

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

Wallington, New Jersey

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
SCHOOL DISTRICT
OF
WALLINGTON

WALLINGTON BOARD OF EDUCATION
WALLINGTON, NEW JERSEY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY
WALLINGTON BOARD OF EDUCATION

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INTRODUCTORY SECTION

BOARD OF EDUCATION
Wallington, N.J. 07057

JOSEPH BRUNACKI, III
BUSINESS ADMINISTRATOR
BOARD SECRETARY

JEFFERSON SCHOOL
(973) 777-4151
Fax (973) 470-9073

January 21, 2019

President Pinto and
Members of the Wallington Board of Education
Wallington, New Jersey

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes the financial statements and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions

of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** The Wallington School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds of the District are included in this report. The Wallington Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12. These include regular, vocational, E.S.L., as well as special education for handicapped youngsters. The District's Oct. 15, 2017 state aid student count was 1,271 students.

2. **ECONOMIC CONDITION AND OUTLOOK:** The enrollment in the Wallington Public School is still experiencing significant growth. The district has also experienced a significant increase in "at risk" students since 1997. These are pupils who come from low-income families eligible for a free or reduced lunch. The trend shows: (Oct 30 count)

1997-98	-	140	"at risk" students
1998-99	-	124	"at risk" students
1999-00	-	118	"at risk" students
2000-01	-	108	"at risk" students
2001-02	-	105	"at risk" students
2002-03	-	155	"at risk" students
2003-04	-	155	"at risk" students
2004-05	-	184	"at risk" students
2005-06	-	191	"at risk" students
2006-07	-	232	"at risk" students
2007-08	-	230	"at risk" students
2008-09	-	248	"at risk" students
2009-10	-	306	"at risk" students
2010-11	-	321	"at risk" students
2011-12	-	348	"at risk" students

2012-13 - 358 "at risk" students
 2013-14 - 385 "at risk" students
 2014-15 - 401 "at risk" students
 2015-16 - 464 "at risk" students
 2016-17 - 417 "at risk" students
 2017-18 - 471 "at risk" students

3. **MAJOR INITIATIVES:** The district is now required to assess students in all grades 3-11 in language arts and mathematics. The PARCC assessments which measure college and career readiness are now entering their fifth year of implementation. We are seeing that we are approaching or surpassing the state averages in all grade levels for students who have met expectations or exceeded expectations. Additionally, we are seeing strong improvement in moving students who were failing closer to the threshold of passing. QSAC audits have revealed that there is a need to focus on math and language arts scores throughout our elementary and middle grades. Our current score for QSAC in the areas of Instructional Program is passing; however, we are up for review in 2018-19.

District Test Results vs. State are as follows **:

	Wallington	State
Mathematics	% At or Above expectatiion	% At or Above expectation
Grade 3	59.4	53.0
Grade 4	47.7	49.4
Grade 5	71.3	48.9
Grade 6	47.2	43.5
Grade 7	42.3	43.4
Grade 8	20.9	28.2
Alg I	43.6	45.8
Alg II	19.6	28.6
Geometry	29.0	29.5
Language	% At or Above expectatiion	% At or Above expectation
Grade 3	56.0	51.6
Grade 4	64.5	58.0
Grade 5	71.7	58.0
Grade 6	57.8	56.2
Grade 7	42.0	62.7
Grade 8	53.4	60.3
Grade 9	55.2	54.7

Grade 10	36.3	51.0
Grade 11	63.4	38.9

** Note this is raw data, and that exempt students and students with disabilities have not yet been extrapolated.

B. The district continues to implement a community service project each year. Excerpts of the associated board policy are as follows:

The purpose of the community service program is to provide all high school students the opportunity to have a positive impact on our local community while learning that service to others is an on-going part of life. It is the intent of the Board to develop, encourage and promote partnerships with city agencies, community-based organizations and not-for-profit service entities in order to provide appropriate service opportunities for high school students.

As of now each Graduating class must complete 40 hours of service. Community service hours must be completed at a non-profit organization, church, or other civic organization.

C. S.A.T. - The district has been focusing on the SAT scores. With the change to the format and testing of the SAT the district will provide evening sessions for Juniors and Seniors to tutor them on the changes in the SAT. In addition, the PSAT has been purchased for every grade 10 and 11 student in the district in the hopes that every student will take this exam. The results will be shared with language arts and math teachers so that they can infuse this instruction into their curriculum to assist our students with college and career readiness.

D. New Jersey Student Learning Standards (NJSLs) - These standards were previously known as the Common Core Curriculum Standards. Our courses of study in math, science, language arts and visual & performing arts were all revised in accordance with the deadlines issued by the NJDOE. The district's "mapping" updates occur on a yearly basis, and ensure alignment with the most current standards. The scope and sequence of instruction is being correlated to the PARCC assessment. The maps were revised for 2017-18 based on an analysis of each area during the 2016-17 school year. The district has a supervisor who assists the superintendent in analyzing and revising the curriculum. The curriculum will continue to be reviewed annually regarding the NJSLs and PARCC, and revised accordingly.

E. Facilities - We continue to pursue a major initiative to relieve the pressure of enrollment growth at the elementary school level. The district completed its third year renting the former Most Sacred Heart of Jesus School. All K-3 students who previously were housed in the Jefferson School and adjacent modular units (4) have been moved to the Jefferson Annex School. This has allowed the district to house those students in one building as opposed to 3 structures on the same campus. However, we are already at capacity in that new structure and serious consideration must be made on the construction of a new facility as our projections tell us that we will grow by another 100+ students in the next 5 years. Conversation has begun with the governing body for a more permanent solution that would include new construction or additions to current facilities.

Every classroom and office in the district is Internet accessible. A full functioning fiber optic network is in place in all three schools. Our bandwidth was upgraded to allow for faster access with full multimedia capabilities, and Wifi has been added to all schools, (www.wboe.org) is updated continuously with our School Wires website and will be maintained by the Technology Coordinator along with staff members in training. The website focuses on increased parental access. We now have a fully functioning parent portal which allows parents to see their child's progress, and become our partners in educating their children.

Several other facility matters are in various stages of development. They are in the Long-Range Facilities Plan submitted to the Department of Education by Architect's Alliance.

A district-wide emphasis on technology continues with the addition of smart board/interactive white board units. A staff support system to promote integration of technology into lessons is being enhanced. We have upgraded our website with a major focus on increased parental access to student information and ultimately increased parental involvement. The entire district has been, and will continue to be, trained in Google Applications. We have added and outfitted all elementary classrooms with Smart technology and are now engaged in a 1:1 Chrome learning initiative in grades 9-12.

F. Staffing - K-3 enrollment continues to be high, and the district has added an additional grade sections over the last three years. In addition several special education aides have been added to our staff in the past. This will be monitored closely for necessary adjustments. Our special needs population has also increased, requiring us to add an additional grade 4-6 Special Education teacher. We will continue to monitor our enrollment increases to adjust staffing where necessary.

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

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

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

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

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. The accounting system utilized software was purchased from Edumet.

7. DEBT ADMINISTRATION: At June 30, 2018, the District's outstanding debt issue was \$3,862,000 in bonds.

8. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements". 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 their Act.

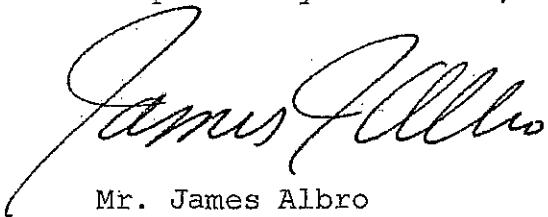
9. RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

10. OTHER INFORMATION:

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

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

Respectfully submitted,

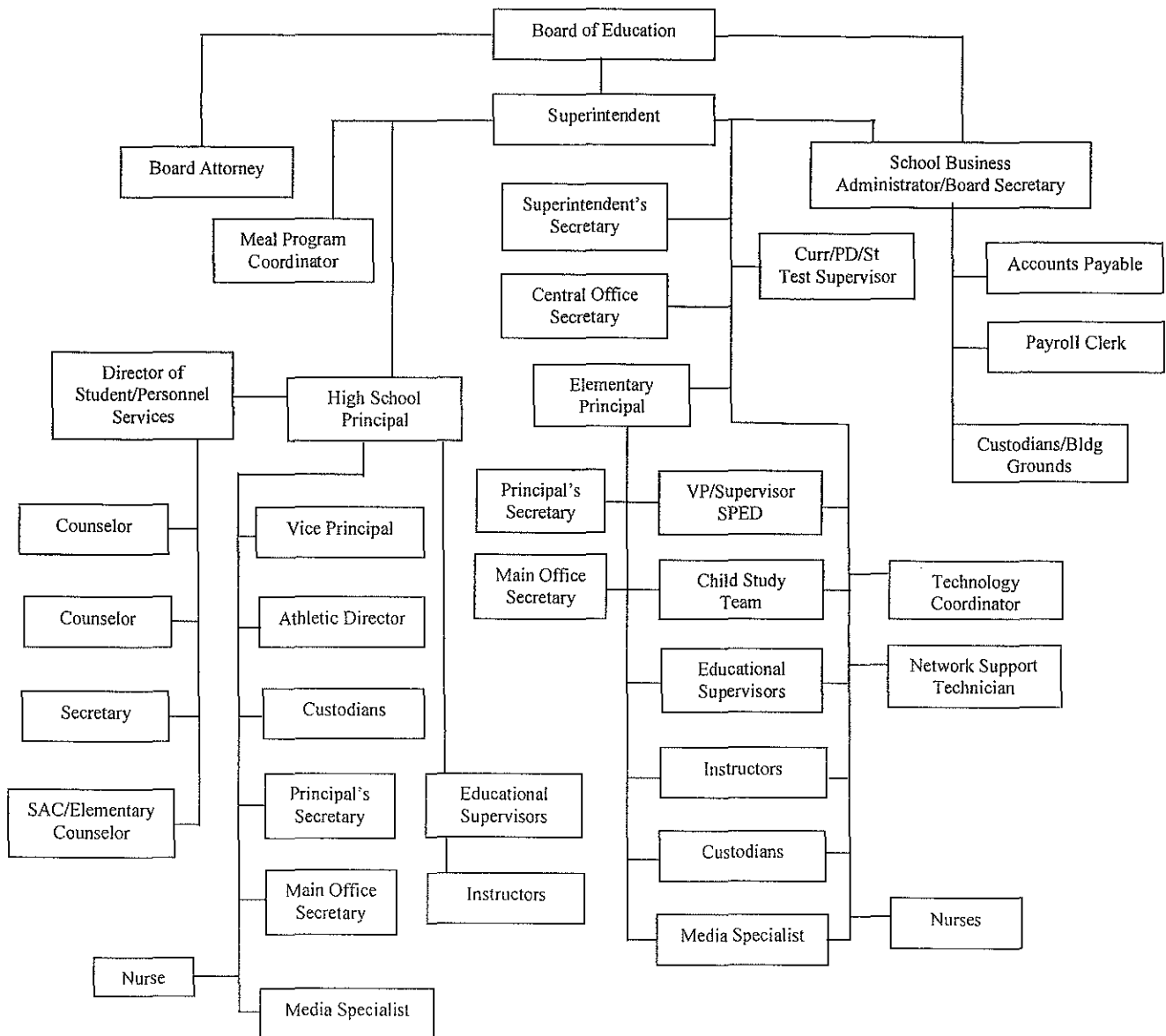


Mr. James Albro
Superintendent of Schools

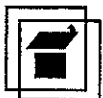


Joseph C. Brunacki III
Board Secretary/BA

1110 ORGANIZATIONAL CHART



Adopted: 14 September 2015



**WALLINGTON BOARD OF EDUCATION
WALLINGTON, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2018**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
David Pinto, President	2021
Nancy Ann Maciag, Vice President	2020
Bobby Ristovski	2021
Theadora Calabrese	2021
Thomas Brynczka	2020
Joseph C. Smith	2020
John Sobczyk	2019
Stacia Hlavenka	2019
Michael Labriola	2019

Other Officials

James Albro, Superintendent

Joseph Brunacki III, Board Secretary/School Business Administrator

Walter Slomienski, Esq., Solicitor

WALLINGTON BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

Audit Firm

Lerch, Vinci & Higgins, LLP
Certified Public Accountants
Registered Municipal Accountants
17-17 Route 208 North
Fair Lawn, New Jersey 07410

Architect

Architects Alliance
111 Mulberry Street
Newark, NJ 07102

Attorney

Walter Slomienski
112 Locust Avenue
Wallington, NJ 07057

Official Depository

TD Bank
71 Union Avenue
East Rutherford, NJ 07073

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wallington 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 Wallington 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 Wallington Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Wallington Board of Education.

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

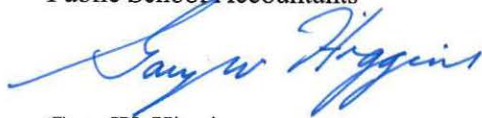
The introductory section, financial schedules and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 21, 2019 on our consideration of the Wallington 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 Wallington 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 Wallington Board of Education's internal control over financial reporting and compliance.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 21, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The discussion and analysis of the Wallington Board of Education's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the financial statements as well as the financial statements themselves to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Certain comparative information between the current year (2017-2018) and the prior year (2016-2017) is required to be presented in the MD&A.

Financial Highlights

- In total, net position decreased \$47,843.
- General revenues accounted for \$19,344,623 in revenue or 70 percent of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions accounted for \$8,308,487 or 30 percent of total revenues of \$27,653,110.
- Total net position of governmental activities amounted to \$4,500,222 as of June 30, 2018.
- The District had \$27,544,274 in expenses related to governmental activities; only \$8,151,809 were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$19,344,623 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$22,550,649 in revenues and \$22,242,378 in expenditures. The General Fund's fund balance increased \$308,271 from 2017.

Using the Comprehensive Annual Financial report (CAFR)

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

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the district's most significant funds. In the case of the Wallington Board of Education, the General Fund is by far the most significant fund.

Reporting the District as a Whole

One of the most important questions asked about the District is "How did we do financially during the fiscal year ended June 30, 2018?" The *Statement of Net Position* and the *Statement of Activities*, which appear first in the District's financial statements, report information on the District as a whole and its activities in such a way as to answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The cause of this change may be the result of many factors, some financial and some not. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extra-curricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods and services provided. The District's food service program is reported as a business-type activity.

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General, Special Revenue, Capital Projects and Debt Service Funds and are considered major funds. The District's Food Service Fund is its only Enterprise Fund and is considered a nonmajor fund.

Governmental Funds

The District's activities are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end available for spending in the future years. These funds are reported using the *modified accrual accounting method*, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements will essentially match the information provided in statements for the District as a whole.

Notes to the Financial Statements

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

The District as a Whole

The *Statement of Net Position* provides the perspectives of the District as a whole, showing assets, deferred outflows of resources, liabilities, deferred inflows of resources and the difference between them (net position). Net position may serve over time as a useful indicator of a government's financial position.

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The District as a Whole (Continued)

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

Table 1
Net Position

	<u>2018</u>	<u>2017</u>
Assets		
Current and Other Assets	\$ 2,599,712	\$ 2,273,619
Capital Assets, net of accumulated depreciation	<u>10,981,564</u>	<u>11,621,264</u>
Total Assets	<u>13,581,276</u>	<u>13,894,883</u>
Deferred Outflows of Resources		
Deferred Amounts on Debt Refunding	23,269	29,711
Deferred Amounts on Net Pension Liability	<u>955,785</u>	<u>1,457,090</u>
Total Deferred Outflows of Resources	<u>979,054</u>	<u>1,486,801</u>
Liabilities		
Long-term Liabilities	8,557,487	10,309,370
Other Liabilities	<u>419,371</u>	<u>407,813</u>
Total Liabilities	<u>8,976,858</u>	<u>10,717,183</u>
Deferred Inflows of Resources		
Deferred Amounts on Net Pension Liability	<u>1,039,052</u>	<u>72,238</u>
Total Deferred Inflows of Resources	<u>1,039,052</u>	<u>72,238</u>
Net Position		
Net Investment in Capital Assets	7,298,686	7,588,416
Restricted	147,524	147,292
Unrestricted	<u>(2,901,790)</u>	<u>(3,143,445)</u>
Total Net Position	<u>\$ 4,544,420</u>	<u>\$ 4,592,263</u>

The District's combined net position was \$4,544,420 and \$4,592,263 on June 30, 2018 and 2017, respectively. This reflects a decrease of 1 percent from the prior year.

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

Table 2
Changes in Net Position

	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues:		
Charge for Services	\$ 200,621	\$ 201,180
Grants and Contributions	8,107,866	7,688,497
General Revenues:		
Property Taxes	16,463,287	16,147,662
State Aid	2,726,276	2,298,274
Other	155,060	85,535
Total Revenues	<u>27,653,110</u>	<u>26,421,148</u>
 Program Expenses		
Instruction	18,363,971	17,961,174
Support Services:		
Students and Instructional Staff	3,413,413	3,343,503
General Administration, School Administration, Business/Central Operations and Maintenance of Facilities	4,985,391	4,816,139
Pupil Transportation	675,383	643,374
Interest on Debt	106,116	110,672
Food Service	156,679	139,702
Total Expenses	<u>27,700,953</u>	<u>27,014,564</u>
 Change in Net Position	(47,843)	(593,416)
 Net Position, Beginning of Year	<u>4,592,263</u>	<u>5,185,679</u>
 Net Position, End of Year	<u>\$ 4,544,420</u>	<u>\$ 4,592,263</u>

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

Governmental Activities

The unique nature of funding public schools primarily through property taxes in New Jersey creates the legal requirements to annually seek voter approval for the District's operations. The District's total revenues of governmental activities were \$27,496,432 and \$26,282,134 for the years ended June 30, 2018 and 2017, respectively. Property taxes made up 60 and 61 percent of revenues for governmental activities for the Wallington Board of Education for fiscal years 2018 and 2017, respectively. Federal, state and local grants accounted for another 39 and 38 percent of revenue for fiscal years ended June 30, 2018 and 2017, respectively.

The total cost of all programs and services was \$27,544,274 and \$26,874,862 for the fiscal years ended June 30, 2018 and 2017, respectively. Instruction comprised 67 and 67 percent of governmental program expenses for the fiscal years ended June 30, 2018 and 2017, respectively. Support service expenses make up 33 and 33 percent of governmental expenses for the fiscal years ended June 30, 2018 and 2017, respectively. The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost</u> <u>of Services</u>		<u>Net Cost</u> <u>of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Instruction	\$ 18,363,971	\$ 17,961,174	\$ 11,851,895	\$ 11,750,883
Support Services:				
Pupils and Instructional Staff	3,413,413	3,343,503	2,477,292	2,578,142
General Administration, School Admin., Business- Central, Operation and Maintenance of Facilities	4,985,391	4,816,139	4,306,573	4,065,502
Pupil Transportation	675,383	643,374	650,589	619,000
Interest on Debt	<u>106,116</u>	<u>110,672</u>	<u>106,116</u>	<u>110,672</u>
Total Expenses	<u>\$ 27,544,274</u>	<u>\$ 26,874,862</u>	<u>\$ 19,392,465</u>	<u>\$ 19,124,199</u>

Business-Type Activities

The only business-type activity is the food service operation. The program had revenues of \$156,678 and expenses of \$156,679 in fiscal year 2018. Of the revenues, \$28,637 were charges for services paid by patrons for daily food service, \$128,041 was from State and Federal reimbursements.

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

The School 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 \$23,599,623 and \$22,776,578 and expenditures were \$23,291,354 and \$23,152,694, for the fiscal years ended June 30, 2018 and 2017, respectively. The net change in the fund balance for the fiscal year ended June 30, 2018 was an increase of \$308,269. This is primarily due to no capital project expenditures resulting in no change in the Capital Projects Fund fund balance. In addition the District received a significant amount of E-Rate reimbursements that contributed to this increase.

The following schedules present a comparison of the revenues of the governmental funds for the fiscal years ending June 30, 2018 and 2017.

<u>Revenue</u>	<u>Amount</u>		<u>Percent</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Local Sources	\$ 16,793,198	\$ 16,415,922	71%	72%
State Sources	6,156,977	5,761,965	26%	25%
Federal Sources	<u>649,448</u>	<u>598,691</u>	<u>3%</u>	<u>3%</u>
 Total	 <u>\$ 23,599,623</u>	 <u>\$ 22,776,578</u>	 <u>100%</u>	 <u>100%</u>

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

<u>Expenditures</u>	<u>Amount</u>		<u>Percent</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current:				
Instruction	\$ 15,402,735	\$ 15,054,442	66%	65%
Support Services	7,254,068	7,056,873	31%	30%
Capital Outlay	176,503	585,131	1%	3%
Debt Service:				
Principal	325,000	315,000	1%	1%
Interest	<u>133,048</u>	<u>141,248</u>	<u>1%</u>	<u>1%</u>
 Total	 <u>\$ 23,291,354</u>	 <u>\$ 23,152,694</u>	 <u>100%</u>	 <u>100%</u>

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

General Fund Budgeting Highlights

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

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

Capital Assets

At the end of fiscal years 2018 and 2017, the District had \$10,981,564 and \$11,621,264 invested in land, buildings, furniture, equipment and vehicles used for governmental and business-type activities. Overall capital assets decreased \$639,700 from fiscal year 2017 to fiscal year 2018. Table 4 shows capital assets net of depreciation at June 30, 2018 and 2017 for governmental and business-type activities.

Table 4
Capital Assets Net of Depreciation

	<u>2018</u>	<u>2017</u>
Land	\$ 21,354	\$ 21,354
Land Improvements	1,409,461	1,514,839
Buildings and Building Improvements	9,306,426	9,926,765
Machinery and Equipment	<u>244,323</u>	<u>158,306</u>
 Total	 <u>\$ 10,981,564</u>	 <u>\$ 11,621,264</u>

Long-Term Liabilities

At June 30, 2018 and 2017 the District had \$8,557,487 and \$10,309,370 of long-term liabilities, respectively. Of this amount, \$513,437 and \$516,719 is for compensated absences, \$3,975,451 and \$4,331,863 for bonds payable and \$4,068,599 and \$5,460,788 for net pension liability, respectively.

WALLINGTON BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

For the Future

The Wallington Board of Education is in stable financial condition presently. The District is proud of its community support of the public schools. A major concern is the potential enrollment growth of the district and the increased reliance on property taxes as well as State laws restricting fund balances/net assets.

In conclusion, the District has committed itself to continue its system of financial planning, budgeting and internal financial controls to meet the challenge of the future.

Contacting the District's Financial Management

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Joseph Brunacki III, School Business Administrator/Board Secretary at Wallington Board of Education, Jefferson School – Pine Street, Wallington, NJ 07057.

FINANCIAL STATEMENTS

**WALLINGTON 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	\$ 2,441,294	\$ 51,151	\$ 2,492,445
Receivables, net			
Receivables from Other Governments	96,117	11,150	107,267
Capital Assets			
Not Being Depreciated	21,354		21,354
Being Depreciated, net	<u>10,950,764</u>	<u>9,446</u>	<u>10,960,210</u>
Total Assets	<u>13,509,529</u>	<u>71,747</u>	<u>13,581,276</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Debt Refunding	23,269		23,269
Deferred Amounts on Net Pension Liability	<u>955,785</u>	-	<u>955,785</u>
Total Deferred Outflows of Resources	<u>979,054</u>	-	<u>979,054</u>
Total Assets and Deferred Outflows of Resources	<u>14,488,583</u>	<u>71,747</u>	<u>14,560,330</u>
LIABILITIES			
Accounts Payable and Other Liabilities	360,385	27,549	387,934
Accrued Interest Payable	31,437		31,437
Noncurrent Liabilities			
Due within one year	340,000		340,000
Due beyond one year	<u>8,217,487</u>	-	<u>8,217,487</u>
Total Liabilities	<u>8,949,309</u>	<u>27,549</u>	<u>8,976,858</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>1,039,052</u>	-	<u>1,039,052</u>
Total Deferred Inflows of Resources	<u>1,039,052</u>	-	<u>1,039,052</u>
Total Liabilities and Deferred Inflows of Resources	<u>9,988,361</u>	<u>27,549</u>	<u>10,015,910</u>
NET POSITION			
Net Investment in Capital Assets	7,289,240	9,446	7,298,686
Restricted for			
Capital Projects	147,524		147,524
Unrestricted	<u>(2,936,542)</u>	<u>34,752</u>	<u>(2,901,790)</u>
Total Net Position	<u>\$ 4,500,222</u>	<u>\$ 44,198</u>	<u>\$ 4,544,420</u>

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 10,103,408		\$ 3,431,244		\$ (6,672,164)		\$ (6,672,164)
Special Education	5,875,529		1,970,142		(3,905,387)		(3,905,387)
Other Instruction	1,300,013	\$ 171,984	626,166		(501,863)		(501,863)
School Sponsored Activities and Athletics	1,085,021		312,540		(772,481)		(772,481)
Support Services							
Student & Instruction Related Services	3,413,413		936,121		(2,477,292)		(2,477,292)
General Administration Services	671,486		147,470		(524,016)		(524,016)
School Administration Services	916,547		224,990		(691,557)		(691,557)
Plant Operations and Maintenance	2,528,632		89,709		(2,438,923)		(2,438,923)
Pupil Transportation	675,383		24,794		(650,589)		(650,589)
Central Services	868,726		216,649		(652,077)		(652,077)
Interest on Long-Term Debt	106,116	-	-	-	(106,116)	-	(106,116)
Total Governmental Activities	<u>27,544,274</u>	<u>171,984</u>	<u>7,979,825</u>	<u>-</u>	<u>(19,392,465)</u>	<u>-</u>	<u>(19,392,465)</u>
Business-Type Activities							
Food Service	156,679	28,637	128,041	-	-	\$ (1)	(1)
Total Business-Type Activities	<u>156,679</u>	<u>28,637</u>	<u>128,041</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
Total Primary Government	<u>\$ 27,700,953</u>	<u>\$ 200,621</u>	<u>\$ 8,107,866</u>	<u>\$ -</u>	<u>(19,392,465)</u>	<u>(1)</u>	<u>(19,392,466)</u>
General Revenues							
Property Taxes:							
Levied for General Purposes					16,005,241		16,005,241
Levied for Debt Service					458,046		458,046
State Aid - Unrestricted					2,726,276		2,726,276
Investment Earnings					5,403		5,403
Miscellaneous Income					149,657		149,657
Total General Revenues					<u>19,344,623</u>	<u>-</u>	<u>19,344,623</u>
Change in Net Position					(47,842)	(1)	(47,843)
Net Position, Beginning of Year					4,548,064	44,199	4,592,263
Net Position, End of Year					<u>\$ 4,500,222</u>	<u>\$ 44,198</u>	<u>\$ 4,544,420</u>

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

FUND FINANCIAL STATEMENTS

**WALLINGTON 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	\$ 2,171,990		\$ 269,304		\$ 2,441,294
Due from Other Funds	6,148				6,148
Receivables, Net					
Receivables from Other Governments - Federal		\$ 66,283			66,283
Receivables from Other Governments - State	28,152				28,152
Receivables from Other Governments - Local	1,682	-	-	\$ -	1,682
	<u>2,207,972</u>	<u>66,283</u>	<u>269,304</u>	<u>\$ -</u>	<u>\$ 2,543,559</u>
Total Assets	<u>\$ 2,207,972</u>	<u>\$ 66,283</u>	<u>\$ 269,304</u>	<u>\$ -</u>	<u>\$ 2,543,559</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 300,250	\$ 60,135			\$ 360,385
Due to Other Funds	-	6,148	-	-	6,148
	<u>300,250</u>	<u>66,283</u>	<u>-</u>	<u>-</u>	<u>366,533</u>
Fund Balances					
Restricted					
Excess Surplus	1,096,337				1,096,337
Excess Surplus, Designated for Subsequent Year's Expenditures	510,505				510,505
Capital Reserve	147,524				147,524
Capital Projects			\$ 269,304		269,304
Assigned					
Encumbrances	121,108				121,108
Designated for Subsequent Year's Expenditures	176,559				176,559
Unassigned	(144,311)	-	-	-	(144,311)
	<u>1,907,722</u>	<u>-</u>	<u>269,304</u>	<u>\$ -</u>	<u>2,177,026</u>
Total Fund Balances	<u>1,907,722</u>	<u>-</u>	<u>269,304</u>	<u>\$ -</u>	<u>2,177,026</u>
Total Liabilities and Fund Balances	<u>\$ 2,207,972</u>	<u>\$ 66,283</u>	<u>\$ 269,304</u>	<u>\$ -</u>	<u>\$ 2,543,559</u>

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

Total Fund Balances Governmental Funds(Exhibit B-1) \$ 2,177,026

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$18,485,771 and the accumulated depreciation is \$7,513,653.

10,972,118

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.

23,269

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
Deferred Inflows of Resources

\$ 955,785
(1,039,052)

(83,267)

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

(31,437)

Long-term liabilities, including bonds payable, capital leases, compensated absences and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Bonds Payable, (Including Unamortized Premium)
Compensated Absences Payable
Net Pension Liability

(3,975,451)
(513,437)
(4,068,599)

(8,557,487)

Net position of governmental activities (Exhibit A-1)

\$ 4,500,222

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 16,005,241			\$ 458,046	\$ 16,463,287
Interest Earned	5,403				5,403
Miscellaneous	321,641	\$ 2,867	-	-	324,508
Total - Local Sources	16,332,285	2,867	-	458,046	16,793,198
State Sources	6,156,977				6,156,977
Federal Sources	61,387	588,061	-	-	649,448
Total Revenues	22,550,649	590,928	-	458,046	23,599,623
EXPENDITURES					
Current					
Instruction					
Regular Instruction	7,978,040	28,236			8,006,276
Special Education Instruction	5,153,039	278,792			5,431,831
Other Instruction	825,552	241,985			1,067,537
School-Sponsored Activities and Athletics	897,091				897,091
Support Services					
Student & Instruction Related Services	2,741,444	41,915			2,783,359
General Administration Services	572,524				572,524
School Administration Services	749,551				749,551
Plant Operations and Maintenance	1,753,945				1,753,945
Pupil Transportation	675,383				675,383
Central Services	719,306				719,306
Debt Service					
Principal				325,000	325,000
Interest and Other Charges				133,048	133,048
Capital Outlay	176,503	-	-	-	176,503
Total Expenditures	22,242,378	590,928	-	458,048	23,291,354
Excess (Deficiency) of Revenues Over (Under) Expenditures	308,271	-	-	(2)	308,269
Fund Balance, Beginning of Year	1,599,451	-	\$ 269,304	2	1,868,757
Fund Balance, End of Year	\$ 1,907,722	\$ -	\$ 269,304	\$ -	\$ 2,177,026

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

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 308,269

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 of activities and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation expense exceeds capital outlay expenditures in the current period.

Capital Outlay	\$ 176,503	
Depreciation Expense	<u>(810,467)</u>	(633,964)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals and donations) is to increase net position. These transactions are not reported in the governmental funds financial statements.

Loss on Disposal of Capital Assets		(1,431)
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In the statement of activities, compensated absences and pension expense are measured by the amounts earned or accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Decrease in Compensated Absences	3,282	
Increase in Pension Expense	<u>(75,930)</u>	(72,648)

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 assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments Bonds Payable		325,000
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Governmental Funds report the effect of issuance costs, premiums and deferred amounts on refundings pertaining to bonds issued when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Premium	31,412	
Amortization of Deferred Amount on Refunding	<u>(6,442)</u>	24,970

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

Decrease in Accrued Interest		<u>1,962</u>
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Change in net position of governmental activities (Exhibit A-2)		<u>\$ (47,842)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

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

	Business-Type Activities Enterprise Fund <u>Non-Major</u>
ASSETS	
Current Assets	
Cash	\$ 51,151
Intergovernmental Receivable	
State	175
Federal	<u>10,975</u>
Total Current Assets	<u>62,301</u>
Capital Assets	
Equipment	57,224
Less: Accumulated Depreciation	<u>(47,778)</u>
Total Capital Assets	<u>9,446</u>
Total Assets	<u>71,747</u>
LIABILITIES	
Accounts Payable	<u>27,549</u>
Total Liabilities	<u>27,549</u>
NET POSITION	
Investment in Capital Assets	9,446
Unrestricted	<u>34,752</u>
Total Net Position	<u>\$ 44,198</u>

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

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

	Business-Type Activities Enterprise Fund <u>Non-Major</u>
OPERATING REVENUES	
Charges for Services	
Daily Sales - Reimbursable Programs	\$ 28,637
Total Operating Revenues	28,637
OPERATING EXPENSES	
Cost of Sales - Reimbursable Programs	152,374
Depreciation Expense	4,305
Total Operating Expenses	156,679
Operating Loss	(128,042)
NONOPERATING REVENUES	
State Sources	
School Lunch Program	2,031
Federal Sources	
National School Lunch Program	105,377
National School PB Lunch Program	2,242
National School Breakfast Program	18,391
Total Nonoperating Revenues	128,041
Change in Net Position	(1)
Total Net Position, Beginning of Year	44,199
Total Net Position, End of Year	\$ 44,198

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

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

	Business-Type Activities Enterprise Fund <u>Non-Major</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 28,637
Cash Payments to Suppliers for Goods and Services	<u>(124,825)</u>
Net Cash Used by Operating Activities	<u>(96,188)</u>
Cash Flows from Noncapital Financing Activities	
Cash Received from State and Federal Subsidy Reimbursements	<u>125,520</u>
Net Cash Provided by Noncapital Financing Activities	<u>125,520</u>
Net Increase in Cash and Cash Equivalents	29,332
Cash, Beginning of Year	<u>21,819</u>
Cash, End of Year	<u>\$ 51,151</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (128,042)
Adjustments	
Depreciation	4,305
Change in Liabilities	
Increase/(Decrease) in Accounts Payable	<u>27,549</u>
Net Cash Used by Operating Activities	<u>\$ (96,188)</u>

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

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

	Unemployment Compensation <u>Trust Fund</u>	Scholarship Fund	<u>Agency Fund</u>
ASSETS			
Cash	\$ 60,225	\$ 30,918	\$ 118,285
Due from Other Funds	<u>20,257</u>	<u>-</u>	<u>-</u>
Total Assets	<u>80,482</u>	<u>30,918</u>	<u>\$ 118,285</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 2,181
Accrued Salaries and Wages			1,000
Accounts Payable		29,660	
Due to Other Funds			20,257
Due to Student Groups			94,847
Due to State Government	<u>7,947</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>7,947</u>	<u>29,660</u>	<u>\$ 118,285</u>
NET POSITION			
Restricted For Scholarships		1,258	
Held in Trust for Unemployment Claims	<u>72,535</u>	<u>-</u>	
Total Net Position	<u>\$ 72,535</u>	<u>\$ 1,258</u>	

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

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

	Unemployment Compensation <u>Trust</u>	Scholarship <u>Fund</u>
ADDITIONS		
Contributions		
Employees	\$ 22,808	
Scholarship Donations	<u>-</u>	\$ <u>22,865</u>
Total Contributions	<u>22,808</u>	<u>22,865</u>
Investment Earnings		
Interest	<u>-</u>	<u>72</u>
Net Investment Earnings	<u>-</u>	<u>72</u>
Total Additions	<u>22,808</u>	<u>22,937</u>
DEDUCTIONS		
Unemployment Claims and Contributions	41,423	
Scholarship Awards	<u>-</u>	<u>32,710</u>
Total Deductions	<u>41,423</u>	<u>32,710</u>
Change in Net Position	(18,615)	(9,773)
Net Position, Beginning of the Year	<u>91,150</u>	<u>11,031</u>
Net Position, End of the Year	<u>\$ 72,535</u>	<u>\$ 1,258</u>

The accompanying Notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**WALLINGTON 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 Wallington 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 Wallington Board of Education this includes general operations, food service, after school child care and student related activities of the District.

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

B. New Accounting Standards

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

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

**WALLINGTON 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.

**WALLINGTON 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 funds to be major funds. The District considers its enterprise fund to be a nonmajor fund.

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.

**WALLINGTON 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 non-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.

Additionally, the government reports the following fund types:

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

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

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

Reclassifications

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

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.

**WALLINGTON 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.

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.

**WALLINGTON 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 (Continued)

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

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings	50
Building Improvements	20-40
Heavy Equipment	5
Office Equipment and Furniture	5
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.

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Compensated Absences

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

7. Pensions

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

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

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. Losses resulting from debt refundings are classified as deferred outflows of resources. Bond premiums are deferred and amortized over the life of the bonds using the effective interest method. Losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported including the unamortized bond premium.

9. Net Position/Fund Balance

District-Wide Statements

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

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

WALLINGTON 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

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.

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

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

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

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Fund Balance Policies

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

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

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

F. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

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

3. Tuition Expenditures

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.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

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 the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On January 23, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2017/2018. Also, during 2017/2018 the Board increased the original budget by \$724,446. The increase was funded by additional state aid appropriated, additional grant awards and the reappropriation of prior year general fund encumbrances.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

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

B. Deficit Fund Equity

The District has an unassigned fund deficit of \$144,311 in the General Fund as of June 30, 2018 as reported in the fund financial statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record these delayed state aid payments as revenue, for budget purposes only, in the current school budget year. The statute provides legal authority for school districts to recognize this revenue in the current budget year. GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions", requires that intergovernmental transactions (revenue, expenditure, asset, liability) should be recognized in symmetry (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State of New Jersey is recording certain 2017/2018 budgeted state aid payments in the subsequent fiscal year, the school district cannot recognize such payments on the GAAP (fund) financial statements until the year the State records the payable. Due to the timing difference of recording these delayed state aid payments, the General Fund deficit does not alone indicate that the District is facing financial difficulties; however, unless the State of New Jersey budgets the delayed payments in future years, the District may also report fund deficits in the future.

Pursuant to NJSA 18A:22-44.2, any negative unreserved, undesignated (i.e., unassigned) general fund balance that is reported as a direct result of a delay in the payment of state aid until the following fiscal year, is not considered as a violation of New Jersey Statute or regulation and is not considered an item in need of corrective action. The District's deficits in the GAAP (fund) financial statements of \$144,311 in the General Fund is less than the delayed state aid payments balance at June 30, 2018.

C. 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.

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve (Continued)

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

Balance, July 1, 2017	\$ 147,290
Increased by	
Interest earnings	<u>234</u>
Balance, June 30, 2018	<u>\$ 147,524</u>

D. Transfers to Capital Outlay

During the 2017/2018 school year, the district transferred \$80,000 to the equipment capital outlay accounts. Additionally, the District rolled over \$85,727 of prior year encumbrances to equipment capital outlay accounts.

E. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2018 is \$1,606,842. Of this amount, \$510,505 was designated and appropriated in the 2018/2019 original budget certified for taxes and the remaining amount of \$1,096,337 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 \$2,701,873 and bank and brokerage firm balances of the Board's deposits amounted to \$3,136,141. The Board's deposits which are displayed on the various fund balance sheets as "cash" are categorized as:

Depository Account

Insured	<u>\$ 3,136,141</u>
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**WALLINGTON 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)

Cash Deposits (Continued)

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 of \$3,136,141 was not exposed to custodial credit risk since all deposits are insured either through FDIC or GUDPA.

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.

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

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

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

B. Receivables

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

	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise Nonmajor</u>	<u>Total</u>
Receivables:				
Intergovernmental -				
Federal		\$ 66,283	\$ 10,975	\$ 77,258
State	\$ 28,152		175	28,327
Local	1,682	-	-	1,682
Gross Receivables	29,834	66,283	11,150	107,267
Less: Allowance for Uncollectibles	-	-	-	-
Net Total Receivables	<u>\$ 29,834</u>	<u>\$ 66,283</u>	<u>\$ 11,150</u>	<u>\$ 107,267</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

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

	Balance, <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance, <u>June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 21,354	-	-	\$ 21,354
Total Capital Assets, Not Being Depreciated	<u>21,354</u>	<u>-</u>	<u>-</u>	<u>21,354</u>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	15,530,628			15,530,628
Land Improvements	2,107,380			2,107,380
Machinery and Equipment	682,678	\$ 176,503	\$ (32,772)	<u>826,409</u>
Total Capital Assets Being Depreciated	<u>18,320,686</u>	<u>176,503</u>	<u>(32,772)</u>	<u>18,464,417</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(5,603,863)	(620,339)		(6,224,202)
Land Improvements	(592,541)	(105,378)		(697,919)
Machinery and Equipment	(538,123)	(84,750)	31,341	<u>(591,532)</u>
Total Accumulated Depreciation	<u>(6,734,527)</u>	<u>(810,467)</u>	<u>31,341</u>	<u>(7,513,653)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,586,159</u>	<u>(633,964)</u>	<u>(1,431)</u>	<u>10,950,764</u>
Government Activities Capital Assets, Net	<u>\$ 11,607,513</u>	<u>\$ (633,964)</u>	<u>\$ (1,431)</u>	<u>\$ 10,972,118</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

	Balance, July 1, 2017	Increases	Decreases	Balance, June 30, 2018
Business-Type Activities:				
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 57,224	-	-	\$ 57,224
Total Capital Assets Being Depreciated	<u>57,224</u>	<u>-</u>	<u>-</u>	<u>57,224</u>
Less Accumulated Depreciation for:				
Machinery and Equipment	(43,473)	\$ (4,305)	-	(47,778)
Total Accumulated Depreciation	<u>(43,473)</u>	<u>(4,305)</u>	<u>-</u>	<u>(47,778)</u>
Total Capital Assets, Being Depreciated, Net	<u>13,751</u>	<u>(4,305)</u>	<u>-</u>	<u>9,446</u>
Business-Type Activities Capital Assets, Net	<u>\$ 13,751</u>	<u>\$ (4,305)</u>	<u>\$ -</u>	<u>\$ 9,446</u>

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

Governmental Activities:

Instruction		
Regular		\$ 37,541
Special Education		<u>445</u>
Total Instruction		<u>37,986</u>
Support Services		
Support Services-Students & Instruction Related Services		36,295
School Administration		8,710
Operations and Maintenance of Plant		<u>727,476</u>
Total Support Services		<u>772,481</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 810,467</u>
Business-Type Activities:		
Food Service Fund		<u>\$ 4,305</u>
Total Depreciation Expense - Business-Type Activities		<u>\$ 4,305</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

Construction and Other Significant Commitments

The District has other significant commitments at June 30, 2018 as follows:

<u>Purpose</u>	<u>Remaining Commitment</u>
Purchase of 130 Chromebooks	\$ 28,990

D. Interfund Receivables and Payables

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	\$ 6,148
Unemployment Compensation Trust Fund	Agency Fund	<u>20,257</u>
Total		<u>\$ 26,405</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 and/or to cover cash balances which were in an overdraft position.

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

E. Leases

Operating Leases

The District leases copiers, printers, trailers and the former Most Sacred Heart of Jesus School Building to use for elementary school grades Kindergarten through 6th grade under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2018 were \$348,468. The future minimum lease payments for these operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 328,518
2020	<u>3,051</u>
Total	<u>\$ 331,569</u>

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. 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:

\$2,617,000, 2014 School Bonds, due in annual installments of \$140,000 to \$260,000 through August 15, 2029, interest at 2.00% to 3.00	\$2,352,000
\$2,060,000, 2015 School Refunding Bonds, due in annual installments of \$200,000 to \$225,000 through May 15, 2025, interest at 4.00%	<u>1,510,000</u>
	<u>\$3,862,000</u>

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

Governmental Activities:

Fiscal Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2019	\$ 340,000	\$ 122,698	\$ 462,698
2020	345,000	111,898	456,898
2021	360,000	100,848	460,848
2022	370,000	89,348	459,348
2023	380,000	77,154	457,154
2024-2028	1,555,000	195,225	1,750,225
2029-2030	<u>512,000</u>	<u>15,240</u>	<u>527,240</u>
	<u>\$ 3,862,000</u>	<u>\$ 712,411</u>	<u>\$ 4,574,411</u>

Statutory Borrowing Power

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

4% of Equalized Valuation Basis (Municipal)	\$ 39,908,722
Less: Net Debt Outstanding	<u>3,862,000</u>
Remaining Borrowing Power	<u>\$ 36,046,722</u>

**WALLINGTON 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. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Balance, July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2018</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds Payable	\$ 4,187,000		\$ 325,000	\$ 3,862,000	\$ 340,000
Add: Unamortized Premium	144,863	-	31,412	113,451	-
Total Bonds Payable	4,331,863	-	356,412	3,975,451	340,000
Compensated Absences	516,719	\$ 50,457	53,739	513,437	
Net Pension Liability	5,460,788	-	1,392,189	4,068,599	-
Governmental activity Long-term liabilities	<u>\$ 10,309,370</u>	<u>\$ 50,457</u>	<u>\$ 1,802,340</u>	<u>\$ 8,557,487</u>	<u>\$ 340,000</u>

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

NOTE 4 OTHER INFORMATION

A. Risk Management

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

The District is a member of the School Alliance Insurance Fund SAIF or Fund. The Fund is a risk sharing public entity pool, established for the purpose of insuring against various risks.

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.

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

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

SAIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the 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</u> <u>June 30,</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending</u> <u>Balance</u>
2018		\$ 22,808	\$ 41,423	\$ 72,535
2017		23,347	19,238	91,150
2016	\$ 5,000	21,498	54,885	87,041

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.

**WALLINGTON 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.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

The following represent the membership tiers for TPAF:

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

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

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

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

Other Pension Funds

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

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

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

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

**WALLINGTON 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.

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Funding Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

Employer and Employee Pension Contributions

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

Annual Pension Costs (APC)

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

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Annual Pension Costs (APC) (Continued)

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

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2018	\$ 161,915	\$ 1,096,629	\$ 3,403
2017	163,800	837,063	3,302
2016	157,666	588,235	7,088

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$1,025 and \$496, respectively for PERS and the State contributed \$1,815 and \$2,304, 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 \$574,180 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.

**WALLINGTON 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 \$4,068,599 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 .01747 percent, which was a decrease of .00097 percent from its proportionate share measured as of June 30, 2016 of .01844 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$237,845 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	\$ 95,801	
Changes of Assumptions	819,682	\$ 816,677
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	27,704	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>12,598</u>	<u>222,375</u>
Total	<u>\$ 955,785</u>	<u>\$ 1,039,052</u>

**WALLINGTON 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	\$ 43,799
2020	94,998
2021	46,793
2022	(160,365)
2023	(108,492)
Thereafter	<u>-</u>
	<u>\$ (83,267)</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.

**WALLINGTON 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%

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

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

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

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

Sensitivity of Net Pension Liability

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

	1% Decrease <u>(4.00%)</u>	Current Discount Rate <u>(5.00%)</u>	1% Increase <u>(6.00%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 5,047,373</u>	<u>\$ 4,068,599</u>	<u>\$ 3,253,159</u>

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

Pension Plan Fiduciary Net Position

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

**WALLINGTON 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 \$3,475,922 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 \$50,175,745. 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 .07441 percent, which was an increase of .00094 percent from its proportionate share measured as of June 30, 2016 of .07347 percent.

**WALLINGTON 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.

**WALLINGTON 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%

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

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

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

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

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

Period of Projected Benefit

Payments for which the Following Rates were Applied:

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

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

Sensitivity of Net Pension Liability

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

	<u>1% Decrease (3.25%)</u>	<u>Current Discount Rate (4.25%)</u>	<u>1% Increase (5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 59,610,359</u>	<u>\$ 50,175,745</u>	<u>\$ 42,403,469</u>

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

**WALLINGTON 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.

**WALLINGTON 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.

**WALLINGTON 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 \$708,290, \$697,464 and \$700,426, 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.

**WALLINGTON 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 \$2,225,806. 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 \$36,522,442. 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 .06809 percent, which was a decrease of .00005 percent from its proportionate share measured as of June 30, 2016 of .06814 percent.

Actuarial Assumptions

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

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

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

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Actuarial Assumptions (Continued)

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

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

Long-Term Expected Rate of Return

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

Discount Rate

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

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

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

WALLINGTON 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	\$ 39,407,417
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 1,573,562
Interest on the Total OPEB Liability	1,158,024
Changes of Assumptions	(4,825,143)
Gross Benefit Payments	(821,674)
Contributions from the Member	30,256
Net Changes	<u>\$ (2,884,975)</u>
Balance, June 30, 2017 Measurement Date	<u>\$ 36,522,442</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 (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
State's Proportionate Share of the OPEB Liability Attributable to the District	\$ 43,354,774	\$ 36,522,442	\$ 31,102,972

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

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

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

Sensitivity of OPEB Liability (Continued)

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

	<u>1%</u> <u>Decrease</u>	<u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability (School Retirees)	\$ <u>30,036,178</u>	\$ <u>36,522,442</u>	\$ <u>45,136,124</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.

F. Tax Abatements

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

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

NOTE 5 JOINT VENTURE

On February 17, 2011, the Board entered into a shared services agreement with the Borough of Wallington for the purpose of installing synthetic turf at the Wallington High School athletic field. According to the terms of the agreement, the total cost of the project shall not exceed \$1,700,000. The Borough has adopted a bond ordinance appropriating \$1,700,000. Of this amount, the Board has made a payment of \$275,000 to the Borough for a down payment, with the remaining \$1,425,000 being authorized debt of the Borough. Also, according to the terms of the agreement, the Board shall be responsible for payment to the Borough of any principal and interest due on debt, upon such debt being issued by the Borough. The balance owed by the District at June 30, 2018 to the Borough for principal on the debt issued by the Borough is \$305,625.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget To Actual
REVENUES					
Local Sources					
Property Tax Levy	\$ 16,005,241		\$ 16,005,241	\$ 16,005,241	
Interest Earned on Capital Reserve	1		1	234	\$ 233
Miscellaneous	190,000	-	190,000	326,810	136,810
Total Local Sources	16,195,242	-	16,195,242	16,332,285	137,043
State Sources					
Extraordinary Aid	255,415		255,415	208,079	(47,336)
Categorical Special Education Aid	743,809		743,809	743,809	
Equalization Aid	2,174,798	\$ 497,100	2,671,898	2,671,898	
Transportation Aid	24,797		24,797	24,797	
Security Aid	49,973		49,973	49,973	
Under Adequacy	75,442		75,442	75,442	
PARCC Readiness Aid	12,810		12,810	12,810	
Per Pupil Growth Aid	12,810		12,810	12,810	
Professional Learning Community Aid	13,860		13,860	13,860	
Lead Testing for Schools Aid				2,016	2,016
Payment for Institutionalized Children - Unknown District of Residence				12,429	12,429
On-Behalf TPAF - NCGI Premium (Non-Budget)				25,982	25,982
On-Behalf TPAF - Normal Cost (Non-Budget)				1,070,647	1,070,647
On-Behalf TPAF - Post-Retirement Medical (Non-Budget)				708,290	708,290
On-Behalf TPAF - Long-Term Disability Insurance (Non-Budget)				1,815	1,815
Reimbursed TPAF Social Security Contribution (Non Budgeted)				574,180	574,180
Total State Sources	3,363,714	497,100	3,860,814	6,208,837	2,348,023
Federal Sources					
Medicaid Reimbursement	28,546	-	28,546	61,387	32,841
Total Federal Sources	28,546	-	28,546	61,387	32,841
Total Revenues	19,587,502	497,100	20,084,602	22,602,509	2,517,907
EXPENDITURES					
CURRENT EXPENDITURES					
Regular Programs - Instruction					
Salaries of Teachers					
Kindergarten	385,481	1,969	387,450	372,800	14,650
Grades 1-5	1,616,139	(33,403)	1,582,736	1,541,474	41,262
Grades 6-8	1,118,568	(43,737)	1,074,831	1,070,902	3,929
Grades 9-12	1,461,020	98,780	1,559,800	1,559,666	134
Regular Programs - Home Instruction					
Salaries of Teachers	16,000		16,000	7,751	8,249
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	202,776	11,000	213,776	207,528	6,248
General Supplies	175,245	47,370	222,615	197,228	25,387
Textbooks	60,900	(270)	60,630	34,541	26,089
Total Regular Programs	5,036,129	81,709	5,117,838	4,991,890	125,948
Special Education - Instruction					
Learning and/or Language Disabilities					
Salaries of Teachers	325,804	(46,104)	279,700	214,436	65,264
Other Salaries for Instruction	334,000	17,700	351,700	328,965	22,735
General Supplies	4,000		4,000	3,984	16
Textbooks	2,000	-	2,000	2,000	-
Total Learning and/or Language Disabilities	665,804	(28,404)	637,400	549,385	88,015
Resource Room/Resource Center					
Salaries of Teachers	643,031	1,246	644,277	643,828	449
General Supplies	3,100		3,100	2,998	102
Textbooks	1,800	-	1,800	1,800	-
Total Resource Room/Resource Center	647,931	1,246	649,177	648,626	551
Total Special Education - Instruction	1,313,735	(27,158)	1,286,577	1,198,011	88,566

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Basic Skills/Remedial - Instruction					
Salaries of Teachers	\$ 186,627	\$ 23,673	\$ 210,300	\$ 208,700	\$ 1,600
Other Salaries for Instruction	15,000		15,000	15,000	-
General Supplies	3,000	91	3,091	2,428	663
Total Basic Skills/Remedial - Instruction	204,627	23,764	228,391	226,128	2,263
Bilingual Education - Instruction					
Salaries of Teachers	218,321	1,700	220,021	209,125	10,896
Purchased Professional-Educational Services	1,500		1,500		1,500
General Supplies	500	-	500	412	88
Total Bilingual Education - Instruction	220,321	1,700	222,021	209,537	12,484
Vocational Programs - Local - Instruction					
Salaries	24,871		24,871	24,871	
General Supplies	500	-	500	-	500
Total Vocational Programs - Local - Instruction	25,371	-	25,371	24,871	500
School Sponsored Co/Extra Curricular Activities - Instruction					
Salaries	68,917		68,917	56,465	12,452
Purchased Services	22,500	520	23,020	11,985	11,035
Supplies and Materials	10,200		10,200	7,594	2,606
Other Objects	9,500	2,360	11,860	6,116	5,744
Total School Sponsored Co/Extra Curricular Activities - Instruction	111,117	2,880	113,997	82,160	31,837
School Sponsored Athletics - Instruction					
Salaries	383,651	975	384,626	366,565	18,061
Purchased Services	34,179	750	34,929	34,929	
Supplies and Materials	48,650	2,038	50,688	42,420	8,268
Other Objects	21,950	1,217	23,167	18,056	5,111
Total School Sponsored Athletics - Instruction	488,430	4,980	493,410	461,970	31,440
Before/After School Programs - Support Svc					
Salaries	66,350		66,350	57,620	8,730
Supplies and Materials	8,000	-	8,000	4,980	3,020
Total Before/After School Program	74,350	-	74,350	62,600	11,750
Summer School - Instruction					
Salaries of Teachers	6,000	2,000	8,000	6,750	1,250
Total Summer School - Instruction	6,000	2,000	8,000	6,750	1,250
Other Instructional Programs - Instruction					
Salaries	33,300		33,300	9,875	23,425
Purchased Services	1,400		1,400		1,400
Supplies and Materials	700	-	700	484	216
Total Other Instructional Programs - Instruction	35,400	-	35,400	10,359	25,041
Total Instruction	7,515,480	89,875	7,605,355	7,274,276	331,079
Undistributed Expenditures- Instruction					
Tuition to Other LEAs - Within the State-Reg		48,000	48,000	44,769	3,231
Tuition to Other LEAs - Within the State-Special	2,538,093	10,100	2,548,193	2,539,803	8,390
Tuition to County Vocational School Districts-Reg.	214,452	22,020	236,472	226,849	9,623
Tuition to County Vocational School Districts-Special	74,520	36,680	111,200	108,852	2,348
Tuition to CSSD & Regional Day Schools	304,542	(1,000)	303,542	256,736	46,806
Tuition to Priv. Sch. - Disabled - Within State	519,929	(38,000)	481,929	437,444	44,485
Tuition - State Facilities		2,000	2,000	1,900	100
Tuition - Other	2,000	(2,000)	-	-	-
Total Undistributed Expenditures - Instruction	3,653,536	77,800	3,731,336	3,616,353	114,983

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Attendance and Social Work					
Salaries	\$ 129,490		\$ 129,490	\$ 128,898	\$ 592
Other Purchased Services	150		150		150
Supplies and Materials	800	-	800	48	752
Total Attendance and Social Work	130,440	-	130,440	128,946	1,494
Health Services					
Salaries	232,804	\$ 96	232,900	232,272	628
Purchased Professional and Technical Services	31,000	270	31,270	26,886	4,384
Other Purchased Services	200		200		200
Supplies and Materials	6,250	1,635	7,885	6,595	1,290
Total Health Services	270,254	2,001	272,255	265,753	6,502
Speech, OT, PT and Related Services					
Salaries	109,400		109,400	109,115	285
Supplies and Materials	1,600	-	1,600	1,600	-
Total Speech, OT, PT and Related Services	111,000	-	111,000	110,715	285
Guidance					
Salaries of Other Professional Staff	336,255	5,100	341,355	308,235	33,120
Salaries of Secretarial and Clerical Assistants	41,478		41,478	41,478	
Other Purchased Services	1,000		1,000	858	142
Supplies and Materials	33,550	3,695	37,245	35,123	2,122
Other Objects	5,500	-	5,500	5,500	-
Total Guidance	417,783	8,795	426,578	391,194	35,384
Child Study Teams					
Salaries of Other Professional Staff	250,427	(8,427)	242,000	235,139	6,861
Salaries of Secretarial and Clerical Assistants	46,078		46,078	45,978	100
Other Salaries	80,000		80,000	80,000	
Purchased Professional-Educational Services	24,250		24,250	18,245	6,005
Miscellaneous Purchased Services	2,000		2,000	348	1,652
Supplies and Materials	9,100		9,100	6,718	2,382
Other Objects	1,000	-	1,000	-	1,000
Total Child Study Teams	412,855	(8,427)	404,428	386,428	18,000
Improvement of Instructional Services					
Salaries of Supervisor of Instruction	161,507		161,507	152,132	9,375
Salaries of Other Professional Staff	3,200		3,200	2,520	680
Salaries of Secretarial and Clerical Assistants	168,740	1,532	170,272	165,293	4,979
Other Purchased Services	1,700		1,700	449	1,251
Supplies and Materials	500	-	500	500	-
Total Improvement of Instructional Services	335,647	1,532	337,179	320,894	16,285
Educational Media Services/School Library					
Salaries	173,417	6,150	179,567	177,899	1,668
Other Purchased Services	600		600	254	346
Supplies and Materials	60,800	28,640	89,440	73,409	16,031
Total Educational Media Services/School Library	234,817	34,790	269,607	251,562	18,045
Instructional Staff Training Services					
Salaries of Supervisors of Instruction	25,000		25,000	25,000	
Other Purchased Services	3,000	75	3,075	390	2,685
Total Instructional Staff Training Services	28,000	75	28,075	25,390	2,685

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Support Services - General Administration					
Salaries	\$ 274,412	\$ 8,900	\$ 283,312	\$ 283,283	\$ 29
Legal Services	1,000	5,700	6,700	6,601	99
Audit Fees	25,000	1,515	26,515	26,515	-
Architectural/Engineering Services	1,500	39,800	41,300	20,650	20,650
Communications/Telephone	82,000	(17,715)	64,285	29,852	34,433
Miscellaneous Purchased Services	26,400	(12,194)	14,206	12,858	1,348
General Supplies	2,000	560	2,560	2,530	30
Miscellaneous Expenditures	11,000	3,889	14,889	14,827	62
Total Support Services General Administration	423,312	30,455	453,767	397,116	56,651
Support Services - School Administration					
Salaries of Principals/Asst. Principals/Prog. Director	256,646		256,646	256,646	
Salaries of Other Professional Staff	149,153		149,153	125,326	23,827
Salaries of Secretarial and Clerical Assistants	104,764	5,000	109,764	109,686	78
Other Purchased Services	8,875		8,875	5,216	3,659
Supplies and Materials	9,000	-	9,000	8,793	207
Total Support Services School Administration	528,438	5,000	533,438	505,667	27,771
Central Services					
Salaries	341,238	-	341,238	339,322	1,916
Purchased Technical Services	8,000	(810)	7,190	7,190	-
Misc. Purchased Services	28,100	(2,001)	26,099	22,169	3,930
Supplies and Materials	8,700	(265)	8,435	7,779	656
Miscellaneous Expenditures	7,000	575	7,575	7,575	-
Total Central Services	393,038	(2,501)	390,537	384,035	6,502
Admin. Info. Tech.					
Salaries	109,724	1	109,725	109,724	1
Supplies and Materials	1,100	-	1,100	1,100	-
Total Admin. Info. Tech	110,824	1	110,825	110,824	1
Required Maintenance For School Facilities					
Cleaning, Repair, and Maintenance Services	100,048	55,850	155,898	123,201	32,697
Lead Testing of Drinking Water	5,000	(5,000)			
General Supplies	52,400	(1,635)	50,765	43,964	6,801
Total Required Maintenance For School Facilities	157,448	49,215	206,663	167,165	39,498
Custodial Services					
Salaries	257,524		257,524	250,623	6,901
Purchased Professional and Technical Services	1,000	1,000	2,000	2,000	-
Cleaning, Repair, and Maintenance Services	376,694	48,188	424,882	387,606	37,276
Rental of Land and Buildings	326,000		326,000	322,980	3,020
Insurance	138,500		138,500	132,778	5,722
Miscellaneous Purchased Services	27,000		27,000	26,326	674
Energy (Electricity)	276,000		276,000	225,724	50,276
Other Objects	3,333	-	3,333	1,700	1,633
Total Custodial Services	1,406,051	49,188	1,455,239	1,347,737	107,502
Care and Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services	64,000	72,098	136,098	113,151	22,947
General Supplies	2,000	-	2,000	322	1,678
Total Care and Upkeep of Grounds	66,000	72,098	138,098	113,473	24,625

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

	Original Budget	Adjustments/ Budget Transfers	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Security					
Cleaning, Repair and Maintenance Services	\$ 19,000	\$ (2,754)	\$ 16,246	\$ 12,973	\$ 3,273
Total Security	19,000	(2,754)	16,246	12,973	3,273
Student Transportation Services					
Contract Svcs. (Other than Home and School)-Vendors	53,400	(400)	53,000	44,873	8,127
Contract Svcs. (Between Home and School)-Joint Agrmnts	98,500	12,100	110,600	110,510	90
Contracted Services (Spec. Ed. Students) - Joint Agrmnts	470,000	50,000	520,000	520,000	-
Total Student Transportation Services	621,900	61,700	683,600	675,383	8,217
Unallocated Benefits - Employee Benefits					
Social Security Contributions	215,000	34,300	249,300	218,714	30,586
Other Retirement Contributions - PERS	180,000	(16,000)	164,000	162,940	1,060
Other Retirement Contributions - Regular		3,403	3,403	3,403	
Workmen's Compensation	110,000	(28,000)	82,000	80,814	1,186
Health Benefits	2,647,000	(21,300)	2,625,700	2,318,520	307,180
Tuition Reimbursement	22,000		22,000	21,000	1,000
Other Employee Benefits	25,000	(3,403)	21,597	14,086	7,511
Unused Sick Payment to Terminated/Retired Staff - Normal Retirements	25,000	40,000	65,000	53,739	11,261
Total Unallocated Benefits - Employee Benefits	3,224,000	9,000	3,233,000	2,873,216	359,784
On-Behalf TPAF - NCGI Premium (Non-Budget)				25,982	(25,982)
On-Behalf TPAF - Normal Cost (Non-Budget)				1,070,647	(1,070,647)
On-Behalf TPAF - Post-Retirement Medical (Non-Budget)				708,290	(708,290)
On-Behalf TPAF - Long-Term Disability Insurance (Non-Budget)				1,815	(1,815)
Reimbursed TPAF Social Security Contribution (Non Budgeted)	-	-	-	574,180	(574,180)
Total On-Behalf	-	-	-	2,380,914	(2,380,914)
Total Undistributed Expenditures	12,544,343	387,968	12,932,311	14,465,738	(1,533,427)
Total Expenditures - Current Expense	20,059,823	477,843	20,537,666	21,740,014	(1,202,348)
CAPITAL OUTLAY					
Equipment					
Grades 6-8	8,000		8,000	8,000	
Grades 9-12	10,000	82,000	92,000	86,014	5,986
Undistributed Expenditures School Administration	15,000	83,727	98,727	82,489	16,238
Total Equipment	33,000	165,727	198,727	176,503	22,224
Facilities Acquisition and Construction Services					
Lease Purchase Agreement - Principal	125,000		125,000	125,000	
Assessment for Debt Service on SDA Funding	32,158	-	32,158	32,158	-
Total Facilities Acquisition and Construction Services	157,158	-	157,158	157,158	-
Interest Deposit to Capital Reserve	1	-	1	-	1
Total Capital Outlay	190,159	165,727	355,886	333,661	22,225
Transfer of Funds to Charter Schools	242,376	(27,700)	214,676	168,703	45,973
Total Expenditures	20,492,358	615,870	21,108,228	22,242,378	(1,134,150)

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

	<u>Original Budget</u>	<u>Adjustments/ Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Excess (Deficiency) of Revenues Over/(Under) Expenditures	\$ (904,856)	\$ (118,770)	\$ (1,023,626)	\$ 360,131	\$ 1,383,757
Fund Balances, Beginning of Year	2,089,131	-	2,089,131	2,089,131	-
Fund Balances, End of Year	\$ 1,184,275	\$ (118,770)	\$ 1,065,505	\$ 2,449,262	\$ 1,383,757
Reconciliation to Governmental Fund Statements (GAAP):					
Restricted					
Excess Surplus				\$ 1,096,337	
Excess Surplus, Designated for Subsequent Year's Expenditures				510,505	
Capital Reserve				147,524	
Assigned - Encumbrances				121,108	
Assigned - Designated for Subsequent Year's Expenditures				176,559	
Unassigned				<u>397,229</u>	
Total				2,449,262	
State Aid Not recognized on GAAP Basis				<u>(541,540)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 1,907,722</u>	

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Intergovernmental					
Federal Sources	\$ 490,000	\$ 105,709	\$ 595,709	\$ 588,061	\$ 7,648
Local Sources	-	2,867	2,867	2,867	-
Total Revenues	<u>490,000</u>	<u>108,576</u>	<u>598,576</u>	<u>590,928</u>	<u>7,648</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	182,000	11,200	193,200	193,200	
Purchased Professional and Technical Services		7,825	7,825	7,825	
Other Purchased Services		200	200	200	
Tuition	254,000	25,165	279,165	271,517	7,648
General Supplies	-	22,517	22,517	22,517	-
Total Instruction	<u>436,000</u>	<u>66,907</u>	<u>502,907</u>	<u>495,259</u>	<u>7,648</u>
Support Services					
Salaries		2,000	2,000	2,000	
Other Salaries		8,450	8,450	8,450	
Personal Services Employee-Benefits	49,000	4,754	53,754	53,754	
Purchased Professional - Educational Services	5,000	14,400	19,400	19,400	
Other Purchased Services		10,077	10,077	10,077	
General Supplies	-	1,988	1,988	1,988	-
Total Support Services	<u>54,000</u>	<u>41,669</u>	<u>95,669</u>	<u>95,669</u>	<u>-</u>
Total Expenditures	<u>490,000</u>	<u>108,576</u>	<u>598,576</u>	<u>590,928</u>	<u>7,648</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

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

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

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

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	C-1	\$ 22,602,509	C-2	\$ 590,928
Difference - Budget to GAAP:				
State Aid payment recognized for GAAP purpose not recognized for Budgetary statements (2016/2017 State Aid)		489,680		
State Aid payment recognized for budgetary purpose not recognized for GAAP statements (2017/2018 State Aid)		<u>(541,540)</u>		<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	B-2	<u>\$ 22,550,649</u>	B-2	<u>\$ 590,928</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	C-1	<u>\$ 22,242,378</u>	C-2	<u>\$ 590,928</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2	<u>\$ 22,242,378</u>	B-2	<u>\$ 590,928</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

PENSION INFORMATION
AND
OTHER POST-EMPLOYMENT BENEFITS INFORMATION

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

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Five Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.01747 %	0.01844 %	0.01833 %	0.01835 %	0.01904 %
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 4,068,599</u>	<u>\$ 5,460,788</u>	<u>\$ 4,116,732</u>	<u>\$ 3,436,422</u>	<u>\$ 3,639,518</u>
District's Covered-Employee Payroll	<u>\$ 1,193,151</u>	<u>\$ 1,196,610</u>	<u>\$ 1,241,919</u>	<u>\$ 1,237,529</u>	<u>\$ 1,281,731</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	341%	456%	331%	278%	284%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.92%	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.

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

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 161,915	\$ 163,800	\$ 157,666	\$ 151,310	\$ 163,816
Contributions in Relation to the Contractually Required Contributions	<u>161,915</u>	<u>163,800</u>	<u>157,666</u>	<u>151,310</u>	<u>163,816</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 1,193,151</u>	<u>\$ 1,196,610</u>	<u>\$ 1,241,919</u>	<u>\$ 1,237,529</u>	<u>\$ 1,281,731</u>
Contributions as a Percentage of Covered-Employee Payroll	13.57%	13.69%	12.70%	12.23%	12.78%

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.

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

TEACHERS PENSION AND ANNUITY FUND
Last Five Fiscal Years *

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0 %	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>50,175,745</u>	\$ <u>57,796,722</u>	\$ <u>46,958,903</u>	\$ <u>40,013,154</u>	\$ <u>37,858,805</u>
Total	\$ <u>50,175,745</u>	\$ <u>57,796,722</u>	\$ <u>46,958,903</u>	\$ <u>40,013,154</u>	\$ <u>37,858,805</u>
District's Covered-Employee Payroll	\$ <u>7,768,902</u>	\$ <u>7,478,246</u>	\$ <u>7,363,613</u>	\$ <u>7,277,921</u>	\$ <u>7,387,611</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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

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

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

Change of Benefit Terms:

None.

Change of Assumptions:

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

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

POSTEMPLOYMENT HEALTH BENEFIT PLAN

Last One Fiscal Year*

	2018
Total OPEB Liability	
Service Cost	\$ 1,573,562
Interest on Total OPEB Liability	1,158,024
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	(4,825,143)
Gross Benefit Payments	(821,674)
Contribution from the Member	30,256
Net Change in Total OPEB Liability	(2,884,975)
Total OPEB Liability - Beginning	39,407,417
Total OPEB Liability - Ending	\$ 36,522,442
District's Proportionate Share of OPEB Liability	\$0
State's Proportionate Share of OPEB Liability	36,522,442
Total OPEB Liability - Ending	\$ 36,522,442
District's Covered-Employee Payroll	\$ 8,962,053
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.

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

Changes in Benefit Terms:

None.

Changes of Assumptions

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

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

SPECIAL REVENUE FUND

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

	ESEA					I.D.E.A. Basic	I.D.E.A. PreSchool	BCUA Environ. Awareness	Total 2018
	Title I	Title IIA	Title III	Title III Immigrant	Title IV				
REVENUES									
Intergovernmental									
Federal	\$ 232,041	\$ 42,696	\$ 19,253	\$ 5,279	\$ 10,000	\$ 272,421	\$ 6,371		\$ 588,061
Local	-	-	-	-	-	-	-	\$ 2,867	2,867
Total Revenues	<u>\$ 232,041</u>	<u>\$ 42,696</u>	<u>\$ 19,253</u>	<u>\$ 5,279</u>	<u>\$ 10,000</u>	<u>\$ 272,421</u>	<u>\$ 6,371</u>	<u>\$ 2,867</u>	<u>\$ 590,928</u>
EXPENDITURES									
Instruction									
Salaries of Teachers	\$ 164,500	\$ 19,700	\$ 9,000						\$ 193,200
Purchased Professional and Technical Services	6,650		1,000			\$ 175			7,825
Other Purchased Services			200						200
Tuition						265,146	\$ 6,371		271,517
General Supplies	6,567	-	5,983	-	-	7,100	-	\$ 2,867	22,517
Total Instruction	<u>177,717</u>	<u>19,700</u>	<u>16,183</u>	<u>-</u>	<u>-</u>	<u>272,421</u>	<u>6,371</u>	<u>2,867</u>	<u>495,259</u>
Support Services									
Salaries		2,000							2,000
Other Salaries	5,950			\$ 2,500					8,450
Personal Services Employee-Benefits	45,374	5,669	2,520	191					53,754
Purchased Professional - Educational Services		9,400			\$ 10,000				19,400
Other Purchased Services	3,000	5,927	550	600					10,077
General Supplies	-	-	-	1,988	-	-	-	-	1,988
Total Support Services	<u>54,324</u>	<u>22,996</u>	<u>3,070</u>	<u>5,279</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,669</u>
Total Expenditures	<u>\$ 232,041</u>	<u>\$ 42,696</u>	<u>\$ 19,253</u>	<u>\$ 5,279</u>	<u>\$ 10,000</u>	<u>\$ 272,421</u>	<u>\$ 6,371</u>	<u>\$ 2,867</u>	<u>\$ 590,928</u>

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

This Schedule is Not Applicable

CAPITAL PROJECTS FUND

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

	<u>Original Amount Authorized</u>	<u>Transfers</u>	<u>Amended Authorization</u>	<u>Expenditures to Date</u>		<u>Balance June 30, 2018</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Wallington Junior and Senior High School Exterior Systems Repair and Restoration Project #5430-050-14-1001	\$ 3,684,595	\$ 174,483	\$ 3,859,078	\$ 3,591,342		\$ 267,736
Frank W. Gavlak School Door Replacement and Painting Project	<u>407,202</u>	<u>(174,483)</u>	<u>232,719</u>	<u>231,151</u>	<u>\$ -</u>	<u>1,568</u>
	<u>\$ 4,091,797</u>	<u>\$ -</u>	<u>\$ 4,091,797</u>	<u>\$ 3,822,493</u>	<u>\$ -</u>	<u>\$ 269,304</u>
					Budgetary Balance, June 30, 2018	<u>\$ 269,304</u>
					GAAP Fund Balance at June 30, 2018	<u>\$ 269,304</u>

Analysis of Amended Authorizations

Wallington Junior and Senior High School
Exterior Systems Repair and Restoration

Bond Proceeds	\$ 2,384,483
Local Share	757
SDA Facilities Grant	<u>1,473,838</u>
	<u>3,859,078</u>

Recapitulation of Fund Balance

Restricted	
Capital Projects	<u>\$ 269,304</u>

Frank W. Gavlak School Door Replacement
and Painting Project
Bond Proceeds

	<u>232,719</u>
	<u>232,719</u>

Total Amended Authorizations

	<u>\$ 4,091,797</u>
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**WALLINGTON 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**

Fund Balance- Beginning- Budgetary Basis	\$ <u>269,304</u>
Fund Balance- Ending- Budgetary Basis	\$ <u>269,304</u>
Budgetary Fund Balance at June 30, 2018	\$ <u>269,304</u>
GAAP Fund Balance at June 30, 2018	\$ <u>269,304</u>

WALLINGTON BOARD OF EDUCATION
 CAPITAL PROJECTS FUND
 SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
 WALLINGTON JUNIOR AND SENIOR HIGH SCHOOL EXTERIOR SYSTEMS REPAIR AND RESTORATION
 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				
State Sources- SDA Grant	\$ 1,473,838		\$ 1,473,838	\$ 1,473,838
Bond Proceeds	2,384,483		2,384,483	2,384,483
Capital Reserve	<u>757</u>	<u>-</u>	<u>757</u>	<u>757</u>
Total Revenues and Other Financing Sources	<u>3,859,078</u>	<u>-</u>	<u>3,859,078</u>	<u>3,859,078</u>
Expenditures and Other Financing Uses				
Legal Services	28,146		28,146	40,795
Purchased Professional and Technical Services	213,171		213,171	247,362
Construction Services	<u>3,350,025</u>	<u>-</u>	<u>3,350,025</u>	<u>3,570,921</u>
Total Expenditures and Other Financing Uses	<u>3,591,342</u>	<u>-</u>	<u>3,591,342</u>	<u>3,859,078</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 267,736</u>	<u>\$ -</u>	<u>\$ 267,736</u>	<u>\$ -</u>

Additional Project Information:

Project Number	#5430-050-14-1001
Grant Date	1/6/2014
Bond Authorization Date	N/A
Bonds Authorized	\$ 2,384,483
Bonds Issued	\$ 2,384,483
SDA Grant Authorized	\$ 1,473,838
Capital Reserve	757
Original Authorized Cost	\$ 3,684,595
Increase/(Decrease)	\$ 174,483
Revised Authorized Cost	\$ 3,859,078

Percentage Increase Over Original Authorized Cost	4.74%
Percentage Completion	100.00%
Original Target Completion Date	June 30, 2015
Revised Completion Date	June 30, 2017

**WALLINGTON BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
FRANK W. GAVLAK SCHOOL DOOR REPLACEMENT AND PAINTING PROJECTS
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	\$ 232,517		\$ 232,517	\$ 232,517
Capital Reserve	202	-	202	202
	<u>232,719</u>	<u>-</u>	<u>232,719</u>	<u>232,719</u>
Expenditures and Other Financing Uses				
Legal Services	5,591		5,591	5,591
Purchased Professional and Technical Services	19,782		19,782	21,350
Construction Services	205,778	-	205,778	205,778
	<u>231,151</u>	<u>-</u>	<u>231,151</u>	<u>232,719</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 1,568</u>	<u>\$ -</u>	<u>\$ 1,568</u>	<u>\$ -</u>
Additional Project Information:				
Project Number	#5430-055-13-1000			
Grant Date	N/A			
Bond Authorization Date	N/A			
Bonds Authorized	\$ 232,517			
Bonds Issued	\$ 232,517			
SDA Grant Authorized	N/A			
Capital Reserve	202			
Original Authorized Cost	\$ 407,202			
Increase/(Decrease)	(174,483)			
Revised Authorized Cost	\$ 232,719			
Percentage Increase Over Original				
Authorized Cost	-42.85%			
Percentage Completion	100.00%			
Original Target Completion Date	June 30, 2015			
Revised Completion Date	June 30, 2017			

PROPRIETARY FUNDS

NOT APPLICABLE

FIDUCIARY FUNDS

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

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 94,847	\$ 23,438	\$ 118,285
Total Assets	<u>\$ 94,847</u>	<u>\$ 23,438</u>	<u>\$ 118,285</u>
LIABILITIES			
Payroll Deductions and Withholdings		\$ 2,181	\$ 2,181
Accrued Salaries and Wages		1,000	1,000
Due to Other Funds		20,257	20,257
Due to Student Groups	<u>\$ 94,847</u>	<u>-</u>	<u>94,847</u>
Total Liabilities	<u>\$ 94,847</u>	<u>\$ 23,438</u>	<u>\$ 118,285</u>

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

NOT APPLICABLE

**WALLINGTON BOARD OF EDUCATION
STUDENT ACTIVITY 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>
<u>ELEMENTARY SCHOOLS</u>				
General Office	\$ 4,190	\$ 9,846	\$ 8,184	\$ 5,852
Total Elementary Schools	<u>4,190</u>	<u>9,846</u>	<u>8,184</u>	<u>5,852</u>
<u>HIGH SCHOOL</u>				
High School	59,261	91,750	64,897	86,114
High School Athletics	<u>5</u>	<u>47,657</u>	<u>44,781</u>	<u>2,881</u>
Total High School	<u>59,266</u>	<u>139,407</u>	<u>109,678</u>	<u>88,995</u>
Total All Schools	<u>\$ 63,456</u>	<u>\$ 149,253</u>	<u>\$ 117,862</u>	<u>\$ 94,847</u>

WALLINGTON 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>
ASSETS				
Cash	\$ 8,658	\$ 11,252,074	\$ 11,237,294	\$ 23,438
Total Assets	<u>\$ 8,658</u>	<u>\$ 11,252,074</u>	<u>\$ 11,237,294</u>	<u>\$ 23,438</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 3,612	\$ 5,305,734	\$ 5,307,165	\$ 2,181
Due to Other Funds	4,046	22,808	6,597	20,257
Accrued Salaries and Wages	<u>1,000</u>	<u>5,923,532</u>	<u>5,923,532</u>	<u>1,000</u>
Total Liabilities	<u>\$ 8,658</u>	<u>\$ 11,252,074</u>	<u>\$ 11,237,294</u>	<u>\$ 23,438</u>

LONG-TERM DEBT

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

<u>Source</u>	<u>Date of Bond</u>	<u>Amount of Original Bond</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
2014 School Bonds	8/15/2014	\$ 2,617,000	8/15/2018-2019	\$ 140,000	2.00 %			
			8/15/2020-2021	145,000	2.00			
			8/15/2022	155,000	2.25			
			8/15/2023	165,000	3.00			
			8/15/2024	170,000	3.00			
			8/15/2025-2028	260,000	3.00			
			8/15/2029	252,000	3.00			
					\$ 2,487,000	\$ 135,000	\$ 2,352,000	
2015 School Refunding Bonds	5/15/2015	2,060,000	5/15/2019	200,000	4.00			
			5/15/2020	205,000	4.00			
			5/15/2021	215,000	4.00			
			5/15/2022-2023	225,000	4.00			
			5/15/2024-2025	220,000	4.00			
					<u>\$ 4,187,000</u>	<u>\$ 325,000</u>	<u>\$ 3,862,000</u>	
						Budget Appropriation	<u>\$ 325,000</u>	

**WALLINGTON BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF CAPITAL LEASES PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOT APPLICABLE

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 458,046	-	\$ 458,046	\$ 458,046	-
Total Revenues	<u>458,046</u>	<u>-</u>	<u>458,046</u>	<u>458,046</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	325,000		325,000	325,000	
Interest	<u>133,048</u>	<u>-</u>	<u>133,048</u>	<u>133,048</u>	\$ -
Total Regular Debt Service	<u>458,048</u>	<u>-</u>	<u>458,048</u>	<u>458,048</u>	<u>-</u>
Total Expenditures	<u>458,048</u>	<u>-</u>	<u>458,048</u>	<u>458,048</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

This part of the Wallington 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.

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

	2009	2010	2011	2012	Fiscal Year Ended June 30,		2015	2016	2017	2018
			Restated		2013	2014				
						Restated				
Governmental Activities										
Net Investments in Capital Assets	\$ 3,021,899	\$ 3,166,711	\$ 2,811,814	\$ 4,528,582	\$ 4,434,883	\$ 4,632,377	\$ 7,732,294	\$ 7,718,866	\$ 7,574,665	\$ 7,289,240
Restricted	449,401	453,271	2,141,050	560,237	605,048	276,961	152,367	147,290	147,292	147,524
Unrestricted	686,233	(231,103)	63,987	321,316	443,528	(2,886,071)	(2,622,034)	(2,725,364)	(3,173,893)	(2,936,542)
Total Governmental Activities Net Assets	\$ 4,157,533	\$ 3,388,879	\$ 5,016,851	\$ 5,410,135	\$ 5,483,459	\$ 2,023,267	\$ 5,262,627	\$ 5,140,792	\$ 4,548,064	\$ 4,500,222
Business-Type Activities										
Net Investments in Capital Assets				\$ 14,074	\$ 10,556	\$ 7,037	\$ 5,521	\$ 18,056	\$ 13,751	\$ 9,446
Unrestricted	\$ 38,472	\$ 48,766	\$ 31,455	27,598	39,286	41,767	41,849	26,831	30,448	34,752
Total Business-Type Activities Net Assets	\$ 38,472	\$ 48,766	\$ 31,455	\$ 41,672	\$ 49,842	\$ 48,804	\$ 47,370	\$ 44,887	\$ 44,199	\$ 44,198
District-Wide										
Net Investments in Capital Assets	\$ 3,021,899	\$ 3,166,711	\$ 2,811,814	\$ 4,542,656	\$ 4,445,439	\$ 4,639,414	\$ 7,737,815	\$ 7,736,922	\$ 7,588,416	\$ 7,298,686
Restricted	449,401	453,271	2,141,050	560,237	605,048	276,961	152,367	147,290	147,292	147,524
Unrestricted	724,705	(182,337)	95,442	348,914	482,814	(2,844,304)	(2,580,185)	(2,698,533)	(3,143,445)	(2,901,790)
Total District Net Position	\$ 4,196,005	\$ 3,437,645	\$ 5,048,306	\$ 5,451,807	\$ 5,533,301	\$ 2,072,071	\$ 5,309,997	\$ 5,185,679	\$ 4,592,263	\$ 4,544,420

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

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

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

	2009	2010	2011	2012	Fiscal Year Ended June 30,		2015	2016	2017	2018
					2013	2014				
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 6,360,121	\$ 7,311,570	\$ 6,256,489	\$ 6,331,728	\$ 6,579,764	\$ 6,579,762	\$ 7,887,718	\$ 8,969,996	\$ 9,843,999	\$ 10,103,408
Special Education	2,358,684	2,687,407	2,953,540	3,263,896	3,762,305	4,126,054	4,538,128	5,112,215	5,806,153	5,875,529
Other Instruction	680,660	761,544	503,974	573,469	1,070,112	924,120	1,068,931	1,168,051	1,237,542	1,300,013
School Sponsored Activities And Athletics	549,804	541,369	737,272	874,892	712,146	705,709	856,039	984,790	1,073,480	1,085,021
Support Services:										
Student & Instruction Related Services	2,231,919	2,313,938	2,077,851	2,315,953	2,438,293	2,438,693	2,694,185	2,789,561	3,343,503	3,413,413
School Administration Services	692,139	689,155	708,956	737,522	768,721	720,501	797,674	844,888	922,209	916,547
General Administration	431,151	473,699	426,646	482,413	593,031	575,423	645,645	636,459	633,905	671,486
Plant Operations And Maintenance	1,626,013	1,811,108	1,632,319	1,921,729	1,995,223	2,124,910	2,374,084	2,411,845	2,420,406	2,528,632
Pupil Transportation	369,442	395,153	432,642	312,217	408,374	455,053	357,935	534,510	643,374	675,383
Central Services	507,227	524,048	778,885	587,844	595,334	612,699	626,560	747,760	839,619	868,726
Interest On Long-Term Debt	144,436	137,289	128,880	121,669	120,091	108,278	121,478	123,546	110,672	106,116
Total Governmental Activities Expenses	15,951,596	17,646,280	16,637,454	17,523,332	19,043,394	19,371,202	21,968,377	24,323,621	26,874,862	27,544,274
Business-Type Activities:										
Food Service	121,517	129,128	160,846	144,108	142,692	135,352	144,807	150,177	139,702	156,679
Total Business-Type Activities Expense	121,517	129,128	160,846	144,108	142,692	135,352	144,807	150,177	139,702	156,679
Total District Expenses	\$ 16,073,113	\$ 17,775,408	\$ 16,798,300	\$ 17,667,440	\$ 19,186,086	\$ 19,506,554	\$ 22,113,184	\$ 24,473,798	\$ 27,014,564	\$ 27,700,953
Program Revenues										
Governmental Activities:										
Charges For Services	\$ 2,408,334	\$ 3,166,687	\$ 2,605,705	\$ 88,105	\$ 106,272	\$ 113,690	\$ 148,178	\$ 180,005	\$ 180,725	\$ 171,984
Operating Grants And Contributions	1,202,712	124,586	1,481,024	2,794,314	3,140,630	2,994,999	4,889,624	5,722,288	7,316,348	7,979,825
Capital Grants And Contributions	-	-	-	-	179,119	225,955	3,489,534	381,801	253,590	-
Total Governmental Activities Program Revenues	3,611,046	3,291,273	4,086,729	2,882,419	3,426,021	3,334,644	8,527,336	6,284,094	7,750,663	8,151,809
Business-Type Activities:										
Charges For Services	37,879	37,485	34,989	34,644	26,691	21,552	23,034	22,210	20,455	28,637
Food Service	80,764	101,511	108,260	119,681	124,171	112,762	120,339	117,848	118,559	128,041
Total Business Type Activities Program Revenues	118,643	138,996	143,249	154,325	150,862	134,314	143,373	140,058	139,014	156,679
Total District Program Revenues	\$ 3,729,689	\$ 3,430,269	\$ 4,229,978	\$ 3,036,744	\$ 3,576,883	\$ 3,468,958	\$ 8,670,709	\$ 6,424,152	\$ 7,889,677	\$ 8,308,487
Net (Expense)/Revenue										
Governmental Activities	\$ (12,340,550)	\$ (14,355,007)	\$ (12,550,725)	\$ (14,640,913)	\$ (15,617,373)	\$ (16,036,558)	\$ (13,441,041)	\$ (18,039,527)	\$ (19,124,199)	\$ (19,392,465)
Business-Type Activities	(2,874)	9,868	(17,597)	10,217	8,170	(1,038)	(1,434)	(10,119)	(688)	(1)
Total District-Wide Net Expense	\$ (12,343,424)	\$ (14,345,139)	\$ (12,568,322)	\$ (14,630,696)	\$ (15,609,203)	\$ (16,037,596)	\$ (13,442,475)	\$ (18,049,646)	\$ (19,124,887)	\$ (19,392,466)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 11,381,012	\$ 11,575,416	\$ 12,276,482	\$ 12,630,106	\$ 13,126,129	\$ 13,616,363	\$ 14,078,890	\$ 15,247,472	\$ 15,691,413	\$ 16,005,241
Taxes Levied For Debt Service	309,767	308,800	313,271	311,696	314,937	312,763	278,657	352,220	456,249	458,046
Loss on Retirement of Capital Assets	-	-	(5,313)	-	-	-	-	-	-	-
Unrestricted State & Federal Aid	2,053,223	1,592,163	1,803,979	2,043,106	2,188,324	2,244,933	2,278,096	2,284,887	2,298,274	2,726,276
State Restricted	2,287	2,352	2,081	2,139	2,192	2,283	-	-	-	-
Donated Capital Assets	-	-	-	-	-	-	-	-	-	-
Interest Earned	31,558	80,399	10,653	55	42	53	1,368	25	388	5,403
Miscellaneous Income	55,243	27,223	109,661	47,095	59,073	39,489	43,390	40,724	85,147	149,657
Transfers	(5,000)	-	-	-	-	-	-	(7,636)	-	-
Total Governmental Activities	13,828,090	13,586,353	14,510,814	15,034,197	15,690,697	16,215,884	16,680,401	17,917,692	18,531,471	19,344,623
Business-Type Activities:										
Investment Earnings	228	426	286	-	-	-	-	7,636	-	-
Transfers	5,000	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	5,228	426	286	-	-	-	-	7,636	-	-
Total District-Wide	\$ 13,833,318	\$ 13,586,779	\$ 14,511,100	\$ 15,034,197	\$ 15,690,697	\$ 16,215,884	\$ 16,680,401	\$ 17,925,328	\$ 18,531,471	\$ 19,344,623
Change in Net Position										
Governmental Activities	\$ 1,487,540	\$ (768,654)	\$ 1,960,089	\$ 393,284	\$ 73,324	\$ 179,326	\$ 3,239,360	\$ (121,835)	\$ (592,728)	\$ (47,842)
Business-Type Activities	2,354	10,294	(17,311)	10,217	8,170	(1,038)	(1,434)	(2,483)	(688)	(1)
Total District	\$ 1,489,894	\$ (758,360)	\$ 1,942,778	\$ 403,501	\$ 81,494	\$ 178,288	\$ 3,237,926	\$ (124,318)	\$ (593,416)	\$ (47,843)

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Reserved	\$ 1,507,736	\$ 969,861								
Unreserved	164,117	(121,087)								
Restricted			\$ 572,345	\$ 846,661	\$ 1,017,527	\$ 1,018,653	\$ 1,385,722	\$ 1,679,272	\$ 1,444,588	\$ 1,754,366
Committed			234,878			87,331			85,727	
Assigned			110,000	480,138	368,458	331,224	382,776	85,926	152,039	297,667
Unassigned	-	-	67,269	41,211	55,694	56,442	(62,710)	(87,429)	(82,903)	(144,311)
Total General Fund	\$ 1,671,853	\$ 848,774	\$ 984,492	\$ 1,368,010	\$ 1,441,679	\$ 1,493,650	\$ 1,705,788	\$ 1,677,769	\$ 1,599,451	\$ 1,907,722
All Other Governmental Funds										
Reserved	\$ 567,604	\$ 157,136								
Unreserved	(28,006)	195,583								
Nonspendable			\$ 275,000							
Restricted	-	-	1,693,682	\$ 80,902	\$ 138,999	\$ 2	\$ 1,151,353	\$ 567,104	\$ 269,306	\$ 269,304
Total All Other Governmental Funds	\$ 539,598	\$ 352,719	\$ 1,968,682	\$ 80,902	\$ 138,999	\$ 2	\$ 1,151,353	\$ 567,104	\$ 269,306	\$ 269,304

Beginning with fiscal year 2011, the District has 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 the governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Tax Levy	\$ 11,690,779	\$ 11,884,216	\$ 12,589,753	\$ 12,941,802	\$ 13,441,066	\$ 13,929,126	\$ 14,357,547	\$ 15,599,692	\$ 16,147,662	\$ 16,463,287
Interest Earned	31,558	80,399	10,653	55	42	53	1,368	25	388	5,403
Miscellaneous	58,232	34,322	1,538,661	136,200	168,345	384,384	196,818	228,847	267,872	324,508
State Sources	5,202,505	3,756,414	3,832,555	4,206,050	4,955,385	4,666,274	5,717,448	5,465,733	5,761,965	6,156,977
Federal Sources	461,062	1,122,275	631,234	632,509	551,880	570,691	562,063	606,096	598,691	649,448
Total Revenue	17,444,136	16,877,626	18,602,856	17,916,616	19,116,718	19,550,528	20,835,244	21,900,393	22,776,578	23,599,623
Expenditures										
Instruction										
Regular Instruction	6,292,669	7,007,134	6,342,759	6,309,827	6,540,613	6,598,901	6,823,229	7,629,447	7,790,176	8,006,276
Special Education Instruction	2,355,036	2,677,595	2,966,392	3,260,322	3,755,367	4,130,095	4,338,755	4,841,427	5,350,793	5,431,831
Other Instruction	678,243	754,750	748,078	874,291	1,067,261	927,205	951,623	1,020,660	1,021,447	1,067,537
School Sponsored Activities and Athletics	549,804	541,369	503,974	573,098	710,166	708,639	755,386	863,188	892,026	897,091
Support Services:										
Student and Inst. Related Services	2,198,215	2,270,943	2,064,302	2,288,333	2,414,172	2,432,185	2,490,780	2,467,282	2,755,958	2,783,359
General Administration	686,682	468,454	421,662	478,559	591,504	576,998	522,303	586,870	549,699	572,524
School Administration Services	425,906	683,522	710,832	732,027	760,855	719,233	727,548	750,658	760,075	749,551
Plant Operations And Maintenance	1,573,347	1,758,441	1,364,810	1,571,284	1,604,324	1,728,063	1,835,498	1,807,805	1,649,333	1,753,945
Pupil Transportation	369,442	395,153	432,642	312,217	408,374	455,053	357,935	534,510	643,374	675,383
Central Services	504,873	522,698	777,074	587,017	592,854	615,305	623,049	669,775	698,434	719,306
Capital Outlay	3,115,271	494,509	185,917	2,118,695	271,734	406,187	4,981,559	990,449	585,131	176,503
Debt Service:										
Principal	168,530	174,599	201,662	191,960	228,388	229,707	201,555	190,246	315,000	325,000
Interest and Other Charges	145,500	138,417	131,071	123,248	121,340	109,983	72,322	182,708	141,248	133,048
Cost of Issuance on Refunding	-	-	-	-	-	-	62,101	-	-	-
Total Expenditures	19,063,518	17,887,584	16,851,175	19,420,878	19,066,952	19,637,554	24,743,643	22,535,025	23,152,694	23,291,354
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	(1,619,382)	(1,009,958)	1,751,681	(1,504,262)	49,766	(87,026)	(3,908,399)	(634,632)	(376,116)	308,269
Other Financing Sources (Uses)										
Bond Proceeds							2,617,000			
Payments of Refunding Escrow Agent							(2,248,616)			
Refunding Bond Proceeds							2,060,000			
Premium on Issuance of Refunding							222,417			
Insurance Recovery Related to Capital Assets							2,621,087	30,000		
Capital Lease Proceeds					82,000					
Transfers In			275,000			89,090	959	3,711		
Transfers Out	(5,000)	-	(275,000)	-	-	(89,090)	(959)	(11,347)	-	-
Total Other Financing Sources (Uses)	(5,000)	-	-	-	82,000	-	5,271,888	22,364	-	-
Net Change in Fund Balances	\$ (1,624,382)	\$ (1,009,958)	\$ 1,751,681	\$ (1,504,262)	\$ 131,766	\$ (87,026)	\$ 1,363,489	\$ (612,268)	\$ (376,116)	\$ 308,269
Debt Service as a Percentage of										
Noncapital Expenditures	1.97%	1.80%	2.00%	1.82%	1.86%	1.77%	1.70%	1.73%	2.02%	1.98%

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* Noncapital expenditures are total expenditures less capital outlay.

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

Fiscal Year Ended June 30,	Total	Interest on Investments	After School Program	Tuition Refunds	Prior Year Refunds	Prior Year Payables Adjustment	Miscellaneous
2009	\$ 86,801	\$ 31,558				\$ 24,380	\$ 30,863
2010	107,622	80,399				27,223	
2011	120,314	10,653		\$ 35,312	\$ 41,369	26,028	6,952
2012	135,255	55	\$ 88,104	33,506		6,866	6,724
2013	165,387	42	106,272	5,749		15,869	37,455
2014	153,232	53	113,690			5,035	34,454
2015	191,594	26	148,178			11,774	31,616
2016	220,754	25	180,005			19,189	21,535
2017	266,260	388	180,725			67,631	17,516
2018	327,044	5,403	171,984			42,271	107,386

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

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2009	\$ 11,335,200	\$ 886,606,200	\$ 143,724,900	\$ 59,539,900	\$ 98,700,800	\$ 1,199,907,000	\$ 730,032	\$ 1,200,637,032	\$ 1,228,156,856	\$ 0.980
2010	9,487,600	887,642,800	148,426,900	57,358,000	95,700,800	1,198,616,100	2,197,330	1,200,813,430	1,171,151,635	1.018
2011 (A)	9,168,300	791,951,800	146,005,700	56,072,700	94,712,200	1,097,910,700	1,776,329	1,099,687,029	1,109,847,490	1.161
2012	8,976,300	791,945,200	146,933,100	54,215,800	94,602,200	1,096,672,600	1,720,812	1,098,393,412	1,029,241,284	1.202
2013	8,204,900	792,903,900	145,658,500	53,706,300	94,602,200	1,095,075,800	1,730,632	1,096,806,432	1,003,993,152	1.252
2014 (B)	5,569,900	674,055,600	136,425,500	49,286,100	81,398,700	946,735,800	1,549,102	948,284,902	1,001,647,136	1.483
2015	6,229,100	671,310,500	132,900,200	49,336,100	81,632,500	941,408,400	1,730,632	943,139,032	962,087,386	1.579
2016	5,589,900	674,162,200	134,621,500	49,159,300	81,478,000	945,010,900	1,591,404	946,602,304	970,158,817	1.695
2017	5,464,000	674,337,800	137,183,500	49,506,000	81,408,300	947,899,600	1,582,048	949,481,648	993,172,634	1.718
2018	5,319,000	677,665,000	137,034,600	49,869,200	81,408,300	951,296,100	1,476,263	952,772,363	1,057,980,753	1.727

Source: County Abstract of Ratables

Note: (A) A reassessment of real property became effective for tax year 2011.

(B) A reassessment of real property became effective for tax year 2014

^a Tax rates are per \$100

**WALLINGTON BOARD OF EDUCATION
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
PER \$100 OF ASSESSED VALUATION
LAST TEN YEARS
(Unaudited)**

Assessment Year	Total	Wallington School District	Wallington Borough (A)	Bergen County
2009	\$ 1.764	\$ 0.980	\$ 0.587	\$ 0.197
2010	1.837	1.018	0.627	0.192
2011 (B)	2.073	1.161	0.704	0.208
2012	2.133	1.202	0.723	0.208
2013	2.206	1.252	0.743	0.211
2014 (C)	2.596	1.483	0.878	0.235
2015	2.736	1.579	0.912	0.245
2016	2.858	1.695	0.912	0.251
2017	2.915	1.718	0.935	0.262
2018	2.952	1.727	0.953	0.272

Note: (A) Includes Library tax.

Note: (B) The Borough undertook a reassessment of real property which became effective for the tax year 2011.

Note: (C) The Borough undertook a reassessment of real property which became effective for the tax year 2014.

Source: Tax Duplicate

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

Taxpayer	2018		2009	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Mt Pleasant Village Investments LLC	\$ 26,500,000	2.78%	\$ 27,500,000	2.29%
Jasontown Apt. LLC	21,628,600	2.27%	24,600,000	2.05%
Wallington Plaza LLC	21,338,300	2.24%	16,500,000	1.37%
Jasontown II Associates	20,222,000	2.12%	22,440,000	1.87%
Umdasch Real Estate USA Ltd.	17,296,000	1.82%		
Farmland Dairies		0.00%	22,500,000	1.87%
PS Atlantic Coast, LLC	8,119,200	0.85%		
Meridia at Parkway, LLC	6,300,000	0.66%		
New Wallington Home LLC	5,592,500	0.59%		
480 Main Ave. Associates LLC	5,500,000	0.58%	6,270,500	0.52%
Wallington Ind. Dev. 2 Assoc. L.P.	5,347,200	0.56%	5,500,000	0.46%
Wallington Self Storage			9,081,700	0.76%
460 Main Ave Wallington LLC			6,081,300	0.51%
The Wallington Group, LLC			5,575,000	0.46%
	<u>\$ 137,843,800</u>	<u>14.47%</u>	<u>\$ 146,048,500</u>	<u>12.16%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Local School District Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 11,690,779	\$ 11,690,779	100.00%	N/A
2010	11,884,216	11,884,216	100.00%	N/A
2011	12,589,753	12,589,753	100.00%	N/A
2012	12,941,802	12,941,802	100.00%	N/A
2013	13,441,066	13,441,066	100.00%	N/A
2014	13,929,126	13,929,126	100.00%	N/A
2015	14,357,547	14,357,547	100.00%	N/A
2016	15,599,692	15,599,692	100.00%	N/A
2017	16,147,662	16,147,662	100.00%	N/A
2018	16,463,287	16,463,287	100.00%	N/A

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

Fiscal Year Ended June 30,	<u>Governmental Activities</u>		<u>Total District</u>	<u>Population</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>EDA Loans Payable</u>			
2009	\$ 3,163,000	\$ 185,205	\$ 3,348,205	11,310	\$ 296
2010	3,023,000	150,606	3,173,606	11,353	280
2011	2,873,000	114,856	2,987,856	11,464	261
2012	2,718,000	77,896	2,795,896	11,528	243
2013	2,553,000	39,632	2,592,632	11,601	223
2014	2,383,000		2,383,000	11,658	204
2015	4,677,000		4,677,000	11,713	399
2016	4,502,000		4,502,000	11,729	384
2017	4,187,000		4,187,000	11,781	355
2018	3,862,000		3,862,000	11,781 E	328

Source: District records

E - Estimate

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Intergovern- mental Loans	Deductions			
2009	\$ 3,163,000	\$ 185,205		\$ 3,348,205	0.28%	\$ 296
2010	3,023,000	150,606		3,173,606	0.26%	280
2011	2,873,000	114,856		2,987,856	0.27%	261
2012	2,718,000	77,896		2,795,896	0.25%	243
2013	2,553,000	39,632		2,592,632	0.24%	223
2014	2,383,000		\$ 2	2,382,998	0.25%	204
2015	4,677,000		1,367	4,675,633	0.50%	399
2016	4,502,000		1	4,501,999	0.48%	384
2017	4,187,000		2	4,186,998	0.44%	355
2018	3,862,000			3,862,000	0.41%	328

Source: District records

Notes:

- a See Exhibit J-6 for property tax data.
- b See Exhibit J-14 for population data.

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

	<u>Gross Debt</u>
Direct Debt: (1)	
Wallington Borough Public Schools	\$ 4,052,000
Borough of Wallington	<u>16,958,382</u>
	<u>21,010,382</u>
Overlapping Debt Apportioned to the Municipality:	
County of Bergen - Borough's Share (A)	7,297,566
Passaic Valley Sewerage Commission (B)	<u>1,205,524</u>
	<u>8,503,090</u>
 Total Direct and Overlapping Debt	 <u>\$ 29,513,472</u>

Source:

(1) Borough's 2017 Annual Debt Statement

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

(B) The debt was computed based upon dividing the Borough's 2017 billings by the total 2017 billings of the Authority.

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

Legal Debt Margin Calculation for Fiscal Year 2018

	Equalized valuation basis
	2017 \$1,048,445,526
	2016 984,283,825
	2015 960,424,811
	<u>\$2,993,154,162</u>
Average equalized valuation of taxable property	<u>\$ 997,718,054</u>
Debt limit (4 % of average equalization value)	\$ 39,908,722 ^a
Total Net Debt Applicable to Limit	<u>3,862,000</u>
Legal debt margin	<u>\$ 36,046,722</u>

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Debt Limit	\$ 46,783,915	\$ 47,782,425	\$46,491,777	\$ 43,932,424	\$41,734,600	\$40,065,885	\$ 39,164,219	\$38,657,519	\$38,743,522	\$ 39,908,722
Total Net Debt Applicable to Limit	<u>3,348,205</u>	<u>3,173,606</u>	<u>2,987,856</u>	<u>2,795,896</u>	<u>2,592,632</u>	<u>2,383,000</u>	<u>4,677,000</u>	<u>4,502,000</u>	<u>4,187,000</u>	<u>3,862,000</u>
Legal Debt Margin	<u>\$ 43,435,710</u>	<u>\$ 44,608,819</u>	<u>\$43,503,921</u>	<u>\$ 41,136,528</u>	<u>\$39,141,968</u>	<u>\$37,682,885</u>	<u>\$ 34,487,219</u>	<u>\$34,155,519</u>	<u>\$34,556,522</u>	<u>\$ 36,046,722</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.16%	6.64%	6.43%	6.36%	6.21%	5.95%	11.94%	11.65%	10.81%	9.68%

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

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other district types.

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

<u>Year Ended December 31,</u>	<u>Unemployment Rate</u>	<u>Per Capita Income(1)</u>	<u>School District Population</u>
2009	12.20%	\$ 65,097	11,310
2010	12.50%	66,080	11,353
2011	12.30%	69,044	11,464
2012	12.50%	71,953	11,528
2013	8.60%	71,449	11,601
2014	7.50%	73,293	11,658
2015	6.10%	76,388	11,713
2016	5.50%	77,187	11,729
2017	5.1%	77,187 (2)	11,781
2018	N/A	77,187 (2)	11,781 (2)

Source: County Information vs. Municipality Information

(1) Reflects County of Bergen

(2) Estimate

N/A - Not Available

Source: United States Bureau of Census

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

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

This information is not available.

This information is not available.

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

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction										
Regular	95	95	90	91	91	92	94	95	96	95
Special Education	3	4	4	4	4	5	5	5	6	7
Other Special Education	2	3	3	3	3	5	6	6	6	6
Other Instruction	10	10	8	8	8	10	10	10	10	10
Support Services:										
General Administration	4	4	4	4	4	4	4	4	4	4
School Administrative Services	7	8	7	7	7	7	7	7	7	7
Other Administrative Services	4	4	4	4	4	4	4	4	4	4
Central Services	3	3	3	3	3	3	3	3	3	3
Administrative Information Technology	2	2	2	1	2	2	2	2	2	2
Plant Operations and Maintenance	13	12	10	10	10	8	7	6	5	5
Total	<u>143</u>	<u>145</u>	<u>135</u>	<u>135</u>	<u>136</u>	<u>140</u>	<u>142</u>	<u>142</u>	<u>143</u>	<u>143</u>

Source: District Personnel Records

WALLINGTON 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	Senior High School				
2009	1,157.0	\$ 17,080,059	\$ 14,762	8.96%	108	1:13.9	1:11.2	1,123.6	1,065.5	-1.77%	94.83%
2010	1,153.0	17,080,059	14,814	0.35%	109	1:10.5	1:10.6	1,140.6	1,085.2	1.51%	95.14%
2011	1,169.0	16,332,525	13,971	-5.69%	105	1:11.1	1:11.2	1,157.4	1,102.8	1.47%	95.28%
2012	1,196.0	16,986,975	14,203	1.66%	106	1:11.5	1:10.8	1,188.7	1,127.4	2.70%	94.84%
2013	1,191.0	18,445,490	15,487	9.04%	105	1:14.8	1:22	1,198.8	1,137.3	0.85%	94.87%
2014	1,195.0	18,891,677	15,809	2.08%	112	1:13.5	1:12.8	1,183.5	1,123.1	-1.28%	94.90%
2015	1,345.0	19,426,106	14,443	-8.64%	115	1:11.1	1:11.5	1,290.6	1,219.2	9.05%	94.47%
2016	1,292.0	21,171,622	16,387	13.46%	116	1:10.6	1:14.1	1,293.1	1,251.1	0.19%	96.75%
2017	1,283.0	22,111,315	17,234	5.17%	118	1:10.4	1:14.3	1,276.6	1,204.8	-1.28%	94.38%
2018	1,271.0	22,656,803	17,826	3.43%	118	1:13.4	1:11.9	1,260.9	1,202.7	-1.23%	95.38%

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.

**WALLINGTON 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>Elementary</u>										
Jefferson School										
Square Feet	19,279	19,279	19,279	19,279	19,279	19,279	24,493	24,493	24,493	24,493
Capacity (students)	132	132	132	132	132	132	241	241	241	241
Enrollment	208	207	223	230	261	269	303	306	289	248
Gavlak School										
Square Feet	36,297	36,297	36,297	36,297	36,297	36,297	36,350	36,350	36,350	36,350
Capacity (students)	283	283	283	283	283	283	283	283	283	283
Enrollment	378	377	381	400	400	398	445	436	437	448
<u>High School</u>										
Square Feet	66,109	66,109	66,109	66,109	66,109	66,109	76,500	76,500	76,500	76,500
Capacity (students)	212	212	212	212	212	212	212	212	212	212
Enrollment	571	569	549	566	530	512	542	538	554	557
Number of Schools at June 30, 2018										
Elementary =	2	2	2	2	2	2	2	2	2	2
Senior High School =	1	1	1	1	1	1	1	1	1	1

Source: District Records

WALLINGTON BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL 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>
Jefferson School	\$ 46,570	\$ 54,501	\$ 44,492	\$ 45,499	\$ 45,871	\$ 53,182	\$ 42,310	\$ 42,693	\$ 43,423	\$ 18,009
Frank W. Gavlak School	53,188	72,469	59,741	59,881	63,006	46,333	27,181	48,760	37,066	62,783
Wallington High School	<u>104,957</u>	<u>110,872</u>	<u>86,332</u>	<u>85,353</u>	<u>104,127</u>	<u>109,141</u>	<u>41,116</u>	<u>95,749</u>	<u>69,487</u>	<u>86,373</u>
Total School Facilities	<u>\$ 204,715</u>	<u>\$ 237,842</u>	<u>\$ 190,565</u>	<u>\$ 190,733</u>	<u>\$ 213,004</u>	<u>\$ 208,656</u>	<u>\$ 110,607</u>	<u>\$ 187,202</u>	<u>\$ 149,976</u>	<u>\$ 167,165</u>

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

	<u>Coverage</u>	<u>Deductible/ Retention</u>
School Package Policy (School Alliance Insurance Fund)		
Buildings and Contents	\$ 500,000,000	\$2,500 per Occurrence
Boiler and Machinery	100,000,000	2,500 per Occurrence
General Liability and Automobile Liability	5,000,000	
School Leaders Professional Liability	5,000,000	5,000 per Occurrence
Workers' Compensation	5,000,000	
Public Official Bonds		
Treasurer	250,000	
Blanket Dishonesty Bond	\$500,000 per loss	1,000 each loss

Source: District Insurance 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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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
Wallington Board of Education
Wallington, 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 Wallington 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 Wallington Board of Education's basic financial statements and have issued our report thereon dated January 21, 2019.

Internal Control Over Financial Reporting

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

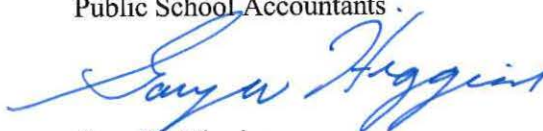
As part of obtaining reasonable assurance about whether the Wallington Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 Wallington 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 Wallington Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 21, 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 FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Wallington Board of Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Wallington Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

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

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

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 U.S. Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

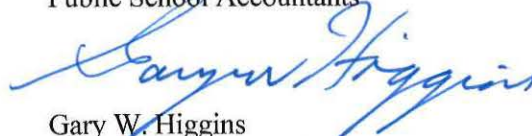
Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wallington 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 21, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Fair Lawn, New Jersey
January 21, 2019



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



Gary W. Higgins
Public School Accountant
PSA Number CS00814

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period	Award Amount	Balance at July 1, 2017	Unearned Revenue Carryover/ (Walkover) Amount	Intergov'l Receivable Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	June 30, 2018			(Memo) GAAP Receivable	
										Intergov'l Receivable	Unearned Revenue	Due to Grantor		
U.S. Department of Agriculture Passed-Through State Department of Education														
Food Service Fund														
National School Lunch Program	10.555	171N1304N1099	7/1/16-6/30/17	\$ 103,104	\$ (7,467)		\$ 7,467							
National School Lunch Program	10.555	181N1304N1099	7/1/17-6/30/18	107,619			98,274	\$ 107,619	\$ (9,345)				\$ (9,345)	
School Breakfast Program	10.553	171N1304N1099	7/1/16-6/30/17	13,375	(1,025)		1,025							
School Breakfast Program	10.553	181N1304N1099	7/1/17-6/30/18	18,391	-		16,761	18,391	(1,630)				(1,630)	
Total Child Nutrition Cluster								126,010						
Total U.S. Department of Agriculture					(8,492)			123,527	126,010	(10,975)			(10,975)	
U.S. Department of Health and Human Services														
General Fund														
Medical Assistance Program (SEMD)	93.778	1805N15MAP	7/1/17-6/30/18	61,387	-		61,387	61,387						
Total U.S. Department of Health and Human Services					-		61,387	61,387						
U.S. Department of Education Passed-through State Department of Education														
Special Revenue Fund														
I.D.E.A. Part B, Basic	84.027	H027A160100	7/1/16-6/30/17	262,568	\$ (16,240)	\$ 16,240								
I.D.E.A. Part B, Basic	84.027	H027A170100	7/1/17-6/30/18	263,829		16,240	271,452	272,421	(8,617)	\$ 7,648			\$ (969)	
I.D.E.A. Part B, Preschool	84.173	H173A170114	7/1/17-6/30/18	6,371			6,371	6,371						
Total Special Education Cluster (IDEA)								278,792						
N.C.L.E. Title III														
Title III	84.365	S365A160030	7/1/16-6/30/17	18,860	(6,864)		6,864							
Title III	84.365	S365A170030	7/1/17-6/30/18	19,253			10,820	19,253	(8,433)				(8,433)	
Title III - Immigrant	84.365	S365A170030	7/1/17-6/30/18	5,279			418	5,279	(4,861)				(4,861)	
Title III - Immigrant	84.365	S365A160030	7/1/16-6/30/17	6,487	(5,674)		5,674							
Total English Language Acquisition Cluster (Title III)								24,532						
Title I														
Title I	84.010	S010A160030	7/1/16-6/30/17	230,547	(14,814)		14,814							
Title I	84.010	S010A170030	7/1/17-6/30/18	232,041			203,671	\$ 232,041	(28,370)				(28,370)	
Title II A	84.367A	S367A160029	7/1/16-6/30/17	33,490	(1,902)		1,902							
Title II A	84.367A	S367A170029	7/1/17-6/30/18	42,696			24,376	42,696	(18,320)				(18,320)	
Title IV	84.424	S424A170031	7/1/17-6/30/18	10,000			4,670	10,000	(5,330)				(5,330)	
Total U.S. Department of Education					(29,254)		551,032	588,061	(73,931)	7,648			(66,283)	
Total Federal Financial Assistance					\$ (37,746)	\$ -	\$ -	\$ 735,946	\$ 775,458	\$ (84,906)	\$ 7,648	\$ -	\$ (77,258)	

See Accompanying Notes to Schedule of Expenditures of Federal Awards

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

State Grantor/Program Title	Grant of State Project Number	Grant Period	Award Amount	Balance at July 1, 2017				June 30, 2018					Memo Only		
				Accounts Receivable	Unearned Revenue/ Interfund	Due to Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Accounts Receivable	Unearned Revenue/ Interfund	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education															
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 743,809	\$ (68,687)				\$ 68,687							
Special Education Categorical Aid	18-495-034-5120-089	7/1/17-6/30/18	743,809					675,015	\$ 743,809	\$ (68,794)				\$ 743,809	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	49,973	(4,615)				4,615							
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	49,973					45,351	49,973	(4,622)				49,973	
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	2,174,798	(200,832)				200,832							
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	2,671,898					2,424,776	2,671,898	(247,122)				2,671,898	
Under Adequacy Aid	17-495-034-5120-096	7/1/16-6/30/17	75,442	(6,967)				6,967							
Under Adequacy Aid	18-495-034-5120-096	7/1/17-6/30/18	75,442					68,464	75,442	(6,978)				75,442	
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	13,860	(1,280)				1,280							
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	13,860					12,578	13,860	(1,282)				13,860	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	13,860	(1,185)				1,185							
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	12,810					11,625	12,810	(1,185)				12,810	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	12,810	(1,183)				1,183							
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	12,810					11,625	12,810	(1,185)				12,810	
Total State Aid - Public Cluster									3,580,602					3,580,602	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	24,797	(2,290)				2,290							
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	24,797					22,504	24,797	(2,293)				24,797	
Extraordinary Aid	17-100-034-5120-044	7/1/16-6/30/17	202,643	(202,643)				202,643							
Extraordinary Aid	18-100-034-5120-044	7/1/17-6/30/18	208,079						208,079	(208,079)				208,079	
Payment for Institutionalized Children- Unknown District of Residence	17-495-034-5120-005	7/1/16-6/30/17	39,123	(913)				913							
Payment for Institutionalized Children- Unknown District of Residence	18-495-034-5120-005	7/1/17-6/30/18	12,429					12,429	12,429					12,429	
Lead Testing for Schools Aid On Behalf TPAF Aid:	18-495-034-5120-104	7/1/17-6/30/18	2,016					2,016						2,016	
TPAF NCGI	18-495-034-5094-004	7/1/17-6/30/18	25,982					25,982						25,982	
TPAF Normal	18-495-034-5094-002	7/1/17-6/30/18	1,070,647					1,070,647	1,070,647					1,070,647	
TPAF Long-Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	1,815					1,815						1,815	
TPAF Post-Retirement Medical	18-495-034-5094-001	7/1/17-6/30/18	708,290					708,290	708,290					708,290	
Reimbursed TPAF Social Security	17-495-034-5094-003	7/1/16-6/30/17	574,180	(28,528)				28,528							
Reimbursed TPAF Social Security	18-495-034-5094-003	7/1/17-6/30/18	574,180					546,028	574,180	(28,152)				\$ (28,152) 574,180	
Total General Fund				(519,121)				6,158,266	6,208,837	(569,692)				(28,152) 6,208,837	
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	1,880	(137)				137							
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	2,031					1,856	2,031	(175)				(175) 2,031	
Total Food Service Fund				(137)				1,993	2,031	(175)				(175) 2,031	
Total State Financial Assistance Subject to Single Audit Determination				\$ (519,258)	\$ -	\$ -	\$ -	6,160,259	6,210,868	\$ (569,867)	\$ -	\$ -		\$ (28,327) \$ 6,210,868	
Less:															
On-Behalf Assistance Not Included in Single Audit and Major Program Determination															
TPAF NCGI								(25,982)	(25,982)						
TPAF Normal								(1,070,647)	(1,070,647)						
TPAF Long-Term Disability Insurance								(1,815)	(1,815)						
TPAF Post-Retirement Medical								(708,290)	(708,290)						
Total State Financial Assistance Subject to Major Program Determination								\$ 4,353,525	\$ 4,404,134						

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**WALLINGTON 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 Wallington 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 a decrease of \$51,860 for the general fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 61,387	\$ 6,156,977	\$ 6,218,364
Special Revenue Fund	588,061		588,061
Food Service Fund	<u>126,010</u>	<u>2,031</u>	<u>128,041</u>
Total Financial Assistance	<u>\$ 775,458</u>	<u>\$ 6,159,008</u>	<u>\$ 6,934,466</u>

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

NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5 OTHER INFORMATION

TPAF Social Security contributions in the amount of \$574,180 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 \$1,096,629, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$708,290 and TPAF Long-Term Disability Insurance in the amount of \$1,815 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.

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

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

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

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

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

Federal Awards Section

Internal Control over major programs:

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

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

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

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

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN #</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027</u>	<u>H027A170100</u>	<u>IDEA Part B, Basic</u>
<u>84.173</u>	<u>H173A170114</u>	<u>IDEA Part B, Preschool</u>
<u>84.010</u>	<u>S010A170030</u>	<u>Title I</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? yes X no

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

Party 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.

**WALLINGTON 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

Finding 2018-001:

Our audit of the ESEA Title I grant program revealed employee benefits charged were not properly supported by a detail calculation nor were they charged on a monthly basis. We noted the District made one entry to reallocate General Fund employee benefit charges to the grant program.

Federal Program Information:

Title I	84.010
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Criteria or Specific Requirement

Federal Grant Compliance Supplement – Allowable Costs/Cost Principles

Condition:

See Finding 2018-001.

Questioned Costs:

None.

Context:

The District charged the ESEA grant Title I program for health benefits in the amount of \$45,374 with one journal entry allocating charges from the General Fund health benefits budget appropriation.

Effect:

Employee benefits charged to Federal grants may not be for allowable charges. The District subsequently provided information to substantiate the amount charged to the Title I grant program for health benefits. Audit adjustments were made to reclassify \$30,562 of health benefit charges to the General Fund and charge the Title I program for pension and social security reimbursements due to the State of New Jersey.

Cause:

District did not prepare a detailed analysis of employee benefit costs allocated to the grant programs on a monthly basis.

Recommendation:

Employee benefits charged to the ESEA Title I grant program be supported by an analysis detailing the basis for the amount allocated to the program and the benefits be charged when paid throughout the grant period.

View of Responsible Officials and Planned Corrective Action:

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

**WALLINGTON 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.

**WALLINGTON BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT 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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.