 45,240,339</u>

Source:

(1) Borough of Leonia's 2017 Annual Debt Statement

(A) The debt for this entity was apportioned to Leonia by dividing the municipality's 2017 equalized value by the total 2017 equalized value for Bergen County.

(B) The debt was computed based upon usage.

**LEONIA BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 46,438,239	\$ 54,157,225	\$ 60,241,970	\$ 57,207,730	\$ 54,808,802	\$ 52,799,741	\$ 51,530,502	\$ 52,355,102	\$ 53,497,645	\$ 54,980,489
Total Net Debt Applicable to Limit	<u>9,617,546</u>	<u>9,384,659</u>	<u>16,350,000</u>	<u>31,730,000</u>	<u>31,730,000</u>	<u>30,230,000</u>	<u>26,805,000</u>	<u>25,010,000</u>	<u>23,155,000</u>	<u>21,245,000</u>
Legal Debt Margin	<u>\$ 36,820,693</u>	<u>\$ 44,772,566</u>	<u>\$ 43,891,970</u>	<u>\$ 25,477,730</u>	<u>\$ 23,078,802</u>	<u>\$ 22,569,741</u>	<u>\$ 24,725,502</u>	<u>\$ 27,345,102</u>	<u>\$ 30,342,645</u>	<u>\$ 33,735,489</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	20.71%	17.33%	27.14%	55.46%	57.89%	57.25%	52.02%	47.77%	43.28%	38.64%

Legal Debt Margin Calculation for Fiscal Year 2017

Equalized Valuation Basis	
2017	\$ 1,401,045,756
2016	1,371,440,476
2015	<u>1,351,050,415</u>
	<u>\$ 4,123,536,647</u>
3 Year Average	<u>\$ 1,374,512,216</u>
4% of Avg. Equalized Valuation	\$ 54,980,489
Less Net Debt	<u>21,245,000</u>
Remaining Borrowing Power	<u>\$ 33,735,489</u>

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

**LEONIA BOARD OF EDUCATION
DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Unemployment Rate (1)</u>	<u>Per Capita Income(2)</u>	<u>Population</u>
2009	5.9%	\$ 65,097	8,611
2010	6.1%	66,080	8,960
2011	6.0%	69,044	9,032
2012	8.1%	71,953	9,085
2013	5.1%	71,449	9,130
2014	4.5%	73,293	9,169
2015	3.7%	76,358	9,214
2016	3.3%	77,187	9,226
2017	3.1%	N/A	9,262
2018	3.1% *	N/A	9,262 *

Source: (1) NJ Department of Labor, Bureau of Labor Force Statistics
(2) County Per Capital Personal Income
* Estimated

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

INFORMATION NOT AVAILABLE

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

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	236	235		120	145	147	145	145	146	147
Special Education	9	9		52	87	49	44	44	46	46
Other Instruction										
Support Services:										
General Administrative Services	9	7		5	9	10	10	10	10	10
School Administrative Services	9	9		12	31	17	12	12	12	12
Plant Operations and Maintenance	34	9	-	24	26	26	23	23	23	23
Total	<u>297</u>	<u>269</u>	<u>N/A</u>	<u>213</u>	<u>298</u>	<u>249</u>	<u>234</u>	<u>234</u>	<u>237</u>	<u>238</u>

Source: District Personnel Records

N/A - Not Available

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2009	1,759	\$ 23,898,852	\$ 13,587	-0.35%	194	N/A	N/A	N/A	1,754	1,675	1.10%	95.50%
2010	1,788	25,265,944	14,131	4.01%	194	N/A	N/A	N/A	1,776	1,708	1.25%	96.17%
2011	1,788	27,675,412	15,478	9.54%	166	N/A	N/A	N/A	1,825	1,754	2.76%	96.11%
2012	1,803	28,077,993	15,573	0.61%	163	3.91	2.96	4.19	1,834	1,761	0.49%	96.02%
2013	1,802	29,881,693	16,583	6.48%	164	3.87	2.90	4.21	1,687	1,623	-8.02%	96.21%
2014	1,796	30,803,776	17,151	3.43%	166	3.73	2.90	4.19	1,825	1,758	8.18%	96.33%
2015	1,797	31,747,389	17,667	3.01%	166	3.70	2.93	4.13	1,824	1,757	-0.05%	96.33%
2016	1,794	33,436,964	18,638	12.40%	166	3.68	3.01	4.13	1,820	1,760	-0.22%	96.70%
2017	18,122	34,207,770	1,888	-88.99%	181	9.46	10.51	10.36	1,822	1,739	0.11%	95.44%
2018	1,878	35,849,591	19,089	8.05%	181	3.66	2.95	3.78	1,884	1,792	3.40%	95.12%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

LEONIA BOARD OF EDUCATION
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEARS
 (UNAUDITED)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
District Building										
<u>Elementary</u>										
Anna C. Scott										
Square Feet	82,346	82,346	82,346	82,346	82,346	82,346	82,346	82,346	82,346	82,346
Capacity (students)	720	720	720	720	720	720	720	720	720	720
Enrollment	680	639	639	639	639	639	639	641	649	673
<u>Middle School</u>										
Leonia Middle School										
Square Feet	115,540	115,540	115,540	115,540	115,540	115,540	115,540	115,540	115,540	115,540
Capacity (students)	550	550	550	550	550	550	550	550	550	550
Enrollment	454	490	490	490	490	490	490	499	515	533
<u>High School</u>										
Leonia High School										
Square Feet	120,790	120,790	120,790	120,790	120,790	120,790	120,790	120,790	120,790	120,790
Capacity (students)	700	700	700	700	700	700	700	700	700	700
Enrollment	619	616	616	616	616	616	616	675	659	687
<u>Other</u>										
Central Administration										
Square Feet	1800	1800	1800	1800	1800	1800	1800	1800	1800	1800

Number of Schools at June 30, 2018

- Elementary = 1
- Middle School = 1
- Senior High School = 1

Source: District Facilities Office

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

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School Facilities										
Anna C. Scott	\$ 175,979	\$ 107,299	\$ 845,111	\$ 111,088	\$ 179,600	\$ 287,314	\$ 256,955	\$ 240,027	\$ 249,715	\$ 187,057
Middle School	246,708	148,567	144,366	174,431	161,588	256,253	229,176	239,222	186,815	134,033
High School	<u>258,137</u>	<u>156,821</u>	<u>131,324</u>	<u>179,080</u>	<u>147,521</u>	<u>232,957</u>	<u>208,342</u>	<u>309,115</u>	<u>225,730</u>	<u>121,426</u>
Other Facilities	<u>680,824</u>	<u>412,687</u>	<u>1,120,801</u>	<u>464,599</u>	<u>488,709</u>	<u>776,524</u>	<u>694,473</u>	<u>788,364</u>	<u>662,260</u>	<u>442,516</u>
Grand Total	<u>\$ 680,824</u>	<u>\$ 412,687</u>	<u>\$ 1,120,801</u>	<u>\$ 464,599</u>	<u>\$ 488,709</u>	<u>\$ 776,524</u>	<u>\$ 694,473</u>	<u>\$ 788,364</u>	<u>\$ 662,260</u>	<u>\$ 442,516</u>

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

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
School Alliance Insurance Fund:		
Commercial Package Policy		
Property - Blanket Building and Contents	\$ 84,001,238	\$ 2,500
Flood (Subject to FEMA Deductible in Flood Zone "A&V")	25,000,000	NFIP Limit
Flood Zones (Non A&V)	10,000,000	
Earthquake	25,000,000	Excess 5% of location value
Boiler and Machinery	100,000,000	2,500
Crime Coverage		1,000
Employee Dishonesty	500,000	
Forgery and Alterations	50,000	
Theft, Disappearance and Destruction - Inside/Outside	50,000	
Computer Fraud	50,000	
General Liability		
General Aggregate	50,000,000	
Each Occurrence	5,000,000	
Pro/Completed Oper.	5,000,000	
Personal Injury	5,000,000	
Fire Damage	2,500,000	
Medical Expense	5,000	
Employee Benefit Liability	5,000,000	
Aggregate (Claims Made)	5,000,000	
Sexual Molestation Limit	3,000,000	
Automobile Coverage		
	5,000,000	
Hired/Non Owned	5,000,000	
Uninsured/Underinsured	15/30/5,000	
Comprehensive		
Collision		1,000

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

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
School Leaders - AIG		
Liability & Employment Practices Liability		
Each Claim/Each Insured, Aggregate/Each Insured	\$ 5,000,000	
Each Claim/All Insureds	10,000,000	
Maximum Policy Agg.	20,000,000	
Retention-SLLL, EPL		\$ 5,000
Excess Liability - School Alliance Insurance Fund		
Each Occurrence	15,000,000	
E & O/Each Loss	15,000,000	
Each Policy Year	15,000,000	
Excess Liability (CAP) - Fireman's Fund		
Each Occurrence		
Aggregate		
Environmental - Ace American Ins. Co./ Illinois Union Ins. Co.		
Per Claim	1,000,000	
Legal Defense Expense Limit	25,000,000	
SIR; Per Pollution Condition		10,000
Public Official Bond - Selective Insurance Co.		
Beverly Vlietstra	500,000	
Public Official Bond - Selective Insurance Co.		
Antoinette Kelly	500,000	

Source: District Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
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ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Leonia Board of Education
Leonia, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leonia Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Leonia Board of Education's basic financial statements and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Leonia Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is 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 and which is described in the accompanying schedule of findings and questioned costs as item 2018-001.

We also noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Leonia Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 18, 2019.

Leonia Board of Education's Responses to Findings

The Leonia Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Leonia Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Leonia Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Leonia Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lerch, Vinci & Higgins, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 18, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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ROBERT LERCH, CPA
CHRIS SOHN, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Leonia Board of Education
Leonia, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal and state program is not modified with respect to these matters.

The Leonia Board of Education's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Leonia Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Leonia Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 18, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of 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.

LERCH, VINCI & HIGGINS, LLP

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



Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
January 18, 2019

LEONIA BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal		Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2017			Carryover/ Deferred Revenue	Carryover/ (Accounts Receivable)	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Adjustment		June 30, 2018			Memo GAAP Receivable		
	CFDA Number	FAIN Number				(Accounts Receivable)	Unearned Revenue	Due to Grantor						Accounts Rec	Def Revenue	Accounts Receivable	Unearned Revenue	Due to Grantor			
U.S. Department of Agriculture Passed-through State Department of Education Enterprise Funds																					
Food Distribution Commodities Program	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	\$ 43,519					\$ 43,519	\$ 41,429							\$ 2,090			
Food Distribution Commodities Program	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	43,695		\$ 4,385				4,385										
National School Lunch Program	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	127,799					102,102	127,799							\$ (25,697)	\$ (25,697)		
National School Lunch Program	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	136,241	\$ (9,787)				9,787											
National School Breakfast Program	10.553	181NJ304N1099	N/A	7/1/17-6/30/18	10,358					8,414	10,358							(1,944)	(1,944)		
National School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	15,372	(1,002)				1,002											
Total U.S. Department of Agriculture - Child Nutrition Program Cluster						(10,789)	4,385	-	-	-	164,824	183,971	-	-	-	-	(27,641)	2,090	-	(27,641)	
U.S. Department of Education Passed-through State Department Special Revenue Fund																					
ESEA																					
Title I	84.010	S010A1700030	NCLB031345-18	7/1/17-6/30/18	150,924			\$ 18,961	\$ (18,961)	101,000	145,402							(68,885)	24,483	-	(44,402)
Title I	84.010	S010A1600030	NCLB031345-17	7/1/16-6/30/17	150,772	(46,099)	18,961		(18,961)	27,138											
Title I	84.010	S010A1500030	NCLB031345-16	7/1/15-6/30/16	157,442			\$ 1,900					\$ 1,900								
Total ESEA Title I						(46,099)	18,961	1,900	-	-	128,138	145,402	1,900	-	-	-	(68,885)	24,483	-	(44,402)	
Title II, Part A	84.367A	S367A1700029	NCLB031345-18	7/1/17-6/30/18	34,671			3,850	(3,850)	15,147	28,919		\$ 636	\$ (636)			(18,888)	8,966		(9,922)	
Title II, Part A	84.367A	S367A1600029	NCLB031345-17	7/1/16-6/30/17	32,204		3,850		(3,850)												
Title II, Part A	84.367A	S367A1500029	NCLB031345-16	7/1/15-6/30/16	34,899			888					888								
Total ESEA Title II, Part A						-	3,850	888	-	-	15,147	28,919	888	636	(636)	-	(18,888)	8,966	-	(9,922)	
Title III	84.365	S365A1700030	NCLB031345-18	7/1/17-6/30/18	9,364			2,914	(2,914)	6,705	8,797			(636)	636		(6,209)	4,117		(2,092)	
Title III	84.365	S365A1600030	NCLB031345-17	7/1/16-6/30/17	18,574	(8,762)	2,914		(2,914)	2,914	5,848										
Title III Immigrant	84.365	S365A1700030	NCLB031345-18	7/1/17-6/30/18	4,850			76	(76)	1,289	1,289						(3,637)	3,637		-	
Title III Immigrant	84.365	S365A1600030	NCLB031345-17	7/1/16-6/30/17	5,977	(272)	76		(76)	76	196										
Total ESEA Title III Cluster						(9,034)	2,990	-	-	-	14,038	10,086	-	(636)	636	-	(9,846)	7,754	-	(2,092)	
ESEA Title IV						-	-	-	-	-	10,000	10,000	-	-	-	-	-	-	-	-	
I.D.E.L.A. Part B, Basic Regular	84.027	H027A170100	NCLB031345-18	7/1/17-6/30/18	362,165			2,132	(2,132)	304,320	353,625						(59,977)	10,672		(49,305)	
I.D.E.L.A. Part B, Basic Regular	84.027	H027A160100	NCLB031345-17	7/1/16-6/30/17	370,603	(2,132)	2,132		(2,132)	2,132											
I.D.E.L.A. Part B, Preschool	84.173	H173A170114	NCLB031345-18	7/1/17-6/30/18	10,512					10,512	10,512										
Total Special Education Cluster IDEA						(2,132)	2,132	-	-	-	314,832	364,137	-	-	-	-	(59,977)	10,672	-	(49,305)	
Perkins Secondary	84.048A	V048A170030	N/A	7/1/17-6/30/18	12,458					3,089	6,745			5,713	(5,713)		(3,656)	-		(3,656)	
Perkins Secondary	84.048A	V048A160030	N/A	7/1/16-6/30/17	11,614	(1,553)	1,269							1,269	(1,269)		(284)	-		(284)	
Perkins Secondary	84.048A	V048A150030	N/A	7/1/15-6/30/16	11,085			4,717					4,717								
Total Special Revenue Fund						(58,818)	29,202	7,505	-	-	485,244	565,289	7,505	6,982	(6,982)	-	(161,536)	51,875	-	(109,661)	
U.S. Department of Health and Human Services General Fund																					
Medical Assistance Program (SEMI)	93.778	1805NUSMAP	N/A	7/1/17-6/30/18	32,279					32,279	32,279										
Total General Fund						-	-	-	-	-	32,279	32,279	-	-	-	-	-	-	-	-	
Total Federal Financial Awards						\$ (69,607)	\$33,587	\$7,505	\$ -	\$ -	\$682,347	\$ 781,539	\$ 7,505	\$ 6,982	\$ (6,982)	\$ (189,177)	\$53,965	\$ -	\$ (137,302)		

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017				Balance, June 30, 2018				Memo	
				(Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
State Department of Education													
<i>General Fund</i>													
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 2,614,849			\$ 2,371,790	\$ 2,614,849			\$ (243,059)			\$ 2,614,849
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	2,614,849	\$ (245,729)		245,729							
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	896,489			813,157	896,489			(83,332)			896,489
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	896,489	(84,247)		84,247							
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	27,544			24,984	27,544			(2,560)			27,544
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	27,544	(2,588)		2,588							
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	14,050			12,744	14,050			(1,306)			14,050
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	14,050	(1,320)		1,320							
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	14,050			12,744	14,050			(1,306)			14,050
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	14,050	(1,320)		1,320							
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	14,010			12,708	14,010			(1,302)			14,010
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	14,010	(1,317)		1,317							
Total State Aid Public Cluster				(336,521)		3,584,648	3,580,992			(332,865)			3,580,992
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	11,212			10,170	11,212			(1,042)			11,212
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	11,212	(1,054)		1,054							
Extraordinary Aid	18-495-034-5120-044	7/1/17-6/30/18	303,168			303,168	303,168			(303,168)			303,168
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	205,632	(205,632)		205,632							
Lead Testing for Schools Aid	18-495-034-5120-102	7/1/17-6/30/18	10,300			10,300	10,300						
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	1,091,185			1,039,675	1,091,185			(51,510)		\$ (51,510)	1,091,185
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	1,031,965	(49,519)		49,519							
On Behalf TPAF Pension and OPEB Pension Benefit Contribution	18-495-034-5094-002	7/1/17-6/30/18	2,013,899			2,013,899	2,013,899						2,013,899
Pension - NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	48,872			48,872	48,872						48,872
Post Retirement Medical Benefit Contribution	18-495-034-5094-001	7/1/17-6/30/18	1,332,300			1,332,300	1,332,300						1,332,300
Long Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	3,513			3,513	3,513						3,513
Total General Fund				(592,726)		8,299,582	8,395,441			(688,585)			8,385,141
<i>Special Revenue Fund</i>													
Auxiliary Services Chpt 192													
English as a Second Language	17-100-034-5120-067	7/1/16-6/30/17	20,706		4,568			4,568					
Total Auxiliary Services (Chpt 192) Cluster					4,568			4,568					
New Jersey Nonpublic Aid:													
Textbook	18-100-034-5120-064	7/1/17-6/30/18	1,808			1,808	1,807				1		1,807
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	3,201			3,201	3,201						3,201
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	3,510		312			312					
Nonpublic Technology Aid	18-100-034-5120-373	7/1/17-6/30/18	1,221			1,221	884				337		884
Nonpublic Technology Aid	17-100-034-5120-373	7/1/16-6/30/17	884		4			4					
Nonpublic Security Aid	18-100-034-5120-509	7/1/17-6/30/18	2,475			2,475	1,950				525		1,950
Nonpublic Security Aid	17-100-034-5120-509	7/1/16-6/30/17	1,950		23			23					
Total Special Revenue Fund					4,907		8,705	7,842			863		7,842
Debt Service Fund													
Type II Debt Service Aid	18-495-034-5120-017	7/1/17-6/30/18	435,489			435,489	435,489						435,489
State Department of Agriculture													
<i>Enterprise Fund</i>													
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	5,747			4,594	5,747			(1,153)		(1,153)	5,747
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	5,149	(377)		377							
				(377)		4,971	5,747			(1,153)			5,747
Total State Financial Assistance Subject to Single Audit Determination				(593,103)	4,907	8,748,747	8,844,519	4,907	(689,738)		863	(52,663)	8,834,219
State Financial Assistance Not Subject to Single Audit Determination													
<i>General Fund</i>													
On-Behalf TPAF Pension System Contributions	18-495-034-5094-002	7/1/17-6/30/18	2,013,899			(2,013,899)	(2,013,899)						(2,013,899)
On-Behalf TPAF Pension-NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	48,872			(48,872)	(48,872)						(48,872)
On-Behalf TPAF Post-Retirement Medical Contribution	18-495-034-5094-001	7/1/17-6/30/18	1,332,300			(1,332,300)	(1,332,300)						(1,332,300)
On-Behalf TPAF Long Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	3,513			(3,513)	(3,513)						(3,513)
Total State Financial Assistance Subject to Major Program Determination				\$ (593,103)	\$ 4,907	\$ 5,350,163	\$ 5,445,935	\$ 4,907	\$ (689,738)	\$ -	\$ 863	\$ (52,663)	\$ 5,435,635

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

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$93,868 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 32,279	\$ 8,301,573	\$ 8,333,852
Special Revenue Fund	565,289	7,842	573,131
Debt Service Fund		435,489	435,489
Food Service Fund	<u>183,971</u>	<u>5,747</u>	<u>189,718</u>
Total Awards and Financial Assistance	<u>\$ 781,539</u>	<u>\$ 8,750,651</u>	<u>\$ 9,532,190</u>

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$1,091,185 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$2,062,771, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$1,332,300 and TPAF Long-Term Disability Insurance in the amount of \$3,513 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

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

Part I – Summary of Auditor's Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified: yes x no

2) Significant deficiencies identified that are not considered to be material weaknesses? x yes none reported

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

Federal Awards Section

Internal Control over major programs:

1) Material weakness(es) identified: yes x no

2) Significant deficiencies identified that are not considered to be material weaknesses? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with U.S. Uniform Guidance? yes x no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A150100</u>	<u>IDEA Part B Basic</u>
<u>84.173</u>	<u>H173A150114</u>	<u>IDEA Part B Preschool</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? x yes no

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

Part I – Summary of Auditor’s Results

State Awards Section

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

\$750,000

Auditee qualified as low-risk auditee?

yes no

Internal Control over major programs:

(1) Material weakness(es) identified?

yes no

(2) Significant deficiencies identified that are not considered to be material weakness(es)?

yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08?

yes no

Identification of major state programs:

GMIS Number(s)	Name of State Program
18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-097	Per Pupil Growth Aid
18-495-034-5120-098	PARCC Readiness Aid
18-495-034-5120-101	Professional Learning Community Aid
18-495-034-5094-003	TPAF Social Security Tax

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

Part 2 – Schedule of Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Finding 2018-001

Our audit of outstanding purchase orders revealed the following:

- Certain purchase orders classified as encumbrances were deemed to be invalid for \$1,192,403 and should have been cancelled prior to year end in the General Fund.
- Certain purchase orders were not properly classified as accounts payable or reserved for encumbrances in the General and Special Revenue Funds.
- Unrecorded liabilities for tuition totaling \$47,893 were not recorded as accounts payable in the General and Special Revenue Funds.
- An unrecorded contract balance was not encumbered for \$468,937 in the Capital Projects Fund.

Criteria or specific requirement:

Internal controls over year end closing procedures.

Condition

Certain encumbrances and accounts payable were deemed either invalid or were not recorded correctly at year end.

Context

See Finding 2018-001

Effect

Financial statements do not properly reflect liabilities, expenditures and fund balance at year end.

Cause

Unknown.

Recommendation

Purchase orders be reviewed at year end to determine the appropriate amount outstanding, be properly classified as an accounts payable or reserved for encumbrances, or otherwise be cancelled prior to year end.

View of Responsible Officials and Planned Corrective Action

Management has reviewed this finding and indicated it will revise its procedures to ensure corrective action is taken.

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

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

There are none.

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

Part 3 – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR STATE AWARDS

Finding 2018-002

Our audit revealed purchases and contracts awarded for technology equipment, supplies and services which exceeded the bid threshold were not publicly advertised for bids in accordance with the requirements of the Public School Contracts Law.

State Program Information

Equalization Aid	495-034-5120-078
Special Education Categorical Aid	495-034-5120-089
Security Aid	495-034-5120-084
Per Pupil Growth Aid	495-034-5120-097
PARCC Readiness Aid	495-034-5120-098
Professional Learning Community Aid	495-034-5120-101
Host District Support Aid	495-034-5120-102

Criteria or Specific Requirement

State Grant Compliance Supplement – State Aid Public – Special Tests and Provisions
NJSA 18A:18A – Public School Contracts Law

Condition

Purchases of technology equipment supplies and services which exceeded the bid threshold in the aggregate were not procured by publicly advertising for bids in accordance with the procedures specified in the Public School Contracts Law.

Questioned Costs:

Unknown.

Context

Purchases for technology equipment, supplies and services totaling \$134,341 were not procured through public bids advertised in accordance with the Public School Contracts Law.

Effect:

Noncompliance with requirements of the Public School Contracts Law.

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

Part 3 -- Schedule of Federal and State Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major state programs, as required by U.S. Uniform Guidance and New Jersey OMB's Circular 15-08, as amended.

CURRENT YEAR STATE AWARDS (Continued)

Finding 2018-002 (Continued)

Cause

Unknown.

Recommendation

Purchases and contracts awarded for technology equipment, supplies and services in excess of the bid threshold be procured in accordance with the requirements of the Public School Contracts Law.

View of Responsible Officials and Planned Corrective Action Plan

Management has reviewed this finding and has indicated it will review and revise its procedures to ensure corrective action is taken.

**LEONIA BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Finding 2017-001

Condition

The transactions relating to the LED lighting upgrade project capital lease bank account maintained by the Fiscal Agent was not reported on the District's accounting records or included in the Treasurer's report.

Current Status

Corrective action was taken.