

NETCONG BOROUGH SCHOOL DISTRICT

**Netcong Borough School District
Board of Education
Netcong, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

**Comprehensive Annual
Financial Report**

of the

Netcong Borough School District

Netcong, New Jersey

For the Fiscal Year Ended June 30, 2018

Prepared by

**Netcong Borough School District
Board of Education**

NETCONG BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION



Netcong Elementary School

26 Collège Road • Netcong • New Jersey 07857
Telephone (973) 347-0020 • Fax (973) 347-3676

January 18, 2019

The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey

Dear Board Members:

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

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of principal consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Netcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Netcong Borough School District elementary school constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre K through 8. The educational services provided include regular as well as special education for handicapped children. The District completed the 2017-2018 fiscal year with an enrollment of 315 students, which is an increase of 20 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Netcong is primarily residential with few commercial ratables and little space remaining to be developed. As state and federal aid to education declines, the local tax levy has assumed a larger percentage of the school budget in 2017-18.

Families with young children choose Netcong Borough School District for its small class sizes and private school experience in a public school setting. The school enrollment has been consistent over the last few years. This is a testament to the community and school working together to create a welcoming school and borough.

3) MAJOR INITIATIVES: The Netcong School District continues to have Title I Schoolwide status for the 2017-18 school year and is committed to developing new programs and improving existing programs for our students. The Netcong School District earned High Performing School Status this year as identified by the Quality Single Accountability Continuum (QSAC) process. Our curriculum is up to date and revisions to curriculum will be coming as the District needs to ensure that the curriculum remains current and up to date thus ensuring we are delivering a quality curriculum to the students we serve. During the 2017-18 school year, elementary school teachers in grades K-3 began implementing the Developmental Reading Assessment (DRA) to their students to identify reading levels and then group children accordingly to differentiate instruction. A STEM class was created for students in grades 6-8 to assist in teaching the Next Generation Science Standards (NGSS). The Lego STEM Program continues to be offered for students in grades 3-5.

Academic resources and/or training purchased or funded through grants for the 2017-18 school year are: DRA Assessment kits, Orton Gillingham training, Applied Behavior Analysis (ABA) training, Response to Intervention (RTI) training, graphing calculators, STEAM and Makerspace supplies, some chromebook replacements, Quaver music program, Spelling City program, and the Stand Up and Say No to Bullying program. Additionally, after school help was reinstated for our ESL students and our students in grades K-5. These programs and purchases will ensure our curriculum efforts are aligned to the NJ Student Learning Standards (NJSLs), Next Generation Science Standards (NGSS), and New Jersey Core Curriculum Content Standards (NJCCCS).

The 2010 referendum project has been closed. A Long Range Facilities Plan is in place to address the building structures that have been neglected over the years. The Annex Building is being remediated and as a result, the Business Office has been moved back to the Annex which opened up a classroom in the main building. Further, the pre-kindergarten class will be moved to the Annex which will open up another classroom in the main building as well. The Board meetings are presently held in the Library and will continue to take place in that space.

During the 2017-18 school year, we had a leak below Room 1 and the Art Room and as a result of said leak, the floors and supports underneath had to be repaired and replaced. There are now floor hatches in the floors in Room 1 which will provide easier access to inspect beneath the floors in the Art Room and Room 1. Heat sensors were also put into those floors to indicate irregular temperatures.

Other projects were completed such as: the stage floor was refinished, new bleachers were installed in the gym, and a new playground was installed for our elementary school students. Additionally, the interior emergency exits stairs were repaired.

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

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

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

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 a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and 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 GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

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


8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board oversees risk management for the District. A schedule of insurance coverage is found on J-20.

The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey
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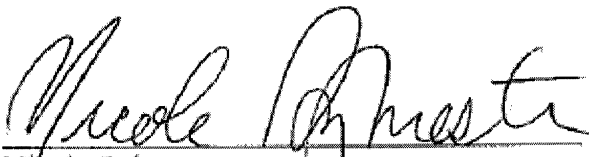
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

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

Respectfully submitted,

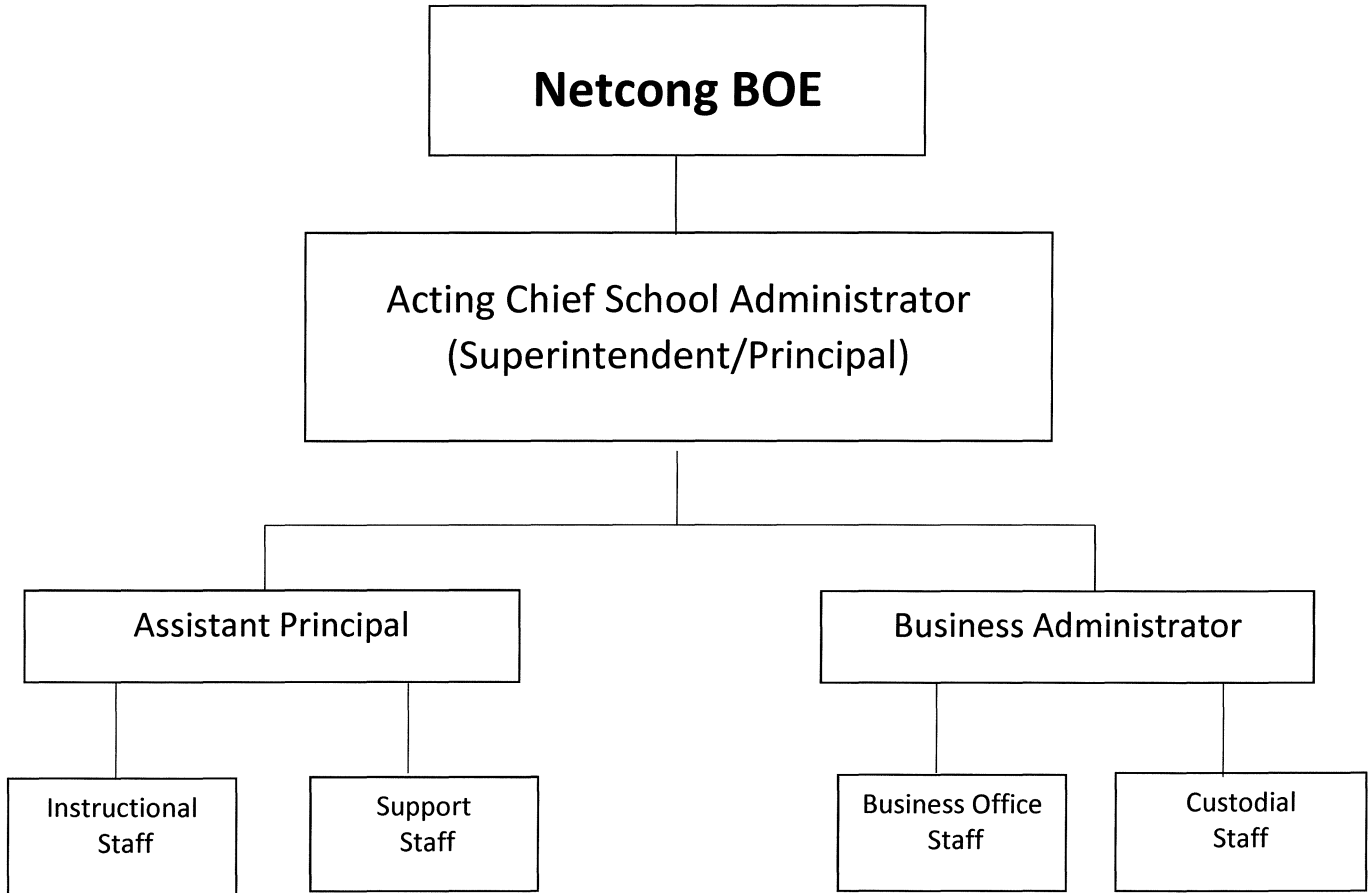


Kathleen Walsh
Acting Chief School Administrator



Nicole Sylvester
Business Administrator

**Netcong Public Schools
Organizational Chart**



NETCONG BOROUGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

AS OF JUNE 30, 2018

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Bernadette Dalesandro, President	2020
Kerri Santlaucia, Vice President	2020
Shawn Bates	2020
David Costanzo	2018
Timothy Domick	2018
Charles Kranz	2019
Todd Morton	2019
Jennifer Santana	2020
Kevin Quan	2018

OTHER OFFICIALS

TITLE

Kathleen Walsh	Acting Chief School Administrator
Nicole Sylvester	Business Administrator/ Board Secretary
Rene Solar	Treasurer of School Monies

NETCONG BOROUGH SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

ARCHITECT

Parette Somjen
439 Route 46 East
Rockaway, New Jersey 07866

ATTORNEY

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Adams, Gutierrez, & Lattiboudere, LLC
The Legal Center
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Newark, New Jersey 07102

AUDIT FIRM

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Mount Arlington Corporate Center
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Mount Arlington, New Jersey 07856

BOND COUNSEL

Lisa Gorab, Esq.
Wilentz, Goldman and Spitzer, P.A.
90 Woodbridge Center Drive
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Woodbridge, New Jersey 07095

OFFICIAL DEPOSITORIES

Valley National Bank
410 Route 94
Newton, New Jersey 07860

MBIA Municipal Investors Service Corporation
113 King Street
Armonk, New York 10504

Wells Fargo
50 International Drive South
Flanders, New Jersey 07836

FINANCIAL SECTION

Independent Auditors' Report

The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Netcong Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Netcong Borough School District, in the County of Morris, 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

As discussed in Note 9 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, during the fiscal year ended June 30, 2018. Our opinions are 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, which follows this report, the pension schedules and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. The required supplementary information schedule, Schedule of Changes in the State’s Proportionate Share of the Total OPEB Liability Attributable to the District and Related Ratios, is omitted from this report. This is due to the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey, not providing the information necessary to implement Governmental Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)* as of the date of this report. 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 available 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. Our opinion on the basic financial statements has not been affected for this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state 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*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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 District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

January 18, 2019
Mount Arlington, New Jersey

Nisivoccia, LLP

NISIVOCCIA LLP
Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

This section of the Netcong Borough Board of Education’s annual financial report presents its discussion and analysis of the District’s financial performance during the fiscal year ending June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District’s financial statements, which immediately follow this section.

Overview of the Financial Statements

This annual report consists of three parts: management’s discussion and analysis (this section), the basic financial statements, and required supplementary 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 such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short- and long-term* financial information about the activities the District operates like a business, such as food services.
- *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.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Organization of District’s Financial Report**

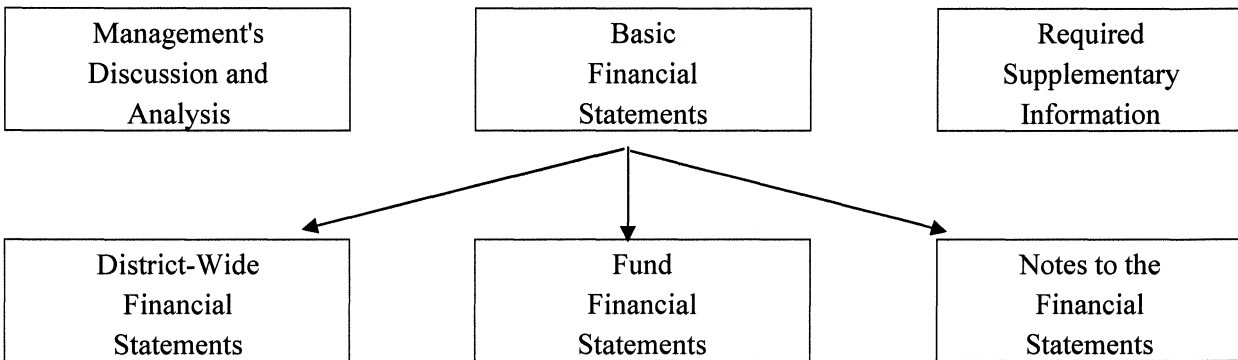


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights that structure and contents of each of the statements.

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Figure A-2

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 special education and building maintenance	Activities the district operates similar to private businesses, food services program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes 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 Information	All assets, deferred inflows and outflows and liabilities, 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 thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, 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 revenue and expenses during the year, regardless of when cash is received or paid	Revenue 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 revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

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 inflows and outflows and liabilities. All of the current year's revenue 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 they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or *position*.

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

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

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 by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal 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 assets 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 you 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, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

- *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. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

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

Financial Analysis of the District as a Whole

Net Position. The District's *combined* net position was \$3,447,720 on June 30, 2018, \$247,274 or 7.73% higher than the year before. (See Figure A-3).

**Figure A-3
Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Assets:							
Current and Other Assets	\$ 1,015,144	\$ 877,857	\$ 24,536	\$ 23,672	\$ 1,039,680	\$ 901,529	15.32%
Capital Assets, Net	4,739,854	4,698,354	7,182	10,328	4,747,036	4,708,682	0.81%
Total Assets	<u>5,754,998</u>	<u>5,576,211</u>	<u>31,718</u>	<u>34,000</u>	<u>5,786,716</u>	<u>5,610,211</u>	3.15%
Deferred Outflows of Resources	<u>409,655</u>	<u>574,933</u>			<u>409,655</u>	<u>574,933</u>	-28.75%
Liabilities:							
Other Liabilities	453,816	174,522	4,961	2,126	458,777	176,648	159.71%
Long-Term Liabilities	<u>2,292,552</u>	<u>2,672,342</u>			<u>2,292,552</u>	<u>2,672,342</u>	-14.21%
Total Liabilities	<u>2,746,368</u>	<u>2,846,864</u>	<u>4,961</u>	<u>2,126</u>	<u>2,751,329</u>	<u>2,848,990</u>	-3.43%
Deferred Inflows of Resources	<u>298,995</u>	<u>135,708</u>			<u>298,995</u>	<u>135,708</u>	120.32%
Net Position:							
Net Investment in Capital Assets							
Assets	3,544,527	3,116,354	7,182	10,328	3,551,709	3,126,682	13.59%
Restricted	414,067	592,926			414,067	592,926	-30.17%
Unrestricted/(Deficit)	<u>(537,631)</u>	<u>(540,708)</u>	<u>19,575</u>	<u>21,546</u>	<u>(518,056)</u>	<u>(519,162)</u>	0.21%
Total Net Position	<u>\$ 3,420,963</u>	<u>\$ 3,168,572</u>	<u>\$ 26,757</u>	<u>\$ 31,874</u>	<u>\$ 3,447,720</u>	<u>\$ 3,200,446</u>	7.73%

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Changes in Net Position. The District's combined net position increased \$247,274 or 7.73%. Net position from governmental activities increased \$252,391 and net position from business-type activities decreased by \$5,117. Net investment in capital assets increased \$425,027 due to \$301,673 in building improvements, \$94,941 in equipment acquisitions, and a \$85,000 reduction in bonds offset by \$50,694 of current year depreciation, and fixed assets deletions of \$3,800 and related accumulated depreciation of \$1,907. Restricted net position for governmental activities decreased \$178,859 due to \$16,165 of Capital Projects expenses, \$202,252 of capital outlay expenses, \$41,374 in maintenance expenses and a withdrawal from the capital reserve of \$178,878 offset by deposits of \$259,810 in the Capital. Unrestricted net position increased by \$1,106 primarily due to an increase in miscellaneous revenue and an increase in state aid offset by an increase in expenses, a decrease in tuition, and the net decrease in the net pension liability and associated pension deferred inflows and outflows.

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Revenue:							
Program Revenue:							
Charges for Services	\$ 21,060	\$ 26,023	\$ 38,159	\$ 38,175	\$ 59,219	\$ 64,198	-7.76%
Operating Grants & Contribution	2,258,593	2,423,705	67,511	62,832	2,326,104	2,486,537	-6.45%
General Revenue:							
Property Taxes	3,664,063	3,561,136			3,664,063	3,561,136	2.89%
Unrestricted Federal & State Aid	968,026	889,404			968,026	889,404	8.84%
Other	37,651	10,250	279	51	37,930	10,301	268.22%
Total Revenue	<u>6,949,393</u>	<u>6,910,518</u>	<u>105,949</u>	<u>101,058</u>	<u>7,055,342</u>	<u>7,011,576</u>	0.62%
Expenses:							
Instruction	4,250,154	4,358,124			4,250,154	4,358,124	-2.48%
Pupil and Instruction Services	933,099	860,779			933,099	860,779	8.40%
Administrative and Business	739,303	799,127			739,303	799,127	-7.49%
Maintenance and Operations	452,648	381,977			452,648	381,977	18.50%
Transportation	206,661	99,600			206,661	99,600	107.49%
Other	115,137	114,961	111,066	102,823	226,203	217,784	3.87%
Total Expenses	<u>6,697,002</u>	<u>6,614,568</u>	<u>111,066</u>	<u>102,823</u>	<u>6,808,068</u>	<u>6,717,391</u>	1.35%
Increase/(Decrease) in Net Position	<u>\$ 252,391</u>	<u>\$ 295,950</u>	<u>\$ (5,117)</u>	<u>\$ (1,765)</u>	<u>\$ 247,274</u>	<u>\$ 294,185</u>	-15.95%

Governmental Activities

The financial position of the District has increased by \$252,391. Maintaining existing programs with a slight increase in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources. Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Cost comparisons are made on a continuous basis in order to assure savings in major expense areas
- Efforts are made to keep purchase increases within the 2% cap
- Cash flow is carefully monitored due to tight budgetary constraints
- A reduction in staff , teachers, and stipend positions
- A decrease in field trip costs
- A spending freeze

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for activities, small class sizes and programs must be evaluated thoroughly. Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Figure A-5
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2017/2018	2016/2017	2017/2018	2016/2017
Instruction	\$ 4,250,154	\$ 4,358,124	\$ 2,130,482	\$ 2,038,901
Pupil and Instruction Services	933,099	860,779	866,826	812,345
Administrative and Business	739,303	799,127	648,617	718,012
Maintenance and Operations	452,648	381,977	452,648	381,977
Transportation	206,661	99,600	203,639	98,644
Other	115,137	114,961	115,137	114,961
	<u>\$ 6,697,002</u>	<u>\$ 6,614,568</u>	<u>\$ 4,417,349</u>	<u>\$ 4,164,840</u>

Governmental Activities

- The cost of all governmental activities this year was \$6,693,763.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,921,707).
- Most of the District's costs were financed by \$3,664,063 of District taxes.
- The remainder of the District's funding came from miscellaneous revenue (\$37,651) and charges for services (\$21,060).

Business-Type Activities

- Net position from the District's business-type activity decreased \$5,117 primarily due to an increase in expenses. (Refer to Figure A-4).

General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.
- Changes made due to increased out of district students.

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Capital Assets

**Figure A-6
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2017/2018	2016/2017	2017/2018	2016/2017	2017/2018	2016/2017	
Land	\$ 892	\$ 892			\$ 892	\$ 892	0.00%
Construction in Progress		3,179,554				3,179,554	-100.00%
Buildings and Building Improvements	4,854,335	1,415,825			4,854,335	1,415,825	242.86%
Furniture, Machinery and Equipment	186,300	102,083	\$ 7,182	\$ 10,328	193,482	112,411	72.12%
Total Capital Assets (Net)	\$ 5,041,527	\$ 4,698,354	\$ 7,182	\$ 10,328	\$ 5,048,709	\$ 4,708,682	7.22%

The District's capital assets increased by \$340,027, or 7.22%, as a result of \$301,673 of building improvements and \$90,941 of equipment purchases offset by depreciation of \$49,441 from its governmental activities and \$1,253 from its business type activities and asset disposal (net of depreciation) of \$1,893 from its business type activities. More detailed information regarding the District's Capital Assets is presented in Note 5 to the basic financial statements.

Long-term Liabilities

The District's total long-term debt was \$2,292,552 at June 30, 2018; \$379,790 or 14.21% lower than the year before. The District continued to paydown its Serial Bonds during the year – a decrease of \$85,000. The District had \$702,302 in net pension liability – a decrease of \$288,941. At year-end, the District had \$93,250 in Compensated Absences Payable outstanding – a decrease of \$5,849 from the prior year - as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**Figure A-7
Outstanding Long-Term Liabilities**

	Total School District		Percentage Change
	2017/2018	2016/2017	
Serial Bonds	\$ 1,497,000	\$ 1,582,000	-5.37%
Compensated Absences Payable	93,250	99,099	-5.90%
Net Pension Liability	702,302	991,243	-29.15%
	\$ 2,292,552	\$ 2,672,342	-14.21%

**NETCONG BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Keeping within the 2% cap levy is challenging but is viewed as an opportunity to review resource allocation and structure.
- Shared services, where possible, are being used where cost savings are realized without impact to the importance of continuity, certification and performance.

Contacting the District's Financial Management

This financial report is designed to provide the District's 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 financial information, contact the Board of Education Office, 26 College Road, Netcong, New Jersey 07857.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 516,504	\$ 19,580	\$ 536,084
Receivables from Federal Government	14,832	3,005	17,837
Receivables from State Government	69,295	70	69,365
Other Accounts Receivable	419		419
Interfund Receivable	27		27
Inventory		1,881	1,881
Restricted Assets - Cash and Cash Equivalents:			
Capital Reserve Account	414,067		414,067
Capital Assets, Net:			
Sites (Land) and Construction in Progress	892		892
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	5,040,635	7,182	5,047,817
Total Assets	6,056,671	31,718	6,088,389
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	409,655		
Total Deferred Outflows of Resources	409,655		409,655
LIABILITIES			
Current Liabilities:			
Accrued Interest Payable	7,938		7,938
Accounts Payable	444,728	3,473	448,201
Unearned Revenue	1,150	1,488	2,638
Noncurrent Liabilities:			
Due Within One Year	111,856		111,856
Due Beyond One Year	2,180,696		2,180,696
Total Liabilities	2,746,368	4,961	2,751,329

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	\$ 298,995		\$ 298,995
Total Deferred Inflows of Resources	<u>298,995</u>		<u>298,995</u>
NET POSITION			
Net Investment in Capital Assets	3,544,527	\$ 7,182	3,551,709
Restricted for:			
Capital Projects	108,657		108,657
Maintenance Reserve	305,410		305,410
Unrestricted/(Deficit)	<u>(537,631)</u>	<u>19,575</u>	<u>(518,056)</u>
Total Net Position	<u>\$ 3,420,963</u>	<u>\$ 26,757</u>	<u>\$ 3,447,720</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 3,074,873	\$ 21,060	\$ 1,264,854		\$ (1,788,959)		\$ (1,788,959)
Special Education	1,044,482		779,927		(264,555)		(264,555)
Other Instruction	42,965		17,798		(25,167)		(25,167)
School-Sponsored Instruction	87,834		36,033		(51,801)		(51,801)
Support Services:							
Tuition	274,891		66,273		(208,618)		(208,618)
Student & Instruction Related Services	658,208				(658,208)		(658,208)
General Administrative Services	249,471				(249,471)		(249,471)
School Administrative Services	268,204		90,686		(177,518)		(177,518)
Central Services	176,953				(176,953)		(176,953)
Administration Information Technology	44,675				(44,675)		(44,675)
Plant Operations and Maintenance	452,648				(452,648)		(452,648)
Pupil Transportation	206,661		3,022		(203,639)		(203,639)
Unallocated Depreciation	39,913				(39,913)		(39,913)
Capital Outlay	9,490				(9,490)		(9,490)
Interest on Long-Term Debt	65,734				(65,734)		(65,734)
Total Governmental Activities	6,697,002	21,060	2,258,593		(4,417,349)		(4,417,349)

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 109,173	\$ 38,159	\$ 67,511		\$ (3,503)	\$ (3,503)	(3,503)
Total Business-Type Activities	109,173	38,159	67,511		(3,503)	(3,503)	(3,503)
Total Primary Government	\$ 6,806,175	\$ 59,219	\$ 2,326,104	\$ - 0 -	\$ (4,417,349)	\$ (3,503)	(4,420,852)
General Revenues and Special Item:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					3,513,010		3,513,010
Taxes Levied for Debt Service					151,053		151,053
Federal and State Aid Not Restricted					968,026		968,026
Investment Earnings					99	279	378
Miscellaneous Income					37,552		37,552
Special Item - Loss on Disposal of Equipment						(1,893)	(1,893)
Total General Revenues and Special Item					4,669,740	(1,614)	4,668,126
Change in Net Position					252,391	(5,117)	247,274
Net Position - Beginning					3,168,572	31,874	3,200,446
Net Position - Ending					\$ 3,420,963	\$ 26,757	\$ 3,447,720

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 516,504				\$ 516,504
Interfund Receivable	13,765				13,765
Receivables from Federal Government		\$ 14,832			14,832
Receivables from State Government	69,295				69,295
Other Accounts Receivable	419				419
Restricted Cash and Cash Equivalents	414,067				414,067
Total Assets	\$ 1,014,050	\$ 14,832	\$ - 0 -	\$ - 0 -	\$ 1,028,882
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable		\$ 13,738			\$ 13,738
Accounts Payable - Vendors	\$ 404,228				404,228
Unearned Revenue	56	1,094			1,150
Total Liabilities	404,284	14,832	- 0 -	- 0 -	419,116
Fund Balances:					
Restricted					
Capital Reserve Account	305,410				305,410
Maintenance Reserve Account	108,657				108,657
Assigned:					
Year End Encumbrances	3,398				3,398
Unassigned	192,301				192,301
Total Fund Balances	609,766	- 0 -	- 0 -	- 0 -	609,766
Total Liabilities and Fund Balances	\$ 1,014,050	\$ 14,832	\$ - 0 -	\$ - 0 -	4,739,854
Amounts Reported for <i>Governmental Activities</i> 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 \$6,135,481 and the accumulated depreciation is \$1,395,627.					4,739,854
Interest on long term debt is not accrued in the governmental funds but is recognized as an expenditure when due.					(7,938)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:					
Deferred Outflows:					
Changes in Assumptions - Pensions					141,490
Difference between Expected and Actual Experience - Pensions					16,537
Net Difference Between Projected and Actual Investment Earnings on Pension					4,782
Plan Investments					206,346
Changes in Proportions - Pensions					(158,024)
Deferred Inflows:					
Changes in Proportions					(140,971)
Changes in Assumptions - Pensions					(2,292,552)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.					(2,292,552)
Net Position of Governmental Activities					\$ 3,119,290

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 3,513,010			\$ 151,053	\$ 3,664,063
Tuition	21,060				21,060
Miscellaneous	16,591	\$ 6,800	\$ 99		23,490
Total - Local Sources	3,550,661	6,800	99	151,053	3,708,613
State Sources	1,987,957				1,987,957
Federal Sources	24,292	180,709			205,001
Total Revenues	5,562,910	187,509	99	151,053	5,901,571
EXPENDITURES					
Current:					
Regular Instruction	1,435,874	101,338			1,537,212
Special Education Instruction	460,788	86,171			546,959
Other Instruction	19,849				19,849
School Sponsored Instruction	41,037				41,037
Support Services and Undistributed Costs:					
Tuition	274,891				274,891
Student & Instruction Related Services	533,693				533,693
General Administrative Services	218,787				218,787
School Administrative Services	137,412				137,412
Central Services	135,576				135,576
Administrative Information Technology	44,675				44,675
Plant Operations and Maintenance	420,576				420,576

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Pupil Transportation	\$ 202,298				\$ 202,298
Unallocated Benefits	1,372,176				1,372,176
Capital Outlay	385,939		\$ 16,165		402,104
Debt Service:					
Principal				\$ 85,000	85,000
Interest and Other Charges				66,053	66,053
Total Expenditures	<u>5,683,571</u>	<u>\$ 187,509</u>	<u>16,165</u>	<u>151,053</u>	<u>6,038,298</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(120,661)</u>		<u>(16,066)</u>		<u>(136,727)</u>
OTHER FINANCING (USES)					
Transfers:					
Transfers Out					<u>(99)</u>
Total Other Financing (Uses)					<u>(99)</u>
Net Change in Fund Balances	<u>(120,661)</u>		<u>(16,165)</u>		<u>(136,826)</u>
Fund Balance—July 1	<u>730,427</u>		<u>16,165</u>		<u>746,592</u>
Fund Balance—June 30	<u>\$ 609,766</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 609,766</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
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) \$ (136,826)

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differed from depreciation.

	Depreciation expense	\$ (49,441)	
	Capital outlays	90,941	41,500

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 319 85,000

NETCONG BOROUGH SCHOOL DISTRICT
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

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	\$ 288,941
Deferred Outflows:	
Changes in Assumptions	(63,843)
Changes in Proportions	(72,023)
Difference between Expected and Actual Experience	(1,897)
Net Difference Between Projected and Actual Investment Earnings on Pension	
Plan Investments	(33,015)
Deferred Inflows:	
Changes in Proportion	(22,316)
Changes in Assumptions	(140,971)
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ (49,282)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

		Business-Type Activities - Enterprise Funds <u>Food Service</u>
ASSETS:		
Current Assets:		
Cash and Cash Equivalents	\$	19,580
Intergovernmental Receivable:		
Federal		3,005
State		70
Inventory		1,881
		<u>1,881</u>
Total Current Assets		<u>24,536</u>
Non-Current Assets:		
Capital Assets:		19,800
Less: Accumulated Depreciation		(12,618)
		<u>7,182</u>
Total Non-Current Assets		<u>7,182</u>
Total Assets		<u>31,718</u>
LIABILITIES:		
Current Liabilities:		
Accounts Payable - Vendors		3,473
Unearned Revenue - Prepaid Sales		404
Unearned Revenue - Donated Commodities		1,084
		<u>4,961</u>
Total Current Liabilities		<u>4,961</u>
Total Liabilities		<u>4,961</u>
NET POSITION:		
Investment in Capital Assets		7,182
Unrestricted		19,575
		<u>19,575</u>
Total Net Position	\$	<u><u>26,757</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - Enterprise Funds Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 33,981
Daily Sales - Non-Reimbursable Programs	4,178
	38,159
Total Operating Revenue	38,159
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	41,688
Cost of Sales - Reimbursable Programs	40,865
Cost of Sales - Nonreimbursable Programs	11,262
Supplies, Insurance & Other Costs	6,908
Purchased Professional Services	7,197
Depreciation Expense	1,253
	109,173
Total Operating Expenses	109,173
Operating Loss	(71,014)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	52,443
School Breakfast Program	3,532
Food Distribution Program	10,278
State Sources:	
State School Lunch Program	1,258
Local Sources	
Interest Income	279
	67,790
Total Non-Operating Revenue	67,790
Change in Net Position Before Special Item	(3,224)
Special Item - Loss on Disposal of Equipment	(1,893)
	(5,117)
Change in Net Position After Special Item	(5,117)
Net Position - Beginning of Year	31,874
	31,874
Net Position - End of Year	\$ 26,757

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Business-Type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 37,521
Payments to Employees	(10,892)
Payments to Food Service Vendor	(77,432)
Payments to Suppliers	(4,966)
Net Cash Used for Operating Activities	<u>(55,769)</u>
Cash Flows from Investing Activities:	
Interest on Investments	279
Net Cash Provided by Investing Activities	<u>279</u>
Cash Flows from Noncapital Financing Activities:	
Federal Subsidy Reimbursements	55,566
State Subsidy Reimbursements	1,244
Net Cash Provided by Noncapital Financing Activities	<u>56,810</u>
Net Increase in Cash and Cash Equivalents	1,320
Cash and Cash Equivalents, July 1	<u>18,260</u>
Cash and Cash Equivalents, June 30	<u>\$ 19,580</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (71,014)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,253
Food Distribution Program	10,278
Changes in Assets and Liabilities:	
Decrease in Inventory	879
Increase in Accounts Payable	3,473
(Decrease) in Unearned Revenue - Prepaid Sales	(223)
(Decrease) in Unearned Revenue - Donated Commodities	(415)
Net Cash Used for Operating Activities	<u>\$ (55,769)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$9,863 and utilized \$10,278 of commodities from the Federal Food Distribution Program for the year ended June 30, 2018.

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:		
Cash and Cash Equivalents	\$ 26,914	\$ 101
Total Assets	<u>26,914</u>	<u>101</u>
LIABILITIES:		
Payroll Deductions and Withholdings	3,509	
Interfund Payable	27	
Due to Student Groups	<u>23,378</u>	
Total Liabilities	<u>26,914</u>	
NET POSITION:		
Restricted for Scholarships		<u>\$ 101</u>
Total Net Position	<u>\$ - 0 -</u>	<u>\$ 101</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Scholarship Trust
ADDITIONS	
Investment Earnings	\$ 1
Total Additions	1
Change in Net Position	1
Net Position - Beginning of the Year	100
Net Position - End of the Year	\$ 101

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
 AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund types:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund and the Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2018 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the two last state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 5,569,940	\$ 187,509
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	119,964	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(126,994)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 5,562,910	\$ 187,509
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,683,571	\$ 187,509
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 5,683,571	\$ 187,509

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

F. Interfund Transactions

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances (Cont'd)

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

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

I. Short-term Interfund Receivables/Payables

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

J. Inventories and Prepaid Expenses

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

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

K. Capital Assets

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	Estimated Useful Life
Buildings and Building Improvements	50 years
Furniture, Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2018.

M. Long Term Liabilities

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB 16. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

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

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

O. Unearned Revenue

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated

General Fund: Of the \$609,766 General Fund fund balance at June 30, 2018, \$3,398 is assigned for year-end encumbrances; \$305,410 is restricted in the capital reserve account; \$108,657 is restricted in the maintenance reserve account, and \$192,301 is unassigned, which is \$126,994 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Capital Projects Fund: There is no Capital Projects Fund fund balance at June 30, 2018.

Debt Service Fund: There is no Debt Service Fund fund balance as of June 30, 2018.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated (Cont'd)

Calculation of Excess Surplus: The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess fund balance at June 30, 2018.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$126,994, as reported in the fund financial statements (modified accrual basis). P.L. 2004, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position and Fund Balance

There is a deficit in unrestricted governmental activities net position in the amount of \$537,631. The deficit is primarily due to net pension liability of \$702,302 and compensated absences payable of \$93,250. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources at June 30, 2018 for changes in assumptions and changes in proportion in pensions, the difference between expected and actual experience in pensions, the difference between projected and actual investment earnings on pension plan investments and the District contribution subsequent to the measurement date related to pensions.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has deferred inflows of resources at June 30, 2018 for changes in proportions and assumption in pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position (Cont'd)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. 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 restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for the capital reserve account, and the maintenance reserve account.

The District's Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2018.

The assignment of resources is generally made by the District's Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in year-end encumbrances in the General Fund at June 30, 2018.

T. Revenue - Exchange and Non-exchange Transactions

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Non-exchange Transactions (Cont'd)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest and tuition.

U. Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (3) 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 obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) 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.
- (5) Bonds or other obligations, having a maturity date 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", P.L. 1983, c.313 (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 local units;
- (6) Local government investment pools;
- (7) 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); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are 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 requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.).
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed;
or
- (9) Deposit of funds in accordance with the following conditions:
 - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
 - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 563,099	\$ 414,067	\$ 977,166

During the period ended June 30, 2018, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2018, was \$977,166 and the bank balance was \$1,124,812.47.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Netcong Borough School District by inclusion of \$1 on October 1, 2001 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes 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-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Balance June 30, 2017	\$	426,730
Increased by:		
Interest Earnings		50
Return of budgeted funds - Capital Outlay		4,809
Increased by Board Resolution June 19, 2018		259,760
		691,349
Withdrawal by:		
Budget		(207,061)
Board Resolution		(178,878)
		\$ 305,410

The balance in the capital reserve at June 30, 2018 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in DOE approved facilities projects consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 892			\$ 892
Construction in Progress	3,179,554		\$(3,179,554)	
Total Capital Assets Not Being Depreciated	3,180,446		(3,179,554)	892
Capital Assets Being Depreciated:				
Buildings and Building Improvements	2,714,863	\$ 301,673	3,179,554	6,196,090
Machinery and Equipment	149,231	90,941		240,172
Total Capital Assets Being Depreciated	2,864,094	392,614	3,179,554	6,436,262
Governmental Activities Capital Assets	6,044,540	392,614		6,437,154
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,299,038)	(42,717)		(1,341,755)
Machinery and Equipment	(47,148)	(6,724)		(53,872)
	(1,346,186)	(49,441)		(1,395,627)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,698,354	\$ 343,173	\$ -0-	\$ 5,041,527
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 23,600		\$ (3,800)	\$ 19,800
Less Accumulated Depreciation	(13,272)	\$ (1,253)	1,907	(12,618)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 10,328	\$ (1,253)	\$ (1,893)	\$ 7,182

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

The District transferred \$3,179,554 of completed capital projects to depreciable capital assets and expended \$90,941 from budgetary capital outlay accounts during the fiscal year.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	5,053
Support/Administration		3,565
Maintenance/Custodial		910
Unallocated		39,913
		39,913
	\$	49,441

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2018, the District transferred \$178,878 from capital reserve to architectural/engineering services, other purchased professional and technical services, and construction services line items within the Capital Outlay accounts which was approved by the County Superintendent.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2018, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance <u>6/30/2017</u>	Accrued	Retired	Balance <u>6/30/2018</u>
Serial Bonds Payable	\$ 1,582,000		\$ 85,000	\$ 1,497,000
Net Pension Liability	991,243		288,941	702,302
Compensated Absences Payable	99,099		5,849	93,250
	\$ 2,672,342	\$ -0-	\$ 379,790	\$ 2,292,552

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2018 as follows:

<u>Purpose</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
School Bonds	5/15/2031	3.125% - 4.50%	\$ 1,497,000

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

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

Fiscal Year	Bonds		Total
	Principal	Interest	
2019	\$ 95,000	\$ 63,502	\$ 158,502
2020	95,000	60,534	155,534
2021	100,000	57,564	157,564
2022	105,000	54,315	159,315
2023	110,000	49,590	159,590
2024-2028	605,000	169,875	774,875
2029-2031	387,000	34,695	421,695
	<u>\$ 1,497,000</u>	<u>\$ 490,075</u>	<u>\$ 1,987,075</u>

B. Bonds Authorized But Not Issued:

The District had no bonds authorized but not issued as of June 30, 2018.

C. Capital Leases Payable:

The District had no capital leases during the fiscal year.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental fund is \$16,856 and the long-term liability balance of compensated absences is \$76,394. The General Fund will be used to liquidate the compensated absences payable.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2018 is \$- and the long-term portion is \$702,302. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$28,542 for 2018.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2018, the District's liability was \$702,302 for its proportionate share of the 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 July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion 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 members, actuarially determined. At June 30, 2017, the District's proportion was 0.003%, which was a decrease of 0.00033% from its proportion measured as of June 30, 2016.

For the fiscal year ended December 31, 2017, the District recognized actual pension expense in the amount of \$73,072. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 7,967	
	2015	5.72	33,559	
	2016	5.57	99,964	
	2017	5.48		\$ (140,971)
				<u>141,490</u>
Difference Between Expected and Actual Experience	2015	5.72	9,311	
	2016	5.57	3,034	
	2017	5.48	4,192	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(8,416)	
	2015	5.00	7,179	
	2016	5.00	30,101	
	2017	5.00	(24,082)	
Changes in Proportion	2014	6.44	109,624	
	2015	5.72		(99,227)
	2016	5.57	96,722	
	2017	5.48		(58,797)
				<u>206,346</u>
District Contribution Subsequent to the Measurement Date	2017	1.00	40,500	
			<u>\$ 409,655</u>	<u>\$ (298,995)</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ 16,532
2019	24,949
2020	15,118
2021	(20,106)
2022	(14,655)
	\$ 21,838

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:

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

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

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equit	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate (Cont'd)

projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2017 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (4.00%)	At Current Discount Rate (5.00%)	At 1% Increase (6.00%)
District's proportionate share of the Net Pension Liability	\$ 871,254	\$ 702,302	\$ 561,545

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/financial-reports.shtml.

Benefits Provided

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 represents the membership tiers for TPAF:

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. 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 included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2018, the State of New Jersey contributed \$297,893 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,045,506.

The employee contribution rate was 7.34% effective July 1, 2017. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2018, the State's proportionate share of the net pension liability associated with the District was \$15,092,131. 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 July 1, 2016 which was rolled forward to June 30, 2017. The District's proportion 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 members, actuarially determined. At June 30, 2017, the District's proportion was 0.022%, which was a decrease of 0.002% from its proportion measured as of June 30, 2016.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>15,092,131</u>
Total	<u>\$ 15,092,131</u>

For the fiscal year ended June 30, 2018, the State recognized pension expense on behalf of the District in the amount of \$1,045,506 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2018 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,383,974,317	
	2015	8.3	3,776,126,119	
	2016	8.3	8,218,154,928	
	2017	8.3		\$ 11,684,858,458
				<u>13,378,255,364</u>
Difference Between Expected and Actual Experience	2014	8.5		\$ 13,181,413
	2015	8.3	233,218,057	
	2016	8.3		102,199,790
	2017	8.3	207,898,332	
				<u>441,116,389</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5	(435,309,142)	
	2015	5	385,284,122	
	2016	5	1,295,565,574	
	2016	5	(904,033,050)	
				<u>341,507,504</u>
			<u>\$ 14,160,879,257</u>	<u>\$ 11,800,239,661</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2018	\$ 740,341,056
2019	1,175,650,200
2020	983,008,137
2021	551,152,948
2022	624,850,883
Thereafter	(1,714,363,628)
	\$ 2,360,639,596

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.

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

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60 years 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2017) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2017 are summarized in the following table:

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

<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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equit	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

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

	June 30, 2017		
	At 1% Decrease (3.25%)	At Current Discount Rate (4.25%)	At 1% Increase (4.25%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 17,929,925	\$ 15,092,131	\$ 12,754,344

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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 DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$4,516 for the fiscal year ended June 30, 2018. Employee contributions to DCRP amounted to \$3,325 for the fiscal year ended June 30, 2018.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). 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 years or more 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 total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms

At June 30, 2016, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	142,331
Active Plan Members	<u>223,747</u>
Total	<u><u>366,078</u></u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	Inflation Rate	2.50%	
	TPAF/ABP	PERS	PFRS
Salary Increases:			
Through 2026	1.55 - 4.55%	2.15 - 4.15%	2.10 - 8.98%
	based on years of service	based on age	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%	3.10 - 9.98%
	based on years of service	based on age	based on age

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

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Health Care Trend Assumptions

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

Discount Rate

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

Changes in the State's Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2016	\$ 57,831,784,184
Changes for Year:	
Service Cost	2,391,878,884
Interest on the Total OPEB Liability	1,699,441,736
Changes of Assumptions	(7,086,599,129)
Gross Benefit Payments by the State	(1,242,412,566)
Contributions from Members	45,748,749
Net Changes	(4,191,942,326)
Balance at June 30, 2017	\$ 53,639,841,858

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	At 1% Decrease (2.58%)	At Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB Liability Attributable to the District	\$ 13,005,812	\$ 10,956,210	\$ 9,330,446
	June 30, 2016		
	At 1% Decrease (1.85%)	At Discount Rate (2.85%)	At 1% Increase (3.85%)
Total OPEB Liability Attributable to the District	\$ 14,216,677	\$ 11,866,799	\$ 10,017,144

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2017 and 2016, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2017		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 9,010,424	\$ 10,956,210	\$ 13,540,191

	June 30, 2016		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 9,737,039	\$ 11,866,799	\$ 14,714,085

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018 the District recognized OPEB expense of \$602,085 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

In accordance with GASB Statement 75, as the District's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2017 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption Changes		\$ (6,343,769,032)
Contributions Made in Fiscal Year Ending 2018 After June 30, 2017 Measurement Date	\$ 1,190,373,242	
	\$ 1,190,373,242	\$ (6,343,769,032)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30,	Total
2018	\$ (742,830,097)
2019	(742,830,097)
2020	(742,830,097)
2021	(742,830,097)
2022	(742,830,097)
Thereafter	(2,629,618,547)
	\$ (6,343,769,032)

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health and dental coverage through the New Jersey State Health Benefits Plan.

Property and Liability Insurance

The Netcong Borough School District is a member of the New Jersey Schools Insurance Group ("NJSIG"). The NJSIG provides the District with workers' compensation, umbrella liability, school board legal liability, and crime policy insurance.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Selected, summarized financial information for NJSIG as of June 30, 2018 is as follows:

	New Jersey Schools <u>Insurance Group</u>
Total Assets	<u>\$ 328,772,862</u>
Net Position	<u>\$ 78,662,630</u>
Total Revenue	<u>\$ 131,811,793</u>
Total Expenses	<u>\$ 121,371,527</u>
Change in Net Position	<u>\$ 10,440,266</u>
Member Dividends	<u>\$ -0-</u>

Financial Statements for NJSIG are available at their respective Executive Director's Office:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
(609) 386-6060

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 13,765	
Special Revenue Fund		\$ 13,738
Fiduciary Funds		27
	\$ 13,765	\$ 13,765

The interfund between the General Fund and the Fiduciary Funds represents interest earned in the Payroll Agency account which was not turned over to the General Fund as of June 30, 2018. The interfund between the General Fund and the Special Revenue Fund is due to the timing of collections of Federal grant receipts.

NOTE 12. DEFERRED COMPENSATION

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

AXA Equitable	Lincoln Investments
Aflac	Prudential
MetLife Investors	

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten- day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

NOTE 14. ECONOMIC DEPENDENCY

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2018, there were \$3,398 encumbrances in the General Fund of the governmental funds.

NOTE 16. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by Board resolution on June 21, 2016. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Balance June 30, 2017	\$ 150,031
Increased by Return of unexpended Budgeted Funds - Maintenance	45,848
	<u>195,879</u>
Budgeted Withdrawal	<u>(87,222)</u>
Balance June 30, 2018	<u>\$ 108,657</u>

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 17. OPERATING LEASES

The District has commitments to lease computer equipment and textbooks under operating leases which expire in 2019. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2019	\$ 15,760
Total future minimum lease payments	<u>\$ 15,760</u>

NOTE 18. ACCOUNTS PAYABLE

	<u>General Fund</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities Proprietary Funds</u>
Vendors	\$ 404,228		\$ 404,228	
State of New Jersey		\$ 40,500	40,500	\$ 3,473
	<u>\$ 404,228</u>	<u>\$ 40,500</u>	<u>\$ 444,728</u>	<u>\$ 3,473</u>

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0036710977%	0.0025870859%	0.0033468571%	0.0030169695%
District's Proportionate Share of the Net Pension Liability	\$ 687,330	\$ 580,749	\$ 991,243	\$ 702,302
District's Covered Employee Payroll	\$ 123,694	\$ 215,357	\$ 163,965	\$ 203,659
District's Proportionate Share of the Net Pension Liability as a % of its Covered Employee Payroll	555.67%	269.67%	604.55%	344.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LASTFOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 30,264	\$ 22,242	\$ 30,079	\$ 28,542
Contributions in Relation to the Contractually Required Contribution	(30,264)	(22,242)	(30,079)	(28,542)
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 122,569	\$ 123,694	\$ 215,357	\$ 163,965
Contributions as a % of Covered Employee Payroll	24.69%	17.98%	13.97%	17.41%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
State's Proportion of the Net Pension Liability Attributable to the District	0.0219078354%	0.0224484501%	0.0247286847%	2.2384045500%
State's Proportionate Share of the Net Pension Liability Attributable to the District	\$ 11,709,025	\$ 14,188,379	\$ 19,453,158	\$ 15,092,131
District's Covered Employee Payroll	\$ 2,302,483	\$ 2,231,484	\$ 2,160,293	\$ 2,115,144
State's Proportionate Share of the Net Pension Liability Attributable to the District as a % of its Covered Employee Payroll	508.54%	635.83%	900.49%	713.53%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST FOUR FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
Contractually Required Contribution	\$ 630,055	\$ 866,332	\$ 1,461,632	\$ 1,045,506
Contributions in Relation to the Contractually Required Contribution	<u>(121,365)</u>	<u>(197,988)</u>	<u>(242,973)</u>	<u>(297,893)</u>
Contribution Deficiency/(Excess)	<u>\$ 508,690</u>	<u>\$ 668,344</u>	<u>\$ 1,218,659</u>	<u>\$ 747,613</u>
District's Covered Employee Payroll	\$ 2,231,484	\$ 2,302,483	\$ 2,231,484	\$ 2,160,293
Contributions as a % of Covered Employee Payroll	5.44%	8.60%	10.89%	13.79%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

NETCONG BOROUGH SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Years Ending	
	June 30, 2016	June 30, 2017
Total OPEB Liability		
Service Cost	\$ 1,723,999,319	\$ 2,391,878,884
Interest Cost	1,823,643,792	1,699,441,736
Changes in Assumptions	8,611,513,521	(7,086,599,129)
Member Contributions	46,273,747	45,748,749
Gross Benefit Payments	<u>(1,223,298,019)</u>	<u>(1,242,412,566)</u>
Net Change in Total OPEB Liability	10,982,132,360	(4,191,942,326)
Total OPEB Liability - Beginning	<u>46,849,651,824</u>	<u>57,831,784,184</u>
Total OPEB Liability - Ending	<u>\$ 57,831,784,184</u>	<u>\$ 53,639,841,858</u>
State's Covered Employee Payroll *	\$ 13,493,400,208	\$ 13,493,400,208
Total OPEB Liability as a Percentage of Covered Employee Payroll	429%	398%

* - Covered payroll for the fiscal years ending June 30, 2016 and June 30, 2017 is based on the payroll on the June 30, 2016 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.98% as of June 30, 2016 to 5.00% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 3.08% as of June 30, 2016 to 2.25% as of June 30, 2017.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.22% as of June 30, 2016 to 4.25% as of June 30, 2017. The municipal bond rate changed from 2.85% to 3.58%. The long-term expected rate of return on pension plan investments changed from 7.65% to 7.00%.

The inflation rate changed from 2.50% as of June 30, 2016 to 2.25% as of June 30, 2017.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

BUDGETARY COMPARISON SCHEDULES

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 3,513,010		\$ 3,513,010	\$ 3,513,010	
Tuition from Individuals	5,000		5,000	21,060	\$ 16,060
Miscellaneous	7,750		7,750	16,591	8,841
Total - Local Sources	3,525,760		3,525,760	3,550,661	24,901
State Sources:					
School Choice Aid	119,922		119,922	119,922	
Categorical Special Education Aid	171,660		171,660	171,660	
Categorical Security Aid	14,363		14,363	14,363	
Categorical Transportation Aid	698		698	698	
Equalization Aid	880,559	\$ 70,192	950,751	950,751	
Extraordinary Aid				66,273	66,273
Under Adequacy Aid	10,772		10,772	10,772	
PARCC Readiness Aid	2,950		2,950	2,950	
Per Pupil Growth Aid	2,950		2,950	2,950	
Professional Learning Community Aid	2,770		2,770	2,770	
Nonpublic Transportation Aid				3,022	3,022
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				297,893	297,893
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				197,071	197,071
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				7,229	7,229
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				597	597
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				146,066	146,066
Total State Sources	1,206,644	70,192	1,276,836	1,994,987	718,151
Federal Sources:					
Medicaid Reimbursement	6,953		6,953	24,292	17,339
Total Federal Sources	6,953		6,953	24,292	17,339
TOTAL REVENUES	4,739,357	70,192	4,809,549	5,569,940	760,391

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 90,889	\$ (2,840)	\$ 88,049	\$ 83,532	\$ 4,517
Kindergarten - Salaries of Teachers	125,292	(880)	124,412	123,102	1,310
Grades 1-5 - Salaries of Teachers	663,052	1,320	664,372	656,183	8,189
Unused Vacation Payment to Terminated/Retired Staff	22,680	(380)	22,300	22,260	40
Grades 6-8 - Salaries of Teachers	447,594	1,780	449,374	449,030	344
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000		4,000	1,050	2,950
Regular Programs - Undistributed Instruction:					
Other Purchased Services	18,856		18,856	18,856	
General Supplies	59,803	5,752	65,555	61,681	3,874
Textbooks	17,153	3,104	20,257	20,180	77
Total Regular Programs - Instruction	1,449,319	7,856	1,457,175	1,435,874	21,301
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	209,647	(17,568)	192,079	153,418	38,661
General Supplies	1,094		1,094	889	205
Total Learning and/or Language Disabilities	210,741	(17,568)	193,173	154,307	38,866
Resource Room/Resource Center:					
Salaries of Teachers	251,676	1,930	253,606	253,606	
Other Salaries for Instruction	47,977	4,034	52,011	52,011	
General Supplies	450		450	374	76
Total Resource Room/Resource Center	300,103	5,964	306,067	305,991	76

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Home Instruction:					
Salaries of Teachers	\$ 4,000	\$ (455)	\$ 3,545	\$ 490	\$ 3,055
Total Home Instruction	4,000	(455)	3,545	490	3,055
Total Special Education - Instruction	514,844	(12,059)	502,785	460,788	41,997
Basic Skills/Remedial - Instruction:					
General Supplies	150		150	123	27
Total Basic Skills/Remedial - Instruction	150		150	123	27
Bilingual Education - Instruction:					
Salaries of Teachers	19,965		19,965	19,726	239
General Supplies	150		150	150	150
Total Bilingual Education - Instruction	20,115		20,115	19,726	389
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	19,505		19,505	19,270	235
Total School-Sponsored Cocurricular Activities - Instruction	19,505		19,505	19,270	235

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
School-Sponsored - Athletics:					
Salaries	\$ 4,459	\$	\$ 4,459	\$ 2,601	\$ 1,858
Purchased Services	1,500		1,500	1,100	400
Total School-Sponsored - Athletics	5,959		5,959	3,701	2,258
Summer School Programs - Instruction:					
Salaries of Teachers	13,830	\$ 4,236	18,066	18,066	
Total Summer School Programs - Instruction	13,830	4,236	18,066	18,066	
Total Instruction	2,023,722	33	2,023,755	1,957,548	66,207
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	77,109	133,109	210,218	203,046	7,172
Tuition to Private Schools for the Disabled Within the State	320,500	(248,426)	72,074	71,845	229
Total Undistributed Expenditures - Instruction	397,609	(115,317)	282,292	274,891	7,401
Health Services:					
Salaries	71,925	2,298	74,223	71,886	2,337
Purchased Professional and Technical Services	2,590	394	2,984	2,984	
Supplies and Materials	1,400	3,002	4,402	4,402	
Total Health Services	75,915	5,694	81,609	79,272	2,337
Speech, OT, PT and Related Services:					
Salaries	56,254		56,254	55,581	673
Purchased Professional - Educational Services	33,000	(148)	32,852	32,822	30
Supplies and Materials	587	42	629	629	
Total Speech, OT, PT and Related Services	89,841	(106)	89,735	89,032	703

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 47,707	\$ (11,066)	\$ 36,641	\$ 36,641	
Purchased Professional - Educational Services	89,550	57,869	147,419	146,921	498
Total Other Support Services - Students - Extraordinary Services	137,257	46,803	184,060	183,562	498
Guidance Services:					
Salaries of Other Professional Staff	22,161		22,161	21,500	661
Total Guidance Services	22,161		22,161	21,500	661
Child Study Team:					
Salaries of Other Professional Staff	147,821	(2,528)	145,293	109,923	35,370
Salaries of Secretarial and Clerical Assistants	21,755		21,755	14,832	6,923
Purchased Professional - Educational Services	20,175	(283)	19,892	18,494	1,398
Miscellaneous Purchased Services (Other than Residential Costs)	500		500	149	351
Supplies and Materials	609	283	892	892	
Total Child Study Team	190,860	(2,528)	188,332	144,290	44,042
Improvement of Instruction Services:					
Purchased Professional - Educational Services	2,650		2,650	2,500	150
Total Improvement of Instruction Services	2,650		2,650	2,500	150

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Educational Media Services/School Library:					
Salaries of Technology Coordinators	\$	13,500	\$ 13,500	\$ 13,500	
Total Educational Media Services/School Library		13,500	13,500	13,500	
Instructional Staff Training Services:					
Purchased Professional - Educational Services	\$	950	950	25	\$ 925
Other Purchased Services		2,250	2,250	12	2,238
Total Instructional Staff Training Services		3,200	3,200	37	3,163
General Administration:					
Salaries	97,896	(2,757)	95,139	79,811	15,328
Legal Services	30,000	49,683	79,683	70,578	9,105
Audit Fees	27,250		27,250	25,500	1,750
Other Purchased Professional Services	5,000	(1,163)	3,837	738	3,099
Communications/Telephone	13,208	1,432	14,640	14,523	117
BOE Other Purchased Services	3,380	708	4,088	4,087	1
Other Purchased Services (400-500 series)	9,545	13,174	22,719	19,286	3,433
General Supplies	940	539	1,479	1,479	
BOE Membership Dues and Fees	4,035	(292)	3,743	2,785	958
Total General Administration	191,254	61,324	252,578	218,787	33,791

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
School Administration:					
Salaries of Principals/Assistant Principals	\$ 110,232	\$ (1,583)	\$ 108,649	\$ 100,510	\$ 8,139
Salaries of Secretarial and Clerical Assistants	21,755	2,820	24,575	24,575	
Purchased Professional and Technical Services	910	820	1,730	1,730	
Supplies and Materials	2,715	3,447	6,162	4,817	1,345
Other Objects	4,405	1,375	5,780	5,780	
Total School Administration	140,017	6,879	146,896	137,412	9,484
Central Services:					
Salaries	112,363		112,363	107,618	4,745
Purchased Professional Services	29,073	10,998	40,071	24,241	15,830
Miscellaneous Purchased Services	2,076		2,076	1,029	1,047
Supplies and Materials	1,750	(241)	1,509	747	762
Miscellaneous Expenditures	1,700	241	1,941	1,941	
Total Central Services	146,962	10,998	157,960	135,576	22,384
Administrative Information Technology:					
Purchased Professional Services	86,480	(42,311)	44,169	44,169	
Supplies and Materials	1,500	(84)	1,416	506	910
Total Administrative Information Technology	87,980	(42,395)	45,585	44,675	910

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Custodial Services:					
Salaries	\$ 45,203	\$ 5,633	\$ 50,836	\$ 50,331	\$ 505
Cleaning, Repair and Maintenance Services	34,646	78,444	113,090	113,090	
Other Purchased Property Services	2,500		2,500	1,949	551
Insurance	38,703	(13,903)	24,800	22,856	1,944
General Supplies	26,320	732	27,052	27,052	
Energy (Electricity)	55,000	(23,943)	31,057	31,057	
Energy (Natural Gas)	50,000	(8,559)	41,441	33,897	7,544
Other Objects		520	520	520	
Total Custodial Services	252,372	38,924	291,296	280,752	10,544
Required Maintenance of School Facilities:					
Salaries	37,454	(3,473)	33,981	30,720	3,261
Cleaning, Repair and Maintenance Services	165,294	(22,880)	142,414	102,655	39,759
General Supplies	2,200	1,255	3,455	3,455	
Other Objects		3,328	3,328	2,994	334
Total Required Maintenance of School Facilities	204,948	(21,770)	183,178	139,824	43,354
Student Transportation Services:					
Sal. For Pupil Trans(Between Home and School) - Regular	12,485		12,485	11,351	1,134
Contracted Services:					
Special Education Students - ESCs and CTSAAs	103,773	79,224	182,997	182,997	
Aid in Lieu Payments - Non-Public School	13,260	(8,265)	4,995	4,900	95
Aid in Lieu Payments - Charter School	3,850		3,850	3,050	800
Total Student Transportation Services	133,368	70,959	204,327	202,298	2,029

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	\$ 35,000	\$ 4,970	\$ 39,970	\$ 39,970	
Other Retirement Contributions - Regular	4,516	(6,171)	4,516	4,516	
Other Retirement Contributions - PERS	8,000	3,476	28,829	28,542	\$ 287
Unemployment Compensation	22,300	686	11,476	11,476	
Workmen's Compensation	611,113	(29,190)	22,986	22,986	
Health Benefits	15,000	18,907	581,923	581,923	
Other Employee Benefits			18,907	18,907	
Tuition Reimbursement			15,000	15,000	
Total Unallocated Benefits - Employee Benefits	<u>726,413</u>	<u>(2,806)</u>	<u>723,607</u>	<u>723,320</u>	<u>287</u>
Nonbudgeted:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				297,893	(297,893)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				197,071	(197,071)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				7,229	(7,229)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				597	(597)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				146,066	(146,066)
Total On-Behalf Contributions				<u>648,856</u>	<u>(648,856)</u>
Total Personal Services - Employee Benefits	<u>726,413</u>	<u>(2,806)</u>	<u>723,607</u>	<u>1,372,176</u>	<u>(648,569)</u>
Total Undistributed Expenditures	<u>2,802,807</u>	<u>70,159</u>	<u>2,872,966</u>	<u>3,340,084</u>	<u>(467,118)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>4,826,529</u>	<u>70,192</u>	<u>4,896,721</u>	<u>5,297,632</u>	<u>(400,911)</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	\$ 10,000	\$ 16,895	\$ 26,895	\$ 26,895	
Assessment for Debt Service on SDA	6,950		6,950	6,950	
Other Purchased Professional and Technical Services		205,327	205,327	205,327	
Construction Services	190,111	(43,344)	146,767	146,767	
Total Facilities Acquisition and Construction Services	207,061	178,878	385,939	385,939	
TOTAL CAPITAL OUTLAY	207,061	178,878	385,939	385,939	
TOTAL EXPENDITURES	5,033,590	249,070	5,282,660	5,683,571	\$ (400,911)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(294,233)	(178,878)	(473,111)	(113,631)	359,480
Fund Balance, July 1	850,391		850,391	850,391	
Fund Balance, June 30	\$ 556,158	\$ (178,878)	\$ 377,280	\$ 736,760	\$ 359,480

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted for:					
Capital Reserve Account				\$ 305,410	
Maintenance Reserve Account				108,657	
Assigned Fund Balance:					
Year End Encumbrances				3,398	
Unassigned				319,295	
				<u>736,760</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				(126,994)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 609,766</u>	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
 SPECIAL REVENUE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018
 UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources	\$ 5,000	\$ 2,800	\$ 7,800	\$ 6,800	\$ (1,000)
Federal Sources	154,657	26,906	181,563	180,709	(854)
Total Revenues	\$ 159,657	\$ 29,706	\$ 189,363	\$ 187,509	\$ (1,854)
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 1,200	\$ 11,379	\$ 12,579	\$ 12,579	
Other Salaries for Instruction	4,593	243	4,836	4,825	\$ 11
Purchased Professional and Technical Services	8,800	(8,800)			
Tuition	73,778	7,198	80,976	80,976	
General Supplies	12,364	3,058	15,422	15,422	
Other Objects	5,000	2,800	7,800	6,800	1,000
Total Instruction	105,735	15,878	121,613	120,602	1,011
Support Services					
Salaries of Other Professional Staff		21,681	21,681	21,681	
Personal Services - Employee Benefits		920	920	920	
Purchased Professional and Technical Services	16,539	773	17,312	16,469	843
General Supplies	18,696	(15,476)	3,220	3,220	
Total Support Services	35,235	7,898	43,133	42,290	843
Facilities Acquisition and Construction Services:					
Building	10,494	(10,494)			
Instructional Equipment		16,725	16,725	16,725	
Non-Instructional Equipment	8,193	(301)	7,892	7,892	
Total Facilities Acquisition and Construction Services	18,687	5,930	24,617	24,617	
Total Expenditures	\$ 159,657	\$ 29,706	\$ 189,363	\$ 187,509	\$ 1,854

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,569,940	\$ 187,509
Difference - Budget to GAAP:		
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(126,994)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>119,964</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 5,562,910</u>	<u>\$ 187,509</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 5,683,571</u>	<u>\$ 187,509</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,683,571</u>	<u>\$ 187,509</u>

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
UNAUDITED

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service funds. The budgets are submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m). All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

NETCONG BOROUGH SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Elementary and Secondary Education Act					Local Grant	Total
	IDEA Part B Basic	Preschool	Title I	Title II Part A	Title IV		
REVENUE:							
Local Sources						\$ 6,800	\$ 6,800
Federal Sources	\$ 80,976	\$ 5,195	\$ 77,519	\$ 13,469	\$ 3,550		\$ 180,709
Total Revenue	<u>80,976</u>	<u>5,195</u>	<u>77,519</u>	<u>13,469</u>	<u>3,550</u>	<u>6,800</u>	<u>187,509</u>
EXPENDITURES:							
Instruction:							
Salaries of Teachers			12,579				12,579
Other Salaries for Instruction		4,825					4,825
Tuition	80,976						80,976
General Supplies			15,422			6,800	15,422
Other Objects							6,800
Total Instruction	<u>80,976</u>	<u>4,825</u>	<u>28,001</u>			<u>6,800</u>	<u>120,602</u>
Support Services:							
Salaries of Other Professional Staff			21,681				21,681
Personal Services - Employee Benefits		370			550		920
Supplies and Materials			3,220				3,220
Purchased Professional/Technical Services				13,469	3,000		16,469
Total Support Services		<u>370</u>	<u>24,901</u>	<u>13,469</u>	<u>3,550</u>		<u>42,290</u>
Equipment:							
Instructional Equipment			16,725				16,725
Non-Instructional Equipment			7,892				7,892
Total Equipment			<u>24,617</u>				<u>24,617</u>
Total Expenditures	<u>\$ 80,976</u>	<u>\$ 5,195</u>	<u>\$ 77,519</u>	<u>\$ 13,469</u>	<u>\$ 3,550</u>	<u>\$ 6,800</u>	<u>\$ 187,509</u>

CAPITAL PROJECTS FUND

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Revenues:		
Interest Earned	\$	99
Total Revenues		<u>99</u>
Expenditures and Other Financing Uses:		
Construction Services		16,165
Transfer Out - General Fund		<u>99</u>
Total Expenditures and Other Financing Uses		<u>16,264</u>
Excess/(Deficiency) of Revenues		
Over/(Under) Expenditures and Other Financing (Uses)		(16,165)
Fund Balance - Beginning Balance		<u>16,165</u>
Fund Balance - Ending Balance	\$	<u><u>- 0 -</u></u>

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO THE NETCONG ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenues and Other Financing Sources:				
SDA Grant	\$ 1,315,950		\$ 1,315,950	\$ 1,315,950
Bond Proceeds	2,027,000		2,027,000	2,027,000
Total Revenues and Other Financing Sources	<u>3,342,950</u>		<u>3,342,950</u>	<u>3,342,950</u>
Expenditures:				
Purchased Professional and Technical Services	412,477		412,477	412,477
Construction Services	2,914,308	\$ 16,165	2,930,473	2,930,473
Total Expenditures	<u>3,326,785</u>	<u>16,165</u>	<u>3,342,950</u>	<u>3,342,950</u>
Excess of Revenue and Other Financing Sources Over/Under Expenditures	<u>\$ 16,165</u>	<u>\$ (16,165)</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Additional Project Information:

Project Number: 3520-090-10-1001, 3520-060-10-1002, and 3520-060-10-1003
 Grant Date: 07/23/10
 Bond Authorization Date: 09/28/10
 Bonds Authorized: \$ 2,027,162
 Bonds Issued: 2,027,000
 Bonds Not Issued (162)
 Original Authorized Cost: 3,544,002
 SDA Grant Cancelled (200,890)
 Revised Authorized Cost: \$ 3,342,950
 Percentage Increase over Original Authorized Cost: N/A
 Percentage Completion: 100.00%
 Original Target Completion Date: September 1, 2012
 Revised Target Completion Date: April 30, 2018

PROPRIETARY FUNDS

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 19,580
Intergovernmental Receivable:	
Federal	3,005
State	70
Inventory	1,881
Total Current Assets	24,536
Non-Current Assets:	
Capital Assets	19,800
Less: Accumulated Depreciation	(12,618)
Total Non-Current Assets	7,182
Total Assets	31,718
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	3,473
Unearned Revenue - Prepaid Sales	404
Unearned Revenue - Donated Commodities	1,084
Total Current Liabilities	4,961
Total Liabilities	4,961
NET POSITION:	
Investment in Capital Assets	7,182
Unrestricted	19,575
Total Net Position	\$ 26,757

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 33,981
Daily Sales - Non-Reimbursable Programs	4,178
	<hr/>
Total Operating Revenue	38,159
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	40,865
Cost of Sales - Nonreimbursable Programs	11,262
Supplies, Insurance & Other Costs	6,908
Salaries & Benefits	38,251
Payroll Taxes	3,437
Management Fee	7,197
Depreciation Expense	1,253
	<hr/>
Total Operating Expenses	109,173
	<hr/>
Operating Loss	(71,014)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	52,443
School Breakfast Program	3,532
Food Distribution Program	10,278
State Sources:	
State School Lunch Program	1,258
Local Sources:	
Interest Revenue	279
	<hr/>
Total Non-Operating Revenue	67,790
	<hr/>
Change in Net Position Before Special Item	(3,224)
	<hr/>
Special Item - Loss on Disposal of Equipment	(1,893)
	<hr/>
Change in Net Position After Special Item	(5,117)
	<hr/>
Net Position - Beginning of Year	31,874
	<hr/>
Net Position - End of Year	\$ 26,757
	<hr/> <hr/>

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 37,521
Payments to Employees	(10,892)
Payments to Food Service Vendor	(77,432)
Payments to Suppliers	(4,966)
Net Cash Used for Operating Activities	<u>(55,769)</u>
Cash Flows from Investing Activities:	
Interest on Investments	<u>279</u>
Net Cash Provided by Investing Activities	<u>279</u>
Cash Flows from Noncapital Financing Activities:	
Federal Subsidy Reimbursements	55,566
State Subsidy Reimbursements	<u>1,244</u>
Net Cash Provided by Noncapital Financing Activities	<u>56,810</u>
Net Increase in Cash and Cash Equivalents	1,320
Cash and Cash Equivalents, July 1	<u>18,260</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 19,580</u></u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (71,014)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,253
Food Distribution Program	10,278
Changes in Assets and Liabilities:	
Decrease in Inventory	879
Increase in Accounts Payable	3,473
(Decrease) in Unearned Revenue - Prepaid Sales	(223)
(Decrease) in Unearned Revenue - Donated Commodities	(415)
Net Cash Used for Operating Activities	<u><u>\$ (55,769)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$9,863 and utilized \$10,278 of commodities from the Federal Food Distribution Program for the year ended June 30, 2018.

FIDUCIARY FUNDS

NETCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Student Activity	Agency		Private Purpose Scholarship Trust	Totals
		Payroll	Total		
ASSETS:					
Cash and Cash Equivalents	\$ 23,378	\$ 3,536	\$ 26,914	\$ 101	\$ 30,652
Total Assets	23,378	3,536	26,914	101	30,652
LIABILITIES:					
Payroll Deductions and Withholdings		3,509	3,509		7,018
Interfund Payable		27	27		
Due to Student Groups	23,378		23,378		23,378
Total Liabilities	23,378	3,536	26,914		30,396
NET ASSETS:					
Restricted for Scholarships				101	101
Total Net Assets	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 101	\$ 101

NETCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Scholarship Trust <hr style="border: 0.5px solid black;"/>
ADDITIONS:	
Investment Earnings	\$ 1 <hr style="border: 0.5px solid black;"/>
Total Additions	1 <hr style="border: 0.5px solid black;"/>
Net Position - Beginning of the Year	100 <hr style="border: 0.5px solid black;"/>
Net Position - End of the Year	\$ 101 <hr style="border: 1px solid black;"/>

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$ 24,503	\$ 44,652	\$ 45,777	\$ 23,378
Total Assets	<u>\$ 24,503</u>	<u>\$ 44,652</u>	<u>\$ 45,777</u>	<u>\$ 23,378</u>
LIABILITIES:				
Due to Student Groups	\$ 24,503	\$ 44,652	\$ 45,777	\$ 23,378
Total Liabilities	<u>\$ 24,503</u>	<u>\$ 44,652</u>	<u>\$ 45,777</u>	<u>\$ 23,378</u>

NETCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2018</u>
Netcong Elementary School	<u>\$ 24,503</u>	<u>\$ 44,652</u>	<u>\$ 45,777</u>	<u>\$ 23,378</u>
Total All Schools	<u><u>\$ 24,503</u></u>	<u><u>\$ 44,652</u></u>	<u><u>\$ 45,777</u></u>	<u><u>\$ 23,378</u></u>

NETCONG BOROUGH SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalentents	\$ 28	\$ 2,870,196	\$ 2,866,688	\$ 3,536
Total Assets	<u>\$ 28</u>	<u>\$ 2,870,196</u>	<u>\$ 2,866,688</u>	<u>\$ 3,536</u>
LIABILITIES:				
Payroll Deductions and Withholdings		\$ 1,202,934	\$ 1,199,425	\$ 3,509
Interfund Payable	\$ 28	27	28	27
Net Salaries and Wages		<u>1,667,235</u>	<u>1,667,235</u>	
Total Liabilities	<u>\$ 28</u>	<u>\$ 2,870,196</u>	<u>\$ 2,866,688</u>	<u>\$ 3,536</u>

LONG-TERM DEBT

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of			Interest Rate	Balance June 30, 2017	Matured	Balance June 30, 2018
			Date	Bonds Outstanding June 30, 2018	Amount				
School Bonds	05/12/11	\$ 2,027,000	5/15/2019	\$ 95,000		3.125%			
			5/15/2020	95,000		3.125%			
			5/15/2021	100,000		3.250%			
			5/15/2022	105,000		4.500%			
			5/15/2023	110,000		4.500%			
			5/15/2024	115,000		4.500%			
			5/15/2025	120,000		4.500%			
			5/15/2026	120,000		4.500%			
			5/15/2027	125,000		4.500%			
			5/15/2028	125,000		4.500%			
			5/15/2029	130,000		4.500%			
			5/15/2030	130,000		4.500%			
			5/15/2031	127,000		4.500%			
							\$ 1,582,000	\$ 85,000	\$ 1,497,000
							\$ 1,582,000	\$ 85,000	\$ 1,497,000

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOT APPLICABLE

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 151,053		\$ 151,053	\$ 151,053	
Total Revenues	151,053		151,053	151,053	
EXPENDITURES:					
Regular Debt Service:					
Interest	66,053		66,053	66,053	
Redemption of Principal	85,000		85,000	85,000	
Total Regular Debt Service	151,053		151,053	151,053	
Total Expenditures	151,053		151,053	151,053	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	- 0 -	\$ - 0 -	- 0 -	- 0 -	\$ - 0 -
Fund Balance, July 1	- 0 -		- 0 -	- 0 -	- 0 -
Fund Balance, June 30	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -

STATISTICAL SECTION
(UNAUDITED)

This part of the District’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 District’s overall financial health.

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District’s ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District’s operations and resources to help the reader understand how the District’s financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

NETCONG BOROUGH SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Net Investment in Capital Assets/(Deficit)	\$ 1,369,758	\$ 1,565,309	\$ (1,347)	\$ 2,391,653	\$ 2,507,424	\$ 2,648,217	\$ 2,702,388	\$ 2,885,749	\$ 3,116,354	\$ 3,544,527
Restricted	510,150	12,626	1,814,214	348,805	441,199	275,024	274,064	414,063	592,926	414,067
Unrestricted/(Deficit)	(90,507)	36,649	97,739	(643,303)	(17,392)	(600,959)	(556,810)	(427,190)	(540,708)	(537,631)
Total Governmental Activities	\$ 1,789,401	\$ 1,614,584	\$ 1,910,606	\$ 2,097,155	\$ 2,931,231	\$ 2,322,282	\$ 2,419,642	\$ 2,872,622	\$ 3,168,572	\$ 3,420,963
Business-type Activities:										
Investment in Capital Assets Unrestricted	\$ 2,909	\$ 2,539	\$ 5,119	\$ 31,084	\$ 27,277	\$ 15,047	\$ 13,474	\$ 11,901	\$ 10,328	\$ 7,182
Total Business-Type Activities	\$ 19,393	\$ 10,630	\$ 13,876	\$ 37,350	\$ 31,543	\$ 23,390	\$ 34,289	\$ 33,639	\$ 31,874	\$ 26,757
District-Wide:										
Net Investment in Capital Assets	\$ 1,372,667	\$ 1,567,848	\$ 3,772	\$ 2,422,737	\$ 2,534,701	\$ 2,663,264	\$ 2,715,862	\$ 2,897,650	\$ 3,126,682	\$ 3,551,709
Restricted	510,150	12,626	1,814,214	348,805	441,199	275,024	274,064	414,063	592,926	414,067
Unrestricted/(Deficit)	(74,023)	44,740	106,496	(637,037)	(13,126)	(592,616)	(535,995)	(405,452)	(519,162)	(518,056)
Total District-Wide Net Position	\$ 1,808,794	\$ 1,625,214	\$ 1,924,482	\$ 2,134,505	\$ 2,962,774	\$ 2,345,672	\$ 2,453,931	\$ 2,906,261	\$ 3,200,446	\$ 3,447,720

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 2,152,490	\$ 2,180,516	\$ 2,108,316	\$ 2,365,805	\$ 2,564,121	\$ 2,380,418	\$ 2,626,959	\$ 2,639,071	\$ 3,176,797	\$ 3,074,873
Special Education	740,473	723,124	833,346	685,609	791,797	845,519	952,443	1,080,707	1,040,651	1,044,482
Other Instruction	127,915	142,052	51,099	36,689	90,223	39,858	26,619	22,024	67,122	42,965
School Sponsored Instruction				35,263	28,581	7,759	48,477	66,360	73,554	87,834
Support Services:										
Tuition	71,737	11,576	61,629	42,550	6,546	32,657	20,112	67,917	126,696	274,891
Student/Instruction-Related Services	454,521	499,572	430,902	372,350	445,388	569,201	689,163	660,977	734,083	658,208
General Administrative Services	286,479	302,516	285,703	135,467	185,961	244,124	183,244	249,896	332,296	249,471
School Administrative Services	122,394	122,261	129,509	151,594	157,953	162,369	291,622	182,954	257,722	268,204
Central Services				117,723	118,437	186,502	129,624	175,158	187,527	176,953
Admin. Information Technology				8,012	15,697	13,324	17,054	20,233	21,582	44,675
Plant Operations and Maintenance	393,255	409,875	275,380	287,218	313,484	307,377	294,087	312,791	381,977	452,648
Pupil Transportation	55,873	54,437	55,140	29,545	59,966	110,835	68,324	106,942	99,600	206,661
Unallocated Depreciation				32,558	31,939	31,939	39,599	39,913	39,913	39,913
Capital Outlay				10,063	24,952	82,166	31,939	8,626	6,950	9,490
Interest on Long-Term Debt			8,989	74,652	74,931	73,356	71,767	70,053	68,098	65,734
Total Governmental Activities	4,405,137	4,445,929	4,240,013	4,385,098	4,909,976	5,087,404	5,491,033	5,703,622	6,614,568	6,697,002
Business-Type Activities:										
Food Service	76,316	79,596	78,818	83,889	88,367	91,532	88,012	104,847	102,823	109,173
After Care Program	22,228	8,313								
Total Business-Type Activities	98,544	87,909	78,818	83,889	88,367	91,532	88,012	104,847	102,823	109,173
Total District-wide Expenses	4,503,681	4,533,838	4,318,831	4,468,987	4,998,343	5,178,936	5,579,045	5,808,469	6,717,391	6,806,175

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Program Revenues:										
Governmental Activities:										
Charges for Services										
Operating Grants and Contributions	630,004	941,538	935,539	1,614,389	862,230	973,626	56,107	18,131	26,023	21,060
Total Governmental Activities	630,004	941,538	935,539	1,614,389	862,230	973,626	1,543,717	1,745,710	2,423,705	2,258,593
Business-type Activities:										
Charges for Services:										
Food Service	\$ 45,524	\$ 37,898	\$ 40,902	\$ 34,263	\$ 31,239	\$ 28,949	\$ 33,638	\$ 41,478	\$ 38,175	\$ 38,159
Child Care	28,331	5,289								
Operating Grants and Contributions	30,449	39,271	41,136	46,227	51,302	62,844	65,562	62,698	62,832	67,511
Total Business-Type Activities	104,304	82,458	82,038	80,490	82,541	91,793	99,200	104,176	101,007	105,670
Total District-wide Program Revenues	734,308	1,023,996	1,017,577	1,694,879	944,771	1,065,419	1,699,024	1,868,017	2,550,735	2,385,323
Net (Expense)/Revenue:										
Governmental Activities	(3,775,133)	(3,504,391)	(3,304,474)	(2,770,709)	(4,047,746)	(4,113,778)	(3,891,209)	(3,939,781)	(4,164,840)	(4,417,349)
Business-Type Activities	5,760	(5,451)	3,220	(3,399)	(5,826)	261	11,188	(671)	(1,816)	(3,503)
Total District-Wide Net (Expense)/Revenue	(3,769,373)	(3,509,842)	(3,301,254)	(2,774,108)	(4,053,572)	(4,113,517)	(3,880,021)	(3,940,452)	(4,166,656)	(4,420,852)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	2,635,485	2,635,485	2,718,432	2,718,432	2,718,432	2,745,616	2,904,108	3,340,928	3,407,746	3,513,010
Taxes Levied for Capital Projects								13,357		
Taxes Levied for Debt Service				139,250	145,128	143,553	146,978	150,290	153,390	151,053
Federal and State Aid not Restricted	1,153,676	932,374	760,595	96,099	1,956,081	1,112,705	876,881	877,576	889,404	968,026
Tuition Charges	4,150	6,000	20,154							
Investment Earnings	4,816	2,742	1,804	2	2		52	346	94	99
Miscellaneous Income	229,018	3,204	99,510	68,372	62,179	18,009	60,550	10,264	10,156	37,552
Transfers		(250,229)								
Total Governmental Activities	4,027,145	3,329,576	3,600,495	3,022,155	4,881,822	4,019,883	3,988,569	4,392,761	4,460,790	4,669,740

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position:										
Business-Type Activities:										
Investment Earnings	\$ 150	\$ 80	\$ 32	\$ 50	\$ 18	\$ 9	\$ 26	\$ 36	\$	\$ 279
Miscellaneous Income		(3,393)	(4)				(315)	(15)		(1,893)
Cancellation of Prior Year Receivable										
Loss on Disposal of Equipment										(1,614)
Total Business-type Activities	150	(3,313)	28	50	18	9	(289)	21		(1,614)
Total District-wide General Revenues and Other Changes in Net Position	4,027,295	3,326,263	3,600,523	3,022,205	4,881,840	4,019,892	3,988,280	4,392,782	4,460,790	4,668,126
Change in Net Position:										
Governmental Activities	252,012	(174,815)	296,021	251,446	834,076	(93,895)	97,360	452,980	295,950	252,391
Business-Type Activities	5,910	(8,764)	3,248	(3,349)	(5,808)	270	10,899	(650)	(1,816)	(5,117)
Total District-Wide Change in Net Position	\$ 257,922	\$ (183,579)	\$ 299,269	\$ 248,097	\$ 828,268	\$ (93,625)	\$ 108,259	\$ 452,330	\$ 294,134	\$ 247,274

NETCONG BOROUGH SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)

	June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund:										
Reserved	\$ 147,554									
Unreserved (Deficit)	(4,381)	\$ 132,584	\$ 203,905							
Restricted		4,693	226,557	\$ 348,805	\$ 224,204	\$ 6,938	\$ 6,953	\$ 294,183	\$ 576,761	\$ 414,067
Assigned				76,590	30,150		8,400			3,398
Unassigned/(Deficit)				162,374	64,562	(61,874)	17,562	160,646	153,666	192,301
Total General Fund/(Deficit)	\$ 143,173	\$ 137,277	\$ 430,462	\$ 587,769	\$ 318,916	\$ (54,936)	\$ 32,915	\$ 454,829	\$ 730,427	\$ 609,766
All Other Governmental Funds:										
Unreserved (Deficit):										
Capital Projects Fund										
Restricted	\$ 362,596	\$ 7,932	\$ 1,587,657		\$ 216,995	\$ 254,729	\$ 267,111	\$ 119,880	\$ 16,165	
Committed					2,571					
Unassigned (Deficit)				\$ (800,781)			(13,357)			
Total All Other Governmental Funds/(Deficit)	\$ 362,596	\$ 7,932	\$ 1,587,657	\$ (800,781)	\$ 219,566	\$ 254,729	\$ 253,754	\$ 119,880	\$ 16,165	\$ -0-
Total All Governmental Funds:										
Reserved	\$ 147,554									
Unreserved	358,215	\$ 140,516	\$ 203,905							
Restricted			1,814,214	\$ 348,805	\$ 441,199	\$ 261,667	\$ 274,064	\$ 414,063	\$ 592,926	\$ 414,067
Committed					2,571					
Assigned				76,590	30,150		8,400			3,398
Unassigned/(Deficit)				(638,407)	64,562	(61,874)	4,205	160,646	153,666	192,301
Total All Governmental Funds/(Deficit)	\$ 505,769	\$ 140,516	\$ 2,018,119	\$ (213,012)	\$ 538,482	\$ 199,793	\$ 286,669	\$ 574,709	\$ 746,592	\$ 609,766

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:											
Tax Levy	\$ 2,635,485	\$ 2,635,485	\$ 2,635,485	\$ 2,718,432	\$ 2,857,682	\$ 2,863,560	\$ 2,889,169	\$ 3,051,086	\$ 3,504,575	\$ 3,561,136	\$ 3,664,063
Tuition Charges		4,150	6,000	20,154	17,750	19,938	14,090	56,107	18,131	26,023	21,060
Interest Earnings	12,833	4,816	2,742	1,804	2	2		15	8	94	99
Miscellaneous	14,589	229,018	3,204	99,510	50,622	42,241	3,919	70,493	31,766	30,447	23,391
State Sources	1,493,281	1,597,203	1,518,906	1,425,653	1,513,503	2,665,195	1,870,269	1,724,301	1,862,978	1,891,151	1,987,957
Federal Sources	126,639	186,477	355,007	270,481	196,985	153,116	216,062	177,701	182,531	190,815	205,001
Total Revenues	4,282,827	4,657,149	4,521,344	4,536,034	4,636,544	5,744,052	4,993,509	5,079,703	5,599,989	5,699,666	5,901,571
Expenditures:											
Instruction:											
Regular Instruction	1,546,032	1,598,493	1,632,884	1,570,834	1,755,785	1,785,452	1,720,370	1,662,302	1,533,968	1,528,712	1,537,212
Special Education Instruction	617,150	619,800	586,264	677,183	528,134	578,729	624,277	621,296	643,365	545,277	546,959
Other Instruction	105,292	115,125	122,984	46,046	29,531	63,380	27,741	21,416	18,366	39,081	19,849
School Sponsored Instruction					30,552	20,406	6,671	24,406	31,382	25,178	41,037
Support Services:											
Tuition	4,508	71,737	11,576	61,629	42,550	6,546	32,657	20,112	67,917	126,696	274,891
Student & Instruction-Related	330,117	350,086	393,294	340,212	333,489	376,678	471,406	478,162	535,860	573,923	533,693
General Administration	230,966	233,386	234,904	218,663	120,142	163,212	211,739	143,423	214,095	271,846	218,787
School Administration	83,579	83,245	90,032	86,971	104,294	109,645	111,538	178,267	106,170	138,953	137,412
Central Services					121,973	118,460	183,588	107,089	137,709	140,848	135,576
Administrative Information Technology					8,012	15,697	13,324	17,054	20,233	21,582	44,675
Plant Operations and Maintenance	321,779	330,814	355,928	236,224	278,434	281,872	281,070	247,031	281,033	348,035	420,576
Pupil Transportation	28,745	55,873	54,437	55,140	29,545	59,966	110,835	68,324	105,979	96,555	202,298
Allocated Benefits					496,991	83,839					
Unallocated Benefits	1,022,591	890,285	910,674	916,584	432,668	1,095,283	1,124,213	1,224,053	1,304,492	1,315,617	1,372,176

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenditures:											
Special Schools											
Capital Outlay	\$ 9,400	\$ 39,399	\$ 363,696	\$ 480,639	\$ 2,419,260	\$ 85,330	\$ 269,215	\$ 32,914	\$ 161,090	\$ 201,996	\$ 402,104
Debt Service:											
Principal					65,000	70,000	70,000	75,000	80,000	85,000	85,000
Interest and Other Charges					74,250	75,128	73,553	71,978	70,290	68,390	66,053
Total Expenditures	4,300,159	4,388,243	4,756,673	4,690,125	6,870,610	4,989,623	5,332,197	4,992,827	5,311,949	5,527,689	6,038,298
Excess (Deficiency) of Revenues											
Over (Under) Expenditures	(17,332)	268,906	(235,329)	(154,091)	(2,234,066)	754,429	(338,688)	86,876	288,040	171,977	(136,727)
Other Financing Sources (Uses)											
Bond Proceeds				2,027,000							
P/Y Adjustment - Expenditures			(40,229)								
Transfers In									338		(99)
Transfers Out			(85,003)						(338)		(99)
Total Other Financing Sources (Uses)			(125,229)	2,027,000						(94)	(99)
Net Change in Fund Balances	\$ (17,332)	\$ 268,906	\$ (360,558)	\$ 1,872,909	#####	\$ 754,429	\$ (338,688)	\$ 86,876	\$ 288,040	\$ 171,883	\$ (136,826)
Debt Service as a Percentage of											
Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	3.2%	3.0%	2.9%	3.1%	3.0%	3.0%	2.8%

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2009	\$ 4,150	\$ 4,634	\$ 3,090		\$ 11,874
2010	6,000	2,742		\$ 3,204	11,946
2011	20,154	1,804		91,166 *	113,124
2012	17,750	1,297	11,475	20,102	50,624
2013	19,938	580	26,079	15,584	62,181
2014	14,090			19,847	33,937
2015	56,107	950		59,615	116,672
2016	18,131	783		9,151	28,065
2017	26,023	1,884		8,366	36,273
2018	21,060	9,557		7,034	37,651

* - Includes \$57,557 of (first year) employee contributions for health insurance premiums.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation		Tax-Exempt Property		Total Direct School Tax	Estimated Actual (County Equalized Value)
								Taxable					
2008	\$ 6,520,600	\$ 240,262,300	\$ 44,059,600	\$ 20,396,900	\$ 27,085,700	\$ 338,325,100	\$ 3,132,783	\$ 341,457,883	\$ 20,644,400	\$ 0.772	\$ 332,550,953		
2009	6,240,200	240,485,300	43,745,600	20,196,900	27,085,700	337,753,700	3,159,554	340,913,254	20,966,400	0.773	342,948,236		
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263	21,259,300	0.782	318,940,713		
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535	21,583,300	0.849	321,029,391		
2012	5,892,600	239,449,400	43,109,000	18,746,800	25,781,800	332,979,600	3,117,096	336,096,696	21,567,700	0.852	303,147,024		
2013	6,072,900	238,253,100	42,694,000	17,413,500	25,781,800	330,215,300		330,215,300	21,735,000	0.875	273,815,716		
2014	6,000,500	237,191,500	42,855,300	17,413,500	25,781,800	329,242,600		329,242,600	21,735,000	0.927	276,798,948		
2015	5,840,000	236,807,700	41,890,700	17,413,500	25,781,800	327,733,700		327,733,700	21,435,500	1.065	257,290,637		
2016	6,359,000	234,351,300	41,198,400	17,413,500	25,781,800	325,104,000		325,104,000	22,047,400	1.095	253,786,662		
2017	6,359,000	233,929,500	41,275,900	17,413,500	25,781,800	324,759,700		324,759,700	22,052,400	1.128	265,424,494		

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

b - Tax rates are per \$100 of assessed valuation.

Source: Netcong Borough Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Borough of Netcong School District Direct Rate			Overlapping Rates			
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Netcong Borough	Regional High School	Morris County	Total Direct
2008	\$ 0.772		\$ 0.772	\$ 0.630	\$ 0.455	\$ 0.226	\$ 2.083
2009	0.773		0.773	0.656	0.447	0.231	2.107
2010	0.782		0.782	0.681	0.484	0.216	2.163
2011	0.807	\$ 0.041	0.849	0.701	0.461	0.225	2.236
2012	0.809	0.043	0.852	0.714	0.470	0.221	2.257
2013	0.831	0.043	0.875	0.738	0.536	0.208	2.357
2014	0.882	0.045	0.927	0.756	0.473	0.215	2.371
2015	1.019	0.046	1.065	0.775	0.442	0.197	2.479
2016	1.048	0.047	1.095	0.797	0.483	0.197	2.572
2017	1.082	0.047	1.128	0.821	0.483	0.212	2.644

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b - Rates for debt service are based on each year's requirements.

Source: Netcong Borough Tax Collector and School Business Administrator.

NETCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>Taxpayer</u>	<u>2017</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
Netcong Heights	\$ 21,500,000	1	6.56%
Dowel-Netcong, LLC	7,700,000	2	2.35%
Semper Development Group, LLC	3,500,000	3	1.07%
Great Northern Love Lane 59, LLC	3,167,000	4	0.97%
Netcong 201 LLC Morris Canal Plaza	2,761,500	5	0.84%
US Mineral Wool Products	2,655,000	6	0.81%
Great Northern 69 Love Lane, LLC	2,513,100	7	0.77%
Quirk Realty, LLC	2,427,300	8	0.74%
Bell Atlantic-NJ	2,037,500	9	0.62%
Mark Appraisals, LLC	1,685,300	10	0.51%
Total	<u>\$ 49,946,700</u>		<u>15.24%</u>

<u>Taxpayer</u>	<u>2008</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>% of Total District Net Assessed Value</u>
INFORMATION IS NOT AVAILABLE			

INFORMATION IS NOT AVAILABLE

Source: Netcong Borough Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 2,635,485	\$ 2,635,485	100.00%	\$ - 0 -
2010	2,635,485	2,635,485	100.00%	- 0 -
2011	2,635,485	2,635,485	100.00%	- 0 -
2012	2,857,682	2,857,682	100.00%	- 0 -
2013	2,863,560	2,863,560	100.00%	- 0 -
2014	2,889,169	2,889,169	100.00%	- 0 -
2015	3,051,086	3,051,086	100.00%	- 0 -
2016	3,504,575	3,504,575	100.00%	- 0 -
2017	3,561,136	3,561,136	100.00%	- 0 -
2018	3,664,063	3,664,063	100.00%	- 0 -

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

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

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2009	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.00%	\$ - 0 -
2010	- 0 -	125,000	125,000	0.05%	38.64
2011	2,027,000	102,151	2,129,151	0.85%	655.93
2012	1,962,000	78,274	2,040,274	0.78%	627.20
2013	1,892,000	53,322	1,945,322	0.74%	598.19
2014	1,822,000	27,248	1,849,248	0.68%	569.17
2015	1,747,000	- 0 -	1,747,000	0.64%	538.20
2016	1,667,000	- 0 -	1,667,000	0.58%	514.98
2017	1,582,000	- 0 -	1,582,000	0.55%	489.93
2018	1,497,000	- 0 -	1,497,000	0.52%	463.61

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

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2009	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.000%	\$ - 0 -
2010	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2011	2,027,000	- 0 -	2,027,000	0.601%	624.46
2012	1,962,000	- 0 -	1,962,000	0.583%	603.14
2013	1,892,000	- 0 -	1,892,000	0.563%	581.80
2014	1,822,000	- 0 -	1,822,000	0.552%	560.79
2015	1,747,000	- 0 -	1,747,000	0.531%	538.20
2016	1,667,000	- 0 -	1,667,000	0.509%	514.98
2017	1,582,000	- 0 -	1,582,000	0.487%	489.93
2018	1,497,000	- 0 -	1,497,000	0.461%	463.61

a - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2017
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Netcong	\$ 1,741,895	100.00%	\$ 1,741,895
Morris County General Obligation Debt	217,187,521	0.28%	618,349
Subtotal, Overlapping Debt			2,360,244
Netcong Borough School District Direct Debt			1,582,000
Total Direct and Overlapping Debt			<u>\$ 3,942,244</u>

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

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

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

NETCONG BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 10,014,232	\$ 9,740,546	\$ 9,709,801	\$ 9,314,227	\$ 8,886,748	\$ 8,482,307	\$ 8,064,740	\$ 7,866,344	\$ 7,674,737	\$ 7,878,232
Total Net Debt Applicable to Limit		2,027,000	1,962,000	1,892,000	1,822,000	1,747,000	1,667,000	1,667,000	1,582,000	1,497,000
Legal Debt Margin	\$ 10,014,232	\$ 9,740,546	\$ 7,682,801	\$ 7,352,227	\$ 6,994,748	\$ 6,660,307	\$ 6,317,740	\$ 6,199,344	\$ 6,092,737	\$ 6,381,232
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	20.88%	21.06%	21.29%	21.48%	21.66%	21.19%	20.61%	19.00%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized valuation basis

2017	\$ 269,487,760
2016	264,140,396
2015	254,195,067
	<u>\$ 787,823,223</u>
	<u>\$ 262,607,741</u>
	\$ 7,878,232
	<u>1,497,000</u>
	<u>\$ 6,381,232</u>

Average Equalized Valuation of Taxable Property

Debt Limit (3% of average equalization value)^a
 Net Bonded School Debt as of June 30, 2018
 Legal Debt Margin

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

NETCONG BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Morris County Per Capita Income ^b	Personal Income ^c	Unemployment Rate ^d
2009	3,211	\$ 71,361	\$ 229,140,171	6.70%
2010	3,235	74,460	240,878,100	6.80%
2011	3,246	77,207	250,613,922	6.60%
2012	3,253	80,027	260,327,831	6.80%
2013	3,252	80,868	262,982,736	7.10%
2014	3,249	83,687	271,899,063	4.20%
2015	3,246	87,896	285,310,416	6.20%
2016	3,237	89,065	288,303,405	5.70%
2017	3,229	89,065 **	287,590,885	5.30%
2018	3,229 *	89,065 **	287,590,885 ***	N/A

* - Latest population data available (2017) was used for calculation purposes.

** - Latest Morris County per capita personal income available (2016) was used for calculation purposes.

*** - Latest population data available (2017) and latest Morris County per capita personal income (2016) was used for calculation purposes.

N/A - Not Available

Sources:

a - Population information provided by the US Department of Census - Population Division.

b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

NETCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

	2017		2008		Percentage of Total Employment
	Employer	Employees	Employer	Employees	
U.S. Army Armament Research and Development		6,400	Novartis Corporation	5,386	2.04%
Atlantic Health Systems		6,350	U.S. Army Armament Research and Development	4,300	1.63%
Novartis Corporation		4,607	Atlantic Health System	4,045	1.53%
Bayer Healthcare, LLC		2,800	County of Morris	2,007	0.76%
ADP		2,242	Lucent Technologies	1,983	0.75%
Wyndham Worldwide		1,907	United Parcel Service	1,941	0.74%
Accenture		1,883	Wyndham Worldwide	1,371	0.52%
Honeywell		1,868	Greystone Psychiatric Center	1,296	0.49%
Allergan		1,700	Tiffany & Company	1,200	0.46%
St. Clare's		1,544	Accenture	1,200	0.46%
		<u>31,301</u>		<u>24,729</u>	<u>9.38%</u>

N/A - Total amount of employment is not available in order to do the percentage calculation.

Note - Information is for Morris County

Source: Morris County Economic Development Corporation.

NETCONG BOROUGH SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction:										
Regular	24.0	23.0	24.0	24.0	24.0	24.0	23.0	20.0	20.0	20.0
Special Education	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	12.0	12.0	12.0	12.0	12.0	9.0	5.0	5.0	5.0	5.0
General Administrative Services	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
School Administrative Services	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
Central Services				1.0	1.0	2.0	2.0	2.0	2.0	2.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.5
Total	<u>50.0</u>	<u>49.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>48.0</u>	<u>43.0</u>	<u>40.0</u>	<u>39.0</u>	<u>39.5</u>

Source: Netcong Borough School District Personnel Records.

NETCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2009	305.0	\$ 4,348,843	\$ 14,259	-6.95%	32.0	1:12	1:11	297.0	279.0	6.07%	93.94%
2010	291.0	4,392,978	15,096	5.87%	32.0	1:12	1:11	284.0	267.0	-4.38%	94.01%
2011	286.0	4,209,486	14,718	-2.50%	32.0	1:12	1:11	285.0	270.0	0.35%	94.74%
2012	284.0	4,312,100	15,183	3.16%	32.0	1:12	1:11	284.4	267.5	-0.21%	94.06%
2013	308.0	4,759,165	15,452	1.77%	32.0	1:12	1:11	308.5	272.0	8.47%	88.17%
2014	303.0	4,919,429	16,236	5.07%	32.0	1:12	1:11	299.0	281.0	-3.08%	93.98%
2015	296.0	4,812,935	16,260	0.15%	32.0	1:15	1:16	292.0	279.0	-2.34%	95.55%
2016	289.0	5,000,569	17,303	6.42%	32.0	1:15	1:16	290.0	275.0	-0.68%	94.83%
2017	295.0	5,172,303	17,533	1.33%	32.0	1:15	1:16	293.4	278.6	1.16%	94.97%
2018	315.0	5,485,141	17,413	-0.68%	30.0	1:15	1:16	314.4	297.5	7.18%	94.63%

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
Netcong Elementary (1926)	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Square Feet	310	310	310	310	310	310	310	310	310	320
Capacity (students)	305	291	286	284	308	303	296	289	295	315
Enrollment										

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Netcong Elementary	N/A	\$ 50,610	\$ 43,287	\$ 39,280	\$ 40,901	\$ 59,242
Grand Total		<u>\$ 50,610</u>	<u>\$ 43,287</u>	<u>\$ 39,280</u>	<u>\$ 40,901</u>	<u>\$ 59,242</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Netcong Elementary	N/A	\$ 88,159	\$ 57,738	\$ 84,370	\$108,878	\$139,824
Grand Total		<u>\$ 88,159</u>	<u>\$ 57,738</u>	<u>\$ 84,370</u>	<u>\$108,878</u>	<u>\$139,824</u>

* - School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package - NJSIG:		
Property - Blanket Building and Contents	\$ 500,000,000.00	\$ 1,000.00
Accounts Receivable	\$ 250,000.00	\$ 1,000.00
Automobile Physical Damage	None	None
Electronic Data Processing Equipment	\$ 475,000.00	\$ 1,000.00
Comprehensive General Liability - NJSIG:		
Occurrence Limit	\$ 16,000,000.00	None
Automobile Liability	\$ 16,000,000.00	None
Employee Benefit Liability	\$ 16,000,000.00	\$ 1,000.00
Workers' Compensation - NJSIG:		
Statutory Benefits	Included	
Employer's Liability	\$ 2,000,000.00	
Supplemental Indemnity Coverage	Included	7 Day Waiting Period
School Board Legal Liability - NJSIG:		
Directors' and Officers' Policy Limit Each Loss	\$ 16,000,000.00	\$ 5,000.00
Crime - NJSIG:		
Blanket Employee Dishonesty	\$ 100,000.00	\$ 500.00
Computer Fraud	\$ 50,000.00	\$ 500.00
Forgery	\$ 50,000.00	\$ 500.00
Theft/Disappearance/Destruction:		
Inside	\$ 50,000.00	\$ 500.00
Outside	\$ 50,000.00	\$ 500.00
Public Official Bonds - NJSIG:		
Treasurer	\$ 175,000.00	\$ 1,000.00
Board Secretary	\$ 175,000.00	\$ 500.00

Source: Netcong Borough School District Insurance Agent

SINGLE AUDIT SECTION

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 Auditors' Report

The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
County of Morris, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Netcong, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
Page 2

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

Management of the District 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 District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 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 District'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 Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

January 18, 2019
Mount Arlington, New Jersey

Nisivoccia, LLP
NISIVOCCIA LLP
Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Netcong’s (the "District’s") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District’s major state programs for the fiscal year ended June 30, 2018. The District’s major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditors’ Responsibility

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

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

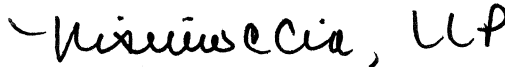
The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
Page 2

Compliance and Other Matters

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

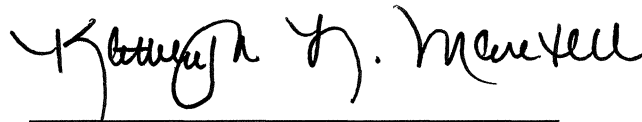
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



NISIVOCCIA LLP

January 18, 2019
Mount Arlington, New Jersey



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2018	
			From	To					Budgetary (Accounts Receivable)	Budgetary Unearned Revenue
U.S. Department of Health and Human Services										
Passed-through State Department of Human Services:										
Medical Assistance Program (SEMI)	93.778	N/A	7/1/17	6/30/18	\$ 24,292	\$ 24,292	\$ (24,292)			
Total General Fund						24,292	(24,292)			
U.S. Department of Education Passed-through State Department of Education:										
Special Revenue Fund:										
Special Education Cluster:										
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-17	7/1/16	6/30/17	110,470	\$ (1,090)	1,090			
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-18	7/1/17	6/30/18	80,976	80,976	(80,976)			
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-17	7/1/16	6/30/17	5,403	789				
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-18	7/1/17	6/30/18	5,206	3,832	(5,195)		\$ (1,363)	
Total Special Education Cluster						86,687	(86,171)		(1,363)	
Elementary and Secondary Education Act:										
Title I	84.010A	ESEA-3520-17	7/1/16	6/30/17	79,370	(175)	175			
Title I	84.010A	ESEA-3520-18	7/1/17	6/30/18	77,519	64,245	(77,519)		(13,274)	
Title II A	84.367A	ESEA-3520-17	7/1/16	6/30/17	19,458	778				
Title II A	84.367A	ESEA-3520-18	7/1/17	6/30/18	14,312	13,274	(13,469)		(195)	
Title IV	84.186A	ESEA-3520-18	7/1/17	6/30/18	3,550	3,550	(3,550)			
Total U.S. Department of Education - Elementary and Secondary Education Act						82,022	(94,538)		(13,469)	
Total U.S. Department of Education - Special Revenue Fund						168,709	(180,709)		(14,832)	
U.S. Department of Agriculture -										
Passed-through State Department of Agriculture:										
Enterprise Fund										
Child Nutrition Cluster:										
Food Distribution Program	10.555	N/A	7/1/17	6/30/18	10,341	1,499	(1,499)			
Food Distribution Program	10.555	N/A	7/1/16	6/30/17	9,863	9,863	(8,779)		\$ 1,084	

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2018		Amounts Paid to Subrecipients
			From	To					Budgetary (Accounts Receivable)/ Unearned Revenue	Budgetary Unearned Revenue	
U.S. Department of Agriculture -											
Passed-through State Department of Education:											
Enterprise Fund											
Child Nutrition Cluster:											
School Breakfast Program	10.553	N/A	7/1/16	6/30/17	\$ 3,363	\$ 171					
School Breakfast Program	10.553	N/A	7/1/17	6/30/18	3,532	3,317	\$ (3,532)		\$ (215)		
National School Lunch Program	10.555	N/A	7/1/16	6/30/17	48,206	2,425					
National School Lunch Program	10.555	N/A	7/1/17	6/30/18	52,443	49,653	(52,443)		(2,790)		
Total Enterprise Fund						65,429	(66,253)		(3,005)	\$ 1,084	
TOTAL FEDERAL AWARDS						\$ 258,430	\$ (271,254)	\$ - 0 -	\$ (17,837)	\$ 1,084	\$ - 0 -

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2017		Balance at June 30, 2018		MEMO	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:										
General Fund:										
Equalization Aid	17-495-034-5120-078	7/1/16	6/30/17	\$ 880,559	\$ (87,545)	\$ 87,545				\$ 880,559
School Choice	17-495-034-5120-068	7/1/16	6/30/17	119,922	(11,923)	11,923				119,922
Categorical Special Education Aid	17-495-034-5120-089	7/1/16	6/30/17	171,660	(17,066)	17,066				171,660
Security Aid	17-495-034-5120-084	7/1/16	6/30/17	14,363	(1,428)	1,428				14,363
Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	698	(69)	69				698
Under Adequacy Aid	17-495-034-5120-096	7/1/16	6/30/17	10,772	(1,071)	1,071				10,772
PARCC Readiness Aid	17-495-034-5120-098	7/1/16	6/30/17	2,950	(293)	293				2,950
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16	6/30/17	2,950	(293)	293				2,950
Professional Learning Community Aid	17-495-034-5120-101	7/1/16	6/30/17	2,770	(276)	276				2,770
Extraordinary Aid	17-495-034-5120-044	7/1/16	6/30/17	22,760	(22,760)					22,760
Nonpublic Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	870	(870)	870				870
Homeless Tuition Reimbursement	N/A	7/1/16	6/30/17	48,230	(48,230)	48,230				48,230
Reimbursed TPAF Social Security	17-495-034-5094-003	7/1/16	6/30/17	151,496	(937)	937				151,496
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17	6/30/18	297,893		297,893	\$ (297,893)			297,893
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17	6/30/18	197,071		197,071	(197,071)			197,071
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17	6/30/18	7,229		7,229	(7,229)			7,229
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17	6/30/18	597		597	(597)			597
Equalization Aid	18-495-034-5120-078	7/1/17	6/30/18	950,751		856,189	(950,751)	\$ (94,562)		950,751
School Choice	18-495-034-5120-068	7/1/17	6/30/18	119,922		107,994	(119,922)	(11,928)		119,922
Categorical Special Education Aid	18-495-034-5120-089	7/1/17	6/30/18	171,660		154,587	(171,660)	(17,073)		171,660
Security Aid	18-495-034-5120-084	7/1/17	6/30/18	14,363		12,934	(14,363)	(1,429)		14,363
Transportation Aid	18-495-034-5120-014	7/1/17	6/30/18	698		629	(698)	(69)		698
Under Adequacy Aid	18-495-034-5120-096	7/1/17	6/30/18	10,772		9,701	(10,772)	(1,071)		10,772
PARCC Readiness Aid	18-495-034-5120-098	7/1/17	6/30/18	2,950		2,657	(2,950)	(293)		2,950
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17	6/30/18	2,950		2,657	(2,950)	(293)		2,950
Professional Learning Community Aid	18-495-034-5120-101	7/1/17	6/30/18	2,770		2,494	(2,770)	(276)		2,770
Extraordinary Aid	18-495-034-5120-044	7/1/17	6/30/18	66,273			(66,273)	(66,273)		66,273
Nonpublic Transportation Aid	18-495-034-5120-014	7/1/17	6/30/18	3,022			(3,022)	(3,022)		3,022
Reimbursed TPAF Social Security	18-495-034-5095-003	7/1/17	6/30/18	146,066		146,066	(146,066)	(146,066)		146,066
Total General Fund State Aid				1,991,459	(192,761)	1,991,459	(1,994,987)	(69,295)	(196,289)	3,424,987

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2017			Balance at June 30, 2018			MEMO	
		From	To		Budgetary/ (Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education												
Enterprise Fund:												
State Department of Agriculture:												
State School Lunch Program	17-100-010-3350-023	7/1/16	6/30/17	1,126	(56)	56						\$ 1,126
State School Lunch Program	18-100-010-3350-023	7/1/17	6/30/18	1,258		1,188	(1,258)	(70)			(70)	1,258
Total Enterprise Fund					(56)	1,244	(1,258)	(70)			(70)	2,384
TOTAL STATE AWARDS					\$ (192,817)	\$ - 0 -	\$ 1,992,703	\$ (1,996,245)	\$ (69,365)	\$ - 0 -	\$ (196,359)	\$ 3,427,371
Total State Awards Subject to Single Audit Determination												
Less: State Awards Not Subject to Single Audit Major Program Determination												
On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions	18-495-034-5094-001	7/1/17	6/30/18								297,893	
On-Behalf TPAF Pension Contributions	18-495-034-5094-002	7/1/17	6/30/18								197,071	
On-Behalf TPAF Non-Contributory Insurance	18-495-034-5094-004	7/1/17	6/30/18								7,229	
On-Behalf TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17	6/30/18								597	
Subtotal - On-Behalf TPAF Pension System Contributions											502,790	
Total State Awards Subject to Single Audit Major Program Determination											\$ (1,493,455)	

N/A - Not Available

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Netcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two 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 revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(7,030) for the General Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund.

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS (Cont'd)

Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 24,292	\$ 1,987,957	\$ 2,012,249
Special Revenue Fund	180,709		180,709
Food Service Fund	<u>66,253</u>	<u>1,258</u>	<u>67,511</u>
Total Financial Assistance	<u>\$ 271,254</u>	<u>\$ 1,989,215</u>	<u>\$ 2,260,469</u>

NOTE 5. RELATIONSHIP AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Netcong Borough School District had no loan balances at June 30, 2018.

NOTE 7. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2018.

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2018 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>CFDA or State</u> <u>Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
State:				
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	\$ 950,751	\$ 950,751
School Choice Aid	18-495-034-5120-068	7/1/17-6/30/18	119,922	119,922
Categorical Special Education	18-495-034-5120-089	7/1/17-6/30/18	171,660	171,660
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	14,363	14,363
Under Adequacy Aid	18-495-034-5120-096	7/1/17-6/30/18	10,772	10,772
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	2,950	2,950
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	2,950	2,950
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	2,770	2,770

- The threshold for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk auditee" for state programs.

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

NETCONG BOROUGH SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Status of Prior Year Findings:

The District had no prior year audit findings.