

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

North Haledon, New Jersey

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

**Prepared by
Business Office**

**NORTH HALEDON BOARD OF EDUCATION
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INTRODUCTORY SECTION

North Haledon Public Schools

201 Squaw Brook Road North Haledon, NJ 07508 (973) 427-8178 (Phone) (973) 423-1514 (Fax)

Nicholas S. Coffaro
Superintendent of Schools

Debra E. Andreniuk, CPA
Business Administrator / Board Secretary

January 22, 2019

Honorable President and
Members of the Board of Education
North Haledon School District
County of Passaic, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the North Haledon School District for the fiscal year ended June 30, 2018 is hereby submitted. This report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. 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. 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 basic financial statements and required supplementary information, as well as the auditors' report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditors' 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.

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Debra E. Andreniuk, CPA
Business Administrator/Board Secretary

1. REPORTING ENTITY AND ITS SERVICES: North Haledon School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB No. 34. All funds of the District are included in this report. The North Haledon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to students in grade levels Pre-K through Grade 8. These services include programming for students in regular, vocational, and special educational settings. The District completed the 2017-2018 fiscal year with an average daily enrollment of 658.70 students, which is 3.20% above the previous year's enrollment. The following details the changes in the student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2008-2009	693.5	+0.00%
2009-2010	711.8	+2.64%
2010-2011	716.0	+0.59%
2011-2012	714.0	-0.28%
2012-2013	738.0	+3.36%
2013-2014	720.0	-2.50%
2014-2015	690.0	-4.17%
2015-2016	678.7	-2.90%
2016-2017	638.8	-5.90%
2017-2018	658.7	+3.20%

2. ECONOMIC CONDITION AND OUTLOOK: The Borough of North Haledon is predominantly a residential community sitting on the Passaic/Bergen County border. With the completion of Route 287 and its connection to Route 208 an access to other areas of New Jersey has been given to the residents of North Haledon. The median value of homes and the median family income are above the state and national averages. The residents of the Borough represent professionals, management and skilled trades. There are a few small industrial concerns throughout the borough, but the major local employers are retail and service establishments such as banks, food stores, law offices, medical centers and several small

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Business Administrator/Board Secretary

shopping centers.

The Borough is practically saturated with much of the remaining land subject to severe development restrictions because of steep slopes and poor access. Many single lots throughout the Borough have been sold and developed into single-family homes. There has not been any additional major new construction in the last year.

A referendum held on September 27, 2005 was successful. The project for the replacement Memorial School was completed in late spring 2008. Renovations and a new addition at High Mountain School were ready to be occupied during the 2007-08 school year. These projects were financed with a Section 15 Grant from the State of New Jersey and the balance paid through district debt service.

During the 2017-2018 school year, procedures were in place and being adhered to from a fiscal perspective. The district was able to maintain meeting all financial obligations successfully. Having a full time consistent Business Administrator was definitely beneficial in keeping the finances in check.

3. MAJOR INITIATIVES: In September of 2017, The North Haledon School Board continued their focus as to the responsibilities and support of all state and local mandates and initiatives, which includes, but not limited to state reporting(QSAC), Achieve NJ (evaluation model), testing coordinator (PARCC), NGSS (Next Generation Science Standards), technology, curriculum development and design, and professional development. With regard to NGSS the district continues to align mandated curriculum resulting in implementation for appropriate grade levels. Professional Development will provided training to bolster instruction and meet needs of all students. The district continues to implement the StrongeEvaluation System in compliance with state law. My Learning Plan is the web based application being used to facilitate all facets of the district evaluation system including observations, SGOs, and teacher documentation logs. The district continues to train staff via SciP to effectively complete all tasks required of the evaluation system. Laptops, and the installation of a wireless network with network hardware upgrades occurred across the district. PD focused on Google-based apps to be utilized in classroom necessary to meet all learning modalities. The special services department continues

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to service our special needs students and their families by continuing to meet with them and offering services to meet their needs.

In the area of PD, attention to training of HIB procedures and mandates, Handle with Care, including de-escalation strategies in compliance with Federal Regulation, CPR recertification for the Code Blue Team, Epi-Pen and Glucagon training for delegates, Student Allergies and Health Concerns, Blood borne Pathogens and Asthma. The Mental Health component, including identification of warning signs of depression, suicide, self-harm, and substance abuse have been reviewed and addressed through Police Presentations for the staff, community awareness presentations, student assemblies, and classroom lessons.

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

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

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Superintendent of Schools

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Business Administrator / Board Secretary

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 a reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2018. In light of the prior year's fiscal problems, the district administration has made a concerted effort to assess the district's budgetary controls to ensure the district's financial obligations are encumbered in a timely manner.

6. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

7. RISK MANAGEMENT: In order to obtain the best coverage at the lowest cost the District is a member of the New Jersey Schools Insurance Group. This program allowed us to negotiate better rates by group purchasing of a larger dollar amount of insurance. The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, workmen's comprehensive, hazard and theft insurance on property and contents, and fidelity bonds. The Board also carries Student Accident Insurance for school hours for all attending students. This policy is to complement any existing coverage already subscribed to by parent/guardians.

8. OTHER INFORMATION:

A) Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm for the Board is Lerch,

North Haledon Public Schools

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Nicholas S. Coffaro
Superintendent of Schools

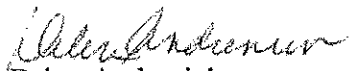
Debra E. Andreniuk, CPA
Business Administrator/Board Secretary

Vinci, Higgins, LLP, In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 as amended and the related OMB Circular A-133 and state Treasury Circular Letter 15-08 OMB. The auditors' report on the basic financial statements and required supplementary information is included in the financial section of this report.

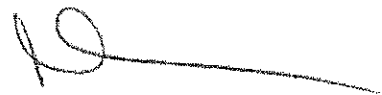
The auditor's reports related specifically to the single audit are included in the single audit section of this report.

9. ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the North Haledon 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.

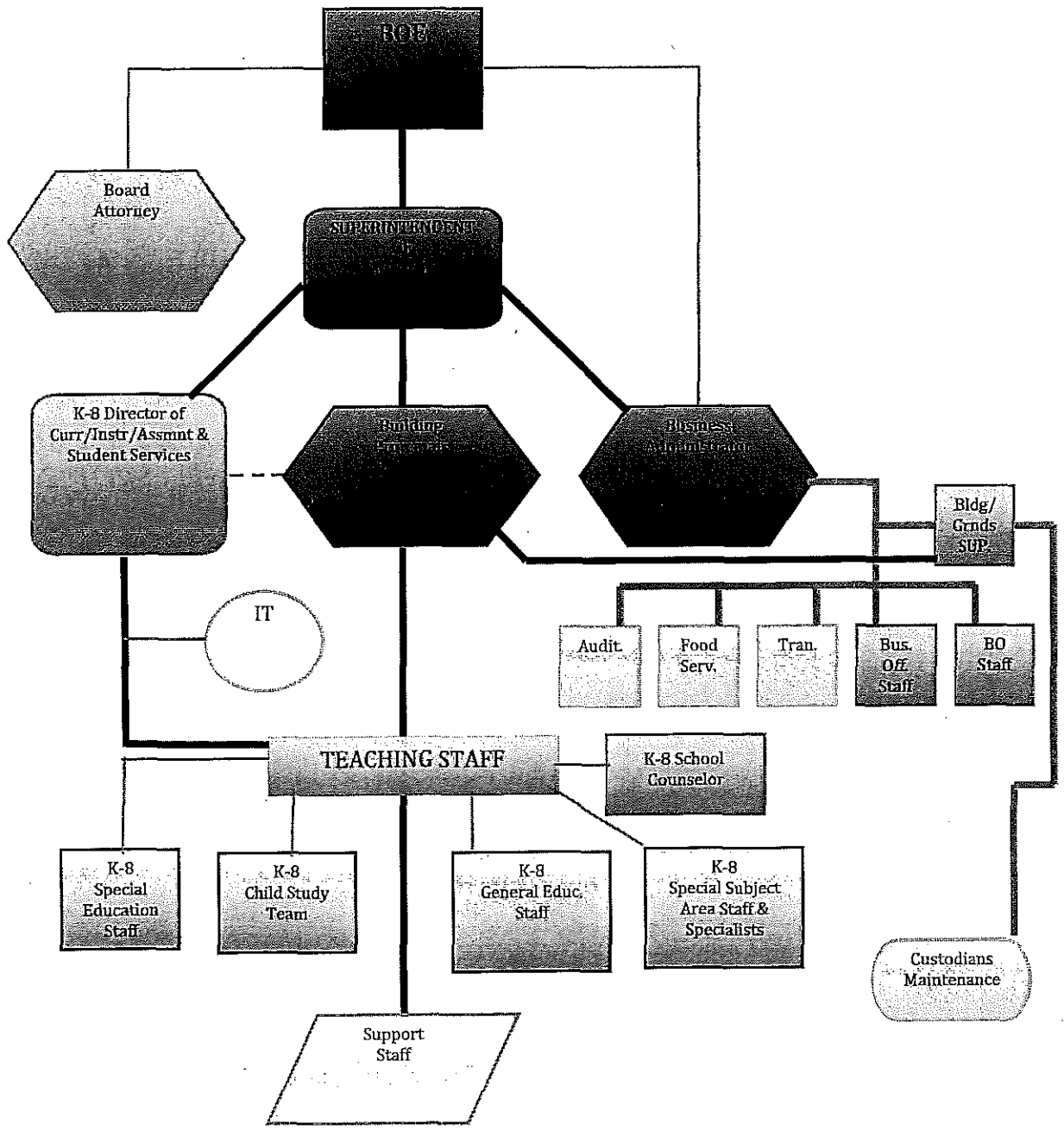
Respectfully submitted,



Debra Andreniuk
Business Administrator/
Board Secretary



Nicholas Coffaro
Superintendent of Schools



**NORTH HALEDON BOARD OF EDUCATION
NORTH HALEDON, NEW JERSEY
ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Anthony Griffo, President	2019
Peter Ten Kate, Vice President	2018
Jessica Leto	2021
Lucy De Nova	2021
Heather LaCognata	2018
Michele Manning	2019
Chirag Badami	2018
Louis Colli	2021
Joseph Mannino	2019
 <u>Other Officials</u>	
Nicholas Coffaro, Superintendent	
Debra Andreniuk, Business Administrator	
Michael Donow, Treasurer of School Monies	
Viola Lordi, Esq., Solicitor	

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

CONSULTANTS AND ADVISORS

Audit Firm

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

Attorney

Viola Lordi, Esq.
Wilentz Goldman & Spitzer P.A.
Woodbridge, New Jersey

Anthony Sciarillo
Sciarillo, Cornell, Merlino, McKeever & Osborne, LLC
Westfield, New Jersey

Bond Attorney

McManimon & Scotland
One Gateway Center
Newark, New Jersey

Architect

LAN Associates, Inc.
445 Godwin Avenue
Midland Park, New Jersey

Official Depository

Lakeland Bank
Belmont Avenue
North Haledon, NJ 07508

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 Haledon Board of Education
North Haledon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Haledon 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 of material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, in the fiscal year ended June 30, 2018 the North Haledon 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 Haledon 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 Haledon Board of Education.

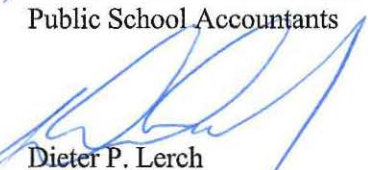
The combining fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 22, 2019 on our consideration of the North Haledon 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 Haledon 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 Haledon Board of Education’s internal control over financial reporting and compliance.



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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 22, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

This discussion and analysis of the North Haledon School District's financial performance provides an overview 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 the notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- District-Wide Financials - Overall revenues were \$15,676,131. General revenues accounted for \$10,808,121 or 69 percent of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$4,868,010 or 31 percent of total revenues.
- District-Wide Financials - The School District had \$14,950,320 in "Governmental Activities" expenses; \$4,670,359 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$10,808,035 were adequate to provide for these programs. The Business-Type activities had \$193,377 in expenses and revenues of \$197,737.
- Fund Financials - As of the close of the current fiscal year, the North Haledon Board of Education's governmental funds reported combined ending fund balances of \$1,101,306, an increase of \$251,117 in comparison with the prior year.
- Fund Financials - At the end of June 30, 2018, unassigned fund balance for the General Fund was \$187,485 a decrease of \$40,243 from the prior year.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the district-wide financial statements, fund financial statements and notes to the financial statements.

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

Figure A-1 summarizes the major features of the North Haledon Board of Education's financial statements, including the portion of the North Haledon Board of Education's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as regular, special education, transportation and building maintenance and administration	Activities the district operates similar to private businesses: Food Service
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

District-wide Statements

District-wide. The *District-wide financial statements* are designed to provide readers with a broad overview of the North Haledon Board of Education's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the North Haledon Board of Education's assets, deferred outflows and inflows of resources and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, when assessing the overall health of the District, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of the school buildings and other facilities.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

District-wide Statements (Continued)

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

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

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Food Service Fund.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The District has three kinds of funds:

Governmental funds - The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and Debt Service Fund. A budgetary comparison statement has been provided for the General Fund, Special Revenue Fund and Debt Service Fund.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

Fund Financial Statements (Continued)

Proprietary Funds - The District maintains one type of Proprietary Fund, an Enterprise Fund, which is used to report the activity of the Food Service Fund. Proprietary Funds provide the same type of information as the district-wide financial statements and is presented as business-type activities in the district-wide financial statements.

Fiduciary Funds - Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Unemployment, Payroll Agency Fund and the Student Activity Funds. Fiduciary Funds are *not* reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS OF THE NORTH HALEDON BOARD OF EDUCATION AS A WHOLE

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net position. The District's combined net position was \$440,942 on June 30, 2018. (See Table A-1).

A portion of the District's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide regular and special education, transportation, maintenance and administration services. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

**Table A-1
Statement of Net Position
As of June 30, 2018 and 2017**

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 1,142,226	\$ 962,608	\$ 35,874	\$ 28,910	\$ 1,178,100	\$ 991,518
Capital Assets	<u>17,303,457</u>	<u>18,178,460</u>	<u>19,125</u>	<u>24,339</u>	<u>17,322,582</u>	<u>18,202,799</u>
Total Assets	<u>18,445,683</u>	<u>19,141,068</u>	<u>54,999</u>	<u>53,249</u>	<u>18,500,682</u>	<u>19,194,317</u>
Deferred Outflows of Resources						
Deferred Amounts on Refunding of Debt	725,165	840,862			725,165	840,862
Deferred Amounts on Net Pension Liability	<u>241,460</u>	<u>684,029</u>	-	-	<u>241,460</u>	<u>684,029</u>
Total Deferred Outflows of Resources	<u>966,625</u>	<u>1,524,891</u>	-	-	<u>966,625</u>	<u>1,524,891</u>
Total Assets and Deferred Outflows of Resources	<u>19,412,308</u>	<u>20,665,959</u>	<u>54,999</u>	<u>53,249</u>	<u>19,467,307</u>	<u>20,719,208</u>
Long-Term Liabilities	17,743,607	20,382,926			17,743,607	20,382,926
Other Liabilities	<u>267,720</u>	<u>351,444</u>	-	<u>3,722</u>	<u>267,720</u>	<u>355,166</u>
Total Liabilities	<u>18,011,327</u>	<u>20,734,370</u>	-	<u>3,722</u>	<u>18,011,327</u>	<u>20,738,092</u>
Deferred Inflows of Resources						
USDA Commodities			3,796	2,684	3,796	433
Deferred Amounts on Net Pension Liability	<u>1,011,242</u>	<u>69,924</u>	-	-	<u>1,011,242</u>	<u>69,924</u>
Total Deferred Inflows of Resources	<u>1,011,242</u>	<u>69,924</u>	<u>3,796</u>	<u>2,684</u>	<u>1,015,038</u>	<u>70,357</u>
Total Liabilities and Deferred Inflows of Resources	<u>19,022,569</u>	<u>20,804,294</u>	<u>3,796</u>	<u>6,406</u>	<u>19,026,365</u>	<u>20,808,449</u>
Net Position:						
Invested in capital assets, net of related debt	1,581,380	1,515,144	19,125	24,339	1,600,505	1,539,483
Restricted	127,029	127,029			127,029	127,029
Unrestricted	<u>(1,318,670)</u>	<u>(1,780,508)</u>	<u>32,078</u>	<u>22,504</u>	<u>(1,286,592)</u>	<u>(1,758,004)</u>
Total Net Position	<u>\$ 389,739</u>	<u>\$ (138,335)</u>	<u>\$ 51,203</u>	<u>\$ 46,843</u>	<u>\$ 440,942</u>	<u>\$ (91,492)</u>

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

Governmental activities. Governmental activities increased the District's net position by \$528,074.

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

	Governmental		Business-Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services			\$ 132,259	\$ 147,689	\$ 132,259	\$ 147,689
Operating Grants and Contributions	\$ 4,670,359	\$ 4,232,723	65,392	67,200	4,735,751	4,299,923
General Revenues						
Property Taxes	10,691,619	10,435,585			10,691,619	10,435,585
Other	70,598	33,839	86	68	70,684	33,907
Federal/State Aid Not Restricted	45,818	43,791	-	-	45,818	43,791
Total Revenues	<u>15,478,394</u>	<u>14,745,938</u>	<u>197,737</u>	<u>214,957</u>	<u>15,676,131</u>	<u>14,960,895</u>
Expenses						
Instruction						
Regular	7,163,251	6,890,530			7,163,251	6,890,530
Special Education	2,471,349	2,448,145			2,471,349	2,448,145
Other Instruction	195,722	72,109			195,722	72,109
School Sponsored Activities and Athletics	30,681	28,537			30,681	28,537
Support Services						
Student and Instruction Related Serv.	1,891,310	1,775,496			1,891,310	1,775,496
General Administrative Services	446,215	511,588			446,215	511,588
School Administrative Services	558,540	602,423			558,540	602,423
Administration Information Technology	78,229	-			78,229	-
Plant Operations and Maintenance	1,001,673	850,927			1,001,673	850,927
Pupil Transportation	272,675	274,565			272,675	274,565
Central Services	277,125	402,233			277,125	402,233
Food Services			193,377	197,039	193,377	197,039
Interest on Debt and Other Charges	563,550	574,656	-	-	563,550	574,656
Total Expenses	<u>14,950,320</u>	<u>14,431,209</u>	<u>193,377</u>	<u>197,039</u>	<u>15,143,697</u>	<u>14,628,248</u>
Change in Net Position	528,074	314,729	4,360	17,918	532,434	332,647
Net Position, Beginning of Year	<u>(138,335)</u>	<u>(453,064)</u>	<u>46,843</u>	<u>28,925</u>	<u>(91,492)</u>	<u>(424,139)</u>
Net Position, End of Year	<u>\$ 389,739</u>	<u>\$ (138,335)</u>	<u>\$ 51,203</u>	<u>\$ 46,843</u>	<u>\$ 440,942</u>	<u>\$ (91,492)</u>

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

**Management’s Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

Table A-2 Revenues by Source- Governmental Activities
For Fiscal Year 2018

Governmental activities. The District’s total governmental revenues were \$15,478,394. The local share of the revenues, that included property taxes, interest, unrestricted state aid and miscellaneous revenue, amounted to \$10,808,035 or 70% of total revenues. Funding from state and federal sources amounted to \$4,670,359 or 30%.

The District’s governmental expenses are predominantly related to instruction and support services. Instruction totaled \$9,861,003 (66%), student and other support services totaled \$4,525,767 (30%) and interest on long-term debt total \$563,550 (4%) of total expenditures. (See Table A-4.)

Table A-3 Revenues by Source – Governmental Activities
For Fiscal Year 2018

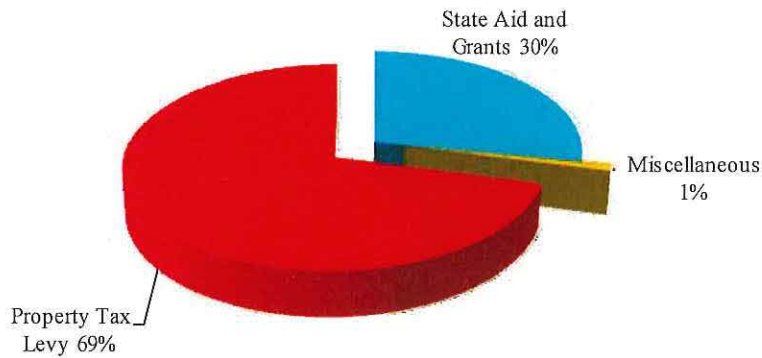
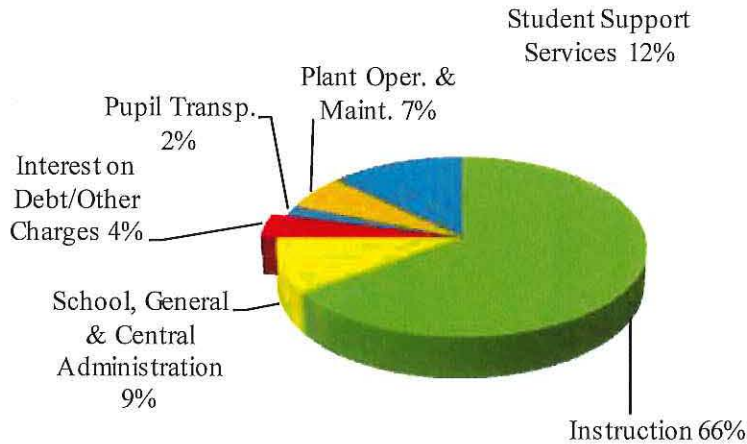


Table A-4 Expenditures by Type- Governmental Activities
For Fiscal Year 2018



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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

**Table A-5
Total and Net Cost of Governmental Activities
For the Fiscal Years Ended June 30, 2018 and 2017**

<u>Functions/Programs</u>	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Governmental Activities				
Instruction				
Regular	\$ 7,163,251	\$ 6,890,530	\$ 4,735,567	\$ 4,628,161
Special Education	2,471,349	2,448,145	1,251,617	1,215,848
Other Instruction	195,722	72,109	120,707	45,658
School Sponsored Activities and Athletics	30,681	28,537	28,516	28,537
Support Services				
Student and Instruction Related Svcs.	1,891,310	1,775,496	1,296,141	1,277,274
General Administrative Services	446,215	511,588	417,876	511,588
School Administrative Services	558,540	602,423	373,449	434,056
Administration Information Technology	78,229	-	78,229	-
Plant Operations and Maintenance	1,001,673	850,927	935,465	835,021
Pupil Transportation	272,675	274,565	226,709	245,454
Central Services	277,125	402,233	252,135	402,233
Interest on Debt/Other Charges	563,550	574,656	563,550	574,656
 Total Governmental Activities	 <u>\$ 14,950,320</u>	 <u>\$ 14,431,209</u>	 <u>\$ 10,279,961</u>	 <u>\$ 10,198,486</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2018 was \$193,377. These costs were funded by operating grants and charges for services and investment earnings (Detailed on Table A-2). The operations resulted in an increase in net position of \$4,360.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the District completed the year, its governmental funds reported a combined fund balance of \$1,101,306. As of June 30, 2017 the fund balance was \$850,189.

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. Total revenues amounted to \$12,954,312 and expenditures were \$12,703,195.

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 fund revenues for the fiscal years ended June 30, 2018 and 2017.

	<u>Year Ended June 30,</u>		<u>Amount of</u>	<u>Percent</u>
	<u>2018</u>	<u>2017</u>	<u>Increase</u>	<u>Increase</u>
			<u>(Decrease)</u>	<u>(Decrease)</u>
Local Sources	\$ 10,788,193	\$ 10,509,661	\$ 278,532	2.65%
State Sources	1,893,959	1,939,485	(45,526)	-2.35%
Federal Sources	<u>272,160</u>	<u>295,132</u>	<u>(22,972)</u>	-7.78%
 Total Revenues	 <u>\$ 12,954,312</u>	 <u>\$ 12,744,278</u>	 <u>\$ 210,034</u>	 1.65%

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

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

	<u>Year Ended June 30,</u>		<u>Amount of</u>	<u>Percent</u>
	<u>2018</u>	<u>2017</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Increase</u> <u>(Decrease)</u>
Instruction	\$ 7,102,116	\$ 6,924,958	\$ 177,158	2.56%
Undistributed Expenditures	3,978,473	3,844,133	134,340	3.49%
Capital Outlay	47,509	29,943	17,566	58.66%
Debt Service				
Principal	925,218	838,615	86,603	10.33%
Interest	649,879	666,427	(16,548)	-2.48%
 Total Expenditures	 <u>\$ 12,703,195</u>	 <u>\$ 12,304,076</u>	 <u>\$ 399,119</u>	 3.24%

General and Special Revenue Fund

Budgetary Highlights

The District's budget is prepared according to New Jersey law and is based on generally accepted accounting principles on the basis of cash receipts, disbursement and encumbrances. The primary funds are the General Fund and Special Revenue Fund (grants and restricted aid).

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 overexpenditures in specific line item accounts.

Capital Assets and Debt Administration. The North Haledon Board of Education's investment in capital assets for its governmental and business type activities as of June 30, 2018 amounts to \$17,322,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, construction in progress and machinery and equipment.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

**Table A-6
Capital Assets
(net of depreciation) at June 30**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 70,295	\$ 70,295			\$ 70,295	\$ 70,295
Buildings	30,864,982	30,864,982			30,864,982	30,864,982
Machinery and Equipment	<u>1,237,951</u>	<u>1,190,442</u>	\$ 107,216	\$ 107,216	<u>1,345,167</u>	<u>1,297,658</u>
Total	32,173,228	32,125,719	107,216	107,216	32,280,444	32,232,935
Less: Accumulated Depreciation	<u>14,869,771</u>	<u>13,947,259</u>	<u>88,091</u>	<u>82,877</u>	<u>14,957,862</u>	<u>14,030,136</u>
Total	<u>\$ 17,303,457</u>	<u>\$ 18,178,460</u>	<u>\$ 19,125</u>	<u>\$ 24,339</u>	<u>\$ 17,322,582</u>	<u>\$ 18,202,799</u>

Additional information on North Haledon Board of Education's capital assets can be found in Note 3 of this report.

Debt Administration. As of June 30, 2018 the school district had long-term debt and outstanding long-term liabilities in the amount of \$17,743,607 as stated in Table A-7.

**Table A-7
Long-Term Debt
Outstanding Long-Term Liabilities**

	<u>2018</u>	<u>2017</u>
Bonds Payable	\$ 16,394,138	\$ 17,398,939
Capital Leases	53,104	105,239
Sale and Lease-back Contracts	189,485	247,568
Compensated Absences Payable	147,694	137,920
Net Pension Liability	<u>959,186</u>	<u>2,493,260</u>
Total	<u>\$ 17,743,607</u>	<u>\$ 20,382,926</u>

Additional information on North Haledon Board of Education's long-term debt can be found in Note 3.

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

**Management's Discussion and Analysis (continued)
For the Fiscal Year Ended June 30, 2018**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional information, contact the School Superintendent at the North Haledon Board of Education, 201 Squawbrook Road, North Haledon, NJ 07508.

BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,053,080	\$ 18,748	\$ 1,071,828
Receivables, net			
Receivables from Other Governments	67,543	8,356	75,899
Inventory		8,245	8,245
Accounts Receivable	17,500		17,500
Internal Balances	(525)	525	
Due From Other Funds	4,628		4,628
Capital Assets			
Not Being Depreciated	70,295		70,295
Being Depreciated, net	<u>17,233,162</u>	<u>19,125</u>	<u>17,252,287</u>
Total Assets	<u>18,445,683</u>	<u>54,999</u>	<u>18,500,682</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Refunding of Debt	725,165		725,165
Deferred Amounts on Net Pension Liability	<u>241,460</u>	<u>-</u>	<u>241,460</u>
Total Deferred Outflows of Resources	<u>966,625</u>	<u>-</u>	<u>966,625</u>
Total Assets and Deferred Outflows of Resources	<u>19,412,308</u>	<u>54,999</u>	<u>19,467,307</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	27,375		27,375
Accrued Interest Payable	226,800		226,800
Unearned Revenue	11,355		11,355
Due to Other Funds	2,190		2,190
Noncurrent Liabilities			
Due Within One Year	988,656		988,656
Due Beyond One Year	<u>16,754,951</u>	<u>-</u>	<u>16,754,951</u>
Total Liabilities	<u>18,011,327</u>	<u>-</u>	<u>18,011,327</u>
DEFERRED INFLOWS OF RESOURCES			
USDA Commodities		3,796	3,796
Deferred Amounts on Net Pension Liability	<u>1,011,242</u>	<u>-</u>	<u>1,011,242</u>
Total Deferred Inflows of Resources	<u>1,011,242</u>	<u>3,796</u>	<u>1,015,038</u>
Total Liabilities and Deferred Inflows of Resources	<u>19,022,569</u>	<u>3,796</u>	<u>19,026,365</u>
NET POSITION			
Net Investment in Capital Assets	1,581,380	19,125	1,600,505
Restricted for			
Capital Projects	112,029		112,029
Maintenance	15,000		15,000
Unrestricted	<u>(1,318,670)</u>	<u>32,078</u>	<u>(1,286,592)</u>
Total Net Position	<u>\$ 389,739</u>	<u>\$ 51,203</u>	<u>\$ 440,942</u>

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

**NORTH HALEDON 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>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Instruction							
Regular	\$ 7,163,251		\$ 2,427,684		\$ (4,735,567)		\$ (4,735,567)
Special Education	2,471,349		1,219,732		(1,251,617)		(1,251,617)
Other Instruction	195,722		75,015		(120,707)		(120,707)
School Sponsored Activities and Athletics	30,681		2,165		(28,516)		(28,516)
Support Services							
Student and Instruction Related Services	1,891,310		595,169		(1,296,141)		(1,296,141)
General Administrative Services	446,215		28,339		(417,876)		(417,876)
School Administrative Services	558,540		185,091		(373,449)		(373,449)
Administration Information Technology	78,229				(78,229)		(78,229)
Plant Operations and Maintenance	1,001,673		66,208		(935,465)		(935,465)
Pupil Transportation	272,675		45,966		(226,709)		(226,709)
Business Services	277,125		24,990		(252,135)		(252,135)
Interest on Debt and Other Charges	563,550	-	-	-	(563,550)	-	(563,550)
Total Governmental Activities	<u>14,950,320</u>	<u>-</u>	<u>4,670,359</u>	<u>-</u>	<u>(10,279,961)</u>	<u>-</u>	<u>(10,279,961)</u>
Business-Type Activities							
Food Service	193,377	\$ 132,259	65,392	-	-	\$ 4,274	4,274
Total Business-Type Activities	<u>193,377</u>	<u>132,259</u>	<u>65,392</u>	<u>-</u>	<u>-</u>	<u>4,274</u>	<u>4,274</u>
Total Primary Government	<u>\$ 15,143,697</u>	<u>\$ 132,259</u>	<u>\$ 4,735,751</u>	<u>\$ -</u>	<u>(10,279,961)</u>	<u>4,274</u>	<u>(10,275,687)</u>
General Revenues							
Property Taxes - General Fund					9,239,219		9,239,219
Property Taxes - Debt Service Fund					1,452,400		1,452,400
Investment Earnings					3,161	86	3,247
Miscellaneous Income					67,437		67,437
State Aid not Restricted					45,818	-	45,818
Total General Revenues					<u>10,808,035</u>	<u>86</u>	<u>10,808,121</u>
Change in Net Position					528,074	4,360	532,434
Net Position (Deficit), Beginning of Year					(138,335)	46,843	(91,492)
Net Position, End of Year					<u>\$ 389,739</u>	<u>\$ 51,203</u>	<u>\$ 440,942</u>

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

FUND FINANCIAL STATEMENTS

**NORTH HALEDON 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	\$ 921,819	\$ 30,940	\$ 100,321		\$ 1,053,080
Receivables from Other Governments	26,680	40,863			67,543
Other Receivables	17,500				17,500
Due from Other Funds	41,428	4,628	-	-	46,056
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 1,007,427	\$ 76,431	\$ 100,321	\$ -	\$ 1,184,179
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	\$ 2,715	\$ 41,428			\$ 44,143
Accounts Payable	3,727	23,648			27,375
Unearned Revenue	-	11,355	-	-	11,355
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	6,442	76,431	-	-	82,873
Fund Balances					
Restricted Fund Balance					
Excess Surplus	\$ 364,929				\$ 364,929
Excess Surplus - Designated for Subsequent Year's Expenditures	223,589				223,589
Capital Reserve	11,708				11,708
Maintenance Reserve	15,000				15,000
Capital Projects			\$ 100,321		100,321
Assigned Fund Balance					
Year-end Encumbrances	198,274				198,274
Unassigned Fund Balance					
General Fund	187,485	-	-	-	187,485
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	1,000,985	-	100,321	-	1,101,306
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 1,007,427	\$ 76,431	\$ 100,321	\$ -	

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

Total Fund Balances (Exhibit B-1)	\$	1,101,306
 Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$32,173,228 and the accumulated depreciation is \$14,869,771.		17,303,457
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.		725,165
Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.		
Deferred Outflows of Resources	\$ 241,460	
Deferred Inflows of Resources	<u>(1,011,242)</u>	(769,782)
The District has financed capital assets through the issuance of serial bonds. The interest accrual at year end is:		(226,800)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds		
Bonds Payable	\$ 16,394,138	
Capital Leases Payable	53,104	
Sale and Lease-Back Contracts	189,485	
Compensated Absences Payable	147,694	
Net Pension Liability	<u>959,186</u>	<u>(17,743,607)</u>
Net position of governmental activities	\$	<u>389,739</u>

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

**NORTH HALEDON 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					
Local Tax Levy	\$ 9,239,219			\$ 1,452,400	\$ 10,691,619
Interest	3,161				3,161
Miscellaneous	67,437	\$ 25,976	-	-	93,413
Total - Local Sources	<u>9,309,817</u>	<u>25,976</u>	<u>-</u>	<u>1,452,400</u>	<u>10,788,193</u>
State Sources	1,893,959				1,893,959
Federal Sources	-	272,160	-	-	272,160
Total Revenues	<u>11,203,776</u>	<u>298,136</u>	<u>-</u>	<u>1,452,400</u>	<u>12,954,312</u>
EXPENDITURES					
Current					
Regular Instruction	4,729,573	133,337			4,862,910
Special Education Instruction	1,927,924	144,045			2,071,969
Other Instruction	147,933				147,933
School-Sponsored Activities and Athletics	19,304				19,304
Support Services and Undistributed Costs					
Student and Instruction Related Services	1,494,547	20,754			1,515,301
General Administrative Services	436,067				436,067
School Administrative Services	430,954				430,954
Administration Information Technology	78,229				78,229
Plant Operations and Maintenance	967,953				967,953
Pupil Transportation	272,675				272,675
Business Services	277,294				277,294
Debt Service					
Principal	110,218			815,000	925,218
Interest and Other Charges	12,479			637,400	649,879
Capital Outlay	47,509	-	-	-	47,509
Total Expenditures	<u>10,952,659</u>	<u>298,136</u>	<u>-</u>	<u>1,452,400</u>	<u>12,703,195</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>251,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,117</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In					-
Operating Transfers Out	-	-	-	-	-
Net Change in Fund Balances	251,117	-	-	-	251,117
Fund Balance, Beginning of Year	749,868	-	\$ 100,321	-	850,189
Fund Balance, End of Year	<u>\$ 1,000,985</u>	<u>\$ -</u>	<u>\$ 100,321</u>	<u>\$ -</u>	<u>\$ 1,101,306</u>

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

**NORTH HALEDON 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) \$ 251,117

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 depreciation exceeds capital outlay in the current period.

Capital Outlay	\$ 47,509	
Depreciation Expense	<u>(922,512)</u>	
		(875,003)

The issuance of long term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long term debt.

Principal Payments		
Capital Leases	110,218	
Bonds Payable	<u>815,000</u>	
		925,218

In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts 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	(9,774)	
Decrease in Pension Expense	<u>150,187</u>	
		140,413

Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The details are as follows:

Amortization of Deferred Charge on Refunding of Debt	(115,697)	
Amortization of Premium	189,801	
Decrease in Accrued Interest	<u>12,225</u>	
		<u>86,329</u>

Change in net position of governmental activities \$ 528,074

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

	<u>Enterprise Fund- Food Service</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 18,748
Intergovernmental Receivable	
State	404
Federal	7,952
Due from Other Funds	525
Inventories	<u>8,245</u>
Total Current Assets	<u>35,874</u>
Capital Assets	
Equipment	107,216
Less: Accumulated Depreciation	<u>(88,091)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>19,125</u>
Total Assets	<u>54,999</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	<u>-</u>
Total Current Liabilities	<u>-</u>
DEFERRED INFLOW OF RESOURCES	
Deferred Commodities Revenue	<u>3,796</u>
Total Liabilities and Deferred Inflow of Resources	<u>3,796</u>
NET POSITION	
Net Investment in Capital Assets	19,125
Unrestricted	<u>32,078</u>
Total Net Position	<u>\$ 51,203</u>

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

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

	<u>Enterprise Fund - Food Service</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable Programs	\$ 85,313
Daily Sales - Non-Reimbursable Programs	44,801
Special Functions	<u>2,145</u>
 Total Operating Revenues	 <u>132,259</u>
OPERATING EXPENSES	
Cost of Sales - Reimbursable Programs	62,686
Cost of Sales - Non-Reimbursable Programs	21,525
Salaries and Wages	83,883
Insurance	6,771
Management Fee	8,141
Supplies and Materials	293
Depreciation	5,214
Miscellaneous	<u>4,864</u>
 Total Operating Expenses	 <u>193,377</u>
 Operating Loss	 <u>(61,118)</u>
NONOPERATING REVENUES	
Interest Income	86
State Sources	
State School Lunch Program	2,308
Federal Sources	
National School Lunch Program	48,292
Food Distribution Program - Non-Cash Assistance	14,674
Special Milk Program	<u>118</u>
 Total Nonoperating Revenues	 <u>65,478</u>
 Change in Net Position	 4,360
 Net Position, Beginning of Year	 <u>46,843</u>
 Net Position, End of Year	 <u><u>\$ 51,203</u></u>

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

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

	<u>Enterprise Fund - Food Service</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 132,259
Cash Payments for Employees' Salaries and Benefits	(83,883)
Cash Payments to Suppliers for Goods and Services	<u>(94,959)</u>
Net Cash Provided by/(Used for) Operating Activities	<u>(46,583)</u>
Cash Flows from Investing Activities	
Interest Income	<u>86</u>
Net Cash Provided by Investing Activities	<u>86</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>46,055</u>
Net Cash Provided by Noncapital Financing Activities	<u>46,055</u>
Net Decrease in Cash and Cash Equivalents	(442)
Cash and Cash Equivalents, Beginning of Year	<u>19,190</u>
Cash and Cash Equivalents, End of Year	<u>\$ 18,748</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (61,118)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities	
Depreciation	5,214
Food Distribution Program - Non-Cash Assistance	14,674
Change in Assets and Liabilities	
(Increase)/Decrease in Inventory	(2,743)
Increase/(Decrease) in Accounts Payable	(3,722)
Increase/(Decrease) in Deferred Commodities Revenue	<u>1,112</u>
Total Adjustments	<u>14,535</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (46,583)</u>
Non-Cash Investing, Capital and Financing Activities	
Value Received - Food Distribution Program	<u>\$ 15,786</u>

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

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 15,895	\$ 102,089
Due from Other Funds	2,190	-
	<hr/>	<hr/>
Total Assets	18,085	102,089
	<hr/>	<hr/>
LIABILITIES		
Payroll Deductions and Withholdings		20,246
Accrued Salaries and Wages		1,015
Due to Other Funds	4,628	
Due to State of NJ	253	
Due to Student Groups		80,828
	<hr/>	<hr/>
Total Liabilities	4,881	\$ 102,089
	<hr/>	<hr/>
NET POSITION		
Held in Trust for Unemployment Claims	\$ 13,204	
	<hr/>	

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

		<u>Unemployment Compensation Trust</u>
ADDITIONS		
Contributions		
Employees	\$	4,974
Board Contribution		10,000
Interest		22
		<hr/>
Total Additions		14,996
		<hr/>
DEDUCTIONS		
Unemployment Claims and Contributions		2,076
		<hr/>
Total Deductions		2,076
		<hr/>
Change in Net Position		12,920
Net Position, Beginning of Year		284
		<hr/>
Net Position, End of Year	\$	<u>13,204</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**NORTH HALEDON 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 Haledon Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials 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 Haledon Board of Education this includes general operations, food service 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:

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

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

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

C. Basis of Presentation - Financial Statements

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

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

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

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

Fund Financial Statements

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

The District reports the following major governmental funds:

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

Additionally, the government reports the following fund types:

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

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

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

Reclassifications

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

D. Measurement Focus and Basis of Accounting

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

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

**NORTH HALEDON 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)

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

Property taxes, 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.

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

**NORTH HALEDON 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)

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	20-50
Building Improvements	20
Heavy Equipment	10-20
Office Equipment and Furniture	7-10
Computer Equipment	5

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 amount on refunding of debt which results from the loss on a debt refunding reported in the district-wide statement of net position. Deferred amounts on debt refunding result from the loss on the transaction when the debt's reacquisition price is greater than the carrying value of the refunded debt. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The other item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**NORTH HALEDON 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 (Continued)

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 two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item is the deferred commodities revenue, reported in both the district wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused federal commodities inventory at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed. The other 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 vacation, personal, and sick leave benefits. A long-term liability of accumulated vacation, personal and sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated vacation, personal and sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

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

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

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.

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.

**NORTH HALEDON 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)

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

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).

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).

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

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

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

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.

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.

**NORTH HALEDON 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 (Continued)

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.

4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses

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

**NORTH HALEDON 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.

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 \$321,288. The increase was funded by additional state aid, 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 HALEDON 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	<u>\$ 11,708</u>
Balance June 30, 2018	<u>\$ 11,708</u>

C. Maintenance Reserve

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

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

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

Balance July 1, 2017	<u>\$ 15,000</u>
Balance June 30, 2018	<u>\$ 15,000</u>

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. 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 \$588,518. Of this amount, \$223,589 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$364,929 will be appropriated in the 2019/2020 original budget certified for taxes.

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 \$1,189,812 and bank and brokerage firm balances of the Board's deposits amounted to \$1,574,422. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>1,574,422</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 the Board's bank balance was not exposed to custodial credit risk.

**NORTH HALEDON 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

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.

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

B. Receivables

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

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Total</u>
Receivables:				
Intergovernmental				
Federal		\$ 40,863	\$ 7,952	\$ 48,815
State	\$ 26,680		404	27,084
Other Accounts Receivables	<u>17,500</u>	-	-	<u>17,500</u>
Gross Receivables	44,180	40,863	8,356	93,399
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Total Receivables	<u>\$ 44,180</u>	<u>\$ 40,863</u>	<u>\$ 8,356</u>	<u>\$ 93,399</u>

**NORTH HALEDON 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. Unearned Revenue

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

	<u>Unearned</u>
Special Revenue Fund	
Unencumbered Grant Drawdowns	\$ 4,331
Grant Drawdowns Reserved for Encumbrances	<u>7,024</u>
 Total Unearned Revenue for Governmental Funds	 <u>\$ 11,355</u>

D. Capital Assets

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

	<u>Balance, July 1, 2017</u>	<u>Increases</u>	<u>Decrease</u>	<u>Balance, June 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 70,295	-	-	\$ 70,295
 Total capital assets, not being depreciated	 <u>70,295</u>	 -	 -	 <u>70,295</u>
 Capital assets, being depreciated:				
Buildings	30,864,982			30,864,982
Machinery and equipment	<u>1,190,442</u>	<u>\$ 47,509</u>	-	<u>1,237,951</u>
Total capital assets being depreciated	<u>32,055,424</u>	<u>47,509</u>	-	<u>32,102,933</u>
 Less accumulated depreciation for:				
Buildings	(13,164,664)	(841,402)		(14,006,066)
Machinery and equipment	<u>(782,595)</u>	<u>(81,110)</u>	-	<u>(863,705)</u>
Total accumulated depreciation	<u>(13,947,259)</u>	<u>(922,512)</u>	-	<u>(14,869,771)</u>
 Total capital assets, being depreciated, net	 <u>18,108,165</u>	 <u>(875,003)</u>	 -	 <u>17,233,162</u>
 Governmental activities capital assets, net	 <u>\$ 18,178,460</u>	 <u>\$ (875,003)</u>	 <u>\$ -</u>	 <u>\$ 17,303,457</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, <u>July 1, 2017</u>	<u>Increases</u>	<u>Decrease</u>	Balance, <u>June 30, 2018</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 107,216	\$ -	-	\$ 107,216
Total capital assets being depreciated	<u>107,216</u>	<u>-</u>	<u>-</u>	<u>107,216</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(82,877)</u>	<u>(5,214)</u>	<u>-</u>	<u>(88,091)</u>
Total accumulated depreciation	<u>(82,877)</u>	<u>(5,214)</u>	<u>-</u>	<u>(88,091)</u>
Total capital assets, being depreciated, net	<u>24,339</u>	<u>(5,214)</u>	<u>-</u>	<u>19,125</u>
Business-type activities capital assets, net	<u>\$ 24,339</u>	<u>\$ (5,214)</u>	<u>\$ -</u>	<u>\$ 19,125</u>

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

Governmental Activities:	
Instruction	
Regular	\$ 842,436
School-Sponsored Activities and Athletics	<u>11,219</u>
Total Instruction	<u>853,655</u>
Support Services	
Support Services-Students	21,872
General Administration	5,903
School Administration	12,052
Operations and Maintenance of Plant	<u>29,030</u>
Total Support Services	<u>68,857</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 922,512</u>
Business-Type Activities:	
Food Service Fund	<u>\$ 5,214</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

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

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 41,428
Food Service Fund	General Fund	525
Unemployment Compensation Trust Fund	General Fund	2,190
Special Revenue Fund	Unemployment Compensation Trust Fund	<u>4,628</u>
 Total		 <u>\$ 48,771</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund.

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

F. Leases

Capital Leases

The District is leasing computer equipment totaling \$306,000 under capital leases. The leases are for terms of 5 years. In addition, the district has entered into a contract for the sale and lease-back of textbooks totaling \$250,000. The contract is for a term of 5 years. The sale and lease-back contract was issued to finance District operating costs in the 2015/2016 budget.

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

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Capital Leases</u>	<u>Sale and Lease-back Contracts</u>	
2019	\$ 54,092	\$ 68,605	\$ 122,697
2020		68,605	68,605
2021	-	68,605	68,605
Total minimum lease payments	54,092	205,815	259,907
Less: amount representing interest	(988)	(16,330)	(17,318)
 Present value of minimum lease payments	 <u>\$ 53,104</u>	 <u>\$ 189,485</u>	 <u>\$ 242,589</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

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

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

\$9,595,000 2014 Refunding Bonds, due in annual installments of \$875,000 to \$1,245,000 through February 15, 2027, interest at 4.000%	\$ 9,480,000
\$7,240,000 2015 Refunding Bonds, due in annual installments of \$1,320,000 to \$1,500,000 through February 15, 2031, interest at 4.000%	<u>5,640,000</u>
	<u>\$ 15,120,000</u>

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

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 875,000	\$ 604,800	\$ 1,479,800
2020	920,000	569,800	1,489,800
2021	960,000	533,000	1,493,000
2022	1,000,000	494,600	1,494,600
2023-2027	5,725,000	1,835,000	7,560,000
2028-2031	<u>5,640,000</u>	<u>576,000</u>	<u>6,216,000</u>
	<u>\$ 15,120,000</u>	<u>\$ 4,613,200</u>	<u>\$ 19,733,200</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:

3% of Equalized Valuation Basis (Municipal)	\$ 39,507,198
Less: Net Debt	<u>15,120,000</u>
Remaining Borrowing Power	<u>\$ 24,387,198</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	Balance, <u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>June 30, 2018</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds Payable	\$ 15,935,000		\$ 815,000	\$ 15,120,000	\$ 875,000
Add: Unamortized Premium	<u>1,463,939</u>	-	<u>189,801</u>	<u>1,274,138</u>	-
Net Bonds Payable	17,398,939	-	1,004,801	16,394,138	875,000
Capital Leases	105,239		52,135	53,104	53,104
Sale and Lease-back Contracts	247,568		58,083	189,485	60,552
Compensated Absences	137,920	\$ 9,774		147,694	
Net Pension Liability	<u>2,493,260</u>	-	<u>1,534,074</u>	<u>959,186</u>	-
Governmental Activity Long-Term Liabilities	<u>\$ 20,382,926</u>	<u>\$ 9,774</u>	<u>\$ 2,649,093</u>	<u>\$ 17,743,607</u>	<u>\$ 988,656</u>

For the governmental activities, the liability for compensated absences is 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 New Jersey School's Insurance Group (NJSIG). The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance fund 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 fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

**NORTH HALEDON 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 provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund 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:

<u>Fiscal Year Ended June 30,</u>	<u>Employee Contributions</u>	<u>District Contribution</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 4,974	\$ 10,000	\$ 2,076	\$ 13,204
2017	11,869	20,000	43,562	284
2016	9,284	20,000	33,258	11,952

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 HALEDON 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 HALEDON 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)

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

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

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 HALEDON 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 HALEDON 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 ~~7.65~~ 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 HALEDON 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:

Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 38,172	\$ 610,581	\$ 8,756
2017	74,787	539,619	12,908
2016	85,650	344,232	6,956

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$1,004 and \$1,496, respectively for PERS and the State contributed \$914 and \$1,395, 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 \$339,849 during the fiscal year ended June 30, 2018 for the employer’s share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 85.

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

Public Employees Retirement System (PERS)

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

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

**NORTH HALEDON 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 \$959,186 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 0.00412 percent, which was a decrease of 0.00429 percent from its proportionate share measured as of June 30, 2016 of 0.00841 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) a pension expense credit of \$(111,011) 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	\$ 22,586	
Changes of Assumptions	193,243	\$ 192,534
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,531	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>19,100</u>	<u>818,708</u>
Total	<u>\$ 241,460</u>	<u>\$ 1,011,242</u>

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

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

Year Ending <u>June 30,</u>	<u>Total</u>
2019	\$ (142,756)
2020	(119,120)
2021	(141,785)
2022	(240,514)
2023	(125,607)
Thereafter	<u>-</u>
	<u>\$ (769,782)</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 HALEDON 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 HALEDON 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 \$2,240,779 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 \$32,346,174. 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 0.04797 percent, which was an increase of 0.00498 percent from its proportionate share measured as of June 30, 2016 of 0.04299 percent.

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Plan Membership

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

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

Measurement Focus and Basis of Accounting

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

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

Investment Valuation

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

Funded Status and Funding Progress

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

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

**NORTH HALEDON 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 \$394,362, \$449,625 and \$409,885, 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 HALEDON 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 \$1,288,246. 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 \$21,122,649. 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 0.03938 percent, which was a decrease of 0.00021 percent from its proportionate share measured as of June 30, 2016 of 0.03959 percent.

Actuarial Assumptions

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

Inflation Rate	2.50%
Salary Increases *	
Initial Fiscal Year Applied Through	2026
Rate	1.55% 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 HALEDON 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 (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 HALEDON 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	\$ <u>22,893,167</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 908,026
Interest on the Total OPEB Liability	672,737
Changes of Assumptions	(2,790,608)
Gross Benefit Payments	(582,108)
Contributions from the Member	<u>21,435</u>
Net Changes	\$ <u>(1,770,518)</u>
Balance, June 30, 2017 Measurement Date	\$ <u>21,122,649</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>25,074,108</u>	\$ <u>21,122,649</u>	\$ <u>17,988,314</u>

**NORTH HALEDON 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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (School Retirees)	<u>\$ 17,371,337</u>	<u>\$ 21,122,649</u>	<u>\$ 26,104,347</u>

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.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 9,239,219		\$ 9,239,219	\$ 9,239,219	
Interest	1,000		1,000	3,161	\$ 2,161
Rental	18,000		18,000	36,000	18,000
PY Refund	-		-	20,852	20,852
Miscellaneous Revenue	2,158	\$ 500	2,658	10,585	7,927
Total Local Sources	<u>9,260,377</u>	<u>500</u>	<u>9,260,877</u>	<u>9,309,817</u>	<u>48,940</u>
State Sources					
Categorical Special Education Aid	327,422	14,226	341,648	341,648	
Categorical Security Aid	16,636		16,636	16,636	
Categorical Transportation Aid	19,291		19,291	19,291	
Under Adequacy Aid	31,620		31,620	31,620	
PARCC Readiness Aid	7,210		7,210	7,210	
Per Pupil Growth Aid	7,210		7,210	7,210	
Professional Learning Com. Aid	7,000		7,000	7,000	
Additional Nonpublic Transportation Aid				26,680	26,680
Extraordinary Aid	55,000		55,000	114,137	59,137
On-behalf TPAF Pension System Payments - Normal Cost (Non-Budget)				596,115	596,115
On-behalf TPAF Pension System Payments - NCGI Premium (Non-Budget)				14,466	14,466
On-behalf TPAF Pension System Payments - Post Retirement Medical Contribution (Non-Budget)				394,362	394,362
On-behalf TPAF Pension System Payments - Long-Term Disability Insurance (Non-Budget)				914	914
Reimbursed TPAF Social Security Payments (Non-Budget)	-	-	-	339,849	339,849
Total State Sources	<u>471,389</u>	<u>14,226</u>	<u>485,615</u>	<u>1,917,138</u>	<u>1,431,523</u>
Total Revenues	<u>9,731,766</u>	<u>14,726</u>	<u>9,746,492</u>	<u>11,226,955</u>	<u>1,480,463</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	343,103	45,978	389,081	388,768	313
Grades 1-5	1,610,401	(101,066)	1,509,335	1,509,327	8
Grades 6-8	1,054,761	(5,834)	1,048,927	1,048,925	2
Regular Program - Home Instruction					
Salaries of Teachers	2,500	18,250	20,750	19,675	1,075
Regular Programs - Undistributed Instruction					
Purchased Technical Services	3,000	32,401	35,401	35,401	
Other Purchased Services	110,543	(8,344)	102,199	101,697	502
General Supplies	97,887	67,341	165,228	158,765	6,463
Textbooks	1,350	74	1,424	1,402	22
Other Objects	-	4,551	4,551	4,551	-
Total Regular Programs	<u>3,223,545</u>	<u>53,351</u>	<u>3,276,896</u>	<u>3,268,511</u>	<u>8,385</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 61,619	\$ (8,497)	\$ 53,122	\$ 52,869	\$ 253
Other Salaries for Instruction	22,803	2,656	25,459	25,214	245
General Supplies	-	740	740	740	-
Total Learning and/or Language Disabilities	84,422	(5,101)	79,321	78,823	498
Multiple Disabilities					
Salaries of Teachers	150,888	62,103	212,991	212,457	534
Other Salaries for Instruction	44,305	(15,953)	28,352	27,822	530
Purchased Professional-Educational Services	20,000	(19,885)	115	115	-
Other Purchased Services	-	58	58	57	1
General Supplies	1,010	467	1,477	1,477	-
Total Multiple Disabilities	216,203	26,790	242,993	241,928	1,065
Resource Room					
Salaries of Teachers	488,576	18,425	507,001	506,900	101
Other Salaries for Instruction	84,321	8,187	92,508	91,777	731
General Supplies	3,114	(1,224)	1,890	1,885	5
Total Resource Room	576,011	25,388	601,399	600,562	837
Preschool Disabilities - Part-Time					
Salaries of Teachers	63,269	(34,711)	28,558	28,107	451
Other Salaries for Instruction	24,658	1,900	26,558	26,379	179
Purchased Professional-Educational Services	15,000	(11,000)	4,000	2,020	1,980
General Supplies	381	(200)	181	130	51
Total Preschool Disabilities - Part-Time	103,308	(44,011)	59,297	56,636	2,661
Total Special Education	979,944	3,066	983,010	977,949	5,061

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial					
Salaries of Teachers	\$ 41,135	\$ 46,403	\$ 87,538	\$ 87,537	\$ 1
Purchased Professional-Educational Services	-	150	150	150	-
General Supplies	1,314	(172)	1,142	784	358
Total Basic Skills/Remedial	42,449	46,381	88,830	88,471	359
Bilingual Education					
Salaries of Teachers	-	11,698	11,698	9,767	1,931
Total Bilingual Education	-	11,698	11,698	9,767	1,931
School Sponsored Cocurricular Activities					
Salaries	14,000	2,729	16,729	14,229	2,500
Total School Sponsored Cocurricular Activities	14,000	2,729	16,729	14,229	2,500
Total Instruction	4,259,938	117,225	4,377,163	4,358,927	18,236
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State-Special	23,848		23,848		23,848
Tuition to CSSD & Reg. Day Schools	2,052		2,052		2,052
Tuition to Priv. Sch. for the Disabled Within the State	529,731	(41,032)	488,699	480,170	8,529
Total Undistributed Expenditures - Instruction	555,631	(41,032)	514,599	480,170	34,429
Attendance & Social Work					
Other Purchased Services	4,050	-	4,050	4,050	-
Total Attendance & Social Work	4,050	-	4,050	4,050	-
Health Services					
Salaries	139,888	1,637	141,525	141,375	150
Purchased Professional and Technical Services	1,000	2,463	3,463	3,463	-
Supplies and Materials	1,825	1,260	3,085	3,048	37
Other Objects	-	70	70	70	-
Total Health Services	142,713	5,430	148,143	147,956	187
Speech, OT, PT and Related Services					
Salaries	197,970	6,226	204,196	203,693	503
Purchased Professional-Educational Services	28,680	44,330	73,010	43,020	29,990
Supplies and Materials	2,638	64	2,702	2,600	102
Total Speech, OT, PT and Related Services	229,288	50,620	279,908	249,313	30,595

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Other Support Serv. Students - Extra. Svcs.					
Salaries	\$ 111,422	\$ (12,274)	\$ 99,148	\$ 99,078	\$ 70
Purchased Professional-Educational Services	131,400	8,511	139,911	136,986	2,925
Total Other Support Serv. Students - Extra Svcs.	242,822	(3,763)	239,059	236,064	2,995
Guidance					
Salaries of Other Professional Staff	61,749	(3,599)	58,150	57,607	543
Purchased Professional and Technical Services	4,050		4,050	4,050	
Supplies and Materials	1,071	(87)	984	-	984
Total Guidance	66,870	(3,686)	63,184	61,657	1,527
Child Study Teams					
Salaries of Other Professional Staff	307,027	(1,167)	305,860	305,855	5
Purchased Professional - Educational Services	9,000	(2,100)	6,900	6,175	725
Other Purchased Prof. and Tech. Services		350	350	350	
Misc. Purchased Services	2,650	(123)	2,527	2,028	499
Supplies and Materials	1,929	1,585	3,514	3,086	428
Other Objects	1,300	-	1,300	1,223	77
Total Child Study Teams	321,906	(1,455)	320,451	318,717	1,734
Improvement of Instructional Services					
Salary of Supervisor of Instruction	50,000	(5,999)	44,001	44,000	1
Salaries of Other Professional Staff	6,500		6,500	6,375	125
Purchased Professional - Technical Services	4,800	(1,130)	3,670	2,064	1,606
Other Objects	-	1,130	1,130	1,130	-
Total Improvement of Instructional Services	61,300	(5,999)	55,301	53,569	1,732
Educational Media Services/School Library					
Purchased Professional and Technical Services	2,579		2,579	1,770	809
Supplies and Materials	-	1,407	1,407	907	500
Total Educational Media Serv./School Library	2,579	1,407	3,986	2,677	1,309
Instructional Staff Training Services					
Other Salaries		2,900	2,900	2,900	
Other Purchased Services	-	200	200	200	-
Total Instructional Staff Training Services	-	3,100	3,100	3,100	-

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Support Services General Administration					
Salaries	\$ 204,866	\$ (7,079)	\$ 197,787	\$ 186,233	\$ 11,554
Legal Services	45,000		45,000	28,950	16,050
Audit Fees	23,000	115	23,115	23,115	
Purchased Technical Services	6,900	835	7,735	7,625	110
Communications/Telephone	18,120		18,120	16,200	1,920
BOE Other Purchased Services	2,000	(1,428)	572	308	264
Miscellaneous Purchased Services	10,500	6,000	16,500	13,365	3,135
General Supplies	1,000		1,000	375	625
Miscellaneous Expenditures	2,250		2,250	1,870	380
BOE Membership Dues and Fees	5,000	-	5,000	4,928	72
Total Support Services General Administration	318,636	(1,557)	317,079	282,969	34,110
Support Services School Administration					
Salaries of Principal/Asst. Principals	228,500	(25)	228,475	228,473	2
Salaries of Secretarial and Clerical Assistants	72,553	(13,640)	58,913	58,836	77
Other Purchased Services	250	(56)	194	48	146
Supplies and Materials	2,000	791	2,791	2,666	125
Other Objects	3,000	260	3,260	3,260	-
Total Support Services School Administration	306,303	(12,670)	293,633	293,283	350
Central Services					
Salaries	173,275	(9,035)	164,240	164,220	20
Purchased Professional Services	46,765	(3,945)	42,820	36,885	5,935
Purchased Technical Services		11,350	11,350	10,955	395
Misc. Purchased Services	1,000	305	1,305	1,305	
Sale/Lease-back Payments	68,605		68,605	68,605	
Supplies and Materials	3,000	547	3,547	3,346	201
Miscellaneous Expenditures	2,050	-	2,050	2,012	38
Total Central Services	294,695	(778)	293,917	287,328	6,589
Administration Information Technology					
Purchased Technical Services	77,010	462	77,472	77,472	
Other Purchased Services	11,496	(11,496)			
Supplies and Materials	1,000	(242)	758	757	1
Total Administration Information Technology	89,506	(11,276)	78,230	78,229	1
Required Maintenance for School Facilities					
Salaries	35,000	(3,000)	32,000	32,000	
Cleaning, Repair and Maint. Serv.	68,660	189,327	257,987	183,983	74,004
General Supplies	10,000	18,281	28,281	21,053	7,228
Miscellaneous Expenditures	4,000	45	4,045	4,045	-
Total Required Maintenance for School Facilities	117,660	204,653	322,313	241,081	81,232

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
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)					
Other Operation and Maintenance of Plant					
Salaries	\$ 286,360	\$ 15,197	\$ 301,557	\$ 293,789	\$ 7,768
Purchased Prof. And Technical Serv.	2,000	(39)	1,961	1,960	1
Cleaning, Repair and Maintenance	6,400	653	7,053	6,919	134
Other Purchased Property Services	7,000	3,968	10,968	9,732	1,236
Insurance	86,815	(12,615)	74,200	73,325	875
Misc. Purchased Services	27,480	(27,480)			
General Supplies	35,000	4,499	39,499	32,584	6,915
Energy (Natural Gas)	60,000	(6,000)	54,000	42,718	11,282
Energy (Electricity)	197,800	(45,047)	152,753	142,602	10,151
Other Objects	2,500	946	3,446	3,446	-
Total Other Operation and Maintenance of Plant	711,355	(65,918)	645,437	607,075	38,362
Student Transportation Services					
Management fees- ESC & CTSA Transportation	6,200	912	7,112	7,111	1
Contracted Serv.-Aid in Lieu Pymts - NonPub School	53,924	18,991	72,915	72,914	1
Contracted Serv.-(Oth. than Bet Home & Sch) - Ven	2,000	(31)	1,969	680	1,289
Contracted Serv.-(Bet. Home and Sch.) Joint Agr.	34,660	(9,438)	25,222	25,222	
Contracted Services (Spl. Ed. Students) - Vendors	10,000	(1,568)	8,432	7,891	541
Contracted Services (Spl. Ed. Students) - ESCs & CTSA	126,870	34,808	161,678	158,832	2,846
Other Objects	-	25	25	25	-
Total Student Transportation Services	233,654	43,699	277,353	272,675	4,678
Unallocated Benefits - Employee Benefits					
Social Security Contributions	84,100	10,618	94,718	94,718	
Other Retirement Contributions-PERS	90,000	(50,500)	39,500	39,176	324
Other Retirement Contributions-Regular (DCRP)	12,000		12,000	8,756	3,244
Unemployment Compensation	25,000	(14,949)	10,051	10,016	35
Workmen's Compensation	63,162	2,171	65,333	65,333	
Health Benefits	1,441,283	(179,319)	1,261,964	1,199,344	62,620
Tuition Reimbursement	24,500	(13,040)	11,460	10,685	775
Other Employee Benefits	3,100	62,067	65,167	62,300	2,867
Total Unallocated Benefits - Employee Benefits	1,743,145	(182,952)	1,560,193	1,490,328	69,865
On-behalf TPAF Pension System Payments - Normal Cost (Non-Budget)					
				596,115	(596,115)
On-behalf TPAF Pension System Payments - NCGI Premium (Non-Budget)					
				14,466	(14,466)
On-behalf TPAF Pension System Payments - Post Retirement Medical Contribution (Non-Budget)					
				394,362	(394,362)
On-behalf TPAF Pension System Payments - Long-Term Disability Insurance (Non-Budget)					
				914	(914)
Reimbursed TPAF Social Security Payments (Non-Budget)					
	-	-	-	339,849	(339,849)
Total On-behalf	-	-	-	1,345,706	(1,345,706)
Food Service					
Food Service Deficit	-	84,200	84,200	3,600	80,600
Total Food Service	-	84,200	84,200	3,600	80,600
Total Undistributed Expenditures	5,442,113	62,023	5,504,136	6,459,547	(955,411)
Total Expenditures - Current Expenditures	9,702,051	179,248	9,881,299	10,818,474	(937,175)

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final To Actual</u>
EXPENDITURES					
CAPITAL OUTLAY					
Equipment					
Grade 6-8 Equipment	\$ 4,000		\$ 4,000	\$ 3,368	\$ 632
Undistributed Expenditures - Admin Info. Tech.	6,500		6,500	4,280	2,220
Undistributed Expenditures - Req. Maint. For School Facilities		\$ 19,126	19,126	19,126	
Undistributed Expenditures - Student Trans. - Non-Instruc. - Equipment	-	3,485	3,485	3,485	-
Total Equipment	<u>10,500</u>	<u>22,611</u>	<u>33,111</u>	<u>30,259</u>	<u>2,852</u>
Facilities Acquisition and Construction Services					
Construction Services		17,250	17,250	17,250	
Assessment for Debt Service on SDA Funding	86,676	-	86,676	86,676	-
Total Facilities Acquisition and Construction Services	<u>86,676</u>	<u>17,250</u>	<u>103,926</u>	<u>103,926</u>	<u>-</u>
Total Capital Outlay	<u>97,176</u>	<u>39,861</u>	<u>137,037</u>	<u>134,185</u>	<u>2,852</u>
Total Expenditures	<u>9,799,227</u>	<u>219,109</u>	<u>10,018,336</u>	<u>10,952,659</u>	<u>(934,323)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(67,461)</u>	<u>(204,383)</u>	<u>(271,844)</u>	<u>274,296</u>	<u>546,140</u>
Other Financing Sources (Uses) Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(67,461)</u>	<u>(204,383)</u>	<u>(271,844)</u>	<u>274,296</u>	<u>546,140</u>
Fund Balance, Beginning of Year	<u>875,021</u>	<u>-</u>	<u>875,021</u>	<u>875,021</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 807,560</u>	<u>\$ (204,383)</u>	<u>\$ 603,177</u>	<u>\$ 1,149,317</u>	<u>\$ 546,140</u>
Recapitulation of Fund Balance					
Restricted					
Capital Reserve				\$ 11,708	
Maintenance Reserve				15,000	
Excess Surplus				364,929	
Excess Surplus - Designated for Subsequent Year's Expenditures				223,589	
Assigned					
Year-End Encumbrances				198,274	
Unassigned				<u>335,817</u>	
Reconciliation to Governmental Funds Statements (GAAP):				1,149,317	
Less: Final State Aid Payments Not Recognized on GAAP Basis				<u>(148,332)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 1,000,985</u>	

**NORTH HALEDON BOARD OF EDUCATION
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Local		\$ 31,314	\$ 31,314	\$ 26,976	\$ (4,338)
Federal	\$ 225,000	70,865	295,865	278,184	(17,681)
Total Revenues	<u>225,000</u>	<u>102,179</u>	<u>327,179</u>	<u>305,160</u>	<u>(22,019)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	80,000	6,633	86,633	85,983	650
Other Purchased Services	130,000	14,911	144,911	144,045	866
General Supplies	-	31,257	31,257	24,706	6,551
Total Instruction	<u>210,000</u>	<u>52,801</u>	<u>262,801</u>	<u>254,734</u>	<u>8,067</u>
Support Services					
Personnel Services - Employee Benefits		23,648	23,648	23,648	
Purchased Professional/Educational Services	15,000	1,536	16,536	9,317	7,219
Other Purchased Services		8,700	8,700	2,968	5,732
Supplies and Materials	-	15,494	15,494	14,493	1,001
Total Support Services	<u>15,000</u>	<u>49,378</u>	<u>64,378</u>	<u>50,426</u>	<u>13,952</u>
Total Expenditures	<u>225,000</u>	<u>102,179</u>	<u>327,179</u>	<u>305,160</u>	<u>22,019</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 HALEDON BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

The accounting records of the Special Revenue Funds 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) \$ 11,226,955	(C-2) \$ 305,160
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2018		(7,024)
State Aid and Extraordinary Aid payment recognized for GAAP purposes, not recognized for Budgetary statements (2016/2017)	125,153	
State Aid and Extraordinary Aid payment recognized for budgetary purposes, not recognized for GAAP statements (2017/2018)	<u>(148,332)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 11,203,776</u>	<u>\$ 298,136</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) \$ 10,952,659	(C-2) \$ 305,160
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances, June 30, 2018	<u>-</u>	<u>(7,024)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 10,952,659</u>	<u>\$ 298,136</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION AND OTHER POST-EMPLOYMENT BENEFITS INFORMATION

**NORTH HALEDON 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*
(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.00412%	0.00841%	0.00868%	0.00847%	0.00874%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 959,186	\$2,493,260	\$1,948,989	\$1,586,487	\$ 1,669,852
District's Covered-Employee Payroll	\$ 284,774	\$ 376,314	\$ 572,105	\$ 581,943	\$ 594,157
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	337%	663%	341%	273%	281%
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 HALEDON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

**Last Five Fiscal Years
(Dollar amounts in thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 39,176	\$ 76,283	\$ 85,650	\$ 70,917	\$ 78,025
Contributions in Relation to the Contractually Required Contribution	<u>39,176</u>	<u>76,283</u>	<u>85,650</u>	<u>70,917</u>	<u>78,025</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 284,774	\$ 376,314	\$ 572,105	\$ 581,943	\$ 594,157
Contributions as a Percentage of Covered-Employee Payroll	14%	20%	15%	12%	13%

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 HALEDON 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*
(Dollar amounts in thousands)

	<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%	0%	0%	0%	0%
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>\$ 32,346,174</u>	<u>\$ 33,822,352</u>	<u>\$ 25,984,245</u>	<u>\$23,029,519</u>	<u>\$ 22,317,128</u>
Total	<u>\$ 32,346,174</u>	<u>\$ 33,822,352</u>	<u>\$ 25,984,245</u>	<u>\$23,029,519</u>	<u>\$ 22,317,128</u>
District's Covered-Employee Payroll	\$ 4,265,833	\$ 4,402,761	\$ 4,605,730	\$ 3,970,763	\$ 4,303,312
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 HALEDON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Change of Benefit Terms: None.

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

**NORTH HALEDON 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	\$ 908,026
Interest on Total OPEB Liability	672,737
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	
Changes of Assumptions	(2,790,608)
Gross Benefit Payments	(582,108)
Contribution from the Member	21,435
Net Change in Total OPEB Liability	(1,770,518)
Total OPEB Liability - Beginning	22,893,167
Total OPEB Liability - Ending	\$ 21,122,649
District's Proportionate Share of OPEB Liability	-
State's Proportionate Share of OPEB Liability	\$ 21,122,649
Total OPEB Liability - Ending	\$ 21,122,649
District's Covered-Employee Payroll	\$ 4,550,607
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 HALEDON 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 4.

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

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

	<u>ESEA Title I</u>	<u>ESEA Title II A</u>	<u>ESEA Title IV</u>	<u>IDEIA Part B, Basic</u>	<u>IDEIA Part B, Preschool</u>	<u>Local Grants</u>	<u>Total 2018</u>
REVENUES							
Intergovernmental							
Local						\$ 26,976	\$ 26,976
Federal	\$ 108,781	\$ 20,701	\$ 4,657	\$ 136,150	\$ 7,895	-	278,184
Total Revenues	<u>\$ 108,781</u>	<u>\$ 20,701</u>	<u>\$ 4,657</u>	<u>\$ 136,150</u>	<u>\$ 7,895</u>	<u>\$ 26,976</u>	<u>\$ 305,160</u>
EXPENDITURES							
Instruction							
Salaries of Teachers	\$ 83,633	\$ 2,350					\$ 85,983
Other Purchased Services				\$ 136,150	\$ 7,895		144,045
General Supplies	1,730	-	-	-	-	\$ 22,976	24,706
Total Instruction	<u>85,363</u>	<u>2,350</u>	<u>-</u>	<u>136,150</u>	<u>7,895</u>	<u>22,976</u>	<u>254,734</u>
Support Services							
Personnel Services - Employee Benefits	23,418	230					23,648
Purchased Professional/Educational Services		7,160	2,157				9,317
Other Purchased Services		2,968					2,968
Supplies and Material	-	7,993	2,500	-	-	4,000	14,493
Total Support Services	<u>23,418</u>	<u>18,351</u>	<u>4,657</u>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>50,426</u>
Total Expenditures	<u>\$ 108,781</u>	<u>\$ 20,701</u>	<u>\$ 4,657</u>	<u>\$ 136,150</u>	<u>\$ 7,895</u>	<u>\$ 26,976</u>	<u>\$ 305,160</u>

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

NOT APPLICABLE

CAPITAL PROJECTS FUND

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

<u>Project Description</u>	<u>Appropriation</u>	<u>Expenditures to Date</u>		<u>Balance, June 30, 2018</u>
		<u>Prior Years</u>	<u>Current Year</u>	
High Mountain School Expansion	\$ 11,987,451	\$ 11,972,181		\$ 15,270
Construction of Memorial School	<u>18,355,107</u>	<u>18,269,773</u>	-	<u>85,334</u>
	<u>\$ 30,342,558</u>	<u>\$ 30,241,954</u>	<u>\$ -</u>	<u>\$ 100,604</u>
Appropriation Balance June 30, 2018				\$ 100,604
Less: Bond Authorizations Not Issued				<u>(283)</u>
Fund Balance, GAAP Basis				<u>\$ 100,321</u>

**NORTH HALEDON 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

Interest on Investments	-
-------------------------	---

Total Revenues and Other Financing Sources	-
--	---

EXPENDITURES AND OTHER FINANCING USES

Construction Costs	-
--------------------	---

Total Expenditures and Other Financing Uses	-
---	---

Other Financing Sources (Uses)

Transfers Out	-
---------------	---

Net Changes in Fund Balance	-
-----------------------------	---

Fund Balance, Beginning of Year	\$ 100,321
---------------------------------	------------

Fund Balance, End of Year	\$ 100,321
---------------------------	------------

**NORTH HALEDON BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
HIGH MOUNTAIN EXPANSION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Bond Proceeds	\$ 8,775,528		\$ 8,775,528	\$ 8,775,811
SCC Grant Proceeds	<u>3,211,640</u>	<u>-</u>	<u>3,211,640</u>	<u>3,211,640</u>
 Total Revenues	 <u>11,987,168</u>	 <u>-</u>	 <u>11,987,168</u>	 <u>11,987,451</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Construction Costs	9,688,620		9,688,620	9,703,890
Purchased Professional and Technical Services	<u>2,283,561</u>	<u>-</u>	<u>2,283,561</u>	<u>2,283,561</u>
 Total Expenditures and Other Financing Uses	 <u>11,972,181</u>	 <u>-</u>	 <u>11,972,181</u>	 <u>11,987,451</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>\$ 14,987</u>	 <u>-</u>	 <u>\$ 14,987</u>	 <u>\$ -</u>

Additional Project Information:

Project Number	3640-050-05-1000
Grant Date	01/18/2005
Bond Authorization Date	09/27/2005
Bonds Authorized	\$ 8,775,811
Bonds Issued	8,775,528
SCC Grant Authorized	3,211,640
Original Authorized Cost	11,987,451
Additional Authorized Cost	-
Revised Authorized Cost	11,987,451

Percentage Increase Over Original

Authorized Cost	0.00%
Percentage Completion	100.00%
Original Target Completion Date	2008
Revised Target Completion Date	N/A

**NORTH HALEDON BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS -
BUDGETARY BASIS
CONSTRUCTION OF MEMORIAL SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
REVENUES AND OTHER FINANCING SOURCES				
Bond Proceeds and Transfers	\$ 15,059,472		\$ 15,059,472	\$ 15,059,472
SCC Grant Proceeds	3,295,635	-	3,295,635	3,295,635
	<u>18,355,107</u>	<u>-</u>	<u>18,355,107</u>	<u>18,355,107</u>
EXPENDITURES AND OTHER FINANCING SOURCES				
Construction Costs	16,627,472	-	16,627,472	16,712,806
Purchased Professional and Technical Services	1,642,301	-	1,642,301	1,642,301
	<u>18,269,773</u>	<u>-</u>	<u>18,269,773</u>	<u>18,355,107</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 85,334</u>	<u>-</u>	<u>\$ 85,334</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	3640-060-05-1000			
Grant Date	04/25/2005			
Bond Authorization Date	09/27/2005			
Bonds Authorized	\$ 15,059,472			
Bonds Issued	15,059,472			
SCC Grant Authorized	3,295,635			
Original Authorized Cost	18,355,107			
Additional Authorized Cost	-			
Revised Authorized Cost	18,355,107			
Percentage Increase Over Original				
Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	2008			
Revised Target Completion Date	N/A			

ENTERPRISE FUND

EXHIBIT G-1

**NORTH HALEDON BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2018**

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

EXHIBIT G-2

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

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

EXHIBIT G-3

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

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

FIDUCIARY FUNDS

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

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 80,828	\$ 21,261	\$ 102,089
Total Assets	<u>\$ 80,828</u>	<u>\$ 21,261</u>	<u>\$ 102,089</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 20,246	\$ 20,246
Accrued Salaries and Wages		1,015	1,015
Due to Student Groups	<u>\$ 80,828</u>	<u>-</u>	<u>80,828</u>
Total Liabilities	<u>\$ 80,828</u>	<u>\$ 21,261</u>	<u>\$ 102,089</u>

**NORTH HALEDON 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>
High Mountain School	\$ 79,226	\$ 50,728	\$ 49,126	\$ 80,828
Total	<u>\$ 79,226</u>	<u>\$ 50,728</u>	<u>\$ 49,126</u>	<u>\$ 80,828</u>

**NORTH HALEDON 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	\$ 3,158	\$ 3,169,905	\$ 3,152,817	\$ 20,246
Accrued Salaries and Wages	<u>1,085</u>	<u>3,977,957</u>	<u>3,978,027</u>	<u>1,015</u>
 Total	 <u>\$ 4,243</u>	 <u>\$ 7,147,862</u>	 <u>\$ 7,130,844</u>	 <u>\$ 21,261</u>

LONG-TERM DEBT

NORTH HALEDON BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES AND SALE/LEASE-BACK CONTRACTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Issue</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
Capital Leases:						
Wireless Access Point Project - Purchase of Computers	1.860%	306,000	\$ 105,239		\$ 52,135	\$ 53,104
Sale and Lease-back Contracts:						
2015/2016 Textbook Sale and Lease-back	4.250%	250,000	<u>247,568</u>	-	<u>58,083</u>	<u>189,485</u>
			<u>\$ 352,807</u>	<u>\$ -</u>	<u>\$ 110,218</u>	<u>\$ 242,589</u>

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

REVENUES	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Local Sources					
Local Tax Levy	\$ 1,452,400	-	\$ 1,452,400	\$ 1,452,400	-
 Total Revenues	 <u>1,452,400</u>	 <u>-</u>	 <u>1,452,400</u>	 <u>1,452,400</u>	 <u>-</u>
 EXPENDITURES					
Regular Debt Service					
Redemption of Principal	815,000	-	815,000	815,000	
Interest	<u>637,400</u>	<u>-</u>	<u>637,400</u>	<u>637,400</u>	\$ -
 Total Expenditures	 <u>1,452,400</u>	 <u>-</u>	 <u>1,452,400</u>	 <u>1,452,400</u>	 <u>-</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 -	 -	 -	 -	 -
 Other Financing Sources					
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	 -	 -	 -	 -	 -
 Fund Balance, Beginning of Year	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 Fund Balance, End of Year	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

STATISTICAL SECTION

This part of the North Haledon 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 HALEDON BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2009	2010	2011	2012	2013	2014 (1)	2015 (Restated)	2016	2017	2018
Governmental Activities										
Invested In Capital Assets, Net Of Related Debt	\$ 7,059,255	\$ 7,024,823	\$ 7,085,305	\$ 7,153,804	\$ 7,113,412	\$ 6,992,009	\$ 1,806,033	\$ 1,490,238	\$ 1,515,144	\$ 1,581,380
Restricted	600,270	229,270	98,270	103	125,103	125,103	86,708	225,362	127,029	127,029
Unrestricted	34,031	469,683	193,003	346,165	347,474	(1,479,309)	(2,354,521)	(2,168,664)	(1,780,508)	(1,318,670)
Total Governmental Activities Net Position	<u>\$ 7,693,556</u>	<u>\$ 7,723,776</u>	<u>\$ 7,376,578</u>	<u>\$ 7,500,072</u>	<u>\$ 7,585,989</u>	<u>\$ 5,637,803</u>	<u>\$ (461,780)</u>	<u>\$ (453,064)</u>	<u>\$ (138,335)</u>	<u>\$ 389,739</u>
Business-Type Activities										
Invested In Capital Assets, Net Of Related Debt	\$ 57,154	\$ 51,322	\$ 65,976	\$ 56,901	\$ 45,775	\$ 34,650	\$ 23,610	\$ 19,192	\$ 24,339	\$ 19,125
Restricted										
Unrestricted	124,442	158,140	73,719	41,039	12,120	(12,429)	(15,746)	9,733	22,504	32,078
Total Business-Type Activities Net Position	<u>\$ 181,596</u>	<u>\$ 209,462</u>	<u>\$ 139,695</u>	<u>\$ 97,940</u>	<u>\$ 57,895</u>	<u>\$ 22,221</u>	<u>\$ 7,864</u>	<u>\$ 28,925</u>	<u>\$ 46,843</u>	<u>\$ 51,203</u>
District-Wide										
Invested In Capital Assets, Net Of Related Debt	\$ 7,116,409	\$ 7,076,145	\$ 7,151,281	\$ 7,210,705	\$ 7,159,187	\$ 7,026,659	\$ 1,829,643	\$ 1,509,430	\$ 1,539,483	\$ 1,600,505
Restricted	600,270	229,270	98,270	103	125,103	125,103	86,708	225,362	127,029	127,029
Unrestricted	158,473	627,823	266,722	387,204	359,594	(1,491,738)	(2,370,267)	(2,158,931)	(1,758,004)	(1,286,592)
Total District Net Position	<u>\$ 7,875,152</u>	<u>\$ 7,933,238</u>	<u>\$ 7,516,273</u>	<u>\$ 7,598,012</u>	<u>\$ 7,643,884</u>	<u>\$ 5,660,024</u>	<u>\$ (453,916)</u>	<u>\$ (424,139)</u>	<u>\$ (91,492)</u>	<u>\$ 440,942</u>

Note 1: Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting For Pensions".

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

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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 4,493,765	\$ 4,536,548	\$ 4,535,027	\$ 4,733,315	\$ 5,124,145	\$ 5,103,149	\$ 5,947,818	\$ 6,251,472	\$ 6,890,530	\$ 7,163,251
Special Education	1,752,199	1,887,519	2,016,580	1,710,074	1,801,800	1,979,775	2,762,282	2,379,668	2,448,145	2,471,349
Other Instruction	167,480	168,557	193,059	232,737	162,896	384,414	357,066	147,609	72,109	195,722
School Sponsored Activities and Athletics	29,019	50,895	29,543	57,387	29,372	65,465	86,140	109,721	28,537	30,681
Support Services:										
Student & Instruction Related Services	835,291	879,123	1,128,038	1,199,127	1,274,596	1,210,025	1,480,738	1,754,568	1,775,496	1,891,310
School Administrative Services	238,083	253,493	267,744	377,641	463,582	570,717	489,071	467,651	602,423	446,215
General Administration	366,254	337,125	434,950	424,950	368,848	447,396	671,055	498,885	511,588	558,540
Administration Information Technology	-	-	-	-	-	-	-	-	75,954	78,229
Plant Operations And Maintenance	742,729	737,769	765,954	720,879	718,069	797,401	775,744	771,483	850,927	1,001,673
Pupil Transportation	450,771	406,767	369,401	324,312	347,326	323,829	430,908	337,598	274,565	272,675
Other Support Services	249,665	285,569	207,851	239,716	259,826	244,249	297,211	220,779	326,279	277,125
Interest On Long-Term Debt	973,977	949,486	923,799	896,972	868,789	680,565	724,825	606,967	574,656	563,550
Arbitrage Rebate	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities Expenses	10,299,233	10,492,851	10,871,946	10,917,110	11,419,249	11,806,985	14,022,858	13,546,401	14,431,209	14,950,320
Business-Type Activities:										
Food Service	163,463	175,031	267,264	247,253	257,753	248,451	227,924	190,734	197,039	193,377
Total Business-Type Activities Expense	163,463	175,031	267,264	247,253	257,753	248,451	227,924	190,734	197,039	193,377
Total District Expenses	\$ 10,462,696	\$ 10,667,882	\$ 11,139,210	\$ 11,164,363	\$ 11,677,002	\$ 12,055,436	\$ 14,250,782	\$ 13,737,135	\$ 14,628,248	\$ 15,143,697
Program Revenues										
Governmental Activities:										
Charges For Services:										
Special Education										
Transportation	-	-	\$ 16,273	\$ 12,110	\$ 10,490	\$ 5,440	\$ 7,930	-	-	-
Operating Grants And Contributions	\$ 1,306,000	\$ 1,542,717	1,140,296	1,414,664	1,594,056	1,402,879	2,736,150	\$ 3,109,053	\$ 4,232,723	\$ 4,670,359
Capital Grants And Contributions	976,091	-	148,304	144,524	-	-	-	-	-	-
Total Governmental Activities Program Revenues	2,282,091	1,542,717	1,304,873	1,571,298	1,604,546	1,408,319	2,744,080	3,109,053	4,232,723	4,670,359
Business-Type Activities:										
Charges For Services										
Food Service	146,562	150,962	143,974	148,394	149,285	139,236	134,076	134,111	147,689	132,259
Operating Grants And Contributions	37,779	51,482	53,035	56,932	68,325	73,106	79,430	77,666	67,200	65,392
Total Business Type Activities Program Revenues	184,341	202,444	197,009	205,326	217,610	212,342	213,506	211,777	214,889	197,651
Total District Program Revenues	\$ 2,466,432	\$ 1,745,161	\$ 1,501,882	\$ 1,776,624	\$ 1,822,156	\$ 1,620,661	\$ 2,957,586	\$ 3,320,830	\$ 4,447,612	\$ 4,868,010
Net (Expense)/Revenue										
Governmental Activities	\$ (8,017,142)	\$ (8,950,134)	\$ (9,567,073)	\$ (9,345,812)	\$ (9,814,703)	\$ (10,398,666)	\$ (11,278,778)	\$ (10,437,348)	\$ (10,198,486)	\$ (10,279,961)
Business-Type Activities	20,878	27,413	(70,255)	(41,927)	(40,143)	(36,109)	(14,418)	21,043	17,850	4,274
Total District-Wide Net Expense	\$ (7,996,264)	\$ (8,922,721)	\$ (9,637,328)	\$ (9,387,739)	\$ (9,854,846)	\$ (10,434,775)	\$ (11,293,196)	\$ (10,416,305)	\$ (10,180,636)	\$ (10,275,687)

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

	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	\$ 8,512,052	\$ 8,892,469	\$ 9,190,961	\$ 9,453,714	\$ 8,154,441	\$ 8,480,231	\$ 8,658,921	\$ 8,832,095	\$ 9,058,058	\$ 9,239,219
Taxes Levied For Debt Service					1,564,706	1,565,594	1,570,206	1,471,487	1,377,527	1,452,400
Unrestricted Grants And Contributions	4,547	48,778	11,259		11,309	43,906	60,643	38,865	43,791	45,818
Investment Earnings	24,025	6,370	5,070	2,799	3,073	2,590	1,500	1,321	3,061	3,161
Miscellaneous Income	6,068	32,737	12,585	12,793	157,091	38,011	39,828	102,296	30,778	67,437
Transfers	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	8,546,692	8,980,354	9,219,875	9,469,306	9,890,620	10,130,332	10,331,098	10,446,064	10,513,215	10,808,035
Business-Type Activities:										
Investment Earnings		453	488	172	98	435	61	18	68	86
Transfers	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	-	453	488	172	98	435	61	18	68	86
Total District-Wide	\$ 8,546,692	\$ 8,980,807	\$ 9,220,363	\$ 9,469,478	\$ 9,890,718	\$ 10,130,767	\$ 10,331,159	\$ 10,446,082	\$ 10,513,283	\$ 10,808,121
Change In Net Position										
Governmental Activities	\$ 529,550	\$ 30,220	\$ (347,198)	\$ 123,494	\$ 75,917	\$ (268,334)	\$ (947,680)	\$ 8,716	\$ 314,729	\$ 528,074
Business-Type Activities	20,878	27,866	(69,767)	(41,755)	(40,045)	(35,674)	(14,357)	21,061	17,918	4,360
Total District	\$ 550,428	\$ 58,086	\$ (416,965)	\$ 81,739	\$ 35,872	\$ (304,008)	\$ (962,037)	\$ 29,777	\$ 332,647	\$ 532,434

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Restricted			\$ 262,326	\$ 230,384	\$ 452,375	\$ 440,519	\$ 131,196	\$ 56,708	\$ 250,297	\$ 615,226
Committed				42,870	-	-				
Assigned			94,227	246,085	195,679	186,297	9,748	33,562	271,843	198,274
Unassigned			270,519	241,466	233,038	238,874		151,063	227,728	187,485
Reserved	\$ 228,852	\$ 241,535								
Unreserved	307,410	702,655					(197,208)			
Total General Fund	<u>\$ 536,262</u>	<u>\$ 944,190</u>	<u>\$ 627,072</u>	<u>\$ 760,805</u>	<u>\$ 881,092</u>	<u>\$ 865,690</u>	<u>\$ (56,264)</u>	<u>\$ 241,333</u>	<u>\$ 749,868</u>	<u>\$ 1,000,985</u>
All Other Governmental Funds										
Restricted			\$ 55,797	\$ 100,321	\$ 100,321	\$ 100,321	\$ 168,744	\$ 168,654	\$ 100,321	\$ 100,321
Committed				100,000						
Assigned			98,167							
Unassigned										
Reserved	\$ 609,958	\$ 179,618								
Unreserved	487,052	73,520								
Total All Other Governmental Funds	<u>\$ 1,097,010</u>	<u>\$ 253,138</u>	<u>\$ 153,964</u>	<u>\$ 200,321</u>	<u>\$ 100,321</u>	<u>\$ 100,321</u>	<u>\$ 168,744</u>	<u>\$ 168,654</u>	<u>\$ 100,321</u>	<u>\$ 100,321</u>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 8,512,052	\$ 8,892,469	\$ 9,190,961	\$ 9,453,714	\$ 9,719,147	\$ 10,045,825	\$ 10,229,127	\$ 10,303,582	\$ 10,435,585	\$ 10,691,619
Tuition Charges										
Transportation Charges			16,273	12,110	10,490	5,440	7,930			
Interest Earnings	24,025	6,371	5,070	2,799	3,073	2,590	1,500	1,321	3,061	3,161
Miscellaneous	6,068	32,737	12,585	49,998	157,091	38,011	39,828	141,154	71,015	93,413
State Sources	2,108,390	1,272,139	1,063,277	1,276,861	1,403,634	1,273,040	1,476,155	1,589,505	1,939,485	1,893,959
Federal Sources	178,248	319,356	236,582	245,122	201,731	173,745	303,698	277,215	295,132	272,160
Total Revenue	10,828,783	10,523,072	10,524,748	11,040,604	11,495,166	11,538,651	12,058,238	12,312,777	12,744,278	12,954,312
Expenditures										
Instruction										
Regular Instruction	3,643,226	3,895,504	3,883,305	4,060,662	4,456,183	4,441,761	4,536,697	4,591,598	4,764,148	4,862,910
Special Education Instruction	1,745,097	1,893,782	2,018,014	1,715,338	1,800,465	1,983,170	2,513,597	2,153,484	2,089,511	2,071,969
Other Special Instruction	167,480	168,557	193,059	232,737	162,896	384,414	309,791	124,016	56,112	147,933
School-Sponsored Activities and Athletics	29,019	31,830	29,543	57,387	29,372	65,465	74,722	82,758	15,187	19,304
Support Services:										
Student & Inst. Related Services	819,360	886,950	1,111,794	1,176,230	1,251,699	1,187,628	1,383,590	1,550,113	1,453,318	1,515,301
General Administration	356,812	322,066	426,866	389,644	455,498	451,622	545,027	481,431	467,106	436,067
School Administrative Services	224,808	244,100	259,982	365,589	356,796	418,161	477,019	449,408	468,894	430,954
Administration Information Technology	-	-	-	-	-	-	-	-	75,954	78,229
Plant Operations And Maintenance	717,977	741,421	738,377	699,858	693,549	751,609	751,224	753,982	817,465	967,953
Pupil Transportation	447,334	384,592	365,964	320,875	343,889	320,392	427,471	335,589	268,323	272,675
Other Support Services	249,566	279,110	223,998	239,716	259,826	240,237	297,211	217,222	293,073	277,294
Capital Outlay	1,746,649	557,135	136,458	45,147	100,000	-	39,545		29,943	47,509
Debt Service:										
Principal	565,000	595,000	620,000	650,000	685,000	765,000	914,330	835,248	838,615	925,218
Interest And Other Charges	982,982	958,969	933,681	907,331	879,706	850,594	641,545	690,421	666,427	649,879
Bond Issuance Cost										
						111,011	114,092			
Total Expenditures	11,695,310	10,959,016	10,941,041	10,860,514	11,474,879	11,971,064	13,025,861	12,265,270	12,304,076	12,703,195
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(866,527)	(435,944)	(416,293)	180,090	20,287	(432,413)	(967,623)	47,507	440,202	251,117
Other Financing Sources (Uses)										
Bond Proceeds										
Approved Budget Transfer In	160,180									
Approved Budget Transfer Out	(160,180)									
Transfers In	16,019	242,971	774	56	-	-			90	
Transfers Out	(16,019)	(242,971)	(774)	(56)	-	-			(90)	
Payments to Refunding Escrow Agent						(10,664,017)	(7,881,087)			
Refunding Bonds Proceeds						9,595,000	7,240,000			
Premium on Issuance of Refunding Bond						1,180,028	755,179			
Sale and Lease-back Contract Proceeds								250,000		
Capital Leases (Non-Budgeted)						306,000				
Total Other Financing Sources (Uses)	-	-	-	-	-	417,011	114,092	250,000	-	-
Net Change In Fund Balances	\$ (866,527)	\$ (435,944)	\$ (416,293)	\$ 180,090	\$ 20,287	\$ (15,402)	\$ (853,531)	\$ 297,507	\$ 440,202	\$ 251,117
Debt Service As A Percentage Of										
Noncapital Expenditures	21.78%	17.56%	16.79%	16.82%	15.95%	15.60%	13.61%	14.21%	13.98%	14.21%

* Noncapital expenditures are total expenditures less capital outlay.

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended June 30,	<u>Tuition</u>	<u>Transportation</u>	<u>Interest on Invest.</u>	<u>Refunds/ Settlements</u>	<u>Misc.</u>	<u>Total</u>
2009			\$ 8,006		\$ 6,068	\$ 14,074
2010			3,400		32,737	36,137
2011		\$ 16,273	4,296		12,585	33,154
2012		12,110	2,743	\$ 353	12,440	27,646
2013		10,490	3,073	125,087	32,004	170,654
2014		5,440	2,590		38,011	46,041
2015		7,930	1,500		39,828	49,258
2016			1,321	38,154	64,142	103,617
2017			3,061	9,650	21,128	33,839
2018			3,161	20,852	46,585	70,598

**NORTH HALEDON 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 School Tax Rate ^a
2009	\$ 3,204,600	\$ 424,852,600	\$ 224,800	\$ 9,300	\$ 18,123,600	\$ 2,147,700	N/A	\$ 448,562,600	\$ 412,748	\$ 448,975,348	\$ 1,590,496,406	\$ 1.98
2010	2,618,100	418,423,900	224,800	9,300	17,729,600	2,147,700	N/A	441,153,400	432,330	441,585,730	1,492,140,716	2.08
2011	2,553,400	419,383,900	224,800	9,300	17,734,900	2,147,700	N/A	442,054,000	371,880	442,425,880	1,417,911,637	2.14
2012	8,720,600	1,106,681,100	571,100	11,100	59,508,400	6,346,700	N/A	1,181,839,000	371,880	1,182,210,880	1,282,934,216	0.82
2013	8,667,100	1,106,157,600	571,100	11,100	58,834,400	6,189,100	N/A	1,180,450,400	889	1,180,451,289	1,282,934,216	0.85
2014	8,934,100	1,106,531,400	571,100	11,100	58,585,000	6,049,600	N/A	1,180,682,300	915	1,180,683,215	1,335,237,800	0.87
2015	8,902,400	1,108,014,700	571,100	11,100	58,167,300	5,268,600	N/A	1,180,935,200	908	1,180,936,108	1,302,643,635	0.87
2016	8,732,800	1,108,926,300	571,100	11,100	58,167,300	5,268,600	N/A	1,181,677,200	913	1,181,678,113	1,296,451,026	0.88
2017	9,719,200	1,109,088,800	571,100	11,100	56,562,300	4,584,600	N/A	1,180,537,100	899	1,180,537,999	1,315,477,970	0.91
2018	9,117,000	1,112,084,200	571,100	11,100	56,562,300	4,584,600	N/A	1,182,930,300	880	1,182,931,180	1,345,819,792	0.92

Source: County Abstract of Ratables

^a Tax rates are per \$100

**NORTH HALEDON BOARD OF EDUCATION
PROPERTY TAX RATES
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(UNAUDITED)**

<u>Calendar Year</u>	<u>North Haledon School District</u>	<u>Manchester School District</u>	<u>North Haledon Borough</u>	<u>Passaic County</u>	<u>Total</u>
2009	\$ 1.98	\$ 0.64	\$ 1.80	\$ 1.79	\$ 6.21
2010	2.08	0.66	1.99	1.80	6.53
2011	2.14	0.66	2.01	1.85	6.66
2012	0.82	0.26	0.80	0.69	2.57
2013	0.85	0.31	0.81	0.76	2.73
2014	0.87	0.26	0.82	0.77	2.72
2015	0.87	0.22	0.85	0.84	2.78
2016	0.88	0.20	0.92	0.82	2.82
2017	0.91	0.22	0.90	0.82	2.85
2018	0.92	0.20	0.90	0.84	2.86

Source: Tax Duplicate

* The Borough undertook a revaluation.

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

Taxpayer	2018	
	Taxable	% of Total
	Assessed Value	District Net Assessed Value
High Mt. Rty, LLC c/o Kennedy Constr.	\$ 7,840,000	0.66%
535 Associates, LLC	4,225,000	0.36%
1243 Belmont Ave Corp.	4,013,100	0.34%
Sicomac Rlty LLC & Rosehall Rlty, LLC	3,800,000	0.32%
High Mountain Realty Group, LLC	3,400,000	0.29%
920 Belmont Acquisition, LLC	3,005,400	0.25%
Hofer Heights, LLC	2,839,100	0.24%
NJTT Realty, LLC	2,575,400	0.22%
Rudd O'Connor	2,068,800	0.17%
Overlook Properties, LLC	1,900,000	0.16%
	\$ 35,666,800	3.02%

Taxpayer	2009	
	Taxable	% of Total
	Assessed Value	District Net Assessed Value
High Mountain Realty/Kennedy	\$ 2,499,500	0.56%
Danza Group VII	1,622,200	0.36%
Sicomac Realty LLC & Rosehall Rlty LLC	1,450,900	0.32%
1243 Belmont Ave. Corp.	1,360,100	0.30%
Hoffer Heights	1,201,600	0.27%
High Mountain Realty Group, LLC	1,076,700	0.24%
Tannis, William Sr.	1,017,700	0.23%
Rainmaker Capital of No. Haledon, LLC	903,200	0.20%
NJTT Realty LLC	722,200	0.16%
Overlook Properties LLC	615,300	0.14%
	\$ 12,469,400	2.78%

Source - Municipal Tax Assessor

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

Fiscal Year Ended June 30,	School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 8,512,052	\$ 8,512,052	100.00%	
2010	8,892,469	8,892,469	100.00%	
2011	9,190,961	9,190,961	100.00%	
2012	9,453,714	9,453,714	100.00%	
2013	9,719,147	9,719,147	100.00%	
2014	10,045,825	9,339,139	92.96%	\$ 706,686
2015	10,229,127	10,229,127	100.00%	
2016	10,303,582	10,303,582	100.00%	
2017	10,435,585	10,435,585	100.00%	
2018	10,691,619	10,691,619	100.00%	

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

Fiscal Year Ended June 30,	Governmental Activities					Business-Type Activities		Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Sale and Lease-back Contracts	Bond Anticipation Notes (BANs)	Capital Leases				
2009	\$ 22,215,000	N/A	N/A	N/A	N/A	N/A	\$ 22,215,000	8,897	\$ 2,497	
2010	21,620,000	N/A	N/A	N/A	N/A	N/A	21,620,000	8,428	2,565	
2011	21,000,000	N/A	N/A	N/A	N/A	N/A	21,000,000	8,479	2,477	
2012	20,350,000	N/A	N/A	N/A	N/A	N/A	20,350,000	8,484	2,399	
2013	19,665,000	N/A	N/A	N/A	N/A	N/A	19,665,000	8,509	2,311	
2014	18,695,000	N/A	\$ 256,000	N/A	N/A	N/A	18,951,000	8,535	2,220	
2015	17,505,000	N/A	206,670	N/A	N/A	N/A	17,711,670	8,548	2,072	
2016	16,720,000	N/A	156,422	250,000	N/A	N/A	17,126,422	8,491	2,017	
2017	15,935,000	N/A	105,239	247,568	N/A	N/A	16,287,807	8,570	1,901	
2018	15,120,000	N/A	53,104	189,485	N/A	N/A	15,362,589	8,570 *	1,793	

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Source: District records

* Estimate

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>		
2009	\$ 22,215,000		\$ 22,215,000	5.03%	\$ 2,497
2010	21,620,000		21,620,000	4.89%	2,565
2011	21,000,000		21,000,000	1.78%	2,477
2012	20,350,000		20,350,000	1.72%	2,399
2013	19,665,000		19,665,000	1.67%	2,311
2014	18,695,000		18,695,000	1.58%	2,220
2015	17,505,000		17,505,000	1.34%	2,072
2016	16,720,000		16,720,000	1.41%	2,017
2017	15,935,000		15,935,000	1.35%	1,901
2018	15,120,000		15,120,000	1.28%	1,793

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**NORTH HALEDON BOARD OF EDUCATION
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt:			
Borough of North Haledon	\$ 13,123,000		\$ 13,123,000
North Haledon Board of Education	<u>15,935,000</u>	<u>\$ 15,935,000</u>	<u>-</u>
	<u>\$ 29,058,000</u>	<u>\$ 15,935,000</u>	<u>\$ 13,123,000</u>
Net Overlapping Debt of School District:			
County of Passaic		9,938,207	
PCUA		1,423,347	
PVSC		<u>675,094</u>	
			<u>12,036,648</u>
Total Direct and Overlapping Bonded Debt as of December 31, 2017			<u>\$ 25,159,648</u>

Source: 2015 Debt Statement, Borough of North Haledon

**NORTH HALEDON BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis

	2017	\$	1,341,519,432
	2016		1,315,166,611
	2015		<u>1,294,033,750</u>
		\$	<u>3,950,719,793</u>
Average equalized valuation of taxable property		\$	1,316,906,598
Debt limit (3 % of average equalization value)			39,507,198
Total Net Debt Applicable to Limit			<u>15,120,000</u>
Legal debt margin		\$	<u>24,387,198</u>

Fiscal Year

	<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>
Debt limit	\$ 46,128,175	\$ 46,313,490	\$ 44,824,204	\$ 42,905,067	\$ 41,284,805	\$ 41,020,694	\$ 39,202,703	\$ 38,846,022	\$ 39,099,410	\$ 39,507,198
Total net debt applicable to limit	<u>22,215,283</u>	<u>21,620,283</u>	<u>21,000,283</u>	<u>20,350,283</u>	<u>19,665,283</u>	<u>18,695,000</u>	<u>17,505,283</u>	<u>16,720,000</u>	<u>15,935,000</u>	<u>15,120,000</u>
Legal debt margin	<u>\$ 23,912,892</u>	<u>\$ 24,693,207</u>	<u>\$ 23,823,921</u>	<u>\$ 22,554,784</u>	<u>\$ 21,619,522</u>	<u>\$ 22,325,694</u>	<u>\$ 21,697,420</u>	<u>\$ 22,126,022</u>	<u>\$ 23,164,410</u>	<u>\$ 24,387,198</u>
Total net debt applicable to the limit as a percentage of debt limit	48.2%	46.7%	46.9%	47.4%	47.6%	45.6%	44.7%	43.0%	40.8%	38.3%

**NORTH HALEDON BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Year	Population	County Per Capita Personal Income	Unemployment Rate
2009	8,897	\$ 38,932	6.1%
2010	8,428	39,807	6.2%
2011	8,479	41,371	6.1%
2012	8,484	41,824	6.0%
2013	8,509	41,857	9.5%
2014	8,535	43,687	5.7%
2015	8,548	47,189	4.6%
2016	8,491	47,547	4.2%
2017	8,570	N/A	4.2%
2018	8,570	* N/A	N/A

Source: New Jersey State Department of Education

* Estimate

N/A Information Not Available

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

PRIOR YEAR INFORMATION NOT AVAILABLE

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction							
Regular	43	45.5	47.5	46.0	51.0	40.7	42.3
Special Education	14.5	15.3	15.8	13.2	16.0	15.2	13.8
Other Special Education	9.2	7.48	7.48	19.0	15.0	8.5	7.9
Vocational							
Other Instruction							
Non Public School Program							
Adult/Continuing Education							
Support Services							
Student & Instruction Related	4	4	4	8.2	7.0	8.9	15.4
General Administration	1	2.1	2	2.0	2.0	2.3	2.5
School Administrative Services	4	3.25	4	5.5	5.0	3.8	3.5
Other Administrative Services							
Central Services	2	2	2	2.0	2.0	2.0	2.5
Administrative Technology							
Plant & Operation Maintenance	6.1	6.1	6.1	6.0	6.7	5.7	8.5
Other Support Services	3	3	3	5.0	4.0	0.8	-
Transportation	1	1.4	1.4	1.4	0.3	1.3	-
Total	<u>87.90</u>	<u>90.13</u>	<u>93.28</u>	<u>108.30</u>	<u>109.00</u>	<u>89.03</u>	<u>96.36</u>

NORTH HALEDON 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	693.5	\$ 8,400,679	\$ 12,113	-0.87%	70.0	8	8	N/A	693.5	670.7	0.01%	96.71%
2010	711.8	8,847,912	12,430	2.62%	74.0	8	8	N/A	711.8	683.8	2.64%	96.07%
2011	702.0	9,250,902	13,178	6.02%	74.4	8	8	N/A	702.0	676.9	-1.38%	96.42%
2012	714.0	9,258,036	12,966	-1.61%	65.0	11	11	N/A	702.2	677.8	0.03%	96.53%
2013	738.0	9,810,173	13,293	2.52%	64.0	11.5	11.5	N/A	635.1	608.5	-9.52%	95.81%
2014	720.0	10,244,459	14,228	7.04%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2015	706.0	11,316,349	16,029	12.65%	64.0	11.03	11.03	N/A	N/A	706.0	N/A	N/A
2016	702.0	10,739,601	15,299	-4.56%	67.0	10.5	10.5	N/A	678.0	650.0	N/A	95.87%
2017	654.0	10,739,601	16,421	7.34%	55.9	11.71	11.71	N/A	638.8	613.3	-5.78%	96.01%
2018	655.0	11,080,589	16,917	3.02%	56.1	11.68	11.68	N/A	658.7	633.1	-2.85%	96.11%

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 HALEDON 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>High Mountain Middle School</u>										
Square Feet	61,025	61,025	61,025	61,025	61,025	61,025	61,025	61,025	61,025	61,025
Capacity (students)	369	369	369	369	369	369	369	369	369	369
Enrollment	286	299	324	324	393	393	292	291	268	284
<u>Memorial Elementary School</u>										
Square Feet	60,480	60,480	60,480	60,480	60,480	60,480	60,480	60,480	60,480	60,480
Capacity (students)	450	450	450	450	450	450	450	450	450	450
Enrollment	399	410	387	383	345	345	414	389	372	362

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Number of Schools at June 30, 2018
Elementary = 2

Source: District Records

**NORTH HALEDON BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)**

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

		<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	Project #(s)										
High Mountain School	N/A	\$ 40,164	\$ 47,398	\$ 47,902	\$ 58,784	\$ 66,833	\$ 62,915	\$ 57,918	\$ 52,602	\$ 51,556	\$ 126,890
Memorial School	N/A	<u>36,733</u>	<u>44,434</u>	<u>46,010</u>	<u>49,670</u>	<u>64,368</u>	<u>62,364</u>	<u>57,401</u>	<u>52,132</u>	<u>61,304</u>	<u>114,191</u>
Total Facilities		<u>76,897</u>	<u>91,832</u>	<u>93,912</u>	<u>108,454</u>	<u>131,201</u>	<u>125,279</u>	<u>115,319</u>	<u>104,734</u>	<u>112,860</u>	<u>241,081</u>
Grand Total		<u>\$ 76,897</u>	<u>\$ 91,832</u>	<u>\$ 93,912</u>	<u>\$ 108,454</u>	<u>\$ 131,201</u>	<u>\$ 125,279</u>	<u>\$ 115,319</u>	<u>\$ 104,734</u>	<u>\$ 112,860</u>	<u>\$ 241,081</u>

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Source: District Records

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - New Jersey Schools Insurance Group		
Property - Blanket Building & Contents	\$500,000,000	\$5,000
Comprehensive General Liability	11,000,000	-
Comprehensive Automobile Liability	11,000,000	1,000
Boiler and Machinery	100,000,000	5,000
School Board Legal Liability - New Jersey Schools Insurance Group		
Limit of Liability	11,000,000	5,000
Environmental Impairment Liability - Zurich Stedfast Insurance Co.		
Each occurrence	1,000,000	250,000
Aggregate	11,000,000	
Additional Excess Liability Policy - Tourus/Markel		
Aggregate	29,000,000	
Student Accident Policy - Berkley Life & Health Insurance Co.		
Maximum Benefit	5,000,000	
Full Exceed 10 year benefit period		
Public Employees' Faithful Performance Blanket		
Position Bond - New Jersey Schools Insurance Group	500,000	1,000
Surety Bond - Treasurer	200,000	
Surety Bond - Business Administrator/ Board Secretary	100,000	

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
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MARK SACO, CPA
SHERYL M. LEIDIG, CPA, PSA
ROBERT LERCH, 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 Haledon Board of Education
North Haledon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the North Haledon 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 Haledon Board of Education's basic financial statements and have issued our report thereon dated January 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the North Haledon 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 Haledon Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the North Haledon 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.

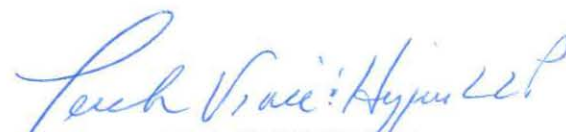
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

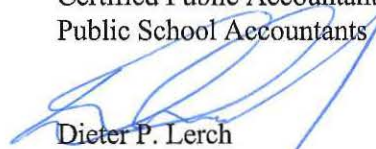
As part of obtaining reasonable assurance about whether the North Haledon Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Haledon 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 Haledon 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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 22, 2019



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
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**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 Haledon Board of Education
North Haledon, New Jersey

Report on Compliance for Each Major State Program

We have audited the North Haledon 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 North Haledon Board of Education's major state programs for the fiscal year ended June 30, 2018. The North Haledon 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 state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the North Haledon 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 Circulars 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 Haledon 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 Haledon Board of Education's compliance.

Opinion on Each Major State Programs

In our opinion, the North Haledon 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 other major state programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the North Haledon 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 Haledon 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 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 Haledon Board of Education's internal control over compliance.

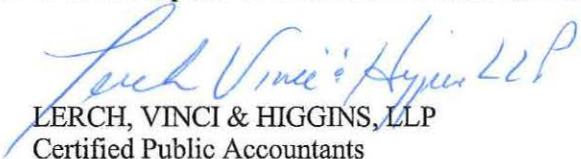
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, the business-type activities, each major fund, and the aggregate remaining fund information of the North Haledon 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 22, 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 purposes 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



Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
January 22, 2019

**NORTH HALEDON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEARS 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	Deferred Revenue Carryover Amount	(Accounts Receivable) Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance, June 30, 2018			GAAP Receivable
												(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Agriculture Passed-Through State Department of Education															
Enterprise Fund															
National School Lunch Program	10.555														
Non-Cash Assistance (Food Distribution Program)	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	\$ 15,786			\$ 15,786	\$ 11,990				\$ 3,796		
Non-Cash Assistance (Food Distribution Program)	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	14,831	\$ 2,684			2,684						
Cash Assistance	10.555	181NJ304N1099	N/A	7/1/17-6/30/18	48,292			40,368	48,292			\$ (7,924)		\$ (7,924)	
Cash Assistance	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	51,233	(3,537)		3,537							
Special Milk Program	10.556	181NJ304N1099	N/A	7/1/17-6/30/18	118			90	118			(28)		(28)	
Special Milk Program	10.556	171NJ304N1099	N/A	7/1/16-6/30/17	32	(2)		2							
Total Child Nutrition Cluster/Enterprise Fund						(855)		59,783	63,084			(7,952)	3,796	(7,952)	
U.S. Department of Education Passed-Through State Department of Education															
Special Revenue Fund															
I.D.E.A. Part B, Basic	84.027A	H027A160100	IDEA364018	7/1/17-6/30/18	134,129		\$ 2,887	\$ (2,887)	136,151	136,150		(865)	866	1	
I.D.E.A. Part B, Basic	84.027A	H027A160100	IDEA364017	7/1/16-6/30/17	141,623	(36,757)	(2,887)	2,887	36,757						
I.D.E.A. Part B, Preschool	84.173A	H173A160114	IDEA364018	7/1/17-6/30/18	7,895			7,895	7,895						
I.D.E.A. Part B, Preschool	84.173A	H173A160114	IDEA364017	7/1/16-6/30/17	8,003	(5,659)		5,659							
Total Special Education Cluster (IDEA)						(42,416)		186,462	144,045			(865)	866	1	
E.S.E.A. Title I-A	84.010A	S010A160030	NCLB364018	7/1/17-6/30/18	110,994		2	(2)	77,055	108,781		(33,941)	2,215	(31,726)	
N.C.L.B Title I-A	84.010A	S010A160030	NCLB364017	7/1/16-6/30/17	101,733	(52,529)	(2)	2	52,529						
E.S.E.A. Title II-A	84.281A	S367A160029	NCLB364018	7/1/17-6/30/18	23,536		6,424	(6,424)	14,376	20,701		(15,584)	9,259	(6,325)	
N.C.L.B Title II-A	84.281A	S367A160029	NCLB364017	7/1/16-6/30/17	16,287	(21,334)	(6,424)	6,424	21,334						
E.S.E.A. Title IV	84.424	S424A170031	NCLB364018	7/1/17-6/30/18	10,000			1,844	4,657			(8,156)	5,343	(2,813)	
Total Special Revenue Fund						(116,279)		353,600	278,184			(58,546)	17,683	(40,863)	
Total Federal Awards						\$ (117,134)	\$ -	\$ -	\$ 413,383	\$ 341,268	\$ -	\$ (66,498)	\$ 21,479	\$ -	\$ (48,815)

Note - This schedule was not subject to a Federal Single Audit in accordance with U.S. Uniform Guidance.

FAIN numbers are only applicable to current year grant awards.

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

State Grantor/Program Title State Department of Education	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Refund of Prior Years' Balances	Balance, June 30, 2018			MEMO		
									(Accounts Receivable)	Deferred Revenue/	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
General Fund														
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	\$ 341,648			\$ 314,519	\$ 341,648		\$ (27,129)				\$	341,648
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	327,422	(25,922)		25,922								
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	16,636			15,315	16,636		(1,321)					16,636
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	16,636	(1,317)		1,317								
Under Adequacy Aid	18-495-034-5120-096	7/1/17-6/30/18	31,620			29,109	31,620		(2,511)					31,620
Under Adequacy Aid	17-495-034-5120-096	7/1/16-6/30/17	31,620	(2,503)		2,503								
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	7,000			6,444	7,000		(556)					7,000
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	7,000	(554)		554								
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	7,210			6,637	7,210		(573)					7,210
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	7,210	(571)		571								
PARCC Readiness	18-495-034-5120-098	7/1/17-6/30/18	7,210			6,637	7,210		(573)					7,210
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	7,210	(571)		571								
Total State Aid - Public Cluster				(31,438)		410,099	411,324		(32,663)					411,324
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	19,291			17,759	19,291		(1,532)					19,291
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	19,291	(1,527)		1,527								
Extraordinary Aid	18-100-034-5120-473	7/1/17-6/30/18	114,137				114,137		(114,137)					114,137
Extraordinary Aid	17-100-034-5120-473	7/1/16-6/30/17	92,188	(92,188)		92,188								
Additional NonPublic Transportation Aid	N/A	7/1/17-6/30/18	26,680				26,680		(26,680)				\$	(26,680)
Additional NonPublic Transportation Aid	N/A	7/1/16-6/30/17	10,693	(10,693)		10,693								
On-Behalf TPAF Normal Cost	18-495-034-5094-002	7/1/17-6/30/18	596,115			596,115	596,115							596,115
On-Behalf TPAF NCGI Premium	18-495-034-5094-004	7/1/17-6/30/18	14,466			14,466	14,466							14,466
On-Behalf TPAF Long Term Disability Insurance		7/1/17-6/30/18	914			914	914							914
On-Behalf TPAF Post Retirement Medical Benefits	18-495-034-5094-001	7/1/17-6/30/18	394,362			394,362	394,362							394,362
Reimbursed TPAF Soc. Sec. Contributions	18-495-034-5094-013	7/1/17-6/30/18	339,849			339,849	339,849							339,849
Reimbursed TPAF Soc. Sec. Contributions	17-495-034-5094-013	7/1/16-6/30/17	317,436	(15,290)		15,290								
Total General Fund				(151,136)		1,893,262	1,917,138		(175,012)					(26,680)
Special Revenue Fund														
NJ Nonpublic Aid														
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	37,624	37,624				37,624						
ESL	17-100-034-5120-067	7/1/16-6/30/17	914	914				914						
Total Nonpublic Auxiliary Services Aid (Chapter 192) Cluster				38,538				38,538						
Handicapped Services														
Examination & Classification	17-100-034-5120-066	7/1/16-6/30/17	5,047	5,047				5,047						
Supplemental Instruction	17-100-034-5120-066	7/1/16-6/30/17	12,555	12,555				12,555						
Total Nonpublic Handicapped Aid (Chapter 193) Cluster				17,602				17,602						
Total Special Revenue Fund				56,140				56,140						
State Department of Agriculture														
State School Lunch Program	18-100-010-3360-067	7/1/17-6/30/18	2,308			1,904	2,308		(404)					(404)
State School Lunch Program	17-100-010-3360-067	7/1/16-6/30/17	2,093	(154)		154								
Total Enterprise Fund				(154)		2,058	2,308		(404)					(404)
Total State Financial Assistance Subject to Single Audit Determination				\$ (95,150)	\$ -	1,895,320	1,919,446	\$ 56,140	\$ (175,416)	\$ -	\$ -		\$	(27,084)
State Financial Assistance Not Subject to Major Program Determination														
General Fund														
On-Behalf TPAF						(1,005,857)	(1,005,857)							(1,005,857)
Total State Financial Assistance Subject to Major Program Determination						\$ 889,463	\$ 913,589							\$ 913,589

**NORTH HALEDON 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 Haledon 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 \$23,179 for the general fund and a decrease of \$7,024 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		\$ 1,893,959	\$ 1,893,959
Special Revenue Fund	\$ 272,160		272,160
Food Service Fund	<u>63,084</u>	<u>2,308</u>	<u>65,392</u>
Total Awards Financial Assistance	<u>\$ 335,244</u>	<u>\$ 1,896,267</u>	<u>\$ 2,231,511</u>

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$339,849 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 \$610,581, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$394,362 and TPAF Long-Term Disability Insurance in the amount of \$914 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2018.

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

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

NOTE 7 DE MINIMIS INDIRECT COST RATE

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

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

Part I – Summary of Auditor’s Results

Financial Statement Section

- | | |
|---|--------------------------------------|
| A) Type of auditors' report issued: | <u>Unmodified</u> |
| B) Internal control over financial reporting: | |
| 1) Material weakness(es) identified? | _____ yes <u> X </u> no |
| 2) Were significant deficiencies identified that were not considered to be material weaknesses? | _____ yes <u> X </u> none reported |
| C) Noncompliance material to the basic financial statements noted? | _____ yes <u> X </u> no |

Federal Awards Section

Not Applicable

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

Part I – Summary of Auditor’s Results

State Awards Section

- J) Dollar threshold used to distinguish Type A and Type B programs: \$ 750,000
- K) Auditee qualified as low-risk auditee? yes X no
- L) Type of auditors' report on compliance for major programs: Unmodified
- M) Internal Control over compliance:
- 1) Material weakness(es) identified? yes X no
- 2) Were significant deficiencies identified that were not considered to be material weaknesses? yes X no
- N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? yes X no
- O) Identification of major programs:

GMIS Number(s)	Name of State Program
18-495-034-5120-089	Special Education Categorical Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-096	Under Adequacy Aid
18-495-034-5120-097	Per Pupil Growth Aid
18-495-034-5120-098	PARCC Readiness
18-495-034-5120-101	Professional Learning Community Aid

**NORTH HALEDON 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, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

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

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

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

CURRENT YEAR FEDERAL AWARDS

Not Applicable

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

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

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

CURRENT YEAR STATE AWARDS

There are none.

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

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

STATUS OF PRIOR YEAR FINDINGS

There were none.