

SCHOOL DISTRICT

OF

VILLAGE OF LOCH ARBOUR

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION
LOCH ARBOUR, NEW JERSEY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION

LOCH ARBOUR, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

PREPARED BY

**VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION
FINANCE DEPARTMENT**

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT

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INTRODUCTORY SECTION

Loch Arbour Board of Education
% Belmar BOE
1101 Main St.
Belmar, NJ 07711

Phone (732) 681-8888 ext 1025

Fax (732) 681-8709

Honorable President and
Members of the Board of Education
Loch Arbour School District
County of Monmouth

Dear Board Members:

The comprehensive annual financial report of the Loch Arbour 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 Loch Arbour 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 and account groups of the district. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Loch Arbour District is a newly formed non-operating School District. In April, 2017 voters of the Village of Loch Arbour approved the formation of the Loch Arbour School District. On May 1st, 2017 the Loch Arbour School district began operating. The 2017/2018 school year is the first year of financial operations. The district has a sending relationship with West Long Branch School District and Shore Regional High School District.

During the 2017/2018 school year, the Loch Arbour Board of Education consisted of a five member Board of Education. The expenses of the district are managed by strict quality control methods, to ensure compliance with applicable laws and regulations according to GAAP. Revenues and expenditures are monitored to review cost analysis on appropriations approved by the voters of the community.

Sincerely,



Loretta Hill
Business Administrator/
Board Secretary

LOCH ARBOUR BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2018

Robert Fernicola	2020
Maureen Sherlock	2020
Margaret Baldwin	2019
Martin Januario	2019
Vacant	2018

Loretta Hill

School Business Administrator

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION**CONSULTANTS AND ADVISORS****Audit Firm**

Robert A. Hulsart and Company
2807 Hurley Pond Road
P.O. Box 1409
Wall, NJ 07719

Attorney

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

Official Depository

TD Bank
Warren Avenue
Spring Lake Heights, NJ 07762

Insurers

N.J. School Boards Association Insurance Group
450 Veterans Drive
Burlington, NJ 08016

CBIZ Insurance Group
291 South Street
New Providence, NJ 07974

FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

4.

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.

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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Village of Loch Arbour School District
County of Monmouth
Loch Arbour, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Village of Loch Arbour School District, in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Board of Education of the Village of Loch Arbour School District, in the County of Monmouth, State of New Jersey, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical 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. 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 standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

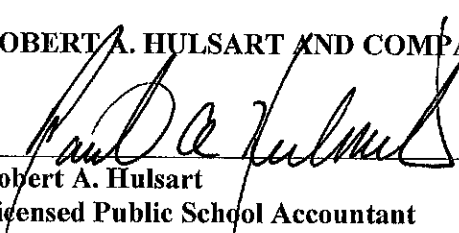
The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Village of Loch Arbour's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village of Loch Arbour Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY



Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

November 16, 2018

REQUIRED SUPPLEMENTARY INFORMATION
PART I

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of Village of Loch Arbour School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

Financial Highlights

Key Financial highlights for the 2017-2018 fiscal year are as follows:

- General revenues accounted for \$699,951 in revenue or 100% percent of all revenues.
- Total assets of governmental activities increased by \$316,501.
- The School District had \$383,450 in expenses. General revenues (primarily property taxes) of \$699,951 were adequate to provide for these programs.
- The General Fund had \$699,951 in revenues and \$383,450 in expenditures. The General Fund's balance increased \$316,501.

Using this Comprehensive Annual Financial Report (CAFR)

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

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole school district, presenting both an aggregate view of the School 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. In the case of Village of Loch Arbour School District, the General Fund is the only fund.

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

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2017-2018 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting 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 School District's net position and changes in those assets. This change in net position is important because it tells the reader that, for the school district as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the School 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 School District has the following type of activity:

- Governmental activities – All of the School District's programs and services are reported here including, but not limited to, support services, general administration and pupil transportation.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on Exhibit A-1. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District only has one major governmental fund - General Fund.

Reporting the School District's Most Significant Funds - Continued

Governmental Funds

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for the fiscal year ended 2018:

Table 1
Net Position

	<u>2018</u>
<u>Assets</u>	
Current and Other Assets	\$ <u>316,501</u>
Total Assets	\$ <u>316,501</u>
<u>Liabilities</u>	
<u>Net Position</u>	
Restricted	\$ 114,632
Unrestricted	<u>201,869</u>
Total Net Position	\$ <u>316,501</u>

Table 2 shows the changes in net position for fiscal year ended 2018.

Table 2
Changes in Net Position

	<u>2018</u>
<u>Revenues</u>	
General Revenues	
Property Taxes	\$ 692,522
Grants and Entitlements	<u>7,429</u>
Total Revenues	<u>699,951</u>
<u>Program Expenses</u>	
Support Services:	
Tuition	142,266
General Administration	199,453
Pupil Transportation	26,309
Other	<u>15,422</u>
Total Expenses	<u>383,450</u>
Increase/(Decrease) in Net Position	<u>\$ 316,501</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 99% percent of revenues for governmental activities for the Village of Loch Arbour Public School District for fiscal year 2018. The District's total revenues were \$699,951 for the fiscal year ended June 30, 2018. State Aid accounted for another 1%.

The School Board' Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allow the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Village of Loch Arbour's taxpayer's and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

The School Board' Funds – (Continued)

As the School Board completed the fiscal year ended June 30, 2018, it reported a combined net position balance of \$316,501. The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in activities.

The School Board'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 budgeted fund is the General Fund.

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst-case scenarios in mind.

Capital Assets

At June 30, 2018, the School District had no capital assets.

Debt Administration

At June 30, 2018, the School District had no outstanding debt.

Economic Factors and Next Year's Budget

The Borough of Village of Loch Arbour is primarily a residential community, with very few ratables. The majority of revenues needed to operate the District are derived from homeowners through property tax assessments and collections, which is voted by the residents annually.

The \$201,869 is unrestricted net position for all governmental activities represent the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's noncurrent liabilities such as compensated absences, the School Board would have a balance of \$201,869.

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

In conclusion, the Village of Loch Arbour School District has committed itself to financial excellence. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Loretta Hill, School Business Administrator/Board Secretary at Village of Loch Arbour Board of Education, P.O. Box 569, Village of Loch Arbour, NJ 07719.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit A-1

JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Total</u>
<u>Assets</u>		
Cash-Unrestricted	\$ 194,440	194,440
Cash-Restricted	114,632	114,632
Receivables, Net	<u>7,429</u>	<u>7,429</u>
Total Assets	<u>\$ 316,501</u>	<u>316,501</u>
 <u>Net Position</u>		
Restricted For:		
Other Purposes	\$ 114,632	114,632
Unrestricted	<u>201,869</u>	<u>201,869</u>
Total Net Position	<u>\$ 316,501</u>	<u>316,501</u>

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

STATEMENT OF ACTIVITIES

JUNE 30, 2018

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Support Services:						
Tuition	\$ 142,266			(142,266)		(142,266)
Support Services	15,422			(15,422)		(15,422)
General and Business Administrative Services	199,453			(199,453)		(199,453)
Pupil Transportation	26,309			(26,309)		(26,309)
Total Government Activities	383,450	-		(383,450)	-	(383,450)
Total Primary Government	383,450	-	-	(383,450)	-	(383,450)
General Revenues and Transfers						
Taxes:						
Property Taxes, Levied for General Purpose, Net				692,522		692,522
Federal and State Aid Not Restricted				7,429		7,429
Total General Revenues and Transfers				699,951	-	699,951
Change in Net Position				316,501	-	316,501
Net Position - Beginning				-		-
Net Position - Ending				\$ 316,501	-	316,501

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>		
Cash and Cash Equivalents-Unrestricted	\$ 194,440	194,440
Cash and Cash Equivalents-Restricted	114,632	114,632
Receivables from Other Governments	7,429	7,429
	<hr/>	<hr/>
Total Assets	\$ 316,501	316,501
	<hr/> <hr/>	<hr/> <hr/>
<u>Fund Balances</u>		
Restricted To:		
Assigned Balances:		
Designated for Subsequent Years Expenditures	\$ 100,000	100,000
Year End Encumbrances	14,632	14,632
Unassigned:		
General Fund	201,869	201,869
Total Fund Balances	<hr/> 316,501	<hr/> 316,501
	<hr/> <hr/>	<hr/> <hr/>
Total Liabilities and Fund Balances	\$ 316,501	316,501
	<hr/> <hr/>	<hr/> <hr/>
Net Position of Governmental Activities		\$ 316,501
		<hr/> <hr/>

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2018

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues:		
Local Sources:		
Local Tax Levy	\$ 692,522	692,522
Total Local Sources	<u>692,522</u>	<u>692,522</u>
State Sources	7,429	7,429
Total Revenues	<u>699,951</u>	<u>699,951</u>
Expenditures:		
Support Services and Undistributed Costs:		
Tuition	142,266	142,266
Support Services	15,422	15,422
Pupil Transportation	26,309	26,309
General Administrative Services	199,453	199,453
Total Expenditures	<u>383,450</u>	<u>383,450</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>316,501</u>	<u>316,501</u>
Net Change in Fund Balances	316,501	316,501
Fund Balance - July 1	<u>-</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 316,501</u>	<u>316,501</u>

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

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIES

JUNE 30, 2018

Total Net Change in Fund Balances - Governmental Funds (From B-2)	<u>\$ 316,501</u>
Change in Net Position of Governmental Activities	<u><u>\$ 316,501</u></u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Village of Loch Arbour School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Village of Loch Arbour School District had an approximate enrollment at June 30, 2018 of zero students.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is whether:

- The organization is legally separate (can sue or be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial/benefit/burden on the District
- There is a fiscal dependency by the organization on the District

B. Government-Wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-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 government. 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges 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 and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transaction related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

Capital Projects Fund: The capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Fiduciary Fund Types

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Expendable Trust Fund: An expendable trust fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent. Expendable trust funds include Unemployment Compensation Insurance.

E. Basis of Accounting:

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recorded in the accounting period in which they are earned and expenses are recorded at the time liabilities are incurred.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2018 were insignificant.

The Public School Education Act of 1975 limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

G. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of 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.

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

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

H. Short-Term Interfund Receivables/Payables:

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

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

J. Capital Assets and Depreciation

The Village of Loch Arbour is a sending District only and has no fixed assets as of June 30, 2018.

K. Unearned Revenue

Unearned revenue in the special revenue funds represent cash which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 12).

M. Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets – This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted – Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted – Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted – The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) if employed to previously commit those amounts.

Assigned – The assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. *Intent* is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position and standard operating procedures, approved by the Board of Education.

Unassigned – The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balances first. Moreover, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order; committed, assigned, then unassigned.

NOTE 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

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

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

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

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

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)

As of June 30, 2018, the District's deposits and investments are summarized as follows:

FDIC	\$ 250,000
GUPDA	<u>86,266</u>
	<u>\$ 336,266</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

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

**Cash and Cash
Equivalents
\$ 309,072**

During the period ended June 30, 2018 the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2018 was \$309,072 and the bank balance was \$336,266. Of the bank balance, \$250,000 was covered by federal depository insurance and \$86,266 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 3: Pension Plans

The Village of Loch Arbour School District does not have any employees, it operates through a shared service agreement with the Belmar Board of Education, and therefore, no pensionable employees exist.

NOTE 4: Contingent Liabilities

It is the opinion of the Board that there is no litigation threatened or pending that would materially affect the financial position of the School District.

Negligence and other types of liability suits of which the Board is aware appear to be within the stated policy limits and would be deferred by the respective carriers.

NOTE 5: Equity Balance

At June 30, 2018 the General Fund equity balance was as follows:

Designated For Subsequent Years Expenditures	\$ 100,000
Encumbrances	14,632
Unrestricted	<u>201,869</u>
	<u>\$ 316,501</u>

Reserved excess surplus represents a calculation under N.J.S.A. 18A: 7F-7, which identifies an amount of surplus under the statute, which must be restricted for use in the next succeeding budget. Village of Loch Arbour Board of Education had none at June 30, 2018

2% Calculation of Excess Surplus

2017-2018 Total General Fund Expenditures Per the CAFR	<u>\$ 383,450</u>
Adjusted 2017-2018 General Fund Expenditures	<u>\$ 383,450</u>
2% of Adjusted 2017-2018 General Fund Expenditures	<u>\$ 7,669</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>7,429</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 257,429</u>

NOTE 5: Equity Balance (Continued)**Section 2**

Total General Fund – Fund Balance @ June 30, 2018	\$ 316,501
Decreased By:	
Encumbrances	(14,632)
Designated for Subsequent Years Expenditures	<u>(100,000)</u>
Total Unreserved/Undesignated Fund Balance	<u>\$ 201,869</u>
Reserved Fund Balance – Excess Surplus	<u>\$ 0</u>

Section 3

Designated for Subsequent Years Expenditures – Excess Surplus	\$ 0
Excess Surplus	<u>0</u>
	<u>\$ 0</u>

Detail of Allowable Adjustments

Extraordinary Aid	<u>\$ 7,429</u>
	<u>\$ 7,429</u>

Unrestricted is surplus not previously committed or reserved for any other purpose.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

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	\$ 692,522		692,522	692,522	-
Total Local Sources	692,522	-	692,522	692,522	
State Sources:					
Extraordinary Aid			-	7,429	7,429
Total State Sources	-	-	-	7,429	7,429
Total Revenues	692,522	-	692,522	699,951	7,429
Expenditures:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEA - Regular	187,213		187,213	15,500	171,713
Tuition - Private School For Disabled	129,852		129,852	126,766	3,086
Total Undistributed Expenditures - Instruction	317,065	-	317,065	142,266	174,799
Support Services-Speech					
Purchased Technical Services	6,500		6,500	422	6,078

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 3

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2018

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Support Services - General Administration:					
Legal Services	225,500		225,500	166,139	59,361
Purchased Technical Services	38,250		38,250	33,314	4,936
Total Support Services - General Administration	<u>263,750</u>	<u>-</u>	<u>263,750</u>	<u>199,453</u>	<u>64,297</u>
Support Services - Central Services:					
Purchased Professional Services	15,000		15,000	15,000	-
Purchased Technical Services	3,000		3,000		3,000
Total Support Services - Central Services	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>15,000</u>	<u>3,000</u>
Student Transportation Services:					
Contracted Services - Regular Students - ESCs	32,787		32,787	754	32,033
Contracted Services - Special Education - ESCs	50,000		50,000	25,555	24,445
Contracted Services - Aid in Lieu	4,420		4,420		4,420
Total Student Transportation Services	<u>87,207</u>	<u>-</u>	<u>87,207</u>	<u>26,309</u>	<u>60,898</u>
Total Expenditures	<u>692,522</u>	<u>-</u>	<u>692,522</u>	<u>383,450</u>	<u>309,072</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>316,501</u>	<u>316,501</u>

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
 Sheet 3 of 3

GENERAL FUND

JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Fund Balance July 1	-	-	-	-	-
Fund Balance June 30	-	-	-	316,501	316,501
Recapitulation:					
Assigned Fund Balances:					
Year End Encumbrances				\$ 14,632	
Designated for Subsequent Years Expenditures				100,000	
Unassigned Fund Balance				201,869	
				316,501	
Reconciliation To Government Fund Statements (GAAP):					
Last State Aid Payment Not Recognized on GAAP Basis				-	
Fund Balance Government Funds (GAAP)				\$ 316,501	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit C-3

BUDGET-TO-GAAP RECONCILIATION**NOTE TO RSI****FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>
<u>Sources/Inflows of Resources</u>	
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 699,951
Difference - budget to GAAP:	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 699,951</u>
<u>Uses/Outflows of Resources</u>	
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 383,450</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$ 383,450</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING
FOR PENSIONS (GASB 68) – L**

N/A

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING
FOR OPEB (GASB 75) - M**

N/A

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

N/A

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

N/A

LONG-TERM DEBT – I

N/A

STATISTICAL SECTION

(Unaudited)

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION

NET POSITION BY COMPONENT

J-1

LAST FISCAL YEAR

UNAUDITED

	<u>2018</u>
Governmental Activities:	
Restricted	\$ 114,632
Unrestricted	<u>201,869</u>
Total Governmental Activities	<u>\$ 316,501</u>

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION

J-2

CHANGES IN NET POSITION

LAST FISCAL YEAR

UNAUDITED

	<u>2018</u>
Expenses:	
Governmental Activities	<u>\$ 383,450</u>
Net (Expense):	
Governmental Activities	383,450
General Revenues and Other	
Changes in Net Position	
Governmental Activities	<u>699,951</u>
Change in Net Position:	
Governmental Activities	<u><u>\$ 316,501</u></u>

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION

FUND BALANCES, GOVERNMENT FUNDS

LAST FISCAL YEAR

UNAUDITED

	<u>2018</u>
General Fund:	
Reserved	\$ 114,632
Unreserved	<u>201,869</u>
Total General Fund	<u>\$ 316,501</u>

GOVERNMENTAL FUND EXPENDITURES BY FUNCTION

LAST FISCAL YEAR

UNAUDITED

	<u>2018</u>
<u>Revenues:</u>	
Tax Levy	\$ 692,522
State Aid	7,429
Total Revenues	<u>699,951</u>
<u>Expenditures:</u>	
Undistributed:	
Tuition	142,266
Support Services	15,422
Pupil Transportation	26,309
General Administrative Services	199,453
Total Undistributed	<u>383,450</u>
Total Governmental Fund Expenditures	<u>383,450</u>
Adjustment	<u>-</u>
Net Change in Fund Balance	<u>\$ 316,501</u>

VILLAGE OF LOCH ARBOUR BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST FISCAL YEAR
UNAUDITED

J-5

Year Ended	Interest	Miscellaneous	Total
2018	\$ -	-	-

The District had no Miscellaneous Revenue in 2017/2018

LOCH ARBOUR SCHOOL DISTRICT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST YEAR
UNAUDITED

J-6

<u>Year Ended</u> <u>December 31,</u>	<u>Net Assessed</u> <u>Valuations</u>	<u>Estimated</u> <u>Full Cash</u> <u>Valuations</u>	<u>Percentage of</u> <u>Net Assessed to</u> <u>Estimated Full</u> <u>Cash Valuations</u>
2017	157,245,092	144,460,351	108.85%

Source: Monmouth County.

LOCH ARBOUR SCHOOL DISTRICT
PROPERTY TAX RATES - DIRECT AND OVERLAPPING
PER \$100 OF ASSESSED VALUATION
LAST YEAR
UNAUDITED

J-7

<u>Assessment Year</u>	<u>School District</u>	<u>Municipal</u>	<u>Monmouth County</u>	<u>Total</u>
2017	\$ 0.845	0.410	0.248	1.503

Source: Municipal Tax Assessor.

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT**SCHEDULE OF PRINCIPAL TAXPAYERS**

J-8

FOR THE YEAR ENDED DECEMBER 31, 2017**UNAUDITED**

<u>Taxpayer</u>	<u>Assessed Valuation 2017</u>	<u>As a % of District's Net Assessed Valuation</u>
Taxpayer #1	\$ 3,588,200	2.28%
Taxpayer #2	2,746,900	1.75%
Taxpayer #3	2,724,400	1.73%
Taxpayer #4	2,667,700	1.70%
Taxpayer #5	2,572,800	1.64%
207 Edgemont LLC	2,505,500	1.59%
Taxpayer #6	2,461,700	1.57%
Taxpayer #7	2,381,800	1.51%
Taxpayer #8	2,254,500	1.43%
Taxpayer #9	2,074,100	1.32%
	<u>\$ 25,977,600</u>	<u>16.52%</u>

Source: Municipal Tax Assessor.

LOCH ARBOUR SCHOOL DISTRICT
MUNICIPAL PROPERTY TAX LEVIES AND COLLECTIONS

LAST YEAR
UNAUDITED

J-9

<u>Year Ended</u> <u>December 31,</u>	<u>Total Tax</u> <u>Levy</u>	<u>Current Tax</u> <u>Collections</u>	<u>Percent</u> <u>of Tax</u> <u>Levy</u> <u>Collected</u>
2017	\$ 2,412,531	2,351,116	97.45%

Source: Municipal Tax Collector.

LOCH ARBOUR BOARD OF EDUCATION
RATIO OF OUTSTANDING DEBT BY TYPE
LAST FISCAL YEAR
UNAUDITED

J-10

Not Applicable

LOCH ARBOUR BOARD OF EDUCATION
RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST FISCAL YEAR
UNAUDITED

J-11

Not Applicable

LOCH ARBOUR SCHOOL DISTRICT
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
FOR THE YEAR ENDED DECEMBER 31, 2017
UNAUDITED

J-12

Net Direct Debt of School District as of December 31, 2017		\$ -
Net Overlapping Debt of School District:		
Village of Loch Arbour (100%)	1,327,663	
County of Monmouth - Borough's Share (.12%)	<u>554,811</u>	
Total Direct and Overlapping Bonded Debt as of December 31, 2017		<u>1,882,474</u> <u>\$ 1,882,474</u>

**Source: District Records, County Records and
Municipal Records.**

COMPUTATION OF LEGAL MARGIN

J-13

FOR FISCAL YEAR ENDED JUNE 30, 2018

<u>Year</u>	<u>Equalized Balance</u>
2015	\$ 148,673,684
2016	136,911,713
2017	157,245,092
	<u>\$ 442,830,489</u>
Average Equalized Valuation of Taxable Property	\$ 147,610,163
School Borrowing Margin (4% of \$147,610,163)	\$ 5,904,407
Net Bonded School Debt as of June 30, 2018	<u>-</u>
School Borrowing Margin Available	<u>\$ 5,904,407</u>

DEMOGRAPHIC STATISTICS

J-14

LAST YEAR

UNAUDITED

<u>Year Ended December 31</u>	<u>School District Population **</u>	<u>Personal Income</u>	<u>Per Capita Income*</u>	<u>Unemployment Rate</u>
2017	183	Unavailable	Unavailable	4.4%

* County-Wide Statistic

** As of July 1

Source: State of New Jersey.

LOCH ARBOUR BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

J-15

2018

DATA NOT AVAILABLE

2009

DATA NOT AVAILABLE

LOCH ARBOUR BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST FISCAL YEAR
UNAUDITED

J-16

<u>Function/Program</u>	<u>2018</u>
Instruction	-
Regular	-
Special Education	-
Other Special Education	-
Vocational	-
Other Instruction	-
Nonpublic school programs	-
Adult/continuing education programs	-
Support Services	-
Student & instruction related services	-
General administration	-
School administrative services	-
Other administrative services	-
Central Services	-
Administrative Information Technology	-
Plant operations & maintenance	-
Pupil transportation	-
Other support services	-
Special Schools	-
Food Service	-
Child Care	-
Total	-

Source: District Personnel Records

* - Loch Arbour Board of Education entered into a shared services agreement with the Belmar Board of Education

LOCH ARBOUR BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
PUPIL/TEACHER RATIO
UNAUDITED

J-17

Not Applicable - Loch Arbour is a non-operating District

LOCH ARBOUR BOARD OF EDUCATION
BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

J-18

Not Applicable - Loch Arbour does not own a building

LOCH ARBOUR BOARD OF EDUCATION
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

J-19

Not Applicable - Loch Arbour does not own a building

LOCH ARBOUR SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2018
UNAUDITED

J-20

	<u>Coverage</u>	<u>Deductible</u>
Comprehensive General Liability - N.J. School Boards Assoc. Insurance Group		
Comprehensive General Liability	\$ 6,000,000	
Automobile	6,000,000	
School Leaders Errors & Omissions - N.J.School Boards Assoc. Insurance Group		
Directors and Officers Policy	5,000,000	5,000
Worker's Compensation - N.J. School Boards Assoc.	2,000,000	
Treasurer of School Monies Surety Bond - N.J. School Boards Assoc.	95,000	-0-

Source: District Records.

SINGLE AUDIT SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S 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

K-1

Honorable President and Members
 of the Board of Education
 Village of Loch Arbour School District
 County of Monmouth
 Loch Arbour, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Loch Arbour Board of Education, County of Monmouth, State of New Jersey as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Village of Loch Arbour Board of Education, County of Monmouth, State of New Jersey's basic financial statements, and have issued our report thereon dated November 16, 2018

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Loch Arbour Board of Education, County of Monmouth, State of New Jersey'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 of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Village of Loch Arbour Board of Education, County of Monmouth, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village of Loch Arbour Board of Education, County of Monmouth, State of New Jersey'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 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 purposes 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 Village of Loch Arbour Board of Education, County of Monmouth, State of New Jersey's financial statements are free from material misstatement, we performed tests of it compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

**Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey**

November 16, 2018

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Not Applicable - No Federal Awards

See Accompanying Notes to Schedules of Financial Assistance.

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE AWARDS

Schedule B
 K-4

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

State Grantor/Program State Department of Education	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment Repayment of Prior Years Balances	Balance at June 30, 2018		MEMO		
			From	To	Defered Revenue Accts. Receivable	Due To Grantor					Accounts Receivable	Defered Revenue	Budgetary Receivable	Total Cumulative Expenditures	
Education	18-495-034-5120-044	\$ 7,429	07/01/2017	06/30/2018					(7,429)						
Extraordinary Aid		\$ 7,429							(7,429)						7,429
Total State Financial Assistance									(7,429)						7,429

See accompanying Notes to Financial Statements.

BOARD OF EDUCATION
VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT
NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2018

K-5

NOTE 1: General

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Village of Loch Arbour School District. The Board of Education is defined in Note 1 to the Board's general-purpose financial statements. All federal and state awards received directly from federal and state 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 of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of program recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in the Note 1 to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$0) for the general fund. See Note 1 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 general-purpose financial statements on a GAAP basis as presented below:

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

	<u>General Fund</u>
<u>State Assistance</u>	
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of State Financial Assistance	\$7,429
The Last State Aid Payment is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	<u>0</u>
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$7,429</u>
<u>Federal Assistance</u>	
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of Federal Awards	N/A

NOTE 4: Relationship to Federal and State Financial Reports

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

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Part I - Summary of Auditor's Results

Financial Statement Section

(A) Type of auditor's report issued on financial statements

Description

Unmodified

(B) 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 basic financial statements noted?

_____ Yes x No

Federal Awards

NOT APPLICABLE

State Awards

NOT APPLICABLE

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018***Part II - Schedule of Financial Statement Findings***

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

There are none.

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2018***Part III - Schedule of Federal Awards and State Financial Assistance
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 Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08, as amended.

Current Year Federal Awards

Not Applicable

Current Year State Awards

Not Applicable

VILLAGE OF LOCH ARBOUR SCHOOL DISTRICT**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08.

Status of Prior Year Findings

There were none.