

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

North Caldwell, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

North Caldwell Board of Education

North Caldwell, New Jersey

For The Fiscal Year Ended June 30, 2018

Prepared by

Business Office

**NORTH CALDWELL BOARD OF EDUCATION
TABLE OF CONTENTS**

	<u>Page</u>
INTRODUCTORY SECTION	
Letter of Transmittal	1-5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
FINANCIAL SECTION	
Independent Auditor's Report	9-11
REQUIRED SUPPLEMENTARY INFORMATION- PART I	
Management's Discussion and Analysis	12-19
Basic Financial Statements	
A. District-wide Financial Statements	
A-1 Statement of Net Position	20
A-2 Statement of Activities	21
B. Fund Financial Statements	
<i>Governmental Funds</i>	
B-1 Balance Sheet	22-23
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	24
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the District-Wide Statements	25
<i>Proprietary Funds</i>	
B-4 Statement of Net Position – Not Applicable	26
B-5 Statement of Revenues, Expenses, and Changes in Net Position – Not Applicable	26
B-6 Statement of Cash Flows – Not Applicable	26
<i>Fiduciary Funds</i>	
B-7 Statement of Fiduciary Net Position	27
B-8 Statement of Changes in Fiduciary Net Position	28
Notes to the Financial Statements	29-67

**NORTH CALDWELL BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

REQUIRED SUPPLEMENTARY INFORMATION – PART II

C. Budgetary Comparison Schedules

C-1	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	68-72
C-2	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP) and Actual	73

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II

C-3	Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Note to Required Supplementary Information	74
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REQUIRED SUPPLEMENTARY INFORMATION - PART III

L. Schedules Related to Accounting and Reporting for Pensions and OPEB (GASB 68 and 75)

L-1	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	75
L-2	Required Supplementary Information – Schedule of District Contributions – Public Employees Retirement System	76
L-3	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	77
L-4	Notes to Required Supplementary Information – Net Pension Liability	78
L-5	Required Supplementary Information – Schedule of Changes in the District’s Proportionate Share of Total OPEB Liability	79
L-6	Notes to Required Supplementary Information – OPEB Liability Notes to Required Supplementary Information	80

OTHER SUPPLEMENTARY INFORMATION

D. School Level Schedules – Not Applicable

E. Special Revenue Fund

E-1	Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	81
E-2	Preschool Education Aid Schedule of Expenditures – Budgetary Basis – Not Applicable	82

F. Capital Projects Fund

F-1	Summary Schedule of Project Expenditures	83
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	84
F-2a- 2c	Schedule of Project Revenues, Expenditures, Project Balances and Project Status	85-87

**NORTH CALDWELL BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

G. Proprietary Funds

Enterprise Fund – Not Applicable

H. Fiduciary Funds

H-1	Combining Statement of Agency Assets and Liabilities	88
H-2	Combining Statement of Changes in Net Position – Not Applicable	89
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements	89
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements	90

I. Long-Term Debt

I-1	Schedule of Bonds Payable	91
I-2	Schedule of Intergovernmental Loans Payable – Not Applicable	92
I-3	Debt Service Fund Budgetary Comparison Schedule	93

J. STATISTICAL SECTION (Unaudited)

J-1	Net Position by Component	94
J-2	Changes in Net Position	95-96
J-3	Fund Balances – Governmental Funds	97
J-4	Changes in Fund Balances - Governmental Funds	98
J-5	General Fund Other Local Revenues by Source	99
J-6	Assessed Value and Actual Value of Taxable Property	100
J-7	Direct and Overlapping Property Tax Rates	101
J-8	Principal Property Taxpayers	102
J-9	Property Tax Levies and Collections	103
J-10	Ratios of Outstanding Debt by Type	104
J-11	Ratios of Net General Bonded Debt Outstanding	105
J-12	Computation of Direct and Overlapping Outstanding Debt	106
J-13	Legal Debt Margin Information	107
J-14	Demographic Statistics	108
J-15	Principal Employers	109
J-16	Full-Time Equivalent District Employees by Function/Program	110
J-17	Operating Statistics	111
J-18	School Building Information	112
J-19	Schedule of Required Maintenance for School Facilities	113
J-20	Schedule of Insurance	114

**NORTH CALDWELL BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

SINGLE AUDIT SECTION

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance	115-116
K-2	Report on Compliance for each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08 – Independent Auditor’s Report	117-119
K-3	Schedule of Expenditures of Federal Awards	120
K-4	Schedule of Expenditures of State Financial Assistance	121
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	122-123
K-6	Schedule of Findings and Questioned Costs – Part 1 – Summary of Auditor’s Results	124
K-7	Schedule of Findings and Questioned Costs – Part 2 – Schedule of Financial Statement Findings	125
K-7	Schedule of Findings and Questioned Costs – Part 3 – Schedule of Federal and State Award Findings and Questioned Costs	126
K-8	Summary Schedule of Prior Year Findings	127

INTRODUCTORY SECTION



NORTH CALDWELL BOARD OF EDUCATION
132A GOULD AVENUE
NORTH CALDWELL, NJ 07006

Robert Projansky, President
Mary Mokris, Vice President
Jann Skelton
Mindy Opper
Jordan Shumofsky

Telephone (973) 712-4400
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January 25, 2019

Honorable President and
Members of the Board of Education
North Caldwell School District
County of Essex, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the New Jersey OMB Circular 15-08. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 6. These include regular, as well as special education for handicapped youngsters. The District completed the fiscal year with an average daily enrollment of 685 students. The following details the changes in the students' average daily enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2017-18	675	-0.01%
2016-17	685	0.00%
2015-16	685	3.32%
2014-15	663	-0.01%
2013-14	673	-0.02%
2012-13	686	0.88%
2011-12	676	0.81%
2010-11	670	4.69%
2009-10	640	4.06%
2008-09	615	-3.15%

2. DISTRICT SUMMARY: North Caldwell is a small community situated in northwest Essex County. The district is compact and strictly residential.

District goals encompass learning opportunities that help each student grow and develop intellectually, emotionally, physically, and socially. Both Grandview and Gould/Mountain schools emphasize curriculums that are aligned with NJSLS and ensure all students receive a thorough and efficient education. Individual student needs are addressed via differentiated instruction. The needs of classified students are met via co-taught inclusion classrooms and resource centers in Grandview and Gould/Mountain for special needs students, as well as a full-day pre-school disabled class and two half-day integrated preschool disabilities classes at Grandview School. Heterogeneous groupings, augmented by flexible grouping, are used for instruction. The schools have upgraded computer technology components for all students. Gould's Chromebook ratio is 1:1.

Grandview library media center houses a minimum of twenty (20) computers. Additionally, there is a computer lab with a minimum of twenty (20) computers located

in the Mountain building. All school computers have Internet accessibility. Smart Boards are installed in all preschool to sixth grade classrooms and resource centers.

The district has been able to attract excellent teaching staff over the years. Eighty percent of the teachers are tenured. More than half are on the MA+ level. Enrollment for the 2018-2019 school year is approximately 666 students. Homerooms average nineteen (19) students.

Each member of the five-person school board is elected to three-year terms and represents a cross-section of the community.

North Caldwell students continue on to West Essex Regional Junior and Senior High Schools for grades 7-12. West Essex is a four-district regional school which includes Essex Fells, Roseland, and Fairfield, as well as North Caldwell.

3. STUDENT ACHIEVEMENT HIGHLIGHTS: Students in the North Caldwell Schools continue to demonstrate significant academic progress in all disciplines. A standards based balanced literacy program begins in Kindergarten, providing students with a variety of reading experiences. A standards based mathematics program (Every Day Math) is used in Grades K-5 and Connected Math is used in Grade 6. Curriculum in all subject areas are aligned to the New Jersey student learning standards.

At the third grade level, 76.7% of the students met or exceeded expectations in the area of Language Arts Literacy as measured by PARCC. In the area of Mathematics, 86% of the third grade students met or exceeded expectations on PARCC.

At the fourth grade level, 91.5% of the students met or exceeded expectations in the area of Language Arts Literacy, 85.1% of the students met or exceeded expectations in the area of mathematics on PARCC. At the fifth grade level 90.1% of the students met or exceeded expectations in the area of Language Arts Literacy and 82.4% of the students met or exceeded expectations in the area of mathematics on PARCC. At the sixth grade level, 93.4% of the students met or exceeded expectations in the area of Language Arts Literacy and 69.5% of the students met or exceeded expectations in the area of mathematics on PARCC.

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the

benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

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

7. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from 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, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds, cyber liability insurance and student accident.

9. **OTHER INFORMATION:**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins LLP, CPA's was selected by the Board's finance committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the related New Jersey OMB Circular 15-08. The auditor's report on the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

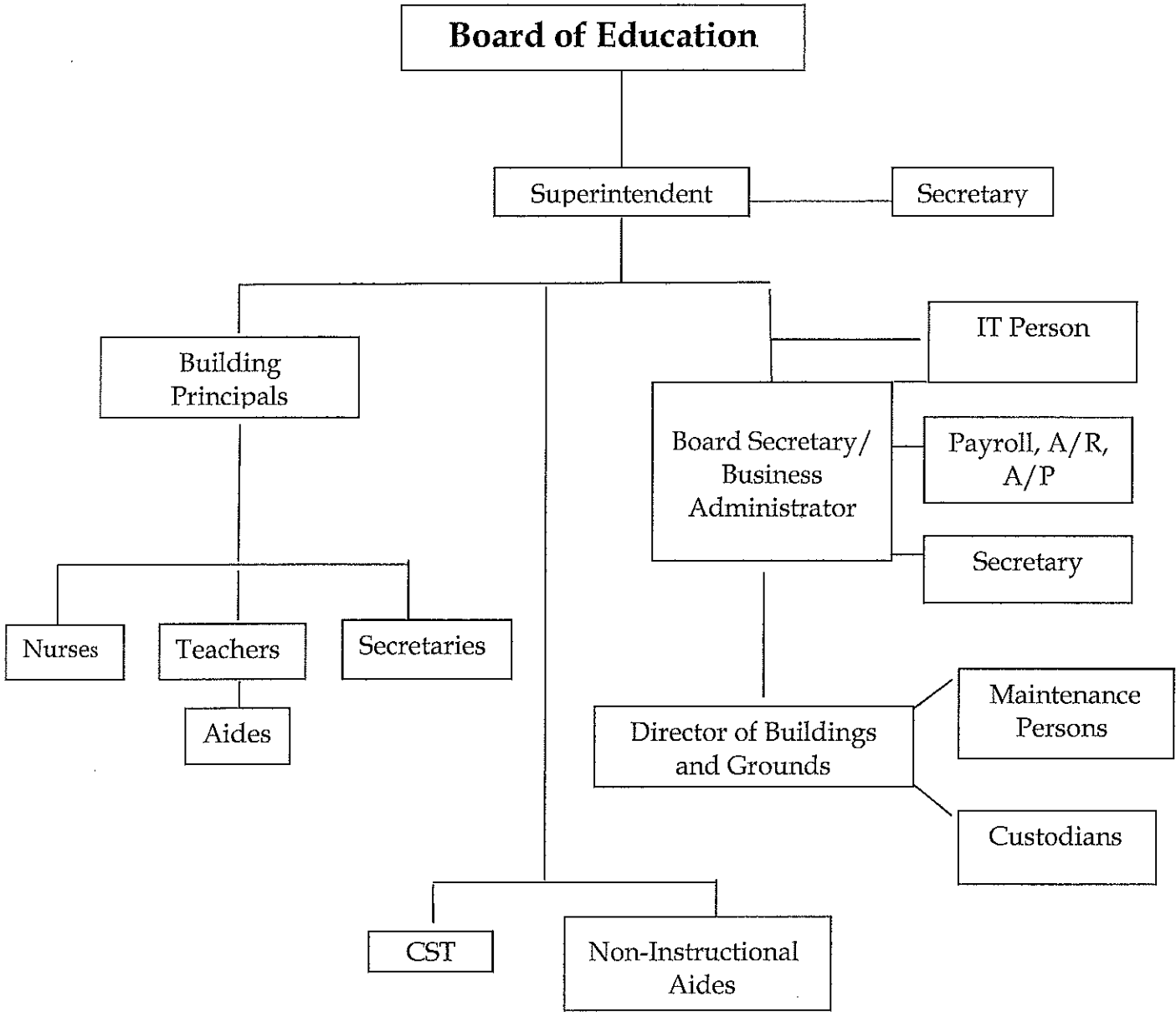
10. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the North Caldwell School Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and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

Respectfully submitted,



Michael W. Halik
Business Administrator/Board Secretary

NORTH CALDWELL BOARD OF EDUCATION
ORGANIZATION CHART
 (Unit Control)



Revised: June, 2008



**NORTH CALDWELL BOARD OF EDUCATION
NORTH CALDWELL, NEW JERSEY**

**ROSTER OF OFFICIALS
June 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Robert Projansky, President	2019
Mary Mokris, Vice President	2020
Jann Skelton	2018
Melinda (Mindy) Opper	2018
Jordan Shumofsky	2020

Other Officials

Linda Freda, Superintendent of Schools

Michael Halik, Business Administrator / Board Secretary

Steven Lella, Treasurer of School Monies

**NORTH CALDWELL BOARD OF EDUCATION
Consultants and Advisors**

Architect

DiCara Rubino Architects
30 Galesi Drive
Wayne, NJ 07470

Audit Firm

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17-17 Route 208
Fair Lawn, NJ 07410

Attorneys

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC
238 Paul Street
Westfield, NJ 07090

Lindabury, McCormick & Estabrook, Esqs.
53 Cardinal Drive
PO Box 2369
Westfield, NJ 07091-2369

McManimon, Scotland & Baumann LLC
One Riverfront Plaza, Fourth Floor
Newark, NJ 07102-5408

Official Depository

Valley National Bank
9 Bloomfield Avenue
North Caldwell, NJ 07006

Disclosure Agent

Phoenix Advisors, LLC
4 West Park Street
Bordentown, NJ 08505

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
North Caldwell Board of Education
North Caldwell, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Caldwell Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

Adoption of New Accounting Pronouncement

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2019 on our consideration of the North Caldwell Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Caldwell Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the North Caldwell Board of Education's internal control over financial reporting and compliance.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH CALDWELL BOARD OF EDUCATION
NORTH CALDWELL, NEW JERSEY**

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

This discussion and analysis of the North Caldwell School District's financial performance provides an overall review of its financial activities for the fiscal year ended June 30, 2018. The intent of this is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Financial Highlights

Key financial highlights for 2018 is as follows:

- General revenues accounted for \$13,070,955 or 72 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,192,699 or 28 percent of total revenues of \$18,263,654.
- The School District had \$17,373,253 in expenses; only \$5,192,699 of these expenses are offset by charges for services and operating grants and contributions. General revenues (primarily taxes) of \$13,070,955 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$14,664,623 in revenues and \$13,655,891 in expenditures. The District also transferred \$13,207 from the General Fund to the Capital Projects Fund to finance certain capital projects. In addition, the District also transferred \$67,555 from the Capital Projects Fund to the General Fund related to unexpended capital projects funded by Capital Reserve. The General Fund's fund balance increased by \$1,063,080 from the fiscal year ended June 30, 2017.

Using this Comprehensive Annual Financial Report (CAFR)

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

Using this Comprehensive Annual Financial Report (CAFR) (Continued)

The Statement of Net Position and Statement of Activities provides information about the activities of the entire District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what remains for future spending. The General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document reports on all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the fiscal year ended June 30, 2018?" The Statement of Net Position and the Statement of Activities answer that question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector businesses. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in its net position. This change is important because it tells the reader that, for the school district as a whole, its financial position improved or diminished. The causes of this change may be the result of many factors. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the District has one distinct kind of activity:

- Governmental activities – All programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District's governmental funds include the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund.

Governmental Funds

The District's activities are reported in governmental funds. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The District as a Whole

The Statement of Net Position provides one perspective of the District as a whole.

Table 1 provides a summary of the District's net position as of June 30, 2018 and 2017.

Table 1
Net Position

	Governmental- Type Activities	
	<u>2018</u>	<u>2017</u>
Assets		
Current and Other Assets	\$ 6,080,838	\$ 5,925,021
Capital Assets, net of accumulated depreciation	<u>11,295,170</u>	<u>11,020,369</u>
Total Assets	<u>17,376,008</u>	<u>16,945,390</u>
Deferred Outflows of Resources		
Deferred Amounts on Refunding of Debt	59,536	81,918
Deferred Amounts on Net Pension Liability	<u>1,120,097</u>	<u>1,525,031</u>
Total Deferred Outflows of Resources	<u>1,179,633</u>	<u>1,606,949</u>
Liabilities		
Long-term liabilities	6,788,778	8,313,264
Other Liabilities	<u>124,311</u>	<u>238,597</u>
Total Liabilities	<u>6,913,089</u>	<u>8,551,861</u>
Deferred Inflows of Resources		
Deferred Amounts on Net Pension Liability	<u>881,570</u>	<u>129,897</u>
Total Deferred Inflows of Resources	<u>881,570</u>	<u>129,897</u>
Net Position		
Net Investment in Capital Assets	8,659,616	7,847,727
Restricted	5,216,629	4,893,967
Unrestricted	<u>(3,115,263)</u>	<u>(2,871,113)</u>
Total Net Position	<u>\$ 10,760,982</u>	<u>\$ 9,870,581</u>

The District's governmental type activities net position as of June 30, 2018 and 2017 was \$10,760,982 and \$9,870,581, respectively.

Table 2 shows changes in net position for fiscal year ended June 30, 2018 and 2017.

Table 2
Changes in Net Position
For the Fiscal Years Ended June 30, 2018 and 2017

	Governmental- Type Activities	
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 115,820	\$ 106,331
Grants and Contributions	5,076,879	4,198,101
Capital grants and contributions		
General Revenues:		
Property Taxes	12,951,128	12,548,075
Unrestricted State Aid	6,536	6,363
Other	<u>113,291</u>	<u>125,120</u>
Total Revenues	<u>18,263,654</u>	<u>16,983,990</u>
Program Expenses		
Instruction	10,855,759	10,172,803
Support Services:		
Student and Instruction Related Services	1,946,351	1,612,114
General Administration, School Administration, Business/Central Services	2,013,610	1,781,012
Plant Operations and Maintenance	2,131,828	1,885,508
Pupil Transportation	311,843	263,856
Interest on Debt	<u>113,862</u>	<u>134,927</u>
Total Expenses	<u>17,373,253</u>	<u>15,850,220</u>
Change in Net Position	890,401	1,133,770
Net Position, Beginning of Year	<u>9,870,581</u>	<u>8,736,811</u>
Net Position, End of Year	<u>\$ 10,760,982</u>	<u>\$ 9,870,581</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirement to annually seek voter approval for District operations. Property taxes comprised 71 and 74 percent of revenues for governmental activities for the North Caldwell School District in fiscal years ended June 30, 2018 and 2017, respectively. The District's total revenues were \$18,263,654 and \$16,983,990 for the fiscal years ended June 30, 2018 and 2017, respectively. Federal, state, and local grants accounted for 28 and 25 percent of revenue for the fiscal years ended June 30, 2018 and 2017, respectively. The total cost of all programs and services was \$17,373,253 and \$15,850,220 in fiscal years ended June 30, 2018 and 2017, respectively. Instruction totaling \$10,855,759 and \$10,172,803 comprises 62 and 64 percent of District expenses for the fiscal years ended June 30, 2018 and 2017, respectively.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3
Total Cost and Net Cost of Services

	<u>Total Cost of Services</u>		<u>Net cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 10,855,759	\$ 10,172,803	\$ 6,710,433	\$ 6,592,786
Support Services:				
Student and Instruction Related Services	1,946,351	1,612,114	1,745,036	1,550,840
General Administration, School Administration, Business/Central Services	2,013,610	1,781,012	1,404,147	1,247,663
Plant Operations and Maintenance	2,131,828	1,885,508	1,981,042	1,837,958
Pupil Transportation	311,843	263,856	226,034	181,614
Interest on Debt	113,862	134,927	113,862	134,927
Total Expenses	<u>\$ 17,373,253</u>	<u>\$ 15,850,220</u>	<u>\$ 12,180,554</u>	<u>\$ 11,545,788</u>

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

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

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

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

Governmental Activities (Continued)

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

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund, capital projects fund and debt service fund presented in the fund-based statements) are accounted for using the modified accrual basis of accounting. For the fiscal years ended June 30, 2018 and 2017 total revenues and other financing sources amounted to \$15,651,443 and \$15,317,272 and expenditures and other financing uses were \$15,389,365 and \$14,082,563, respectively. Total revenues and other financing sources exceeded expenditures and other financing uses by \$262,078 for the year ended June 30, 2018.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound fiscal management. The following schedule presents a summary of the governmental funds revenues for the fiscal years ended June 30, 2018 and 2017.

<u>Revenue</u>	<u>Amount</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>		
Local Sources	\$ 13,180,239	\$ 12,779,526	\$ 400,713	3.14%
State Sources	2,143,359	1,822,722	320,637	17.59%
Federal Sources	247,083	208,845	38,238	18.31%
Total	<u>\$ 15,570,681</u>	<u>\$ 14,811,093</u>	<u>\$ 759,588</u>	5.13%

The following schedule represents a summary of the governmental funds expenditures for the fiscal years ended June 30, 2018 and 2017.

<u>Expenditures</u>	<u>Amount</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>		
Instruction	\$ 8,714,037	\$ 8,189,991	\$ 524,046	6.40%
Support Services	5,184,350	4,551,245	633,105	13.91%
Capital Outlay	751,241	154,773	596,468	385.38%
Debt Service:				
Principal	535,000	535,000	-	0.00%
Interest	123,975	145,375	(21,400)	-14.72%
Total	<u>\$ 15,308,603</u>	<u>\$ 13,576,384</u>	<u>\$ 1,732,219</u>	12.76%

General Fund Budgeting Highlights

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

Over the course of the year, the District revised the annual operating budget several times. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over expenditures in specific line item accounts.

Capital Assets

As of June 30, 2018 and 2017, the District had \$11,295,170 and \$11,020,369 in land, buildings and building improvements and machinery and equipment net of depreciation, respectively. Table 4 shows capital assets at June 30, 2018 and 2017 net of depreciation.

Table 4
Capital Assets (Net of Depreciation)

	Governmental	
	<u>Activities</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 52,316	\$ 52,316
Construction in Progress	323,518	419,366
Building and Building Improvements	17,395,656	16,553,154
Machinery and Equipment	<u>677,757</u>	<u>687,888</u>
	18,449,247	17,712,724
Less Depreciation	<u>(7,154,077)</u>	<u>(6,692,355)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 11,295,170</u>	<u>\$ 11,020,369</u>

Additional information pertaining to capital assets can be found in Note 3 of the Notes to the Financial Statements.

Debt Administration

At June 30, 2018 and 2017, the District had \$6,788,778 and \$8,313,264 of outstanding long-term liabilities. Of this amount, \$190,155 and \$165,631 is for compensated absences, \$3,903,533 and \$4,893,073 is for net pension liability and \$2,695,090 and \$3,254,560 is for bonds payable for school construction, respectively.

Additional information pertaining to debt administration can be found in Note 3 of the Notes to the Financial Statements.

For the Future

Currently, the District is in sound financial condition. Everyone associated with the North Caldwell School District is grateful for the community support of the schools. The District's major concerns are continued enrollment growth and the ability to maintain optimum class sizes and excellent services. This, in an environment of uncertain state aid support, means an ever-increasing reliance on local property taxes.

In conclusion, the North Caldwell School District has committed itself to financial excellence for many years. Its system for financial planning, budgeting, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

Contacting the District's Financial Management

If you have questions about this report or need additional information, contact the School Business Administrator at the North Caldwell Board of Education, Gould Avenue, North Caldwell, NJ 07006.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities	Total
ASSETS		
Cash and Cash Equivalents	\$ 6,062,992	\$ 6,062,992
Receivables, net		
Receivables from Other Governments	17,846	17,846
Capital Assets, net		
Not Being Depreciated	375,834	375,834
Being Depreciated	10,919,336	10,919,336
Total Assets	17,376,008	17,376,008
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Refunding of Debt	59,536	59,536
Deferred Amounts on Net Pension Liability	1,120,097	1,120,097
Total Deferred Outflows of Resources	1,179,633	1,179,633
Total Assets and Deferred Outflows of Resources	18,555,641	18,555,641
LIABILITIES		
Accounts Payable	85,845	85,845
Accrued Interest Payable	38,466	38,466
Noncurrent Liabilities		
Due within one year	530,000	530,000
Due beyond one year	6,258,778	6,258,778
Total Liabilities	6,913,089	6,913,089
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Net Pension Liability	881,570	881,570
Total Deferred Inflows of Resources	881,570	881,570
Total Liabilities and Deferred Inflows of Resources	7,794,659	7,794,659
NET POSITION		
Net Investment in Capital Assets	8,659,616	8,659,616
Restricted for		
Capital Projects	4,721,247	4,721,247
Debt Service	1	1
Maintenance	495,381	495,381
Unrestricted	(3,115,263)	(3,115,263)
Total Net Position	\$ 10,760,982	\$ 10,760,982

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>	<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>		
Governmental Activities						
Instruction						
Regular	\$ 7,195,869	\$ 105,600	\$ 2,488,508		\$ (4,601,761)	\$ (4,601,761)
Special Education	3,659,890		1,551,218		(2,108,672)	(2,108,672)
Support Services						
Student and Instruction Related Services	1,946,351		201,315		(1,745,036)	(1,745,036)
General Administration Services	673,858		173,044		(500,814)	(500,814)
School Administration Services	721,456		215,852		(505,604)	(505,604)
Business/Central Services	618,296		220,567		(397,729)	(397,729)
Plant Operations and Maintenance	2,131,828	10,220	140,566		(1,981,042)	(1,981,042)
Pupil Transportation	311,843		85,809		(226,034)	(226,034)
Interest on Debt	113,862	-	-	\$ -	(113,862)	(113,862)
21 Total Governmental Activities	<u>17,373,253</u>	<u>115,820</u>	<u>5,076,879</u>	<u>-</u>	<u>(12,180,554)</u>	<u>(12,180,554)</u>
Total Primary Government	<u>\$ 17,373,253</u>	<u>\$ 115,820</u>	<u>\$ 5,076,879</u>	<u>\$ -</u>	<u>(12,180,554)</u>	<u>(12,180,554)</u>
General Revenues						
Taxes						
					12,292,153	12,292,153
					658,975	658,975
					6,536	6,536
					88,567	88,567
					24,724	24,724
Total General Revenues					<u>13,070,955</u>	<u>13,070,955</u>
Change in Net Position					890,401	890,401
Net Position, Beginning of Year					<u>9,870,581</u>	<u>9,870,581</u>
Net Position, End of Year					<u>\$ 10,760,982</u>	<u>\$ 10,760,982</u>

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

FUND FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 5,972,769		\$ 90,222	\$ 1	\$ 6,062,992
Due from Other Funds					
Receivables from Other Governments	17,846	-	-	-	17,846
	<u>5,990,615</u>	<u>-</u>	<u>90,222</u>	<u>1</u>	<u>6,080,838</u>
Total Assets	\$ 5,990,615	\$ -	\$ 90,222	\$ 1	\$ 6,080,838
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 85,845	-	-	-	\$ 85,845
	<u>85,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,845</u>
Total Liabilities	85,845	-	-	-	85,845
Fund Balances					
Restricted Fund Balance:					
Capital Reserve	4,631,025				4,631,025
Emergency Reserve	250,000				250,000
Maintenance Reserve	495,381				495,381
Excess Surplus - Designated for					
Subsequent Year's Expenditures	75,000				75,000
Excess Surplus	75,000				75,000
Capital Projects			\$ 90,222		90,222
Debt Service				\$ 1	1
Committed Fund Balance:					
Year End Encumbrances	13,764				13,764
Assigned Fund Balance:					
Designated for Subsequent Year's Expenditures	207,758				207,758
Year End Encumbrances	33,707				33,707
Unassigned Fund Balance					
General Fund	123,135	-	-	-	123,135
	<u>5,904,770</u>	<u>-</u>	<u>90,222</u>	<u>1</u>	<u>5,994,993</u>
Total Fund Balances	5,904,770	-	90,222	1	5,994,993
Total Liabilities and Fund Balances	\$ 5,990,615	\$ -	\$ 90,222	\$ 1	\$ 6,080,838

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

Total Fund Balances Governmental Funds (Exhibit B-1)		\$ 5,994,993
<p>Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$18,449,247 and the accumulated depreciation is \$7,154,077</p>		11,295,170
<p>Amounts resulting from the refunding of debt are reported as deferred outflows of resources on the statement of net position and amortized over the life of the debt.</p>		59,536
<p>Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.</p>		
Deferred Outflows of Resources	\$ 1,120,097	
Deferred Inflows of Resources	<u>(881,570)</u>	238,527
<p>The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:</p>		(38,466)
<p>Long-term liabilities, including bonds payable, capital leases, compensated absences and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>		
Bonds Payable (Including Unamortized Premium)	(2,695,090)	
Compensated Absences Payable	(190,155)	
Net Pension Liability	<u>(3,903,533)</u>	<u>(6,788,778)</u>
Net position of governmental activities (Exhibit A-1)		\$ <u>10,760,982</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Taxes	\$ 12,292,153			\$ 658,975	\$ 12,951,128
Tuition	105,600				105,600
Use of Facility Fees	10,220				10,220
Interest Income	88,567				88,567
Miscellaneous	24,724	-	-	-	24,724
Total - Local Sources	<u>12,521,264</u>	<u>-</u>	<u>-</u>	<u>658,975</u>	<u>13,180,239</u>
State Sources	2,143,359				2,143,359
Federal Sources	-	\$ 247,083	-	-	247,083
Total Revenues	<u>14,664,623</u>	<u>247,083</u>	<u>-</u>	<u>658,975</u>	<u>15,570,681</u>
EXPENDITURES					
Current					
Regular Instruction	5,663,750	77,957			5,741,707
Special Education Instruction	2,868,539	103,791			2,972,330
Support Services					
Student and Instruction Related Services	1,680,536	65,335			1,745,871
General Administration Services	536,749				536,749
School Administration Services	575,288				575,288
Business/Central Services	484,756				484,756
Plant Operations and Maintenance	1,531,975				1,531,975
Pupil Transportation	309,711				309,711
Debt Service					
Principal				535,000	535,000
Interest				123,975	123,975
Capital Outlay	4,587	-	\$ 746,654	-	751,241
Total Expenditures	<u>13,655,891</u>	<u>247,083</u>	<u>746,654</u>	<u>658,975</u>	<u>15,308,603</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,008,732</u>	<u>-</u>	<u>(746,654)</u>	<u>-</u>	<u>262,078</u>
OTHER FINANCING SOURCES (USES)					
Transfer Out	(13,207)		(67,555)		(80,762)
Transfer In	67,555	-	13,207	-	80,762
Total Other Financing Sources and Uses	<u>54,348</u>	<u>-</u>	<u>(54,348)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,063,080	-	(801,002)	-	262,078
Fund Balance, Beginning of Year	4,841,690	-	891,224	1	5,732,915
Fund Balance, End of Year	<u>\$ 5,904,770</u>	<u>\$ -</u>	<u>\$ 90,222</u>	<u>\$ 1</u>	<u>\$ 5,994,993</u>

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

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

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 262,078

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

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

Capital Outlay	\$ 751,241	
Depreciation Expense	<u>(476,440)</u>	
		274,801

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

Increase in Compensated Absences	(24,524)	
Increase in Pension Expense	<u>(167,067)</u>	
		(191,591)

The Issuance of Long Term Debt (e.g. bonds, leases) provides current financial resources to governmental funds while the repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities. Additionally, governmental funds report the effect of issuance costs, premiums, discounts and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities:

Repayment of Bond Principal		535,000
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Governmental Funds report the effect of issuance costs, premiums and deferred amounts on refundings pertaining to bonds issued when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Deferred Charge on Refunding of Debt	(22,382)	
Amortization of Premium	<u>24,470</u>	
		2,088

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

Decrease in accrued interest		<u>8,025</u>
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Change in net position of governmental activities (Exhibit A-2)		<u>\$ 890,401</u>
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EXHIBIT B-4

**NORTH CALDWELL BOARD OF EDUCATION
PROPRIETARY FUND
STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

NOT APPLICABLE

EXHIBIT B-5

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

NOT APPLICABLE

EXHIBIT B-6

**NORTH CALDWELL BOARD OF EDUCATION
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

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

	Unemployment Compensation <u>Trust Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 481,040	\$ 60,376
Total Assets	<u>481,040</u>	<u>\$ 60,376</u>
LIABILITIES		
Payroll Deductions and Withholdings		\$ 38,448
Accrued Salary and Wages		6,550
Due to Student Groups		15,378
Accounts Payable	<u>3,127</u>	<u>-</u>
Total Liabilities	<u>3,127</u>	<u>\$ 60,376</u>
NET POSITION		
Held in Trust for Unemployment Claims	<u>\$ 477,913</u>	

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

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

	Unemployment Compensation <u>Trust Fund</u>
ADDITIONS	
Contributions	
Board	\$ 70,000
Employees	20,976
Interest Income	<u>5,127</u>
Total Additions	<u>96,103</u>
 DEDUCTIONS	
Unemployment Claims and Contributions	<u>9,416</u>
Total Deductions	<u>9,416</u>
Change in Net Position	86,687
Net Position, Beginning of Year	<u>391,226</u>
Net Position, End of Year	<u>\$ 477,913</u>

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

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

B. New Accounting Standards

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

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

C. Basis of Presentation - Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

Additionally, the government reports the following fund types:

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

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

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash, Cash Equivalents and Investments

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

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

2. Receivables

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

3. Inventories

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

4. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Deferred Outflows/Inflows of Resources

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

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

6. Compensated Absences

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

7. Pensions

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Losses resulting from debt refundings are classified as deferred outflows of resources. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium.

9. Net Position/Fund Balance

District-Wide Statements

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

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

Governmental Fund Statements

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balance (Continued)

Governmental Fund Statements (Continued)

Restricted Fund Balance (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund Balance Policies

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

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

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Tuition Revenues and Expenditures

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district’s annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 31, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$299,417. The increase was funded by additional state aid appropriated, transfer of capital reserve, additional grant awards and the reappropriation of prior year general fund encumbrances.

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Capital Reserve

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

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

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

Balance July 1, 2017		\$ 3,578,407
Increased by:		
Unexpended Withdrawal Returned From Capital Projects Fund	\$ 67,555	
Deposit Approved by Board Resolution	<u>998,270</u>	
		<u>1,065,825</u>
		4,644,232
Withdrawals:		
Approved by Board Resolution - Transfer to Capital Projects Fund		<u>13,207</u>
Balance, June 30, 2018		<u>\$ 4,631,025</u>

The withdrawals from the capital reserve were for use in a department approved facilities project, consistent with the district’s Long Range Facilities Plan.

C. Maintenance Reserve

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

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

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve (Continued)

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

Balance July 1, 2017	\$ 424,335
Increased by:	
Deposit Approved by Board Resolution	<u>71,046</u>
Balance, June 30, 2018	<u>\$ 495,381</u>

The June 30, 2018 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$495,381

D. Emergency Reserve

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

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

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

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

E. Transfers to Capital Outlay

During the 2017/2018 school year, the district transferred \$9,082 to the equipment capital outlay accounts.

F. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$150,000. Of this amount, \$75,000 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$75,000 will be appropriated in the 2019/2020 original budget certified for taxes.

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

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

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2018, the book value of the Board's deposits were \$6,604,408 and bank and brokerage firm balances of the Board's deposits amounted to \$6,991,941. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ <u>6,991,941</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 the Board's bank balances of \$6,991,941 was not exposed to custodial credit risk.

Investments

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

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk – Investments – For an investment, this is the risk, that in the event of the failure of the counterparty, the Board will not be able to recover the value of its investments or collateral securities that are held by an outside party. The Board does not have a policy for custodial risk.

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

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

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

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

Investment and interest earnings in the Capital Projects Fund are assigned to the General Fund in accordance with Board policy.

B. Receivables

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

	<u>General Fund</u>
Receivables:	
Intergovernmental- State	\$ <u>17,846</u>
 Gross Receivables	 17,846
Less: Allowance for Uncollectibles	 <u> -</u>
Net Total Receivables	\$ <u>17,846</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

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

	Balance, <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	Balance, <u>June 30, 2018</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 52,316				\$ 52,316
Construction in progress	419,366	\$ 296,602	-	\$ (392,450)	323,518
Total capital assets, not being depreciated	<u>471,682</u>	<u>296,602</u>	<u>-</u>	<u>(392,450)</u>	<u>375,834</u>
Capital assets, being depreciated:					
Buildings and Building Improvements	16,553,154	450,052		392,450	17,395,656
Machinery and equipment	687,888	4,587	\$ (14,718)	-	677,757
Total capital assets being depreciated	<u>17,241,042</u>	<u>454,639</u>	<u>(14,718)</u>	<u>392,450</u>	<u>18,073,413</u>
Less accumulated depreciation for:					
Buildings and Building Improvements	(6,087,988)	(447,165)			(6,535,153)
Machinery and equipment	(604,367)	(29,275)	14,718	-	(618,924)
Total accumulated depreciation	<u>(6,692,355)</u>	<u>(476,440)</u>	<u>14,718</u>	<u>-</u>	<u>(7,154,077)</u>
Total capital assets, being depreciated, net	<u>10,548,687</u>	<u>(21,801)</u>	<u>-</u>	<u>392,450</u>	<u>10,919,336</u>
Government activities capital assets, net	<u>\$ 11,020,369</u>	<u>\$ 274,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,295,170</u>

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

Governmental activities:

Instruction		
Regular		\$ 8,312
Special		<u>1,460</u>
Total Instruction		<u>9,772</u>
Support Services		
Student and instruction Related Services		2,991
Operations and Maintenance of Plant		<u>463,677</u>
Total Support Services		<u>466,668</u>
Total Depreciation Expense-Governmental Activities		<u>\$ 476,440</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction and Other Significant Commitments

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

<u>Project</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Window Replacement at the Gould School	\$ 295,545	\$ <u>45,555</u>

D. Interfund Receivables, Payables, and Transfers

Interfund transfers

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total</u>
Transfer Out:			
General Fund		\$ 13,207	\$ 13,207
Capital Projects	\$ 67,555	-	67,555
Total Transfers Out	<u>\$ 67,555</u>	<u>\$ 13,207</u>	<u>\$ 80,762</u>

The transfer to the Capital Projects Fund of \$13,207 is the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund. Additionally, unused capital reserve proceeds of \$67,555 were returned from the Capital Projects Fund to the General Fund.

E. Long-Term Debt

General Obligation Bonds

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

Bonds payable at June 30, 2018 is comprised of the following issue:

\$6,775,000, 2011 Refunding Bonds, due in annual installments of \$515,000 to \$530,000 through February 15, 2023, interest at 3.00% to 5.00%	<u>\$2,630,000</u>
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**NORTH CALDWELL BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Long-Term Debt (Continued)

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

Governmental Activities:

Fiscal Year Ending <u>June 30,</u>	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 530,000	\$ 102,575	\$ 632,575
2020	530,000	81,375	611,375
2021	530,000	54,875	584,875
2022	525,000	38,975	563,975
2023	<u>515,000</u>	<u>20,600</u>	<u>535,600</u>
	<u>\$ 2,630,000</u>	<u>\$ 298,400</u>	<u>\$ 2,928,400</u>

Statutory Borrowing Power

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

2.5 % of Equalized Valuation Basis (Municipal)	\$ 43,918,603
Less: Net Debt	<u>2,630,000</u>
Remaining Borrowing Power	<u>\$ 41,288,603</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 3,165,000		\$ 535,000	\$ 2,630,000	\$ 530,000
Add: Unamortized Premium	89,560	-	24,470	65,090	-
	<u>3,254,560</u>	<u>-</u>	<u>559,470</u>	<u>2,695,090</u>	<u>530,000</u>
Compensated Absences	165,631	\$ 33,122	8,598	190,155	
Net Pension Liability	<u>4,893,073</u>	<u>-</u>	<u>989,540</u>	<u>3,903,533</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 8,313,264</u>	<u>\$ 33,122</u>	<u>\$ 1,557,608</u>	<u>\$ 6,788,778</u>	<u>\$ 530,000</u>

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The District is a member of the NJ Schools Insurance Group (NJSIG or the "Group") and Morris Essex Insurance Group (MEIG or the "Group"). The Groups are a risk sharing public entity pool, established for the purpose of insuring against various risks.

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

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

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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

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

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

Fiscal Year Ended <u>June 30,</u>	District <u>Contributions</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2018	\$ 70,000	\$ 20,976	\$ 9,416	\$ 477,913
2017	70,000	20,652	14,372	391,226
2016	70,000	19,323	17,285	313,734

B. Contingent Liabilities

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

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

C. Federal Arbitrage Regulations

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

Plan Descriptions and Benefits Provided

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

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

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

The following represents the membership tiers for PERS:

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

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

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

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.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

The following represent the membership tiers for TPAF:

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

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

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

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

Other Pension Funds

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

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Plan Amendments

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

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

Funding Status and Funding Progress

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress (Continued)

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

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

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 155,346	\$ 727,253	\$ 786
2017	146,771	544,216	1,435
2016	146,360	368,050	1,523

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$2,158 and \$814, respectively for PERS and the State contributed \$904 and \$1,206, respectively for TPAF for Long Term Disability Insurance Premium (LTDI).

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

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$359,268 during the fiscal year ended June 30, 2018 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24 85.

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

Public Employees Retirement System (PERS)

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

At June 30, 2018, the District reported in the statement of net position (accrual basis) a liability of \$3,903,533 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2017, the District’s proportionate share was .01676 percent, which was an increase of .00024 percent from its proportionate share measured as of June 30, 2016 of .01652 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$322,413 for PERS. The pension contribution made by the District during the current 2017/2018 fiscal year is the contribution that is applied to the net pension liability reported at the end of the current fiscal year of June 30, 2018 with a measurement date of the prior fiscal year end of June 30, 2017. Since the State of New Jersey applies the current year pension contribution towards the calculation of the net pension liability reported at the end of the current fiscal year, which has a measurement date of the preceding fiscal year end, there is no deferred outflows of resources reported as of June 30, 2018 for contributions made subsequent to the current fiscal year end. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 91,915	
Changes of Assumptions	786,427	\$ 783,544
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	26,580	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>215,175</u>	<u>98,026</u>
Total	<u>\$ 1,120,097</u>	<u>\$ 881,570</u>

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

<u>Year Ending June 30,</u>	<u>Total</u>
2019	\$ 133,736
2020	176,013
2021	115,238
2022	(111,145)
2023	(75,315)
Thereafter	<u>-</u>
	<u>\$ 238,527</u>

Actuarial Assumptions

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

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

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

Discount Rate

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

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

Municipal Bond Rate * From July 1, 2040
and Thereafter

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 4,842,598</u>	<u>\$ 3,903,533</u>	<u>\$ 3,121,176</u>

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

Pension Plan Fiduciary Net Position

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

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

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

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

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$2,259,864 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State's proportionate share of the net pension liability attributable to the District is \$32,621,675. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2017. At June 30, 2017, the state's share of the net pension liability attributable to the District was .04838 percent, which was an increase of .00241 percent from its proportionate share measured as of June 30, 2016 of .04597 percent.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions

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

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

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

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

Period of Projected Benefit

Payments for which the Following
 Rates were Applied:

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 38,755,573</u>	<u>\$ 32,621,675</u>	<u>\$ 27,568,543</u>

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

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

E. Post-Retirement Medical Benefits

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

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

Plan Description and Benefits Provided

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

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

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

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Funded Status and Funding Progress

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

Post-Retirement Medical Benefits Contributions

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

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

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions, as a nonemployer contributing entity, to the State Health Benefits Program Fund – Local Education Retired for retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2018, 2017 and 2016 were \$469,717, \$453,455 and \$438,246, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund – Local Education Retired for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey. The on-behalf OPEB contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 85.

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

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

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

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) OPEB expense of \$1,630,079. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 85.

At June 30, 2018 the State’s proportionate share of the OPEB liability attributable to the District is \$23,230,752. The nonemployer allocation percentages are based on the ratio of the State’s proportionate share of the OPEB liability attributable to the District at June 30, 2017 to the total OPEB liability of the State Health Benefit Program Fund – Local Education Retired Employees Plan at June 30, 2017. At June 30, 2017, the state’s share of the OPEB liability attributable to the District was .04331 percent, which was an increase of .00004 percent from its proportionate share measured as of June 30, 2016 of .04327 percent.

Actuarial Assumptions

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Actuarial Assumptions (Continued)

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Changes in the Total OPEB Liability

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

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ 25,023,202
Changes Recognized for the Fiscal Year:	
Service Cost	1,216,459
Interest on the Total OPEB Liability	735,330
Changes of Assumptions	(3,069,118)
Gross Benefit Payments	(700,931)
Contributions from the Member	25,810
Net Changes	<u>(1,792,450)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>23,230,752</u>

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

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

Sensitivity of OPEB Liability

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

	1% Decrease <u>(2.58%)</u>	Current Discount Rate <u>(3.58%)</u>	1% Increase <u>(4.58%)</u>
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ <u>27,576,579</u>	\$ <u>23,230,752</u>	\$ <u>19,783,601</u>

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Sensitivity of OPEB Liability (Continued)

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

	<u>1%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ 19,105,048	\$ 23,230,752	\$ 28,709,639

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

F. Tax Abatements

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

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

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**NORTH CALDWELL BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget to Actual
REVENUES					
Local Sources					
Local Tax Levy	\$ 12,292,153		\$ 12,292,153	\$ 12,292,153	
Tuition from Individuals	64,800		64,800	105,600	\$ 40,800
Rents and Royalties	8,850		8,850	10,220	1,370
Miscellaneous	13,000	-	13,000	113,291	100,291
Total Local Sources	12,378,803	-	12,378,803	12,521,264	142,461
State Sources					
Special Education Aid	88,313	\$ 38,786	127,099	127,099	
Transportation Aid	84,466		84,466	84,466	
Security Aid	48,882		48,882	48,882	
Additional Adjustment Aid	1		1	1	
PARCC Readiness Aid	6,540		6,540	6,540	
Per Pupil Growth Aid	6,540		6,540	6,540	
Professional Learning Community Aid	6,430		6,430	6,430	
Extraordinary Aid	100,000		100,000	339,248	239,248
Lead Testing for Schools Aid				2,385	2,385
TPAF Pension- On-Behalf Post Retirement Medical Contribution (Non Budgeted)				469,717	469,717
TPAF Pension - On-Behalf Normal Costs (Non Budgeted)				710,023	710,023
TPAF Pension - On-Behalf NCGI Premium (Non Budgeted)				17,230	17,230
TPAF Pension - On-Behalf Long-Term Disability Insurance (Non Budgeted)				904	904
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	359,268	359,268
Total State Sources	341,172	38,786	379,958	2,178,733	1,798,775
Total Revenues	12,719,975	38,786	12,758,761	14,699,997	1,941,236
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	292,224	(5,000)	287,224	280,357	6,867
Grades 1-5	2,534,332	(30,340)	2,503,992	2,487,714	16,278
Grades 6-8	351,133	18,140	369,273	365,242	4,031
Regular Program - Home Instruction					
Salaries of Teachers	1,950		1,950	400	1,550
Regular Programs - Undistributed Instruction					
Other Purchased Services	183,800	25,411	209,211	205,102	4,109
General Supplies	204,780	214,326	419,106	310,109	108,997
Textbooks	190,000	(108,000)	82,000	70,436	11,564
Other Objects	7,500	(4,500)	3,000	-	3,000
Total Regular Programs	3,765,719	110,037	3,875,756	3,719,360	156,396
Resource Room					
Salaries of Teachers	1,090,178	600	1,090,778	1,055,501	35,277
Other Salaries for Instruction	529,589	17,800	547,389	495,268	52,121
General Supplies	7,000	-	7,000	4,439	2,561
Total Resource Room	1,626,767	18,400	1,645,167	1,555,208	89,959
Preschool Disabilities - Part-Time					
Salaries of Teachers	164,326	(1,200)	163,126	162,598	528
General Supplies	560	-	560	-	560
Total Preschool Disabilities - Part-Time	164,886	(1,200)	163,686	162,598	1,088

**NORTH CALDWELL BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Home Instruction					
Salaries of Teachers	\$ 9,500		\$ 9,500	\$ 707	\$ 8,793
Purchased Professional-Educational Services	-	\$ 10,650	10,650	-	10,650
Total Home Instruction	9,500	10,650	20,150	707	19,443
Total Special Education	1,801,153	27,850	1,829,003	1,718,513	110,490
Total Instruction	5,566,872	137,887	5,704,759	5,437,873	266,886
Undistributed Expenditures					
Instruction					
Tuition to Priv. Sch. For the Disabled W/ State	119,400	64,800	184,200	154,183	30,017
Total Undistributed Expenditures - Instruction	119,400	64,800	184,200	154,183	30,017
Health Services					
Salaries	161,992	(18,000)	143,992	141,576	2,416
Other Purchased Services	100		100		100
Supplies and Materials	1,760	1,450	3,210	2,241	969
Total Health Services	163,852	(16,550)	147,302	143,817	3,485
Other Support Serv. Students OT, PT and Related Serv.					
Salaries	211,333	2,000	213,333	211,827	1,506
Purchased Professional-Educational Services	282,000	8,000	290,000	269,213	20,787
Supplies and Materials	5,000	-	5,000	2,299	2,701
Total Other Support Serv. Students OT, PT and Related Serv.	498,333	10,000	508,333	483,339	24,994
Other Support Serv. Students - Extra. Svcs.					
Purchased Professional-Educational Services	72,941	103,786	176,727	164,278	12,449
Total Other Support Serv. Students - Extra Serv.	72,941	103,786	176,727	164,278	12,449
Child Study Team					
Salaries of Other Professional Staff	298,240	(10,090)	288,150	276,144	12,006
Salaries of Secretarial and Clerical Assistants	46,240		46,240	42,287	3,953
Other Salaries	60,000	(29,350)	30,650		30,650
Purchased Professional - Educational Services	15,800		15,800	9,507	6,293
Other Purchased Professional and Technical Services	18,000		18,000	16,550	1,450
Misc Purchased Services	1,750		1,750		1,750
Supplies and Materials	18,500	2,156	20,656	18,278	2,378
Other Objects	1,000	-	1,000	200	800
Total Child Study Team	459,530	(37,284)	422,246	362,966	59,280

**NORTH CALDWELL BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Improvement of Instructional Services					
Salaries of Other Professional Staff	\$ 3,000	\$ (500)	\$ 2,500	-	\$ 2,500
Purchased Professional - Educational Services	-	4,000	4,000	\$ 2,100	1,900
Total Improvement of Instructional Services	3,000	3,500	6,500	2,100	4,400
Educational Media Services/School Library					
Salaries	106,311	(1,500)	104,811	94,921	9,890
Salaries of Technology Coordinators	19,000	3,000	22,000	22,000	-
Supplies and Materials	6,000	6,695	12,695	7,434	5,261
Total Educational Media Serv./School Library	131,311	8,195	139,506	124,355	15,151
Staff Training Services					
Purchased Professional-Educational Services	31,500	-	31,500	17,877	13,623
Other Purchased Services	2,450	-	2,450	215	2,235
Total Staff Training Services	33,950	-	33,950	18,092	15,858
Support Services General Administration					
Salaries	241,339	3,100	244,439	225,568	18,871
Legal Services	47,500	5,000	52,500	49,633	2,867
Audit Fees	26,500	-	26,500	22,978	3,522
Architectural/Engineering Services	35,000	32,000	67,000	48,754	18,246
Other Purchased Professional Services	15,000	(7,500)	7,500	4,355	3,145
Communications/Telephone	36,750	(11,000)	25,750	14,329	11,421
BOE Other Purchased Services	3,000	-	3,000	-	3,000
Miscellaneous Purchased Services	4,500	3,000	7,500	5,104	2,396
General Supplies	6,500	-	6,500	4,745	1,755
BOE In-House Training/Meeting Supplies	1,000	-	1,000	911	89
Miscellaneous Expenditures	5,000	(3,000)	2,000	-	2,000
BOE Membership Dues and Fees	13,650	-	13,650	10,190	3,460
Total Support Services General Administration	435,739	21,600	457,339	386,567	70,772
Support Services School Administration					
Salaries of Principal/Asst. Principals/Prog. Dir.	270,600	200	270,800	259,250	11,550
Salaries of Other Professional Staff	7,500	8,690	16,190	15,585	605
Salaries of Secretarial and Clerical Assistants	85,317	3,200	88,517	87,726	791
Purchased Professional and Technical Services	8,000	(5,000)	3,000	-	3,000
Other Purchased Services	2,000	-	2,000	-	2,000
Supplies and Materials	5,400	2,000	7,400	3,229	4,171
Other Objects	3,000	(2,000)	1,000	-	1,000
Total Support Services School Administration	381,817	7,090	388,907	365,790	23,117

**NORTH CALDWELL BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Central Services					
Salaries	\$ 241,097	\$ 4,000	\$ 245,097	\$ 244,515	\$ 582
Purchased Technical Services	19,000	2,000	21,000	8,541	12,459
Miscellaneous Purchased Services	2,800	1,000	3,800	3,766	34
Supplies and Materials	4,500		4,500	1,090	3,410
Miscellaneous Expenditures	2,000	-	2,000	445	1,555
Total Central Services	269,397	7,000	276,397	258,357	18,040
Administrative Information Technology					
Salaries	48,500		48,500	43,000	5,500
Purchased Technical Services	17,500	1,500	19,000	6,490	12,510
Total Administrative Information Technology	66,000	1,500	67,500	49,490	18,010
Required Maintenance for School Facilities					
Salaries	64,608		64,608	61,450	3,158
Cleaning, Repair and Maintenance Services	290,000	(20,045)	269,955	238,493	31,462
General Supplies	45,500	72,144	117,644	110,381	7,263
Other Objects	4,000	(125)	3,875	719	3,156
Misc Expenditures	-	125	125	125	-
Total Required Maintenance for School Facilities	404,108	52,099	456,207	411,168	45,039
Custodial Services					
Salaries	476,381	10,950	487,331	482,427	4,904
Cleaning, Repair and Maint. Serv.	23,000	(5,000)	18,000	6,868	11,132
Other Purchased Property Services	16,000		16,000	9,536	6,464
Insurance	71,500		71,500	70,003	1,497
Miscellaneous Purchased Services	2,750		2,750	1,710	1,040
General Supplies	25,680	(17,900)	7,780		7,780
Energy (Natural Gas)	92,000	(46,800)	45,200	27,066	18,134
Energy (Electricity)	182,000	(46,637)	135,363	98,589	36,774
Energy (Gasoline)	5,700	-	5,700	2,913	2,787
Total Custodial Services	895,011	(105,387)	789,624	699,112	90,512
Security					
Salaries	4,000		4,000		4,000
Other Objects	1,500	169,095	170,595	158,575	12,020
Total Security	5,500	169,095	174,595	158,575	16,020
Student Transportation Services					
Salaries for Pupil Transportation					
(Between Home and School) - Regular	13,660		13,660	8,516	5,144
Other Purchased Prof. and Technical Serv.	17,000	5,800	22,800	10,800	12,000
Contracted Services (Aid In Lieu of Payment for Non-public)	34,000		34,000	24,000	10,000
Contracted Services (Bet. Home and Sch) - Vendors	277,250	(114,735)	162,515	132,117	30,398
Contracted Services (Other than Between Home and School) - Vendors	7,000	6,235	13,235	10,682	2,553
Contracted Services (Spl. Ed. Students) - Joint Agnts.	242,000	(46,000)	196,000	119,476	76,524
Total Student Transportation Services	590,910	(148,700)	442,210	305,591	136,619
Unallocated Benefits - Employee Benefits					
Social Security Contributions	169,000		169,000	153,549	15,451
Other Retirement Contributions - PERS	174,200	13,300	187,500	180,713	6,787
Other Retirement Contributions - Regular		6,700	6,700	786	5,914
Unemployment Compensation	70,000		70,000	70,000	
Workmen's Compensation	79,000		79,000	71,170	7,830
Health Benefits	2,263,901	(106,245)	2,157,656	2,022,262	135,394
Tuition Reimbursement	40,000		40,000	22,511	17,489
Other Employee Benefits	12,000		12,000	11,479	521
Unused Sick Payment to Terminated / Retired Staff	18,000	6,650	24,650	24,650	-
Total Unallocated Benefits - Employee Benefits	2,826,101	(79,595)	2,746,506	2,557,120	189,386

**NORTH CALDWELL BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

EXPENDITURES	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final To Actual
CURRENT EXPENDITURES (Continued)					
TPAF Pension- On-Behalf Post Retirement Medical Contribution (Non Budgeted)				\$ 469,717	\$ (469,717)
TPAF Pension - On-Behalf Normal Costs (Non Budgeted)				710,023	(710,023)
TPAF Pension - On-Behalf NCGI Premium (Non Budgeted)				17,230	(17,230)
TPAF Pension - On-Behalf Long-Term Disability Insurance (Non Budgeted)				904	(904)
TPAF Social Security Contributions (Non-Budgeted)	-	-	-	359,268	(359,268)
Total Undistributed Expenditures	\$ 7,356,900	\$ 61,149	\$ 7,418,049	8,202,042	(783,993)
Total Expenditures - Current Expenditures	12,923,772	199,036	13,122,808	13,639,915	(517,107)
Capital Outlay					
Equipment					
Undistributed Expenditures - Operation & Maint.	-	9,082	9,082	4,587	4,495
Total Equipment	-	9,082	9,082	4,587	4,495
Facilities Acquisition and Construction Serv.					
Construction Services		2,411	2,411		2,411
Assessment Debt Service on SDA Funding	11,389	-	11,389	11,389	-
Total Facilities Acquisition and Constr. Services	11,389	2,411	13,800	11,389	2,411
Total Capital Outlay	11,389	11,493	22,882	15,976	6,906
Total Expenditures	12,935,161	210,529	13,145,690	13,655,891	(510,201)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(215,186)	(171,743)	(386,929)	1,044,106	1,431,035
Other Financing Sources					
Transfers In				67,555	67,555
Transfers Out	-	(13,207)	(13,207)	(13,207)	-
Total Other Financing Sources	-	(13,207)	(13,207)	54,348	67,555
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources	(215,186)	(184,950)	(400,136)	1,098,454	1,498,590
Fund Balance, Beginning of Year	5,172,429	-	5,172,429	5,172,429	-
Fund Balance, End of Year	\$ 4,957,243	\$ (184,950)	\$ 4,772,293	\$ 6,270,883	\$ 1,498,590
Recapitulation of Fund Balance					
Restricted:					
Capital Reserve Account				\$ 4,631,025	
Emergency Reserve				250,000	
Maintenance Reserve				495,381	
Excess Surplus - Designated for Subsequent Years Expenditures				75,000	
Excess Surplus				75,000	
Committed					
Year End Encumbrances				13,764	
Assigned					
Designated for Subsequent Year's Expenditures				207,758	
Year End Encumbrances				33,707	
Unassigned				489,248	
Reconciliation to Governmental Funds Statements (GAAP):				6,270,883	
Less: State Aid Payments Not Recognized on GAAP Basis				(366,113)	
Fund Balance Per Governmental Funds (GAAP)				\$ 5,904,770	

**NORTH CALDWELL BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Modified Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Intergovernmental Federal	\$ 171,402	\$ 75,681	\$ 247,083	\$ 247,083	-
Total Revenues	<u>171,402</u>	<u>75,681</u>	<u>247,083</u>	<u>247,083</u>	<u>-</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	40,993	19,690	60,683	60,683	-
Purchased Professional/Technical Services		12,764	12,764	12,764	-
Tuition	125,530	(35,530)	90,000	90,000	-
General Supplies	-	18,301	18,301	18,301	-
Total Instruction	<u>166,523</u>	<u>15,225</u>	<u>181,748</u>	<u>181,748</u>	<u>-</u>
Support Services					
Personnel Services - Employee Benefits		4,402	4,402	4,402	-
Purchased Professional/Technical Services	4,879	11,720	16,599	16,599	-
Other Purchased Services	-	44,334	44,334	44,334	-
Total Support Services	<u>4,879</u>	<u>60,456</u>	<u>65,335</u>	<u>65,335</u>	<u>-</u>
Total Expenditures	<u>171,402</u>	<u>75,681</u>	<u>247,083</u>	<u>247,083</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**NORTH CALDWELL BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

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

	General Fund		Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 14,699,997	(C-2)	\$ 247,083
Difference - Budget to GAAP:			
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (prior year)	330,739		
State Aid payments recognized for budgetary purposes, not recognized for GAAP statements (current year)	<u>(366,113)</u>		<u>-</u>
 Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	 (B-2) \$ <u>14,664,623</u>		 \$ <u>247,083</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ <u>13,655,891</u>	(C-2)	\$ <u>247,083</u>
 Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	 (B-2) \$ <u>13,655,891</u>		 \$ <u>247,083</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION

AND

OTHER POST-EMPLOYMENT BENEFITS INFORMATION

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

**PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Five Fiscal Years ***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.01676 %	0.01652 %	0.01702 %	0.01515 %	0.01562 %
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 3,903,533</u>	<u>\$ 4,893,073</u>	<u>\$ 3,821,527</u>	<u>\$ 2,837,575</u>	<u>\$ 2,986,345</u>
District's Covered-Employee Payroll	<u>\$ 1,371,792</u>	<u>\$ 1,118,665</u>	<u>\$ 1,119,602</u>	<u>\$ 1,189,503</u>	<u>\$ 1,054,265</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	285%	437%	341%	239%	283%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	52.08%	48.72%

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

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

**NORTH CALDWELL BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 155,346	\$ 146,771	\$ 146,360	\$ 124,942	\$ 117,735
Contributions in Relation to the Contractually Required Contributions	<u>155,346</u>	<u>146,771</u>	<u>146,360</u>	<u>124,942</u>	<u>117,735</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 1,371,792</u>	<u>\$ 1,118,665</u>	<u>\$ 1,119,602</u>	<u>\$ 1,189,503</u>	<u>\$ 1,054,265</u>
Contributions as a Percentage of Covered-Employee Payroll	11.32%	13.12%	13.07%	10.50%	11.17%

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

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

**TEACHERS PENSION AND ANNUITY FUND
Last Five Fiscal Years ***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	- %	- %	- %	- %	- %
District's Proportionate Share of the Net Pension Liability (Asset)	-	-	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	\$ <u>32,621,675</u>	\$ <u>36,162,558</u>	\$ <u>31,438,079</u>	\$ <u>24,654,605</u>	\$ <u>22,989,850</u>
Total	\$ <u>32,621,675</u>	\$ <u>36,162,558</u>	\$ <u>31,438,079</u>	\$ <u>24,654,605</u>	\$ <u>22,989,850</u>
District's Covered-Employee Payroll	\$ <u>4,897,352</u>	\$ <u>5,004,262</u>	\$ <u>5,000,409</u>	\$ <u>4,873,882</u>	\$ <u>4,746,510</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

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

Change of Benefit Terms: None.

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

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

POSTEMPLOYMENT HEALTH BENEFIT PLAN

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 1,216,459
Interest on Total OPEB Liability	735,330
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(3,069,118)
Gross Benefit Payments	(700,931)
Contribution from the Member	<u>25,810</u>
Net Change in Total OPEB Liability	(1,792,450)
Total OPEB Liability - Beginning	<u>25,023,202</u>
Total OPEB Liability - Ending	<u>\$ 23,230,752</u>
District's Proportionate Share of OPEB Liability	\$0
State's Proportionate Share of OPEB Liability	<u>23,230,752</u>
Total OPEB Liability - Ending	<u><u>\$ 23,230,752</u></u>
District's Covered-Employee Payroll	<u>\$ 6,269,144</u>
District's Proportionate Share of the Total OPEB Liability as a Percentage of its Covered-Employee Payroll	0%

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

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

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

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

Changes in Benefit Terms:

None.

Changes of Assumptions

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

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

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

	<u>NCLB Title I</u>	<u>NCLB Title II A</u>	<u>NCLB Title IV</u>	<u>IDEA Part B Basic</u>	<u>IDEA Part B Preschool</u>	<u>Total</u>
REVENUES						
Intergovernmental Federal	\$ 72,359	\$ 16,599	\$ 10,000	\$ 141,098	\$ 7,027	\$ 247,083
Total Revenues	<u>\$ 72,359</u>	<u>\$ 16,599</u>	<u>\$ 10,000</u>	<u>\$ 141,098</u>	<u>\$ 7,027</u>	<u>\$ 247,083</u>
EXPENDITURES						
Instruction						
Salaries of Teachers	\$ 60,683					\$ 60,683
Purchased Professional/Technical Services				\$ 6,764	\$ 6,000	12,764
Tuition				90,000		90,000
General Supplies	<u>7,274</u>	<u>-</u>	<u>\$ 10,000</u>	<u>-</u>	<u>1,027</u>	<u>18,301</u>
Total Instruction	<u>67,957</u>	<u>-</u>	<u>10,000</u>	<u>96,764</u>	<u>7,027</u>	<u>181,748</u>
Support Services						
Personnel Services - Employee Benefits	4,402					4,402
Purchased Professional/Technical Services		\$ 16,599				16,599
Other Purchased Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,334</u>	<u>-</u>	<u>44,334</u>
Total Support Services	<u>4,402</u>	<u>16,599</u>	<u>-</u>	<u>44,334</u>	<u>-</u>	<u>65,335</u>
Total Expenditures	<u>\$ 72,359</u>	<u>\$ 16,599</u>	<u>\$ 10,000</u>	<u>\$ 141,098</u>	<u>\$ 7,027</u>	<u>\$ 247,083</u>

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

NOT APPLICABLE

CAPITAL PROJECTS FUND

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

<u>Issue/Project Title</u>	<u>Original Amount Authorized</u>	<u>Amended Authorization</u>	<u>Expenditures to Date</u>		<u>Cancellations</u>	<u>Balance, June 30, 2018</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Gould Mountain Elementary School Art Room Renovations	\$ 370,500	\$ 370,500	\$ 293,930	\$ 26,324	\$ 50,246	
Gould Mountain Elementary School Windows and Doors Replacement	386,000	413,740	26,916	296,602		\$ 90,222
Gould Mountain Elementary School Music Room Renovation	60,000	539,557	98,520	423,728	17,309	-
	<u>\$ 816,500</u>	<u>\$ 1,323,797</u>	<u>\$ 419,366</u>	<u>\$ 746,654</u>	<u>\$ 67,555</u>	<u>\$ 90,222</u>

Analysis of Balance

Year End Encumbrances	\$ 46,458
Available for Capital Projects	<u>43,764</u>
	<u>\$ 90,222</u>

Analysis of Appropriations

Gould Mountain Elementary School Art Room Renovations	Capital Reserve	<u>\$ 370,500</u>
Gould Mountain Elementary School Windows and Doors Replacement	Capital Reserve	<u>\$ 413,740</u>
Gould Mountain Elementary School Music Room Renovation	Capital Reserve	<u>\$ 539,557</u>
Total Amended Authorizations		<u>\$ 1,323,797</u>

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

Revenues and Other Financing Sources	
Transfer from Capital Reserve	\$ 13,207
Total Revenues and Other Financing Sources	<u>13,207</u>
Expenditures and Other Financing Uses	
Professional Services	17,778
Construction Services	728,876
Transfers to General Fund - Capital Reserve	<u>67,555</u>
Total Expenditures and Other Financing Uses	<u>814,209</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(801,002)
Fund Balance - Beginning of Year	<u>891,224</u>
Fund Balance- End of Year	<u>\$ 90,222</u>
<u>Reconciliation to GAAP</u>	
Fund Balance - Budgetary	<u>\$ 90,222</u>
Fund Balance - GAAP	<u>\$ 90,222</u>

NORTH CALDWELL BOARD OF EDUCATION
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
 GOULD MOUNTAIN ELEMENTARY SCHOOL
 ART ROOM RENOVATIONS
 FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Capital Reserve	\$ 370,500	-	\$ 370,500	\$ 370,500
Total Revenues	<u>370,500</u>	<u>-</u>	<u>370,500</u>	<u>370,500</u>
EXPENDITURES AND OTHER FINANCING USES				
Professional Services	61,921		61,921	70,500
Construction Services	232,009	\$ 26,324	258,333	300,000
Transfers to General Fund - Capital Reserve	<u>-</u>	<u>50,246</u>	<u>50,246</u>	<u>-</u>
Total Expenditures and Other Financing Uses	<u>293,930</u>	<u>76,570</u>	<u>370,500</u>	<u>370,500</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ 76,570</u>	<u>\$ (76,570)</u>	<u>\$ -</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	N/A			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 370,500			
Additional Authorized Cost	-			
Revised Authorized Cost	\$ 370,500			
Percentage Increase Over Original				
Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/2016			
Completion Date	8/31/2017			

**NORTH CALDWELL BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
GOULD MOUNTAIN ELEMENTARY SCHOOL
WINDOWS AND DOORS REPLACEMENT PROJECT
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Capital Reserve	\$ 413,740	-	\$ 413,740	\$ 413,740
Total Revenues	<u>413,740</u>	<u>-</u>	<u>413,740</u>	<u>413,740</u>
EXPENDITURES AND OTHER FINANCING USES				
Professional Services	26,916	\$ 1,057	27,973	67,640
Construction Services	<u>-</u>	<u>295,545</u>	<u>295,545</u>	<u>346,100</u>
Total Expenditures and Other Financing Uses	<u>26,916</u>	<u>296,602</u>	<u>323,518</u>	<u>413,740</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ 386,824</u>	<u>\$ (296,602)</u>	<u>\$ 90,222</u>	<u>\$ -</u>

Additional Project Information:

Project Number	SP# 3636-050-16-1000
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 386,000
Additional Authorized Cost	27,740
Revised Authorized Cost	\$ 413,740

Percentage Increase Over Original

Authorized Cost	7.19%
Percentage Completion	78.19%
Original Target Completion Date	8/31/2017
Estimated Completion Date	6/30/2019

**NORTH CALDWELL BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
GOULD MOUNTAIN ELEMENTARY SCHOOL
MUSIC ROOM RENOVATION
FROM INCEPTION THROUGH THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Capital Reserve	\$ 526,350	\$ 13,207	\$ 539,557	\$ 539,557
Total Revenues	<u>526,350</u>	<u>13,207</u>	<u>539,557</u>	<u>539,557</u>
EXPENDITURES AND OTHER FINANCING USES				
Professional Services	51,220	16,721	67,941	67,500
Construction Services	47,300	407,007	454,307	472,057
Transfers to General Fund - Capital Reserve	-	17,309	17,309	-
Total Expenditures and Other Financing Uses	<u>98,520</u>	<u>441,037</u>	<u>539,557</u>	<u>539,557</u>
Excess (deficiency) of Revenues over (under) Expenditures	<u>\$ 427,830</u>	<u>\$ (427,830)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 60,000
Additional Authorized Cost	466,350
Revised Authorized Cost	\$ 526,350

Percentage Increase Over Original

Authorized Cost	777.25%
Percentage Completion	100.00%
Original Target Completion Date	9/30/2017
Estimated Completion Date	12/31/2017

ENTERPRISE FUND

NOT APPLICABLE

FIDUCIARY FUNDS

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

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 15,378	\$ 44,998	\$ 60,376
Total Assets	<u>\$ 15,378</u>	<u>\$ 44,998</u>	<u>\$ 60,376</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 38,448	\$ 38,448
Accrued Salaries and Wages		6,550	6,550
Due to Student Groups	<u>\$ 15,378</u>	<u>-</u>	<u>15,378</u>
Total Liabilities	<u>\$ 15,378</u>	<u>\$ 44,998</u>	<u>\$ 60,376</u>

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

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

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

	<u>Balance, July 1, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2018</u>
Elementary Schools				
General Organization	\$ 16,073	\$ 62,711	\$ 63,406	\$ 15,378
 Total All Schools	<u>\$ 16,073</u>	<u>\$ 62,711</u>	<u>\$ 63,406</u>	<u>\$ 15,378</u>

NORTH CALDWELL BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Balance, July 1, <u>2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2018</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 38,242	\$ 3,756,790	\$ 3,756,584	\$ 38,448
Accrued Salaries and Wages	6,459	4,160,780	4,160,689	6,550
Due to Other Funds	559	1,764	2,323	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 45,260	\$ 7,919,334	\$ 7,919,596	\$ 44,998

LONG-TERM DEBT

NORTH CALDWELL BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
2011 Refunding Bonds	11/23/2010	\$ 6,775,000	2/15/19-21	\$ 530,000	3.00-5.00%			
			2/15/22	525,000	3.50%			
			2/15/23	515,000	4.00%	\$ 3,165,000	\$ 535,000	\$ 2,630,000
						\$ 3,165,000	\$ 535,000	\$ 2,630,000

**NORTH CALDWELL BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF INTERGOVERNMENTAL LOANS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

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

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 658,975	-	\$ 658,975	\$ 658,975	-
Total Revenues	<u>658,975</u>	<u>-</u>	<u>658,975</u>	<u>658,975</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	535,000		535,000	535,000	
Interest	<u>123,975</u>	-	<u>123,975</u>	<u>123,975</u>	-
Total Expenditures	<u>658,975</u>	<u>-</u>	<u>658,975</u>	<u>658,975</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	<u>1</u>	\$ -	<u>1</u>	<u>1</u>	\$ -
Fund Balance, End of Year	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>
<u>Recapitulation of Balance</u>					
Available for Subsequent Years Expenditures				<u>\$ 1</u>	

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

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

J-6 to J-9

Debt Capacity

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

J-10 to J-13

Demographic and Economic Information

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

J-14 and J-15

Operating Information

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

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

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

	Fiscal Years Ended June 30,									
	2009	2010	2011	2012 (Restated)	2013	2014 (Restated)	2015	2016	2017	2018
Governmental activities										
Net Investment in Capital Assets	\$ 3,105,038	\$ 3,400,736	\$ 3,778,953	\$ 4,410,489	\$ 5,213,326	\$ 5,671,835	\$ 6,722,207	\$ 7,574,416	\$ 7,847,727	\$ 8,659,616
Restricted	25,027	250,026	1,136,761	1,493,259	1,792,969	2,613,231	2,911,650	3,645,729	4,893,967	5,216,629
Unrestricted	227,234	676,351	772,572	878,227	865,173	(2,207,520)	(2,225,655)	(2,483,334)	(2,871,113)	(3,115,263)
Total governmental activities net position	<u>\$ 3,357,299</u>	<u>\$ 4,327,113</u>	<u>\$ 5,688,286</u>	<u>\$ 6,781,975</u>	<u>\$ 7,871,468</u>	<u>\$ 6,077,546</u>	<u>\$ 7,408,202</u>	<u>\$ 8,736,811</u>	<u>\$ 9,870,581</u>	<u>\$ 10,760,982</u>
Business-type activities										
Net Investment in Capital Assets										
Unrestricted	\$ 1,745	\$ 3,417	\$ 4,190	\$ 6,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total business-type activities net position	<u>\$ 1,745</u>	<u>\$ 3,417</u>	<u>\$ 4,190</u>	<u>\$ 6,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District-wide										
Net Investment in Capital Assets	\$ 3,105,038	\$ 3,400,736	\$ 3,778,953	\$ 4,410,489	\$ 5,213,326	\$ 5,671,835	\$ 6,722,207	\$ 7,574,416	\$ 7,847,727	\$ 8,659,616
Restricted	25,027	250,026	1,136,761	1,493,259	1,792,969	2,613,231	2,911,650	3,645,729	4,893,967	5,216,629
Unrestricted	228,979	679,768	776,762	884,367	865,173	(2,207,520)	(2,225,655)	(2,483,334)	(2,871,113)	(3,115,263)
Total district net position	<u>\$ 3,359,044</u>	<u>\$ 4,330,530</u>	<u>\$ 5,692,476</u>	<u>\$ 6,788,115</u>	<u>\$ 7,871,468</u>	<u>\$ 6,077,546</u>	<u>\$ 7,408,202</u>	<u>\$ 8,736,811</u>	<u>\$ 9,870,581</u>	<u>\$ 10,760,982</u>

8 Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

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

	Fiscal Years Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities										
Instruction										
Regular	\$ 4,550,029	\$ 4,152,390	\$ 4,289,215	\$ 4,665,844	\$ 5,137,691	\$ 5,048,885	\$ 5,928,526	\$ 6,400,167	\$ 6,831,927	\$ 7,195,869
Special education	2,034,648	2,623,927	2,575,559	2,635,320	2,452,885	2,660,109	2,791,052	3,013,675	3,340,876	3,659,890
School Sponsored Activities and Athletics	942	980	3,499							
Support Services:										
Student & instruction related services	1,259,091	1,318,848	1,270,964	1,282,616	1,377,549	1,255,231	1,344,614	1,384,965	1,612,114	1,946,351
General Administration services	392,709	398,452	379,141	472,601	468,082	413,956	510,496	498,143	517,113	673,858
School Administration services	454,043	483,494	428,637	450,189	473,613	461,265	538,293	602,783	659,602	721,456
Business / Central services	250,952	267,187	311,545	379,285	370,911	395,027	464,724	509,856	604,297	618,296
Plant operations and maintenance	1,491,578	1,512,247	1,323,531	1,410,664	1,673,716	1,572,511	1,690,895	1,834,989	1,885,508	2,131,828
Pupil transportation	587,573	603,845	474,117	433,407	406,809	433,571	404,134	397,334	263,856	311,843
Special Schools	19,793	8,246								
Interest on long-term debt	379,583	345,182	173,274	230,728	204,861	191,288	172,728	155,713	134,927	113,862
Total governmental activities expenses	<u>11,420,941</u>	<u>11,714,798</u>	<u>11,229,482</u>	<u>11,960,654</u>	<u>12,566,117</u>	<u>12,431,843</u>	<u>13,845,462</u>	<u>14,797,625</u>	<u>15,850,220</u>	<u>17,373,253</u>
Business-type activities:										
Food service	6,992	6,048	6,786	6,349	-	-	-	-	-	-
Total business-type activities expense	<u>6,992</u>	<u>6,048</u>	<u>6,786</u>	<u>6,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district expenses	<u>\$ 11,427,933</u>	<u>\$ 11,720,846</u>	<u>\$ 11,236,268</u>	<u>\$ 11,967,003</u>	<u>\$ 12,566,117</u>	<u>\$ 12,431,843</u>	<u>\$ 13,845,462</u>	<u>\$ 14,797,625</u>	<u>\$ 15,850,220</u>	<u>\$ 17,373,253</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction		\$ 106,804	\$ 184,348	\$ 227,284	\$ 218,571	\$ 98,326	\$ 73,200	\$ 113,574	\$ 106,331	\$ 105,600
Special Schools	\$ 46,029	6,760								
Plant Operations and Maintenance										10,220
Operating grants and contributions	1,058,000	1,623,085	1,229,544	1,406,737	1,652,155	1,508,181	2,744,877	3,412,901	4,198,101	5,076,879
Capital grants and contributions	14,915	690				15,706	126,375	123,734	-	-
Total governmental activities program revenues	<u>1,118,944</u>	<u>1,737,339</u>	<u>1,413,892</u>	<u>1,634,021</u>	<u>1,870,726</u>	<u>1,622,213</u>	<u>2,944,452</u>	<u>3,650,209</u>	<u>4,304,432</u>	<u>5,192,699</u>
Business-type activities:										
Charges for services:										
Food service	8,060	7,713	7,544	8,287	-	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>8,060</u>	<u>7,713</u>	<u>7,544</u>	<u>8,287</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district program revenues	<u>\$ 1,127,004</u>	<u>\$ 1,745,052</u>	<u>\$ 1,421,436</u>	<u>\$ 1,642,308</u>	<u>\$ 1,870,726</u>	<u>\$ 1,622,213</u>	<u>\$ 2,944,452</u>	<u>\$ 3,650,209</u>	<u>\$ 4,304,432</u>	<u>\$ 5,192,699</u>
Net (Expense)/Revenue										
Governmental activities	\$ (10,301,997)	\$ (9,977,459)	\$ (9,815,590)	\$ (10,326,633)	\$ (10,695,391)	\$ (10,809,630)	\$ (10,901,010)	\$ (11,147,416)	\$ (11,545,788)	\$ (12,180,554)
Business-type activities	1,068	1,665	758	1,938	-	-	-	-	-	-
Total district-wide net expense	<u>\$ (10,300,929)</u>	<u>\$ (9,975,794)</u>	<u>\$ (9,814,832)</u>	<u>\$ (10,324,695)</u>	<u>\$ (10,695,391)</u>	<u>\$ (10,809,630)</u>	<u>\$ (10,901,010)</u>	<u>\$ (11,147,416)</u>	<u>\$ (11,545,788)</u>	<u>\$ (12,180,554)</u>

**NORTH CALDWELL BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

	Fiscal Years Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 9,708,904	\$ 9,793,792	\$ 10,214,962	\$ 10,605,788	\$ 10,834,245	\$ 11,050,929	\$ 11,271,947	\$ 11,525,704	\$ 11,867,700	\$ 12,292,153
Taxes levied for debt service	921,042	914,141	920,096	839,089	864,204	881,425	882,725	886,975	680,375	658,975
Unrestricted grants and contributions	345	-	-	-	-	-	12,173	13,098	6,363	6,536
Investment earnings	16,121	11,348	11,361	8,203	10,013	11,605	13,157	13,522	23,644	88,567
Miscellaneous income	18,981	240,839	30,344	38,698	70,273	58,094	51,664	36,726	101,476	24,724
Loss on Disposal of Capital Assets	-	(12,847)	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	6,149	-	-	-	-	-
Total governmental activities	10,665,393	10,947,273	11,176,763	11,491,778	11,784,884	12,002,053	12,231,666	12,476,025	12,679,558	13,070,955
Business-type activities:										
Investment earnings	-	7	15	12	9	-	-	-	-	-
Transfers	-	-	-	-	(6,149)	-	-	-	-	-
Total business-type activities	-	7	15	12	(6,140)	-	-	-	-	-
Total district-wide	\$ 10,665,393	\$ 10,947,280	\$ 11,176,778	\$ 11,491,790	\$ 11,778,744	\$ 12,002,053	\$ 12,231,666	\$ 12,476,025	\$ 12,679,558	\$ 13,070,955
Change in Net Position										
Governmental activities	\$ 363,396	\$ 969,814	\$ 1,361,173	\$ 1,165,145	\$ 1,089,493	\$ 1,192,423	\$ 1,330,656	\$ 1,328,609	\$ 1,133,770	\$ 890,401
Business-type activities	1,068	1,672	773	1,950	(6,140)	-	-	-	-	-
Total district	\$ 364,464	\$ 971,486	\$ 1,361,946	\$ 1,167,095	\$ 1,083,353	\$ 1,192,423	\$ 1,330,656	\$ 1,328,609	\$ 1,133,770	\$ 890,401

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

	Fiscal Years Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 809,013	\$ 1,167,913								
Unreserved	(279,607)	15,936								
Restricted			1,890,727	\$ 2,516,998	\$ 2,642,968	\$ 2,928,884	\$ 3,045,951	\$ 3,579,532	\$ 4,402,742	\$ 5,526,406
Committed			40,518		83,300	-			47,113	13,764
Assigned			6,308	6,274	40,677	162,634	258,512	243,384	264,816	241,465
Unassigned			150,000	30,063	129,101	131,201	136,388	134,093	127,019	123,135
Total general fund	<u>\$ 529,406</u>	<u>\$ 1,183,849</u>	<u>\$ 2,087,553</u>	<u>\$ 2,553,335</u>	<u>\$ 2,896,046</u>	<u>\$ 3,222,719</u>	<u>\$ 3,440,851</u>	<u>\$ 3,957,009</u>	<u>\$ 4,841,690</u>	<u>\$ 5,904,770</u>
All Other Governmental Funds										
Reserved										
Unreserved	\$ 4,232	\$ 26								
Restricted			35,761	\$ 20,721	\$ 1	\$ 384,347	\$ 465,699	\$ 541,197	\$ 891,225	\$ 90,223
Committed										
Assigned										
Unassigned										
Total all other governmental funds	<u>\$ 4,232</u>	<u>\$ 26</u>	<u>\$ 35,761</u>	<u>\$ 20,721</u>	<u>\$ 1</u>	<u>\$ 384,347</u>	<u>\$ 465,699</u>	<u>\$ 541,197</u>	<u>\$ 891,225</u>	<u>\$ 90,223</u>

Beginning with Fiscal Year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	2009		2010		2011		2012		Fiscal Years Ended June 30,		2015		2016		2017		2018	
									2013	2014								
Revenues																		
Tax levy	\$ 10,629,946	\$ 10,707,933	\$ 11,135,058	\$ 11,444,877	\$ 11,698,449	\$ 11,932,354	\$ 12,154,672	\$ 12,412,679	\$ 12,548,075	\$ 12,951,128								
Tuition		106,804	181,723	213,746	218,571	98,326	73,200	113,574	106,331	105,600								
Use of Facilities	46,029	6,760	2,625	13,538	11,440	7,425	8,500	8,075	13,675	10,220								
Interest earnings	16,121	11,348	11,361	8,203	10,013	11,605	13,157	13,522	23,644	88,567								
Miscellaneous	18,981	240,839	30,344	38,698	58,833	50,669	43,164	28,651	87,801	24,724								
State sources	867,743	1,309,141	1,071,785	1,253,835	1,500,067	1,377,245	1,671,786	1,793,970	1,822,722	2,143,359								
Federal sources	205,517	314,634	157,759	152,902	152,088	146,642	153,905	204,235	208,845	247,083								
Total revenue	11,784,337	12,697,459	12,590,655	13,125,799	13,649,461	13,624,266	14,118,384	14,574,706	14,811,093	15,570,681								
Expenditures																		
Instruction																		
Regular Instruction	4,550,703	4,170,578	4,223,395	4,666,011	5,083,355	5,052,410	5,233,329	5,462,619	5,463,837	5,741,707								
Special education instruction	2,034,325	2,607,026	2,606,078	2,635,320	2,452,885	2,658,653	2,542,115	2,595,450	2,726,154	2,972,330								
School sponsored activities and athletics	942	980	3,499	8,148														
Support Services:																		
Student & inst. related services	1,256,232	1,317,002	1,270,087	1,267,395	1,372,414	1,251,836	1,342,039	1,317,464	1,467,514	1,745,871								
General administration services	392,709	398,452	379,141	472,601	474,114	419,025	463,094	432,990	424,593	536,749								
School administration services	450,252	483,636	432,237	449,384	474,229	461,999	486,898	518,710	529,804	575,288								
Business / Central services	250,478	266,926	311,545	378,977	370,224	395,405	410,885	427,126	480,273	484,756								
Plant operations and maintenance	1,172,081	1,184,874	999,200	1,060,118	1,299,000	1,192,383	1,299,254	1,400,324	1,387,709	1,531,975								
Pupil transportation	587,573	603,845	474,117	433,407	406,809	433,571	404,087	396,305	261,352	309,711								
Special Schools	19,793	8,246																
Capital outlay	112,770	91,516	67,556	428,846	515,665	166,540	754,474	545,087	154,773	751,241								
Debt service:																		
Principal	531,312	556,312	650,247	645,000	675,000	685,000	700,000	720,000	535,000	535,000								
Interest and other charges	389,705	357,829	234,114	229,850	209,924	196,425	182,725	166,975	145,375	123,975								
Cost of Issuance of Refunding Bond			91,317															
Payment to Refunding Bond Escrow Agent			389,394															
Total expenditures	11,748,875	12,047,222	12,131,927	12,675,057	13,333,619	12,913,247	13,818,900	13,983,050	13,576,384	15,308,603								
Excess (Deficiency) of revenues over (under) expenditures	35,462	650,237	458,728	450,742	315,842	711,019	299,484	591,656	1,234,709	262,078								
Other Financing sources (uses)																		
Payments to Refunding Escrow Agent			(6,720,000)															
Refunding Bond Proceeds			6,775,000															
Premium on Issuance of Refunding Bonds			425,711															
Premium on Temporary Notes																		
Transfers in	588	37			6,149	407,905	370,500	477,394	506,179	80,762								
Transfers out	(588)	(37)				(407,905)	(370,500)	(477,394)	(506,179)	(80,762)								
Total other financing sources (uses)	-	-	480,711	-	6,149	-	-	-	-	-								
Net change in fund balances	\$ 35,462	\$ 650,237	\$ 939,439	\$ 450,742	\$ 321,991	\$ 711,019	\$ 299,484	\$ 591,656	\$ 1,234,709	\$ 262,078								
Debt service as a percentage of noncapital expenditures	7.92%	7.65%	11.31%	7.14%	6.90%	6.91%	6.76%	6.60%	5.07%	4.53%								

* Noncapital expenditures are total expenditures less capital outlay.

**NORTH CALDWELL BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year Ended June 30	Interest on <u>Deposits</u>	Program <u>Fees</u>	<u>Miscellaneous</u>	<u>Tuition</u>	Prior Year Cancelled <u>Payables</u>	<u>Total</u>
2009	\$ 15,533	\$ 46,029	\$ 18,981			\$ 80,543
2010	11,311	6,760		\$ 106,804	\$ 240,839	365,714
2011	11,361	2,625	30,344	181,723		226,053
2012	8,203	13,538	17,977	213,746		253,464
2013	10,013	11,440	58,833	218,571		298,857
2014	11,605	7,425	50,669	98,326		168,025
2015	13,157	8,500	43,164	73,200		138,021
2016	13,522	8,075	28,651	113,574		163,822
2017	23,644	13,675	87,801	106,331		231,451
2018	88,567	10,220	24,724	105,600		229,111

Source: School District's Financial Statements

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct Local School Tax Rate ^a
2009	\$ 52,622,000	\$ 1,723,500,900	\$ 624,200	\$ 4,000	\$ 32,127,000	\$ 2,916,300		\$ 1,811,794,400	\$ 781,000	\$ 1,812,575,400	\$ 1,808,237,504	\$ 0.591
2010	36,736,800	1,568,711,600	642,900	4,000	29,817,300	2,916,300		1,638,828,900	761,600	1,639,590,500	1,835,275,774	0.680
2011	31,687,700	1,517,159,000	474,200	4,000	27,941,000	2,916,300		1,580,182,200	568,100	1,580,750,300	1,705,642,135	0.724
2012	27,965,000	1,477,834,400	424,000	4,000	25,749,200	2,916,300		1,534,892,900	572,300	1,535,465,200	1,629,143,891	0.762
2013	32,703,600	1,479,925,700	424,000	4,000	23,679,100	2,697,500		1,539,433,900	618,900	1,540,052,800	1,603,705,860	0.775
2014	24,013,300	1,511,273,300	228,500	5,700	23,217,700	2,697,500		1,561,436,000	528,800	1,561,964,800	1,627,465,417	0.778
2015	19,041,700	1,535,025,600			24,426,700	2,697,500		1,581,191,500	517,500	1,581,709,000	1,676,062,829	0.785
2016	20,618,600	1,542,944,100			24,707,200	2,500,000	\$ 459,500	1,591,229,400	472,000	1,591,701,400	1,729,088,755	0.789
2017	20,877,800	1,551,406,800			24,931,500	2,500,000		1,599,716,100	468,700	1,600,184,800	1,762,595,194	0.809
2018	26,662,700	1,557,840,400			24,439,500	2,500,000		1,611,442,600	461,900	1,611,904,500	1,817,249,973	0.827

N/A - Not available

Source: County Abstract of Ratables

^a Tax rates are per \$100

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

Calendar Year	Total Direct Local School Tax Rate	Overlapping Rates			Total
		Regional High School District	Municipality	County	
2009	\$ 0.591	\$ 0.396	\$ 0.300	\$ 0.387	\$ 1.674
2010	0.680	0.450	0.340	0.460	1.930
2011	0.724	0.475	0.363	0.474	2.036
2012	0.762	0.475	0.381	0.494	2.112
2013	0.775	0.500	0.380	0.510	2.165
2014	0.778	0.500	0.384	0.545	2.207
2015	0.785	0.508	0.384	0.553	2.230
2016	0.789	0.508	0.384	0.567	2.248
2017	0.809	0.527	0.391	0.573	2.300
2018	0.827	0.571	0.391	0.570	2.359

Source: Tax Duplicate, Borough of North Caldwell

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

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Pulte Homes of NJ, LP	\$ 16,367,400	1.02%		
Greenbrook Country Club	12,000,000	0.74%	17,956,800	0.99%
Individual Taxpayer	3,425,400	0.21%	5,453,900	0.30%
Individual Taxpayer	2,824,800	0.18%	4,989,000	0.27%
Hidden Ridge at Caldwell, LLC	2,700,000	0.17%		
Individual Taxpayer	2,563,000	0.16%	3,510,600	0.19%
Heller Property Partners, LP	2,500,000	0.16%		
Individual Taxpayer	2,470,900	0.15%	3,153,300	0.17%
5 The Crossing LLC	2,458,300	0.15%		
PSEG Services Corp	2,320,000	0.14%		
K. Hovnanian at North Caldwell LLC			21,635,300	1.19%
Zephyr Spc. 1 LLC.			9,825,000	0.54%
K. Hovnanian			4,111,700	0.23%
Beachmont Development Corporation			3,293,000	0.18%
Individual Taxpayer			3,139,000	0.17%
	<u>\$ 49,629,800</u>	<u>3.08%</u>	<u>\$ 77,067,600</u>	<u>4.23%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Local School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 10,629,946	\$ 10,629,946	100.00%	
2010	10,707,933	10,707,933	100.00%	
2011	11,135,058	11,135,058	100.00%	
2012	11,444,877	11,444,877	100.00%	
2013	11,698,449	11,698,449	100.00%	
2014	11,932,354	11,932,354	100.00%	
2015	12,154,672	12,154,672	100.00%	
2016	12,412,679	12,412,679	100.00%	
2017	12,548,075	12,548,075	100.00%	
2018	12,951,128	12,951,128	100.00%	

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>			Total District	<u>Population</u>	<u>Per Capita</u>
	General Obligation Bonds	Intergovernmental Loans Payable				
2009	\$ 8,270,000	\$ 6,559	\$ 8,276,559	7,071	\$ 1,170	
2010	7,715,000	5,247	7,720,247	6,184	1,248	
2011	7,125,000	-	7,125,000	6,216	1,146	
2012	6,480,000	-	6,480,000	6,292	1,030	
2013	5,805,000	-	5,805,000	6,405	906	
2014	5,120,000	-	5,120,000	6,620	773	
2015	4,420,000	-	4,420,000	6,706	659	
2016	3,700,000	-	3,700,000	6,726	550	
2017	3,165,000	-	3,165,000	6,730	470	
2018	2,630,000	-	2,630,000	6,730 (1)	391	

(1) - estimated

Source: District records

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

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Debt	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2009	\$ 8,276,559		\$ 8,276,559	0.45%	\$ 1,170
2010	7,720,247		7,720,247	0.47%	1,248
2011	7,125,000		7,125,000	0.45%	1,146
2012	6,480,000		6,480,000	0.42%	1,030
2013	5,805,000		5,805,000	0.38%	906
2014	5,120,000		5,120,000	0.33%	773
2015	4,420,000	\$ 1	4,419,999	0.28%	659
2016	3,700,000	1	3,699,999	0.23%	550
2017	3,165,000	1	3,164,999	0.20%	470
2018	2,630,000	1	2,629,999	0.16%	391

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**NORTH CALDWELL BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING DEBT
FOR YEAR ENDED DECEMBER 31, 2017
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
West Essex Regional High School	\$ 11,735,000	\$ 11,735,000	
Borough of North Caldwell School District	3,165,000	3,165,000	
Borough of North Caldwell	<u>11,249,271</u>	<u>747,206</u>	<u>\$ 10,502,065</u>
	<u>\$ 26,149,271</u>	<u>\$ 15,647,206</u>	<u>10,502,065</u>
Overlapping Debt Apportioned to the Municipality:			
Essex County (3);(A):			8,446,866
Essex County Utilities Authority (2) (A)			<u>912,405</u>
			<u>9,359,271</u>
 Total Direct and Overlapping Debt			 <u>\$ 19,861,336</u>

(A) The debt for this entity was apportioned to the Borough of North Caldwell by dividing the Municipality's 2017 equalized value by the total 2017-equalized value for Essex County.

Sources:

- (1) Borough of North Caldwell 2017 Annual Debt Statement
- (2) Essex County Utilities Authority 2017 audit
- (3) Essex County 2017 Annual Debt Statement

NORTH CALDWELL BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS
 (Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized valuation basis	
2017	\$ 1,802,293,939
2016	\$ 1,751,490,809
2015	1,716,447,568
	<u>\$ 5,270,232,316</u>
Average equalized valuation of taxable property	\$ 1,756,744,105
Debt limit (2.5% of average equalization value)	\$ 43,918,603
Total Net Debt Applicable to Limit	<u>2,630,000</u>
Legal debt margin	<u>\$ 41,288,603</u>

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt limit	\$ 43,259,350	\$ 44,569,618	\$ 44,731,990	\$ 43,744,679	\$ 41,991,015	\$ 40,624,359	\$ 40,442,684	\$ 41,437,940	\$ 42,677,511	\$ 43,918,603
Total net debt applicable to limit	<u>8,276,559</u>	<u>7,720,563</u>	<u>7,125,000</u>	<u>6,480,000</u>	<u>5,805,000</u>	<u>5,120,000</u>	<u>4,420,000</u>	<u>3,700,000</u>	<u>3,165,000</u>	<u>2,630,000</u>
Legal debt margin	<u>\$ 34,982,791</u>	<u>\$ 36,849,055</u>	<u>\$ 37,606,990</u>	<u>\$ 37,264,679</u>	<u>\$ 36,186,015</u>	<u>\$ 35,504,359</u>	<u>\$ 36,022,684</u>	<u>\$ 37,737,940</u>	<u>\$ 39,512,511</u>	<u>\$ 41,288,603</u>
Total net debt applicable to the limit as a percentage of debt limit	19.13%	17.32%	15.93%	14.81%	13.82%	12.60%	10.93%	8.93%	7.42%	5.99%

Source: Annual Debt Statements

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income (1)</u>	<u>School District Population</u>
2009	6.6%	\$ 51,448	7,071
2010	6.7%	51,866	6,184
2011	6.4%	54,345	6,216
2012	6.6%	54,842	6,292
2013	3.1%	55,455	6,405
2014	3.6%	57,541	6,620
2015	3.1%	59,863	6,706
2016	2.7%	60,887	6,726
2017	2.7%	N/A	6,730
2018	N/A	N/A	6,730 (2)

Source: United States Bureau of Census
School District Records

(1) Represents per capita income of the County of Essex

(2) Estimated

N/A - not available

NORTH CALDWELL BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)

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

NOT AVAILABLE

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

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	46.2	46.0	44.0	45.4	48.2	53.0	53.0	53.4	52.8	50.4
Special education	32.8	36.3	34.8	36.8	37.1	37.0	38.0	40.0	39.0	43.0
Other instruction	2.2	3.0	9.0	9.0	7.3	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student and instruction related services	4.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General administration Services	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administrative Services	8.2	8.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Other Administrative Services	1.0	1.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Administrative Technology	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	7.0	7.2	6.0	6.0	6.5	6.5	7.5	7.5	7.5	7.5
Other Support Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Total	<u>107.4</u>	<u>111.7</u>	<u>107.8</u>	<u>111.2</u>	<u>113.1</u>	<u>116.5</u>	<u>118.5</u>	<u>120.9</u>	<u>119.3</u>	<u>120.9</u>

Source: District Personnel Records

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

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Pupil/Teacher Ratio				Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School	Senior High School				
2009	614.0	\$ 10,715,088	\$ 17,451	6.51%	46.0	1:13.4	N/A	N/A	614.4	591.0	-3.17%	96.19%
2010	640.0	11,041,565	17,252	-1.14%	46.0	1:14:0	N/A	N/A	640.0	614.4	4.17%	96.00%
2011	662.0	10,699,299	16,162	-6.32%	41.2	1:16:0	N/A	N/A	670.1	637.8	4.70%	95.18%
2012	675.0	11,371,361	16,846	4.23%	43.4	1:15:5	N/A	N/A	675.5	650.0	0.81%	96.23%
2013	676.0	11,933,030	17,652	4.78%	48.2	1:14:0	N/A	N/A	686.4	659.1	1.61%	96.02%
2014	670.0	11,865,282	17,709	0.32%	53.0	1:12.6	N/A	N/A	672.5	646.5	2.03%	96.14%
2015	658.0	12,181,701	18,513	4.54%	53.0	1:12.4	N/A	N/A	663.2	635.5	-1.38%	95.82%
2016	673.0	12,550,988	18,649	0.74%	53.4	1:12.4	N/A	N/A	685.0	647.1	3.29%	94.47%
2017	690.0	12,741,236	18,466	-0.99%	52.8	1:12.4	N/A	N/A	684.8	652.2	-0.03%	95.24%
2018	666.0	13,898,387	20,868	13.01%	50.4	1:12.4	N/A	N/A	674.7	646.3	-1.47%	95.79%

Sources: District records

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

**NORTH CALDWELL BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<u>District Building</u>										
<u>Grandview Elementary School</u>										
Square Feet	52,430	52,430	52,430	52,430	52,430	52,430	52,430	52,430	52,430	52,430
Capacity (students)	385	385	385	385	385	385	385	385	385	385
Enrollment	366	367	381	390	400	397	385	391	410	397
<u>Gould Elementary/Middle School</u>										
Square Feet	34,175	34,175	34,175	34,175	34,175	34,175	34,175	34,175	34,175	34,175
Capacity (students)	327	327	327	327	327	327	327	327	327	327
Enrollment	248	277	281	285	276	273	273	282	278	288

Number of Schools at June 30, 2018
Elementary = 2

Source: District Records

NORTH CALDWELL BOARD OF EDUCATION
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 FOR THE LAST TEN FISCAL YEARS

UNDISTRIBUTED EXPENDITURES - REQUIRED
 MAINTENANCE FOR SCHOOL FACILITIES
 11-000-261-XXX

	<u>Project # (s)</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>
*School Facilities											
Building A - Gould School	N/A	\$ 171,048	\$ 134,139	\$ 108,114	\$ 121,971	\$ 285,144	\$ 170,667	\$ 200,665	\$ 257,412	\$ 206,767	\$ 228,194
Building B - Grandview School	N/A	<u>139,949</u>	<u>133,668</u>	<u>107,507</u>	<u>124,682</u>	<u>188,995</u>	<u>122,988</u>	<u>155,868</u>	<u>222,062</u>	<u>205,498</u>	<u>182,974</u>
Grand Total		<u>\$ 310,997</u>	<u>\$ 267,807</u>	<u>\$ 215,621</u>	<u>\$ 246,653</u>	<u>\$ 474,139</u>	<u>\$ 293,655</u>	<u>\$ 356,533</u>	<u>\$ 479,474</u>	<u>\$ 412,265</u>	<u>\$ 411,168</u>

Source: School District Records

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

	<u>Coverage</u>	<u>Deductible</u>
<u>School Commercial Package Policy - NJSIG</u>		
Property - Real and Personal Property (fund limit)	\$ 500,000	\$ 5,000
General Liability	11,000,000	N/A
Electronic Data Processing	100,000	1,000
Equipment Breakdown	100,000,000	5,000
Commercial Crime - Employee Dishonesty	250,000	1,000
Auto Liability	11,000,000	N/A
Auto Physical Damage	Actual Cash Value	1,000
 <u>School Board Legal Liability - NJSIG</u>		
Errors and Omissions	\$ 11,000,000	\$ 5,000
 <u>Workers Compensation - MEIG</u>		
Employers Liability	\$ 1,000,000	N/A
Disease (each employee)	1,000,000	N/A
Disease (policy limit)	1,000,000	N/A
 <u>Public Official Bonds - CNA & NJSIG</u>		
Treasurer of School Monies	\$ 200,000	\$ 1,000
Business Administrator/Board Secretary	125,000	N/A
 <u>Student Accident Insurance - BMI Benefits</u>		
Base Limit	\$ 1,000,000	N/A
Catastrophic Limit	1,000,000	N/A
Voluntary Limit	500,000	N/A
 <u>Excess Liability - NJUEP</u>		
Per Occurrence Limit	\$ 29,000,000	N/A
Aggregate Limit	29,000,000	N/A

Source: School District's Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
North Caldwell Board of Education
North Caldwell, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Caldwell Board of Education as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the North Caldwell Board of Education's basic financial statements and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

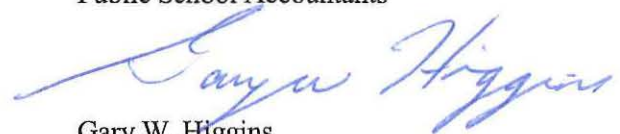
As part of obtaining reasonable assurance about whether the North Caldwell Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

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



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 25, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
North Caldwell Board of Education
North Caldwell, New Jersey

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with New Jersey OMB Circular 15-08 which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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


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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Caldwell Board of Education, as of and for the fiscal year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated January 25, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 25, 2019

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2017	A/R Carryover Amount	Def. Rev. Carryover Amount	Cash Received	Budgetary Expenditures	June 30, 2018		Due to Grantor	Memo GAAP Receivable
											(Accounts Receivable)	Deferred Revenue		
U.S. Department of Education Passed-through State Department of Education														
Special Revenue Fund														
I.D.E.A. Part B-Basic	84.027	H027A170100	FT-3630-18	7/1/17-6/30/18	\$ 141,098				\$ 141,098	\$ 141,098				
I.D.E.A. Part B-Preschool	84.173	H173A170114	PS-3630-18	7/1/17-6/30/18	7,027				7,027	7,027				
Total Special Education Cluster (IDEA)										148,125				
ESEA Title I	84.010	S010A170030	ESEA-3630-18	7/1/17-6/30/18	72,359				72,359	72,359				
ESEA Title IIA	84.367A	S367A170029	ESEA-3630-18	7/1/17-6/30/18	16,599				16,599	16,599				
ESEA Title IV	84.424	S424A170031	ESEA-3630-18	7/1/17-6/30/18	10,000	-	-	-	10,000	10,000	-	-	-	-
Total U.S. Department of Education						-	-	-	247,083	247,083	-	-	-	-
Total						\$ -	\$ -	\$ -	\$ 247,083	\$ 247,083	\$ -	\$ -	\$ -	\$ -

120

Note: This schedule was not subject to an audit in accordance with U.S. Uniform Guidance

The Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.

**NORTH CALDWELL BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017				Cancelled	Balance at June 30, 2018			Memo		
				(Accounts Receivable)	Deferred Revenue	Cash Received	Budgetary Expenditures		(Accounts Receivable)	Deferred Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education														
Current Expense														
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 127,099			\$ 114,903	\$ 127,099		\$ (12,196)				\$ 127,099	
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	88,313	(8,415)		8,415								
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	48,882			44,191	48,882		(4,691)				48,882	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	48,882	(4,658)		4,658								
Additional Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	1			1	1						1	
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	6,430			5,813	6,430		(617)				6,430	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	6,430	(613)		613								
PARCC Readiness Aid	16-495-034-5120-098	7/1/17-6/30/18	6,540			5,912	6,540		(628)				6,540	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	6,540	(623)		623								
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	6,540			5,912	6,540		(628)				6,540	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	6,540	(623)		623								
Total State Aid Public Cluster							195,492						195,492	
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	84,466			76,361	84,466		(8,105)				84,466	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	84,466	(8,049)		8,049								
Extraordinary Sp. Ed. Aid	18-100-034-5120-044	7/1/17-6/30/18	339,248				339,248		(339,248)				339,248	
Extraordinary Sp. Ed. Aid	17-100-034-5120-044	7/1/16-6/30/17	307,758	(307,758)		307,758								
Lead Testing for Schools Aid	18-495-034-5120-104	7/1/17-6/30/18	2,385			2,385	2,385						2,385	
TPAF Social Security Tax	18-495-034-5094-003	7/1/17-6/30/18	359,268			341,422	359,268		(17,846)			\$ (17,846)	359,268	
TPAF Pension On-Behalf Normal Costs	18-495-034-5094-002	7/1/17-6/30/18	710,023			710,023	710,023						710,023	
TPAF Pension On-Behalf NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	17,230			17,230	17,230						17,230	
TPAF Pension On-Behalf Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	904			904	904						904	
TPAF Pension On-Behalf PRM Contr.	18-495-034-5094-001	7/1/17-6/30/18	469,717	-	-	469,717	469,717	-	-	-	-	-	469,717	
Total General Fund				(330,739)	-	2,125,513	2,178,733	-	(383,959)	-	-	-	(17,846)	2,178,733
Total State Financial Assistance Subject to Single Audit Determination				(330,739)	-	2,125,513	2,178,733	-	(383,959)	-	-	-	(17,846)	2,178,733
State Financial Assistance Not Subject to Single Audit Determination														
General Fund														
TPAF Pension On-Behalf Normal Costs	18-495-034-5094-002	7/1/17-6/30/18				(710,023)	(710,023)						(710,023)	
TPAF Pension On-Behalf NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18				(17,230)	(17,230)						(17,230)	
TPAF Pension On-Behalf Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18				(904)	(904)						(904)	
TPAF Pension On-Behalf PRM Contr.	18-495-034-5094-001	7/1/17-6/30/18				(469,717)	(469,717)						(469,717)	
Total State Financial Assistance Utilized for Calculation to Determine Major Programs				\$ (330,739)	\$ -	\$ 927,639	\$ 980,859	\$ -	\$ (383,959)	\$ -	\$ -	\$ -	\$ (17,846)	\$ 980,859

The Notes to the Schedule of Expenditures of State Financial Assistance are an Integral Part of this Schedule.

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

NOTE 1 GENERAL

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

NOTE 2 BASIS OF ACCOUNTING

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

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$35,374 for the general fund and no change for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 2,143,359	\$ 2,143,359
Special Revenue Fund	\$ 247,083	-	247,083
Total Financial Assistance	<u>\$ 247,083</u>	<u>\$ 2,143,359</u>	<u>\$ 2,390,442</u>

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$359,268 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2018. The amount reported as TPAF Pension System Contributions in the amount of \$727,253, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$469,717 and TPAF Long-Term Disability Insurance in the amount of \$904 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

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

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

Part 2 – Schedule of Financial Statement Findings

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

THERE ARE NONE.

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

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

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

CURRENT YEAR STATE AWARDS

Finding 2018-001

Our audit of T.P.A.F. FICA reimbursements revealed the salaries used to determine the amount reimbursed by the State for FICA included certain non-pensionable wages.

State Program Information

Reimbursed TPAF Social Security Contributions	18-495-034-5094-003
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Criteria or Specific Requirement

State Grant Compliance Supplement

Condition

Salaries used to determine State reimbursements for FICA paid for T.P.A.F. members included certain non-pensionable wages.

Questioned Costs

Unknown.

Context

Imputed income, which is non-pensionable wages, was included in the salaries used to determine the amount to be reimbursed by the State.

Effect

Amounts reimbursed by State did not reflect actual FICA paid on T.P.A.F. members' pensionable wages.

Cause

Computer software included imputed income in the wages utilized to calculate the amount due from the State of New Jersey.

Recommendation

The District review with its financial accounting software vendor the T.P.A.F. FICA calculation to ensure T.P.A.F. FICA reimbursements are based only on pensionable wages subject to FICA.

View of Responsible Officials and Planned Corrective Action

Management agrees with this finding and had indicated that procedures will be implemented to take corrective action.

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

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

STATUS OF PRIOR YEAR FINDINGS

THERE WERE NONE.