

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

**West Orange, New Jersey**

**COMPREHENSIVE ANNUAL**

**FINANCIAL REPORT**

**of the**

**West Orange Board of Education**

**West Orange, New Jersey**

**For The Fiscal Year Ended June 30, 2018**

**Prepared by**

**Business Office**

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## **INTRODUCTORY SECTION**

**West Orange Board of Education**  
**West Orange, New Jersey**

Eveny de Mendez  
Acting Superintendent of Schools

John Calavano  
Business Administrator

January 28, 2019

The Honorable President and Members  
of the Board of Education  
West Orange School District  
County of Essex, New Jersey

Dear Board Members:

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

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

**1) REPORTING ENTITY AND ITS SERVICES:** The West Orange School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The West Orange School District and its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 12 for the students residing in West Orange Township. These include regular as well as special education for handicapped youngsters. The District completed the 2017-2018 fiscal year with an enrollment of 6,642 students.

**2) ECONOMIC CONDITION AND OUTLOOK:** West Orange School District has enjoyed a positive reputation in the education community due primarily to the success of our graduates. State testing continues to demonstrate the District's ability to meet the needs of our community. The trend of additional financial support from the state and federal governments has continued, if somewhat lessened. This money combined with the great support of the community through property taxes continues to provide for an exemplary school system.



3) MAJOR INITIATIVES: Coping with the financial restraints imposed by the State of New Jersey is the major challenge for the Board of Education and administration of the District. The needs of the students are increasing as well as the expectations on these students as they enter the workplace or ongoing education environments.

The goal of the business office to identify and achieve cost savings in all areas of the budget. Some items utilized include:

- Ongoing cooperative purchasing with other schools in the state to acquire office, instructional and custodial supplies.
- Ongoing cooperation with the Township of West Orange for the purchase of fuel and road salt and shared expenditures such as emergency shelter and lining of fields.
- Participating with Ed-Data, educational service commissions and utilizing NJ State contracts to reduce costs in other areas of purchasing.

Other initiatives pursued by the District include:

- Continue to explore a 5 year plan that addresses the current overcrowding at the elementary school level and prepare the district for potential increases in student enrollment.
- Adopt a new 6-8 Math program aligned to state standards that addresses student needs based on current data and outcomes.
- Examine the K-12 Math program systemically to include academic enrichment, academic support, summer institutes, curriculum development, and teacher training.
- Supplement the K-5 English Language Arts curriculum to support the district's Balanced Literacy model and to include the integration of Grammar, Vocabulary, and Reading lists that represent the student diversity.
- Continue the expansion of the K-12 STEAM curriculum that combines problem solving project-based learning.
- Update facilities to include new HVAC systems, plumbing and reparations to address air quality and water concerns.
- Increase student achievement to ensure that all students are challenged and engaged in quality instructional programs, as measured by statewide assessments.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these

objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements", Note 1.

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

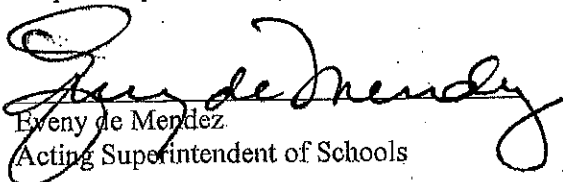
8) RISK MANAGEMENT: The West Orange Board of Education carries various forms of insurance, including, but not limited to, Property, General Liability, Auto Liability/Physical Damage, Crime, Boiler and Machinery, School Board Legal Liability, Cyber Liability, Student Accident and Excess Coverage. A schedule of Insurance can be found in Exhibit J-20. The District is insured by Glatfelter Public Practice/American Alternative Insurance Company. The Board is Self-Insured for their Workers Compensation coverage. An Excess Workers Compensation Insurance Policy has been purchased by the Board for claims above the Self-Insured Retention Limit of \$500,000.


The Honorable President and Members of  
the Board of Education  
West Orange School District  
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9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Lerch, Vinci & Higgins, LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related U.S. Uniform Guidance, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

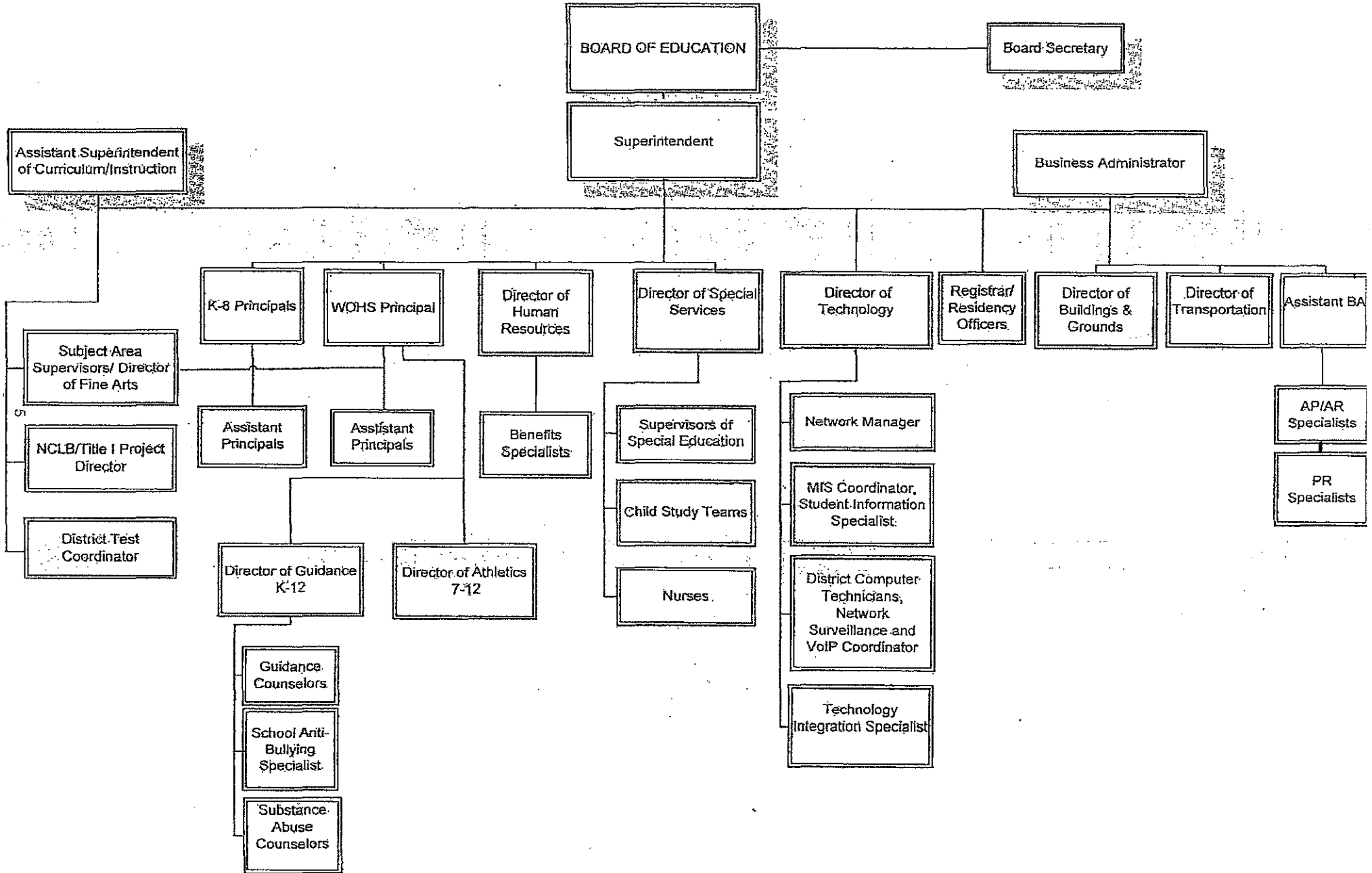
10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the West Orange School Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school District and thereby contributing their full support to the development and maintenance of our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

Respectfully submitted,

  
Evelyn de Mendez  
Acting Superintendent of Schools

  
John Galavano  
Business Administrator/Board Secretary

WEST ORANGE PUBLIC SCHOOLS  
ORGANIZATION CHART



**WEST ORANGE SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2018**

Members of the Board of Education

Term Expires

Ronald Charles, President

2019

Mark Robertson, Vice President

2020

Sandra Mordecai

2020

Irv Schwarzbaum

2019

Ken Alper

2021

Other Officers

Title

Jeffrey Rutzky

Superintendent of Schools

Eveny de Mendez

Assistant Superintendent of Curriculum &  
 Instruction

John Calavano

Board Secretary/School Business Administrator

Joseph Antonucci

Treasurer

**WEST ORANGE SCHOOL DISTRICT**  
**Consultants and Advisors**

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**Auditor**

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17-17 Route 208  
Fair Lawn, New Jersey 07410

**Bond Counsel**

McManimon & Scotland, L.L.C.  
75 Livingston Avenue  
2<sup>nd</sup> Floor  
Roseland, New Jersey 07068

**Official Depositories**

PNC Bank  
Main Street Branch  
West Orange, New Jersey 07052

TD Bank  
Pleasant Valley Way  
West Orange, New Jersey 07052

Garden State Community Bank  
622 Eagle Rock Avenue  
West Orange, New Jersey 07052

**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  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
West Orange Board of Trustees  
West Orange, 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 West Orange 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 West Orange 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 West Orange 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 West Orange 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 West Orange 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 28, 2019 on our consideration of the West Orange 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 West Orange 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 West Orange Board of Education's internal control over financial reporting and compliance.

*LERCH, VINCI & HIGGINS, LLP*

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



Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
January 28, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**WEST ORANGE BOARD OF EDUCATION  
WEST ORANGE, NEW JERSEY**

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

This section of the West Orange Board of Education's comprehensive annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard 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**

Key financial highlights for the 2017-2018 fiscal year include the following:

- The liabilities and deferred inflows of resources of the West Orange Board of Education exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$43,521,465 (deficit net position).
- Overall revenues were \$210,790,370. General revenues accounted for \$142,362,590 or 68% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$68,427,780 or 32% of total revenues.
- The school district had \$205,367,065 in expenses for governmental activities; only \$64,523,680 of these expenses was offset by program specific charges, grants or contributions. General revenues (predominantly property taxes) of \$142,361,980 were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$2,985,943.
- The General Fund fund balance at June 30, 2018 was \$2,985,941, an increase of \$1,771,336 when compared with the beginning balance at July 1, 2017 of \$1,214,605.

**WEST ORANGE BOARD OF EDUCATION  
WEST ORANGE, NEW JERSEY**

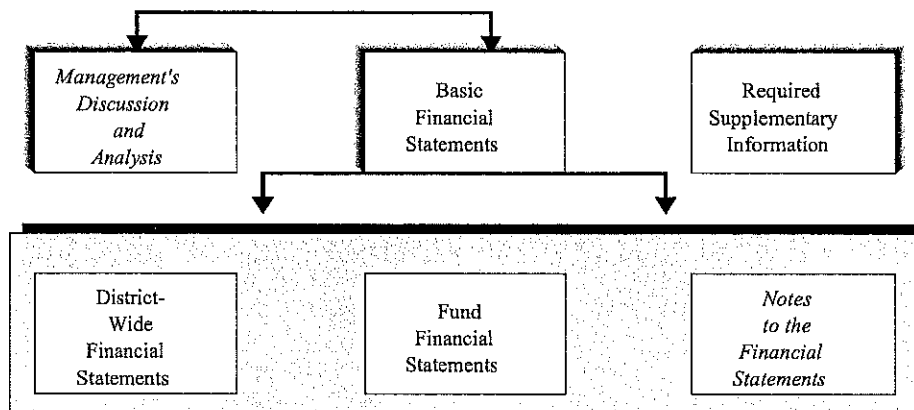
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The chart below shows how the various parts of this annual report are arranged and related to one another.



**WEST ORANGE BOARD OF EDUCATION  
WEST ORANGE, NEW JERSEY**

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

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

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as regular and special education and building maintenance, food service and community education.	Activities the district operates similar to private businesses: Enterprise funds	Instances in which the district administers resources on behalf of someone else, such as Unemployment, Payroll Agency, and Student Activities
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund balances	Statement of Net Position Statement of Revenue, Expenses, and Changes in Fund Net Position Statement of Cash Flows	Statements of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability/Deferred inflows/outflows of resources information	All asset, liabilities, and deferred inflows/outflows, both financial and capital short-term and long-term	Generally assets expected to be utilized and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All asset, liabilities, and deferred inflows/outflows, both financial and capital short-term and long-term	All assets and liabilities, both short-term and long-term funds do not currently contain capital assets
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.	All additions and dedications during the year, regardless of when cash is received or paid.

**District-Wide Financial Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District’s assets, deferred outflows/inflows of resources and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net position and how they have changed. Net position – the difference between the District’s total assets and deferred outflows of resources and total liabilities and deferred inflows of resources– is one way to measure the District’s financial health or position.

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**Management's Discussion and Analysis  
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**District-Wide Financial Statements (continued)**

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

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

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration and plant operations and maintenance. Property taxes and state aids finance most of these activities.
- *Business Type Activities* – These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The District's Food Service Fund and Summer Enrichment Fund are included under this category.

**Fund Financial Statements**

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

- Some funds are required by State law and bond covenants.
- The District establishes other funds in accordance with the State of New Jersey Uniform Chart of Accounts to control and manage money for particular purposes or to show that it is properly using certain revenues (federal and state grants).

The District has three kinds of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary Funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.

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**Fund Financial Statements (continued)**

*Enterprise Funds* – This fund is established to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that costs of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges. The District currently has two enterprise funds:

- Food Service (Cafeteria)
- Summer Enrichment Fund

• *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**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 notes to the financial statements can be found following the financial statements.

**Other Information**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for the general, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds as required supplementary information. The required supplementary information can be found following the notes to the financial statements.

Combining statements and schedules are presented immediately following the major budgetary comparisons.

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$43,521,465) and (\$45,062,497) as of June 30, 2018 and June 30, 2017, respectively.



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By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Net Position  
As of June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 4,696,618	\$ 5,819,957	\$ 978,690	\$ 1,478,562	\$ 5,675,308	\$ 7,298,519
Capital Assets, Net	<u>72,611,374</u>	<u>74,993,945</u>	<u>500,918</u>	<u>616,162</u>	<u>73,112,292</u>	<u>75,610,107</u>
<b>Total Assets</b>	<u>77,307,992</u>	<u>80,813,902</u>	<u>1,479,608</u>	<u>2,094,724</u>	<u>78,787,600</u>	<u>82,908,626</u>
Deferred Amounts on Refunding of Debt	2,417,496	2,750,132	-	-	2,417,496	2,750,132
Deferred Amounts on Net Pension Liability	<u>14,667,048</u>	<u>21,601,842</u>	<u>-</u>	<u>-</u>	<u>14,667,048</u>	<u>21,601,842</u>
<b>Total Deferred Outflows of Resources</b>	<u>17,084,544</u>	<u>24,351,974</u>	<u>-</u>	<u>-</u>	<u>17,084,544</u>	<u>24,351,974</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>94,392,536</u>	<u>105,165,876</u>	<u>1,479,608</u>	<u>2,094,724</u>	<u>95,872,144</u>	<u>107,260,600</u>
Long-Term Liabilities	124,620,973	146,623,161	-	-	124,620,973	146,623,161
Other Liabilities	<u>2,185,597</u>	<u>4,556,401</u>	<u>180,225</u>	<u>817,778</u>	<u>2,365,822</u>	<u>5,374,179</u>
<b>Total Liabilities</b>	<u>126,806,570</u>	<u>151,179,562</u>	<u>180,225</u>	<u>817,778</u>	<u>126,986,795</u>	<u>151,997,340</u>
Deferred Amounts on Net Pension Liability	<u>12,406,814</u>	<u>325,757</u>	<u>-</u>	<u>-</u>	<u>12,406,814</u>	<u>325,757</u>
<b>Total Deferred Inflows of Resources</b>	<u>12,406,814</u>	<u>325,757</u>	<u>-</u>	<u>-</u>	<u>12,406,814</u>	<u>325,757</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>139,213,384</u>	<u>151,505,319</u>	<u>180,225</u>	<u>817,778</u>	<u>139,393,609</u>	<u>152,323,097</u>
Net Investment in Capital Assets	7,014,988	5,142,084	500,918	616,162	7,515,906	5,758,246
Restricted	504,228	53,823	-	-	504,228	53,823
Unrestricted	<u>(52,340,064)</u>	<u>(51,535,350)</u>	<u>798,465</u>	<u>660,784</u>	<u>(51,541,599)</u>	<u>(50,874,566)</u>
<b>Total Net Position</b>	<u>\$ (44,820,848)</u>	<u>\$ (46,339,443)</u>	<u>\$ 1,299,383</u>	<u>\$ 1,276,946</u>	<u>\$ (43,521,465)</u>	<u>\$ (45,062,497)</u>

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**Management's Discussion and Analysis  
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**Changes in Net Position  
For The Fiscal Years Ended June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for Services	\$ 634,813	\$ 657,964	\$ 1,869,197	\$ 1,765,791	\$ 2,504,010	\$ 2,423,755
Operating Grants and Contributions	63,784,321	58,171,326	2,034,903	2,030,569	65,819,224	60,201,895
Capital Grants and Contributions	104,546	7,284			104,546	
<b>General Revenues</b>						
Property Taxes	138,834,915	133,854,378			138,834,915	133,854,378
State Aid	3,244,247	2,192,832			3,244,247	2,192,832
Other	282,818	482,029	610	110	283,428	482,139
<b>Total Revenues</b>	<b><u>206,885,660</u></b>	<b><u>195,365,813</u></b>	<b><u>3,904,710</u></b>	<b><u>3,796,470</u></b>	<b><u>210,790,370</u></b>	<b><u>199,154,999</u></b>
<b>Expenses</b>						
<b>Instruction</b>						
Regular	89,764,429	85,732,467			89,764,429	85,732,467
Special Education	35,287,770	37,600,641			35,287,770	37,600,641
Vocational Education-Tuition	135,994	154,935			135,994	154,935
School Sponsored Activities and Athletics	3,502,549	3,670,117			3,502,549	3,670,117
Other Instruction	6,560,458	6,539,288			6,560,458	6,539,288
<b>Support Services</b>						
Student and Instruction Related Services	24,335,737	23,297,639			24,335,737	23,297,639
School Administrative Services	10,373,914	10,176,873			10,373,914	10,176,873
General Administrative Services	2,178,896	2,429,170			2,178,896	2,429,170
Plant Operations and Maintenance	16,181,642	16,440,143			16,181,642	16,440,143
Pupil Transportation	9,902,389	9,598,354			9,902,389	9,598,354
Business and Other Support Services	4,955,442	5,394,327			4,955,442	5,394,327
Interest on Long-Term Debt	2,187,845	2,677,810			2,187,845	2,677,810
Food Service			3,728,527	3,601,613	3,728,527	3,601,613
Other-Summer Enrichment	-	-	153,746	140,192	153,746	140,192
<b>Total Expenses</b>	<b><u>205,367,065</u></b>	<b><u>203,711,764</u></b>	<b><u>3,882,273</u></b>	<b><u>3,741,805</u></b>	<b><u>209,249,338</u></b>	<b><u>207,453,569</u></b>
<b>Change in Net Position</b>	<b>1,518,595</b>	<b>(8,345,951)</b>	<b>22,437</b>	<b>54,665</b>	<b>1,541,032</b>	<b>(8,291,286)</b>
<b>Net Position, Beginning of Year</b>	<b><u>(46,339,443)</u></b>	<b><u>(37,993,492)</u></b>	<b><u>1,276,946</u></b>	<b><u>1,222,281</u></b>	<b><u>(45,062,497)</u></b>	<b><u>(36,771,211)</u></b>
<b>Net Position, End of Year</b>	<b><u>\$ (44,820,848)</u></b>	<b><u>\$ (46,339,443)</u></b>	<b><u>\$ 1,299,383</u></b>	<b><u>\$ 1,276,946</u></b>	<b><u>\$ (43,521,465)</u></b>	<b><u>\$ (45,062,497)</u></b>

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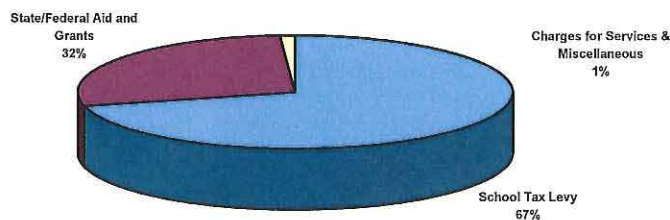
**Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2018**

**Governmental Activities.** The District's total governmental activities' revenues, which includes State and Federal grants, were \$206,885,660 and \$195,365,813 for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. Property taxes of \$138,834,915 and \$133,854,378 represented 67% and 69% of revenues. Another portion of revenues came from State and Federal aid; total State, Federal and formula aid was \$67,028,568 and \$60,364,158 which was represented 32% and 30% of the revenues for fiscal years ended June 30, 2018 and 2017, respectively. The significant increase in this revenue type is attributable to the adjustment to the On-Behalf other post-retirement benefits contribution to recognize the actuarially determined contribution that should have been contributed on behalf of the District in accordance with the District's implementation of GASB 75 for the fiscal year ended June 30, 2018. This adjustment which impacts both the revenues and expenses of the governmental activities was \$11,492,884. Capital contributions of \$104,546 and \$7,284 represented less than 1% of total revenues for the fiscal year ended June 30, 2018 and 2017, respectively. The balance of revenues for fiscal year June 30, 2018 and 2017, respectively is charges for services (\$634,813 and \$657,964) and miscellaneous income (\$257,329 and \$471,473), and investment earning (\$25,489 and \$10,556).

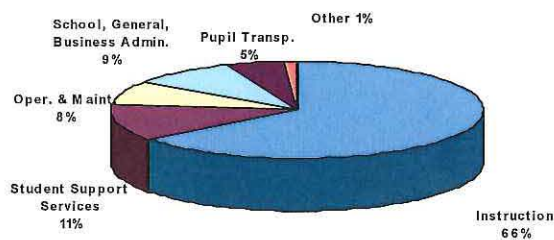
The total cost of all governmental activities programs and services was \$205,367,065 and \$203,711,764 for the fiscal years ended June 30, 2018 and 2017, respectively. The District's expenses are predominantly related to educating and caring for students. Instruction totaled \$135,251,200 and \$133,697,448 (66% and 66%) of total expenses for each of the fiscal years, respectively. Student and Instruction Related Services totaled \$24,335,737 and \$23,297,639 or (11% and 11%) of total expenses. Plant operations and maintenance services totaled \$16,181,642 and \$16,440,143 (8% and 8%) of total expenses. Administrative services were \$17,508,252 and \$18,000,370 or (8% and 9%) of total expenses. Pupil transportation totaled \$9,902,389 and \$9,598,354 (5% and 5%), respectively of total expenses. Interest on long-term debt accounted for \$2,187,845 and \$2,677,810 (1% and 1%) of total expenses.

Total governmental activities revenues exceeded expenses resulting in net position increasing \$1,518,595 from the previous year.

Revenues by Source- Governmental Activities  
For Fiscal Year 2018



Expenses by Type- Governmental Activities  
For Fiscal Year 2018



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**Management's Discussion and Analysis  
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**Total and Net Cost of Governmental Activities.** The District's total cost of services was \$205,367,065 and \$203,711,764 for the fiscal years ended June 30, 2018 and 2017. After applying program revenues, derived from charges for services of \$634,813 and \$657,964, operating grants and contributions of \$63,784,321 and \$58,171,326 and capital contributions of \$104,546 and \$7,284, the net cost of services of the District is \$140,843,385 and \$144,875,190, respectively

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Instruction</b>				
Regular	\$ 89,764,429	\$ 85,732,467	\$ 55,989,807	\$ 54,195,670
Special Education	35,287,770	37,600,641	17,066,156	18,984,587
Vocational Education-Tuition	135,994	154,935	135,994	154,935
School Sponsored Activities and Athletics	3,502,549	3,670,117	2,353,044	2,476,532
Other Instruction	6,560,458	6,539,288	4,125,872	4,174,011
<b>Support Services</b>				
Student and Instruction Related Services	24,335,737	23,297,639	21,182,708	22,071,841
School Administrative Services	10,373,914	10,176,873	7,317,230	7,980,020
General Administrative Services	2,178,896	2,429,170	2,106,813	2,429,170
Plant Operations and Maintenance	16,181,642	16,440,143	14,856,511	15,816,145
Pupil Transportation	9,902,389	9,598,354	9,079,554	8,955,583
Business and Other Support Services	4,955,442	5,394,327	4,601,953	5,394,327
<b>Interest on Long-Term Debt</b>	<u>2,187,845</u>	<u>2,677,810</u>	<u>2,027,743</u>	<u>2,222,369</u>
<b>Total</b>	<u>\$ 205,367,065</u>	<u>\$ 203,711,764</u>	<u>\$ 140,843,385</u>	<u>\$ 144,855,190</u>

**Business-Type Activities** – The District's total business-type activities revenues were \$3,904,710 and \$3,796,470 for the fiscal years ended June 30, 2018 and 2017, respectively. Charges for services accounted for 48% and 47% of total revenues for the fiscal years, respectively. Operating grants and contributions of \$2,034,903 and \$2,030,569 accounted for 52% and 53% of total revenue for each of the fiscal years. The balance of the revenues, \$610 and \$110, represents investment earnings.

The total cost of all business-type activities programs and services was \$3,882,273 and \$3,741,805 for the fiscal years ended June 30, 2018 and 2017. The District's expenses are related to Food Service programs provided to all students, teachers and administrators and the operation of the Summer Enrichment Program within the District.

Total business-type activities revenues exceeded expenses increasing net position by \$22,437 over the last year.

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year ended June 30, 2018, its governmental funds reported a combined fund balance of \$2,985,943. At June 30, 2017, the fund balance was \$2,016,278.

Revenues and other financing sources for the District's governmental funds were \$175,502,061, while total expenditures and other financing uses were \$174,532,396 thereby increasing fund balance by \$969,665 for the fiscal year ended June 30, 2018. A large portion of this increase is attributable to the additional state aid of \$1,003,370 which the District has designated to be appropriated in the 2018/19 budget for taxpayer relief.

**General Fund** - The General Fund is the chief operating fund of the District and includes the primary operations in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Fiscal Year Ended <u>June 30, 2018</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase (Decrease)	Percent Change
Local Sources				
Property Tax Levy	\$ 133,115,444	\$ 128,852,883	\$ 4,262,561	3%
Interest	22,980	8,586	14,394	168%
State/Federal Sources	31,080,391	26,910,118	4,170,273	15%
Miscellaneous	<u>892,142</u>	<u>1,129,437</u>	<u>(237,295)</u>	-21%
<b>Total General Fund Revenues</b>	<u>\$ 165,110,957</u>	<u>\$ 156,901,024</u>	<u>\$ 8,209,933</u>	5%

Total General Fund Revenues increased by \$8,209,933 or 5% over the previous year.

Local property taxes increased 3% over the previous year. State and federal aid revenues increased \$4,170,273 or 15% predominantly attributable to an increase in state On-Behalf TPAF pension costs contributed by the state as well as the \$1,503,370 of additional state aid allotted to the District.

Interest income revenues increased due to an increase in interest rates on bank balances and higher available cash balances.

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For the Fiscal Year Ended June 30, 2018**

Miscellaneous revenues increased primarily due to a decrease in nonrecurring prior year refunds.

The following schedule presents a summary of General Fund expenditures.

	Fiscal Year Ended <u>June 30, 2018.</u>	Fiscal Year Ended <u>June 30, 2017</u>	Amount of Increase (Decrease)	Percent Change
Instruction	\$ 104,887,689	\$ 103,084,091	\$ 1,803,598	2%
Support and Undistributed Services	56,429,511	55,994,196	435,315	1%
Capital Outlay	467,964	490,026	(22,062)	-5%
Debt Service	<u>2,108,733</u>	<u>1,466,407</u>	<u>642,326</u>	44%
Total Expenditures	<u>\$ 163,893,897</u>	<u>\$ 161,034,720</u>	<u>\$ 2,859,177</u>	2%

Total General Fund expenditures increased \$2,859,177 or 2% from the previous year.

The District realized increases in instruction costs. The increase in debt service expenditures related to the repayment of the lease purchase for the Energy Savings Improvement Program as well as new leases for the acquisition of Chromebooks. The decrease in capital outlay was largely due to the decline in construction services for the fiscal year ended June 30, 2018.

In 2017-2018, General Fund revenues and other financing sources exceeded expenditures by \$1,771,336. As a result, total fund balance increased to \$2,985,941 at June 30, 2018. After deducting transfers and reserves, the unrestricted, unassigned fund balance decreased from a deficit of \$143,511 at June 30, 2017 to a deficit balance of \$377,415 at June 30, 2018.

**Special Revenue Fund** - The Special Revenue Fund includes all restricted Federal, State and Local sources utilized in the operations of the district in providing educational services to students.

Revenues of the Special Revenue Fund were \$3,794,644 for the year ended June 30, 2018. Federal sources accounted for the majority of Special Revenue Fund's revenue which represented 80% of the total revenue for the year.

Total Special Revenue Fund revenues increased \$242,685 or 7% from the previous year. State sources increased \$28,993 or 5% and Federal sources increased \$123,816 or 4%. Local sources increased \$89,876.

Expenditures of the Special Revenue Fund were \$3,794,644. Instructional expenditures were \$3,535,384 or 93% of total expenditures.

**Capital Projects** - The capital projects expenditures and other financing uses were more than revenues by \$754,371 decreasing fund balance to \$0 at June 30, 2018. The decrease is primarily due to energy savings improvement program funds that were fully expended during the 2017/18 school year.

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**Management's Discussion and Analysis  
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**Proprietary Funds**

The District maintains the Enterprise Funds to account for activities which are supported in part through user fees.

**Enterprise Fund** - The District uses Enterprise Funds to report activities related to the Food Services program as well as the Summer Enrichment Program. The District's Enterprise Funds provides the same type of information found in the district-wide financial statements, business-type activities, but in more detail. Factors concerning the finances of this Fund have already been addressed in the discussion of the District's business-type activities.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

- Implementing budgets for specially funded projects, which include both federal and state grants/additional state aid and reinstating prior year purchase orders being carried over.

**CAPITAL ASSETS**

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$73,112,292 (net of accumulated depreciation). The capital assets consist of land improvements, buildings and building improvements, construction in progress, computers, specialized machinery and various other types of equipment. Depreciation charges for fiscal year 2017-2018 amounted to \$3,698,186 for governmental activities and \$115,244 for business-type activities.

Capital Assets at June 30, 2018 and 2017  
(Net of Accumulated Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 4,565,829	\$ 4,565,829			\$ 4,565,829	\$ 4,565,829
Construction in Progress		10,045,826			-	10,045,826
Site Improvements	4,635,616	5,128,939			4,635,616	5,128,939
Building and Building Improvements	58,228,881	49,724,907			58,228,881	49,724,907
Machinery and Equipment	5,181,048	5,528,444	\$ 500,918	\$ 616,162	5,681,966	6,144,606
<b>Total Capital Assets, Net</b>	<b>\$ 72,611,374</b>	<b>\$ 74,993,945</b>	<b>\$ 500,918</b>	<b>\$ 616,162</b>	<b>\$ 73,112,292</b>	<b>\$ 75,610,107</b>

Additional information on the District's capital assets is presented in the "Notes to the Financial Statements" of this report.

**WEST ORANGE BOARD OF EDUCATION  
WEST ORANGE, NEW JERSEY**

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

**LONG TERM LIABILITIES**

At year end, the District's long-term liabilities of the governmental activities consisted of compensated absences payable of \$1,951,905, bonds payable (including unamortized premium) of \$30,227,788, lease purchase agreements ("COPS") payable of \$26,935,000, capital leases/lease purchase agreements payable of \$11,421,487, deferred pension obligation payable of \$380,932, net pension liability – Essex County of \$177,430 and net pension liability – PERS payable of \$52,841,857.

Additional information on the District's long-term liabilities is presented in the "Notes to the Financial Statements" of this report.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

Many factors were considered by the District's administration during the process of developing the fiscal year 2018-2019 budget. The primary factors were the District's projected student population, anticipated state and federal aid as well as increasing special education costs, out of district tuition, tuition for charter schools, energy and employee related benefit costs.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information contact the Business Office, West Orange Board of Education, 179 Eagle Rock Ave., West Orange, NJ 07052.



**BASIC FINANCIAL STATEMENTS**

**WEST ORANGE BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**AS OF JUNE 30, 2018**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,550,852	\$ 811,263	\$ 4,362,115
Receivables, net			
Receivables from Other Governments	862,996	122,176	985,172
Accounts Receivable	282,770	19,204	301,974
Inventory		26,047	26,047
Capital Assets			
Not Being Depreciated	4,565,829		4,565,829
Being Depreciated, net	<u>68,045,545</u>	<u>500,918</u>	<u>68,546,463</u>
Total Assets	<u>77,307,992</u>	<u>1,479,608</u>	<u>78,787,600</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding of Debt	2,417,496	-	2,417,496
Deferred Amounts on Net Pension Liability	<u>14,667,048</u>	<u>-</u>	<u>14,667,048</u>
Total Deferred Outflows of Resources	<u>17,084,544</u>	<u>-</u>	<u>17,084,544</u>
Total Assets and Deferred Outflows of Resources	<u>94,392,536</u>	<u>1,479,608</u>	<u>95,872,144</u>
<b>LIABILITIES</b>			
Accounts Payable and Other Liabilities	1,218,318	7,207	1,225,525
Intergovernmental Payable	37,104		37,104
Accrued Interest Payable	474,922		474,922
Unearned Revenue	455,253	173,018	628,271
Noncurrent Liabilities			
Due Within One Year	5,435,125		5,435,125
Due Beyond One Year	<u>119,185,848</u>	<u>-</u>	<u>119,185,848</u>
Total Liabilities	<u>126,806,570</u>	<u>180,225</u>	<u>126,986,795</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Amounts on Net Pension Liability	<u>12,406,814</u>	<u>-</u>	<u>12,406,814</u>
Total Liabilities and Deferred Inflows of Resources	<u>139,213,384</u>	<u>180,225</u>	<u>139,393,609</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	7,014,988	500,918	7,515,906
Restricted for:			
Capital Projects	504,226		504,226
Other Purposes	2		2
Unrestricted	<u>(52,340,064)</u>	<u>798,465</u>	<u>(51,541,599)</u>
Total Net Position	<u>\$ (44,820,848)</u>	<u>\$ 1,299,383</u>	<u>\$ (43,521,465)</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
Instruction							
Regular	\$ 89,764,429	\$ 100,532	\$ 33,649,607	\$ 24,483	\$ (55,989,807)		\$ (55,989,807)
Special Education	35,287,770	424,793	17,796,821		(17,066,156)		(17,066,156)
Vocational-Instruction	135,994				(135,994)		(135,994)
Other Instruction	6,560,458		2,434,586		(4,125,872)		(4,125,872)
School Sponsored Activities and Athletics	3,502,549		1,149,505		(2,353,044)		(2,353,044)
Support Services							
Student and Instruction Related Services	24,335,737		3,072,966	80,063	(21,182,708)		(21,182,708)
School Administrative Services	10,373,914		3,056,684		(7,317,230)		(7,317,230)
General Administrative Services	2,178,896		72,083		(2,106,813)		(2,106,813)
Plant Operations and Maintenance	16,181,642	109,488	1,215,643		(14,856,511)		(14,856,511)
Pupil Transportation	9,902,389		822,835		(9,079,554)		(9,079,554)
Business and Other Support Services	4,955,442		353,489		(4,601,953)		(4,601,953)
Interest on Long-Term Debt and Other Charges	2,187,845	-	160,102	-	(2,027,743)	-	(2,027,743)
Total Governmental Activities	<u>205,367,065</u>	<u>634,813</u>	<u>63,784,321</u>	<u>104,546</u>	<u>(140,843,385)</u>	<u>-</u>	<u>(140,843,385)</u>
Business-Type Activities:							
Summer Enrichment	153,746	167,061				\$ 13,315	13,315
Food Service	3,728,527	1,702,136	2,034,903	-	-	8,512	8,512
Total Business-Type Activities	<u>3,882,273</u>	<u>1,869,197</u>	<u>2,034,903</u>	<u>-</u>	<u>-</u>	<u>21,827</u>	<u>21,827</u>
Total Primary Government	<u>\$ 209,249,338</u>	<u>\$ 2,504,010</u>	<u>\$ 65,819,224</u>	<u>\$ 104,546</u>	<u>(140,843,385)</u>	<u>21,827</u>	<u>(140,821,558)</u>

Continued

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

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Total Primary Government (Carried Forward)	\$ (140,843,385)	\$ 21,827	\$ (140,821,558)
General Revenues			
Taxes:			
Property Taxes, Levied for General Purposes	133,115,444		133,115,444
Taxes Levied for Debt Service	5,719,471		5,719,471
Unrestricted State Aid	3,084,145		3,084,145
State Aid Restricted for Debt Service	160,102		160,102
Investment Earnings	25,489	610	26,099
Miscellaneous Income	257,329	-	257,329
Total General Revenues	142,361,980	610	142,362,590
Change in Net Position	1,518,595	22,437	1,541,032
Net Position Beginning of Year	(46,339,443)	1,276,946	(45,062,497)
Net Position End of Year	\$ (44,820,848)	\$ 1,299,383	\$ (43,521,465)

**FUND FINANCIAL STATEMENTS**

**WEST ORANGE 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</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,544,317	\$ 6,533		\$ 2	\$ 3,550,852
Receivables, Net					
Receivables From Other Governments	343,189	519,807			862,996
Accounts	248,782	8,033			256,815
Due from Other Funds	<u>25,790</u>	<u>165</u>	-	-	<u>25,955</u>
 Total Assets	 <u>\$ 4,162,078</u>	 <u>\$ 534,538</u>	 <u>\$ -</u>	 <u>\$ 2</u>	 <u>\$ 4,696,618</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ 457,521	\$ 305,771			\$ 763,292
Accrued Salaries and Wages	284,774				284,774
Due to Other Funds	77				77
Payable to State Governments		37,104			37,104
Unearned Revenue	263,590	191,663		-	455,253
Deposits Payable	4,000				4,000
Claims and Judgments Payable	<u>166,175</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,175</u>
 Total Liabilities	 <u>1,176,137</u>	 <u>534,538</u>	 <u>-</u>	 <u>-</u>	 <u>1,710,675</u>
Fund Balances					
Restricted					
Capital Reserve	504,226				504,226
Debt Service				\$ 2	2
Committed					
Purchases on Order	116,667				116,667
Assigned					
Purchases on Order	242,463				242,463
Designated for Subsequent Year's Budget (2018/19 Budget)	2,500,000				2,500,000
Unassigned	<u>(377,415)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(377,415)</u>
 Total Fund Balances	 <u>2,985,941</u>	 <u>-</u>	 <u>-</u>	 <u>2</u>	 <u>2,985,943</u>
 Total Liabilities and Fund Balances	 <u>\$ 4,162,078</u>	 <u>\$ 534,538</u>	 <u>\$ -</u>	 <u>\$ 2</u>	 <u>\$ 4,696,618</u>

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

**Total Fund Balance (Exhibit B-1)** \$ 2,985,943

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 \$137,271,316 and the accumulated depreciation is \$64,659,942. 72,611,374

The District has financed capital assets through the issuance of serial bonds, certificates of participation, and capital leases/lease purchase obligations.  
The interest accrual at year end is: (474,922)

Long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 2A) (124,620,973)

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. 2,417,496

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 - PERS	\$ 14,650,896	
Deferred Inflows of Resources - PERS	(12,406,814)	
Deferred Outflows of Resources - Essex County	<u>16,152</u>	
		<u>2,260,234</u>

**Net Position of Governmental Activities (Exhibit A-1)** **\$ (44,820,848)**

**WEST ORANGE 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</u>
<b>REVENUES</b>					
Local Sources					
Property Tax Levy	\$ 133,115,444			\$ 5,719,471	\$ 138,834,915
Tuition	513,225				513,225
Rents	109,488				109,488
Interest	22,980		\$ 2,509		25,489
Miscellaneous	269,429	\$ 143,791	-	-	413,220
<b>Total - Local Sources</b>	<b>134,030,566</b>	<b>143,791</b>	<b>2,509</b>	<b>5,719,471</b>	<b>139,896,337</b>
State Sources	30,853,220	587,406		320,204	31,760,830
Federal Sources	227,171	3,063,447	-	-	3,290,618
<b>Total Revenues</b>	<b>165,110,957</b>	<b>3,794,644</b>	<b>2,509</b>	<b>6,039,675</b>	<b>174,947,785</b>
<b>EXPENDITURES</b>					
Current					
Regular Instruction	69,111,906	1,578,568			70,690,474
Special Education Instruction	27,699,123	1,956,816			29,655,939
Vocational Instruction- Tuition	135,994				135,994
Other Instruction	5,118,803				5,118,803
School Sponsored Activities and Athletics	2,821,863				2,821,863
Support Services					
Student and Instruction Related Services	20,361,142	126,791			20,487,933
General Administrative Services	1,971,269				1,971,269
School Administrative Services	8,265,316				8,265,316
Plant Operations and Maintenance	11,962,674	53,729	5,030		12,021,433
Pupil Transportation	9,580,098				9,580,098
Business and Other Support Services	4,289,012				4,289,012
Debt Service					
Principal	1,667,819			3,970,000	5,637,819
Interest	440,914			2,116,975	2,557,889
Capital Outlay	467,964	78,740	743,105	-	1,289,809
<b>Total Expenditures</b>	<b>163,893,897</b>	<b>3,794,644</b>	<b>748,135</b>	<b>6,086,975</b>	<b>174,523,651</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,217,060	-	(745,626)	(47,300)	424,134
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	8,745				8,745
Transfers Out			(8,745)		(8,745)
Lease Purchase Proceeds	545,531	-	-	-	545,531
<b>Total Other Financing Sources (Uses)</b>	<b>554,276</b>	<b>-</b>	<b>(8,745)</b>	<b>-</b>	<b>545,531</b>
Net Change in Fund Balances	1,771,336	-	(754,371)	(47,300)	969,665
Fund Balance, Beginning of Year	1,214,605	-	754,371	47,302	2,016,278
Fund Balance, End of Year	\$ 2,985,941	\$ -	\$ -	\$ 2	\$ 2,985,943



**WEST ORANGE BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2)** \$ 969,665

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation Expense	\$	(3,698,186)	
Capital Outlay		1,289,809	
Donated Assets		<u>25,806</u>	
			(2,382,571)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Additionally, governmental funds report the effect of premiums, discounts and similar items when the debt is issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount represents the net effect of these activities (See Note 2B) 5,092,288

In the statement of activities, certain operating expenses- compensated absences, claims and judgements for self insurance claims and net pension expense- are measured by the amounts earned or incurred 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, Net		95,928	
Increase in Claims and Judgements for Self Insurance Claims		(684,574)	
Net Increase in Pension Expense-PERS		(2,047,816)	
Net Decrease in Pension Expense- Essex County		62,522	
Net Decrease in Deferred Pension Obligation		<u>43,109</u>	
			(2,530,831)

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement activities.

Amortization of Original Issue Premium		424,880	
Amortization of Deferred Amount on Refunding of Debt		(332,636)	

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>277,800</u>	
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**Change in Net Position of Governmental Activities (Exhibit A-2)** \$ 1,518,595

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

	<b>Business-Type Activities Enterprise Fund</b>		
	<b>Food Services</b>	<b>Other Non-Major Summer Enrichment</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 576,945	\$ 234,318	\$ 811,263
Intergovernmental Receivable			
State	2,528		2,528
Federal	119,648		119,648
Other	19,204		19,204
Inventories	26,047	-	26,047
<b>Total Current Assets</b>	<b>744,372</b>	<b>234,318</b>	<b>978,690</b>
Capital Assets			
Furniture, Machinery and Equipment	2,039,758		2,039,758
Less: Accumulated Depreciation	(1,538,840)	-	(1,538,840)
<b>Total Capital Assets, Net</b>	<b>500,918</b>	<b>-</b>	<b>500,918</b>
<b>Total Assets</b>	<b>1,245,290</b>	<b>234,318</b>	<b>1,479,608</b>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	7,207	-	7,207
Unearned Revenue	8,876	164,142	173,018
<b>Total Current Liabilities</b>	<b>16,083</b>	<b>164,142</b>	<b>180,225</b>
<b>NET POSITION</b>			
Investment in Capital Assets	500,918		500,918
Unrestricted	728,289	70,176	798,465
<b>Total Net Position</b>	<b>\$ 1,229,207</b>	<b>\$ 70,176</b>	<b>\$ 1,299,383</b>

**WEST ORANGE BOARD OF EDUCATION  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities		
	Enterprise Fund		
	<u>Food Services</u>	<u>Other Non-Major Summer Enrichment</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for Services			
Daily Sales - Reimbursable	\$ 893,026		\$ 893,026
Daily Sales- Non-Reimbursable	660,546		660,546
Special Functions	148,564		148,564
Program Fees	-	\$ 167,061	167,061
	<u>1,702,136</u>	<u>167,061</u>	<u>1,869,197</u>
Total Operating Revenues			
<b>OPERATING EXPENSES</b>			
Salaries and Wages	1,429,243	142,619	1,571,862
Cost of Sales			
Reimbursable Programs	1,122,013		1,122,013
Non-Reimbursable Programs	264,220		264,220
Repairs	70,099		70,099
Other Expenses	34,888		34,888
Insurance	108,411		108,411
Supplies	206,556	11,127	217,683
Miscellaneous	99,753		99,753
Depreciation Expense	115,244		115,244
Administrative and Management Fees	278,100	-	278,100
	<u>3,728,527</u>	<u>153,746</u>	<u>3,882,273</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(2,026,391)</u>	<u>13,315</u>	<u>(2,013,076)</u>
<b>NONOPERATING REVENUES</b>			
State Sources			
State School Lunch Program	36,351		36,351
Federal Sources			
School Breakfast Program	292,687		292,687
Federal School Lunch Program	1,411,641		1,411,641
Fresh Fruits & Vegetables Program	24,438		24,438
Food Distribution Program	269,786		269,786
Interest Income	610	-	610
	<u>2,035,513</u>	<u>-</u>	<u>2,035,513</u>
Total Nonoperating Revenues			
Change in Net Position	9,122	13,315	22,437
Net Position, Beginning of Year	<u>1,220,085</u>	<u>56,861</u>	<u>1,276,946</u>
Net Position, End of Year	<u>\$ 1,229,207</u>	<u>\$ 70,176</u>	<u>\$ 1,299,383</u>

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

	Business-Type Activities		
	Enterprise Fund		
	Food Services	Other Non-Major Summer Enrichment	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers	\$ 1,705,511	\$ 177,793	\$ 1,883,304
Cash Payments for Employees' Salaries and Benefits	(1,429,243)	(142,619)	(1,571,862)
Cash Payments to Suppliers for Goods and Services	(2,564,754)	(11,076)	(2,575,830)
Net Cash Provided (Used) By Operating Activities	(2,288,486)	24,098	(2,264,388)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Cash Received from State and Federal Subsidy Reimbursements	1,790,504	-	1,790,504
Net Cash Provided by Noncapital and Related Activities	1,790,504	-	1,790,504
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	610	-	610
Net Cash Provided by Investing Activities	610	-	610
Net Change in Cash and Cash Equivalents	(497,372)	24,098	(473,274)
Cash and Cash Equivalents, Beginning of Year	1,074,317	210,220	1,284,537
Cash and Cash Equivalents, End of Year	\$ 576,945	\$ 234,318	\$ 811,263
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (2,026,391)	\$ 13,315	\$ (2,013,076)
Adjustments to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) for Operating Activities			
Depreciation	115,244		115,244
Federal Food Distribution Program	269,786		269,786
Change in Assets and Liabilities			
(Increase)/Decrease in Inventory	(4,403)		(4,403)
(Increase)/Decrease in Other Accounts Receivable	5,563		5,563
(Increase)/Decrease in Prepaid Expenses		51	51
Increase/(Decrease) in Accounts Payable	(646,097)		(646,097)
Increase/(Decrease) in Unearned Revenue	(2,188)	10,732	8,544
Total Adjustments	(262,095)	10,783	(251,312)
Net Cash Provided/(Used) By Operating Activities	\$ (2,288,486)	\$ 24,098	\$ (2,264,388)
<b>Non-Cash Investing, Capital and Related Financing Activities</b>			
Fair Value of Food Distribution Program- National School Lunch Program	\$ 269,786		

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

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b><u>Agency Fund</u></b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 240,119	\$ 4,862,051
Due from Other Funds	30,391	77
Accounts Receivable		2,234
Cash with Fiscal Agent	<u>-</u>	<u>26,695</u>
 Total Assets	 <u>270,510</u>	 <u>\$ 4,891,057</u>
<b>LIABILITIES</b>		
Accrued Salaries and Wages		\$ 17,258
Payroll Deductions and Withholdings		4,449,937
Reserve for Flexible Spending		26,817
Due to Other Funds		56,346
Accounts Payable		10,950
Intergovernmental Payable	\$ 4,946	
Due to Student Groups	<u>-</u>	<u>329,749</u>
 Total Liabilities	 <u>4,946</u>	 <u>\$ 4,891,057</u>
<b>NET POSITION</b>		
Held In Trust For Unemployment Claims	 <u>\$ 265,564</u>	

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

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

	<b>Unemployment Compensation <u>Trust Fund</u></b>
<b>ADDITIONS</b>	
Contributions	
District	\$ 320,000
Employee	125,717
Investment Earnings	
Interest	<u>288</u>
Total Additions	<u>446,005</u>
<b>DEDUCTIONS</b>	
Unemployment Claims	<u>229,645</u>
Total Deductions	<u>229,645</u>
Change in Net Position	216,360
Net Position Beginning of Year	<u>49,204</u>
Net Position, End of Year	<u>\$ 265,564</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

**B. New Accounting Standards**

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

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



**WEST ORANGE 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.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Basis of Presentation - Financial Statements (Continued)**

**District-Wide Financial Statements**

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

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

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

**Fund Financial Statements**

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

The District reports the following major governmental funds:

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

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

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

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

The *summer enrichment fund* accounts for the activities of the District's summer enrichment program which provides a continuum that bridges essential skill from one grade level to the next.

Additionally, the government reports the following fund types:

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

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

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

**WEST ORANGE 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**

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.

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, tuition, rentals, 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.

**WEST ORANGE 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)**

**3. Inventories**

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

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

**4. Capital Assets**

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Site Improvements	20
Furniture and Equipment	10-15
Computer and Related Technology	5
Vehicles	8

**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.

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

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***5. Deferred Outflows/Inflows of Resources (Continued)***

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

***6. Compensated Absences***

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

***7. Pensions***

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and County of Essex 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. Gains resulting from debt refundings are classified as deferred inflows of resources and losses are reported as deferred outflows of resources. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Gains and losses resulting from debt refundings are also deferred and amortized over the life of the refunded bonds or new bonds whichever is less using the effective interest method. Bonds payable are reported with the unamortized bond premium or discount. Bond issuance costs (other than for prepaid insurance) are treated as an expense.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

8. *Long-Term Obligations (Continued)*

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

9. *Net Position/Fund Balance*

District-Wide Statements

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

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

Governmental Fund Statements

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

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

*Capital Reserve* – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 3C).

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

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

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

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

*Purchases on Order* – 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 amount are used only after the other resources have been used.

10. *Fund Balance Policies*

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

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

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.



**WEST ORANGE 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**

***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 1<sup>st</sup> in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

***3. Tuition Revenues and Expenditures***

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

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

***4. Proprietary Funds, Operating and Nonoperating Revenues and Expenses***

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

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

**NOTE 2 RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the district-wide statement of net position**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position– governmental activities as reported in the district-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable and net pension liability are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$(124,620,973) difference are as follows:

Bonds Payable	\$ (27,405,000)
Add: Issuance premium (to be amortized over life of debt)	(2,822,788)
Lease Purchase Agreements "COPS"	(26,935,000)
Capital Leases/Lease Purchase Agreements	(11,421,487)
Claims and Judgments Payable	(684,574)
Compensated Absences	(1,951,905)
Deferred Pension Obligation	(380,932)
Net Pension Liability - Essex County	(177,430)
Net Pension Liability - PERS	<u>(52,841,857)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ (124,620,973)</u>

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the district-wide statement of activities**

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$5,092,288 difference are as follows:

Debt issued or incurred:	
Lease purchase financing	\$ (545,531)
Principal repayments:	
General obligation bonds	2,105,000
Certificate of Participations	1,865,000
Down payments on capital leases/lease purchase agreements	<u>1,667,819</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 5,092,288</u>

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

**NOTE 3 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 general fund budget by \$503,608 and the original special revenue fund budget by \$1,382,947. The increase in the general fund budget was funded by the appropriation of prior year extraordinary aid of \$49,700 approved by the Board on December 14, 2017 and the reappropriation of prior year general fund encumbrances. The increase in the special revenue fund budget was funded by additional grant awards.

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.

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

**NOTE 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**B. Deficit Fund Equity**

The District has an unassigned fund deficit of \$377,415 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 deficit in the GAAP (fund) financial statements of \$377,415 in the General Fund is less than the delayed state aid payments 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.

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

Balance, July 1, 2017		\$	4,209
Increased by			
Interest Earnings	\$	17	
Deposits Approved by Board Resolution		<u>500,000</u>	
Total Increases			<u>500,017</u>
Balance, June 30, 2018		\$	<u>504,226</u>

**D. Transfers to Capital Outlay**

During the 2017/2018 school year, the district appropriated \$49,700 of 2016/2017 extraordinary aid to the non-equipment capital outlay accounts. The transfer was made to supplement a capital project approved by the County Superintendent to support an emergent circumstance at the Mt. Pleasant Elementary School pursuant to N.J.A.C. 6A:23A-13.3(h).

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

**NOTE 4 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 \$9,490,980 and bank and brokerage firm balances of the Board's deposits amounted to \$13,035,846. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" or "cash with fiscal agents" are categorized as:

**Depository Account**

Insured	\$ 13,009,151
Uninsured and Collateralized - Cash with Fiscal Agent	<u>26,695</u>
	<u>\$ 13,035,846</u>

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2018 the Board's bank balance of \$26,695 was exposed to custodial credit risk as follows:

**Depository Account**

Uninsured and Collateralized:

Collateral held by pledging financial institution's trust department in the Board's name	<u>\$ 26,695</u>
	<u>\$ 26,695</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**A. Cash Deposits and Investments (Continued)**

**Investments**

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

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

Investment and interest earnings in the Capital Projects Fund were transferred to the General Fund.

**B. Receivables**

Receivables as of June 30, 2018 for the district's individual major funds and fiduciary funds including are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Food Service</u>	<u>Agency Fiduciary Funds</u>		<u>Total</u>
				<u>Student Activities</u>	<u>Payroll Agency</u>	
Receivables:						
Accounts	\$ 248,782	\$ 8,033	\$ 19,204	\$ 60	\$ 2,174	\$ 278,253
Intergovernmental-						
Federal		519,807	119,648			639,455
State	343,189	-	2,528	-	-	345,717
	<u>591,971</u>	<u>527,840</u>	<u>141,380</u>	<u>60</u>	<u>2,174</u>	<u>1,263,425</u>
Total Receivables	\$ 591,971	\$ 527,840	\$ 141,380	\$ 60	\$ 2,174	\$ 1,263,425

**C. Unearned Revenue**

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

General Fund	
Rental Fees	\$ 5,966
Insurance Proceeds	174,221
Employees Health Insurance Reimbursements	61,606
Prepaid Tuition/Fees	21,797
Special Revenue Fund	
Unencumbered Local Grants Draw Downs	48,000
Grant Draw Downs Reserved for Encumbrances	143,663
Total Unearned Revenue for Governmental Funds	<u>\$ 455,253</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**D. Capital Assets**

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

	Balance, July 1, 2017	Increases	Decreases	Transfers	Balance, June 30, 2018
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 4,565,829	-			\$ 4,565,829
Construction in Progress	10,045,826	-	-	\$ (10,045,826)	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>14,611,655</b>	<b>-</b>	<b>-</b>	<b>(10,045,826)</b>	<b>4,565,829</b>
Capital Assets, Being Depreciated:					
Site Improvements	9,617,411				9,617,411
Buildings and Building Improvements	83,165,076	\$ 912,143		10,045,826	94,123,045
Machinery and Equipment	28,561,559	403,472	-	-	28,965,031
<b>Total Capital Assets Being Depreciated</b>	<b>121,344,046</b>	<b>1,315,615</b>	<b>-</b>	<b>-</b>	<b>132,705,487</b>
Less Accumulated Depreciation for:					
Site Improvements	(4,488,472)	(493,323)			(4,981,795)
Buildings and Building Improvements	(33,440,169)	(2,453,995)			(35,894,164)
Machinery and Equipment	(23,033,115)	(750,868)	-	-	(23,783,983)
<b>Total Accumulated Depreciation</b>	<b>(60,961,756)</b>	<b>(3,698,186)</b>	<b>-</b>	<b>-</b>	<b>(64,659,942)</b>
<b>Total Capital Assets, Being Depreciated, Net</b>	<b>60,382,290</b>	<b>(2,382,571)</b>	<b>-</b>	<b>-</b>	<b>68,045,545</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 74,993,945</b>	<b>\$ (2,382,571)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 72,611,374</b>

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	Balance, July 1, 2017	<u>Increases</u>	<u>Decreases</u>	Balance, June 30, 2018
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Furniture and Equipment	\$ 2,039,758	-	-	\$ 2,039,758
Total Capital Assets Being Depreciated	<u>2,039,758</u>	<u>-</u>	<u>-</u>	<u>2,039,758</u>
Less Accumulated Depreciation for:				
Furniture and Equipment	(1,423,596)	\$ (115,244)	-	(1,538,840)
Total Accumulated Depreciation	<u>(1,423,596)</u>	<u>(115,244)</u>	<u>-</u>	<u>(1,538,840)</u>
Total Capital Assets, Being Depreciated, Net	<u>(1,423,596)</u>	<u>(115,244)</u>	<u>-</u>	<u>(1,538,840)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 616,162</u>	<u>\$ (115,244)</u>	<u>\$ -</u>	<u>\$ 500,918</u>

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

<b>Governmental Activities:</b>	
Instruction	
Regular	\$ 206,489
Total Instruction	<u>206,489</u>
Support Services	
Student and Instruction Related Services	206,489
General Administrative Services	90,104
School Administrative Services	90,104
Plant Operations and Maintenance	3,014,896
Business and Other Support Services	<u>90,104</u>
Total Support Services	<u>3,491,697</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,698,186</u>
<b>Business-Type Activities:</b>	
Food Service Fund	<u>\$ 115,244</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 115,244</u>



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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**E. Interfund Receivables, Payables, and Transfers**

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

**Due To/From Other Funds**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Payroll Agency Fund	\$ 25,790
Payroll Agency Fund	General Fund	77
Special Revenue Fund	Payroll Agency Fund	165
Unemployment Compensation Trust Fund	Payroll Agency Fund	<u>30,391</u>
 Total		 <u>\$ 56,423</u>

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

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

**Interfund transfers**

	<u>Transfer In:</u>	
	<u>General Fund</u>	<u>Total</u>
Transfer Out:		
Capital Projects Fund	<u>\$ 8,745</u>	<u>\$ 8,745</u>
 Total transfers out	 <u>\$ 8,745</u>	 <u>\$ 8,745</u>

The above transfers are the result of revenues earned and/or other financing sources received in one fund to finance expenditures in another fund.

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**F. Leases**

**Operating Leases**

The District entered into a lease agreement for rental of a facility in conjunction with the District's preschool disabled program under noncancelable operating leases. The term of the lease is for a period of one year with the option to renew for four one year renewal terms. Lease payments for the fiscal year ended June 30, 2018 were \$258,934. The future minimum lease payments for these operating leases are as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Amount</u>
2019	258,934
2020	269,291
2021	269,291
2022	<u>269,291</u>
Total	<u>\$ 1,066,807</u>

**Capital Leases**

The District is leasing copiers, buses, computer supplies and various energy incentive program projects totaling \$14,414,574 under capital leases. The leases are for terms of 5 to 19 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Building Improvements	\$ 10,788,931
Machinery and Equipment	<u>715,959</u>
	<u>\$ 11,504,890</u>

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

NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases (Continued)

Capital Leases (Continued)

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

Fiscal Year Ending <u>June 30,</u>	Governmental <u>Activities</u>
2019	\$ 1,635,137
2020	1,008,506
2021	771,756
2022	765,989
2023	674,305
2024-2028	3,595,964
2029-2033	3,998,397
2034-2035	<u>1,721,281</u>
Total minimum lease payments	14,171,335
Less: amount representing interest	<u>(2,749,848)</u>
Present value of minimum lease payments	<u>\$ 11,421,487</u>

Lease Purchase Agreements

The District has entered into lease purchase agreements and issued refunding certificates of participation (“COPS”) as follows:

Improvements to various schools	10/22/2015	\$25,475,000
Improvements to various schools	7/14/2016	4,970,000

The maturity schedule of the remaining lease payments for principal and interest is as follows:

**Governmental Activities:**

Year Ending <u>June 30,</u>	<u>Certificates of Participation</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 1,825,000	\$ 979,219	\$ 2,804,219
2020	1,875,000	926,494	2,801,494
2021	1,935,000	867,544	2,802,544
2022	1,995,000	802,672	2,797,672
2023	2,480,000	708,550	3,188,550
2024-2028	12,010,000	1,835,500	13,845,500
2029-2030	<u>4,815,000</u>	<u>156,225</u>	<u>4,971,225</u>
Total	<u>\$ 26,935,000</u>	<u>\$ 6,276,204</u>	<u>\$ 33,211,204</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**G. Long-Term Debt**

**General Obligation Bonds**

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

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

\$31,535,000, 2012 Refunding Bonds, due in annual installments of \$1,935,000 to \$3,575,000 through November 1, 2027, interest at 2.625% to 5.000%	\$25,960,000
\$1,775,000, 2015 Refunding Bonds, due in annual installments of \$340,000 to \$380,000 through July 15, 2021 interest at 4.000%	<u>1,445,000</u>
Total	<u>\$27,405,000</u>

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

**Governmental Activities:**

Fiscal Year Ending	Bonds		Total
	Principal	Interest	
<u>June 30,</u>			
2019	\$ 2,275,000	\$ 1,005,132	\$ 3,280,132
2020	2,380,000	901,906	3,281,906
2021	2,485,000	794,481	3,279,481
2022	2,600,000	681,681	3,281,681
2023	2,325,000	572,081	2,897,081
2024-2028	<u>15,340,000</u>	<u>1,358,734</u>	<u>16,698,734</u>
Total	<u>\$ 27,405,000</u>	<u>\$ 5,314,015</u>	<u>\$ 32,719,015</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)	\$ 242,853,746
Less: Net Debt	<u>27,405,000</u>
Remaining Borrowing Power	<u>\$ 215,448,746</u>

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Other Long-Term Liabilities**

**Deferred Pension Obligation**

During the 2009/2010 school year the Board elected to contribute only 50% of its normal and accrued liability components of the Public Employee Retirement System (PERS) obligations and deferred the remaining 50% in accordance with P.L. 2009, c.19. The deferred amount totaled \$463,202 and is being paid back with interest over 15 years beginning in the 2011/2012 fiscal year. The District is permitted to payoff the deferred PERS pension obligations at any time. It is estimated that the total deferred liability including accrued interest (at 7.00% effective July 1, 2017), at June 30, 2018 is \$380,932.

**Board of Education Employees' Pension Fund of Essex County**

Plan Description

The Board of Education Employees' Pension Fund of Essex County (the "Plan"), is a multiple-employer contributory defined benefit pension plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey State administered pension plan created under prior New Jersey laws. The ECPF became effective April 16, 1929. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by New Jersey Statutes under Title 18A, and is administered by a Board of Trustees for the plan who is also responsible for the management and investment of Plan assets. The Board of Trustees consists of one active and five retirees elected Plan members.

Pursuant to New Jersey Public Law enacted in 1980, members were given the option to transfer their membership in the plan to the PERS. Approximately 2,775 members, 58% of the membership, elected to transfer to PERS effective July 1, 1981. The Plan is closed to new entrants.

Benefits Provided

Regular service retirement benefits are determined as 1/45<sup>th</sup> of the highest 3 year average salary multiplied by the member's years of credited service. A member may elect early retirement benefits if they are under age 60 and have at least 25 years of credited services. The Plan also offers a special veterans benefits, disability and deferred benefits. Group life insurance benefits and death benefits are available to be paid to beneficiaries if elected by the member.

For more complete information about the Plan agreement and vesting and benefit provisions, participants are referred to the pamphlet, *A Summary of Benefits*. Copies of this pamphlet are available from the Pension Fund Administration Office.

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$26,770 for fiscal year 2018.

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

**NOTE 4 DETAILED NOTES ON ALL FUNDS (Continued)**

**H. Other Long-Term Liabilities (Continued)**

**Board of Education Employees' Pension Fund of Essex County (Continued)**

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

At June 30, 2018, the District reported a liability of \$177,430 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2017, the District's proportion was 0.621%, which was an increase of .003% from its proportion measured as of June 30, 2016 of 0.618%.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to County of Essex pension from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 16,152
Total	<u>\$ 16,152</u>

**Changes in Long-Term Liabilities**

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

	Balance, July 1, 2017	Additions	Reductions	Balance, June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable	\$ 29,510,000		\$ (2,105,000)	\$ 27,405,000	\$ 2,275,000
Add: Unamortized Premium	<u>3,247,668</u>	-	<u>(424,880)</u>	<u>2,822,788</u>	-
Total Bonds Payable	32,757,668	-	(2,529,880)	30,227,788	2,275,000
Lease-Purchase Agreement ("COPS")	28,800,000		(1,865,000)	26,935,000	1,825,000
Capital Leases/Lease Purchase Agreements	12,543,775	\$ 545,531	(1,667,819)	11,421,487	1,335,125
Claims and Judgments		684,574		684,574	
Compensated Absences	2,047,833	43,247	(139,175)	1,951,905	
Deferred Pension Obligation	424,041	29,683	(72,792)	380,932	
Net Pension Liability					
PERS	69,826,044		(16,984,187)	52,841,857	
Essex County	<u>223,800</u>	-	<u>(46,370)</u>	<u>177,430</u>	-
Governmental Activities Long-Term Liabilities	<u>\$ 146,623,161</u>	<u>\$ 1,303,035</u>	<u>\$ (23,305,223)</u>	<u>\$ 124,620,973</u>	<u>\$ 5,435,125</u>

For the governmental activities, the liabilities for compensated absences, claims and judgements, deferred pension obligations capital lease/lease purchase agreements and net pension liability are generally liquidated by the general fund.

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

**NOTE 5 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 has established a worker's compensation plan for its employees. Transactions related to the plan are accounted for in the General Fund. The District funds the entire cost of the plan. Claims are paid directly by the plan up to a maximum of \$500,000 for any one accident or occurrence. The District has purchased excess average of \$1,000,000 from a commercial carrier for worker's compensation claims which exceed \$500,000 (individually or in the aggregate) self-insured risk retention. The self-insurance program is administered by a third party claims administrator. A contingent liability exists with respect to reinsurance, which would become an actual liability in the event the reinsuring company may not be able to meet their obligations to the District under existing reinsurance agreements.

Estimates of claims payable (case reserves) and of claims incurred, but not reported (IBNR) at June 30, 2018, are reported as claims and judgments payable and accrued liability for insurance claims, respectively. These estimates were determined based on claim information supplied by the claims administrator and actuary. The unpaid claims liability of \$850,749 reported at June 30, 2018 is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the balances of claims liabilities for the workmen's compensation plan for the fiscal years ended June 30, 2018 and 2017 are as follows:

<b>Governmental Activities:</b>	<u>Fiscal Year Ended</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Unpaid Claims, Beginning of Year	\$ 458,303	\$ 941,086
Incurred Claims	882,298	300,870
Claim Payments and Claims Adjustments	<u>(489,852)</u>	<u>(783,653)</u>
Unpaid Claims, End of Year	<u>\$ 850,749</u>	<u>\$ 458,303</u>
General Fund		
Other Current Liabilities	\$ 166,175	\$ 458,303
Governmental Activities		
Noncurrent Liabilities	<u>684,574</u>	<u>-</u>
	<u>\$ 850,749</u>	<u>\$ 458,303</u>

The District has obtained commercial package insurance policies for various types of insurance coverage including property, crime, comprehensive general liability, automobile coverage, student accident, surety bond and other liabilities.

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.

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

**NOTE 5 OTHER INFORMATION (Continued)**

**A. Risk Management (Continued)**

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

<u>Fiscal Year Ended June 30,</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018	\$ 125,717	\$ 320,000	\$ 229,645	\$ 265,564
2017	130,658	125,000	302,220	49,204
2016	158,933		341,451	95,728

**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 had no estimated its arbitrage earnings due to the IRS.

**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.



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

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

**Public Employees' Retirement System (PERS) (Continued)**

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 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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.

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

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

**NOTE 5 OTHER INFORMATION (Continued)**

**D. Employee Retirement Systems and Pension Plans (Continued)**

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> 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](http://www.state.nj.us/treasury/pensions).

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

**NOTE 5 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](http://www.state.nj.us/treasury/doinvest).

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

**NOTE 5 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.

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

**NOTE 5 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	\$ 2,102,908	\$ 9,408,436	\$ 66,011
2017	2,094,479	7,183,019	47,714
2016	1,990,553	4,900,024	36,652

In addition for fiscal years 2017/2018 and 2016/2017 the District contributed \$38,203 and \$16,274, respectively for PERS and the State contributed \$10,205 and \$11,110, 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 \$4,878,297 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.

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

**NOTE 5 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 \$52,841,857 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 .22700 percent, which was a decrease of .00876 percent from its proportionate share measured as of June 30, 2016 of .23576 percent.

For the fiscal year ended June 30, 2018, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$4,150,724 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:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference Between Expected and Actual Experience	\$ 1,244,243	
Changes of Assumptions	10,645,813	\$ 10,606,784
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	359,817	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>2,401,023</u>	<u>1,800,030</u>
Total	<u>\$ 14,650,896</u>	<u>\$ 12,406,814</u>

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

**NOTE 5 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	\$ 1,557,402
2020	1,557,399
2021	1,325,542
2022	(1,295,640)
2023	(900,621)
Thereafter	<u>-</u>
	<u>\$ 2,244,082</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.

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

**NOTE 5 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%



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

**NOTE 5 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:

	<b>1% Decrease (4.00%)</b>	<b>Current Discount Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 65,553,910</u>	<u>\$ 52,841,857</u>	<u>\$ 42,251,142</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](http://www.state.nj.us/treasury/pensions).

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

**NOTE 5 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 \$29,827,621 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 \$430,568,729. 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 .63860 percent, which was an increase of 0.02659 percent from its proportionate share measured as of June 30, 2016 of .61201 percent.

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

**NOTE 5 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.

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

NOTE 5 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%

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

NOTE 5 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</u> <u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2018	June 30, 2017	4.25%
2017	June 30, 2016	3.22%

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

Period of Projected Benefit

Payments for which the Following  
 Rates were Applied:

Long-Term Expected Rate of Return                      Through June 30, 2036

Municipal Bond Rate \*    From July 1, 2036  
 and Thereafter

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

*Sensitivity of Net Pension Liability*

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

	1% Decrease <u>(3.25%)</u>	Current Discount Rate <u>(4.25%)</u>	1% Increase <u>(5.25%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 511,529,156	\$ 430,568,729	\$ 363,873,177

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.

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

**NOTE 5 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](http://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](http://www.state.nj.us/treasury/pensions).

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

**NOTE 5 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.

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

**NOTE 5 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 \$6,076,708, \$5,985,089 and \$5,834,575, 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.



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

**NOTE 5 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 \$17,569,592. 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 \$245,217,433. 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 .45716 percent, which was an increase of .00185 from its proportionate share measured as of June 30, 2016 of .45531 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 *	
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.

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

**NOTE 5 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:

<b><u>Fiscal Year</u></b>	<b><u>Measurement Date</u></b>	<b><u>Discount Rate</u></b>
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.

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

**NOTE 5 OTHER INFORMATION (Continued)**

**E. Post-Retirement Medical Benefits (Continued)**

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

**Changes in the Total OPEB Liability**

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

	Total OPEB Liability (State Share 100%)
Balance, June 30, 2016 Measurement Date	\$ <u>263,311,980</u>
Changes Recognized for the Fiscal Year:	
Service Cost	\$ 13,227,808
Interest on the Total OPEB Liability	7,737,672
Changes of Assumptions	(32,396,771)
Gross Benefit Payments	(6,917,994)
Contributions from the Member	<u>254,738</u>
<b>Net Changes</b>	<b>\$ <u>(18,094,547)</u></b>
Balance, June 30, 2017 Measurement Date	\$ <u>245,217,433</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	\$ <u>291,090,784</u>	\$ <u>245,217,433</u>	\$ <u>208,830,255</u>

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

**NOTE 5 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>201,667,633</u>	\$ <u>245,217,433</u>	\$ <u>303,051,054</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. Subsequent Events**

On August 6, 2018, the District approved the appropriation of \$504,226 from the Capital Reserve into the 2018/2019 capital outlay budget in order to fund a project approved in the district's Long Range Facilities Plan.

On August 6, 2018, the District entered into two lease purchase agreements. The first agreement provides for the acquisition of various school buses in the amount of \$158,837. The lease term is five years at an annual interest rate of 4.680%. The second lease purchase agreement provides for the acquisition and installation of certain equipment in the amount of \$101,025. The lease term is three years at an annual interest rate of 5.010%.

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

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

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

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Local Tax Levy	\$ 133,615,444	\$ (500,000)	\$ 133,115,444	\$ 133,115,444	
Tuition-Other LEAs within the State	314,434		314,434	424,793	\$ 110,359
Tuition-Other Sources			-	47,282	47,282
Tuition-Individual/Preschool/Child Development Program	43,566		43,566	41,150	(2,416)
Rents and Royalties	175,000		175,000	109,488	(65,512)
Interest			-	22,963	22,963
Interest on Capital Reserve	10		10	17	7
After Care Fees			-	12,100	12,100
Miscellaneous	240,000	-	240,000	257,329	17,329
<b>Total Local Sources</b>	<u>134,388,454</u>	<u>(500,000)</u>	<u>133,888,454</u>	<u>134,030,566</u>	<u>142,112</u>
<b>State Sources</b>					
Special Education Aid	4,143,435		4,143,435	4,143,435	
Equalization Aid	1,731,112	500,000	2,231,112	3,234,482	1,003,370
Security Aid	440,321		440,321	440,321	
PARCC Readiness Aid	70,410		70,410	70,410	
Per Pupil Growth Aid	70,410		70,410	70,410	
Professional Learning Community Aid	67,900		67,900	67,900	
Transportation Aid	524,095		524,095	524,095	
Extraordinary Aid	1,400,000		1,400,000	1,733,271	333,271
Reimbursed Nonpublic Transportation Aid	100,000		100,000	101,063	1,063
Lead Testing for Schools Aid				19,116	19,116
TPAF Pension Contribution (On-Behalf)					
Normal Pension Contribution				9,185,526	9,185,526
NCGH Contributions				222,910	222,910
Long Term Disability Insurance				10,205	10,205
Post Retirement				6,076,708	6,076,708
TPAF Social Security Contribution (On-Behalf)	-	-	-	4,878,297	4,878,297
<b>Total State Sources</b>	<u>8,547,683</u>	<u>500,000</u>	<u>9,047,683</u>	<u>30,778,149</u>	<u>21,730,466</u>
<b>Federal Source</b>					
Medicaid Reimbursement	154,076	-	154,076	227,171	73,095
<b>Total Federal Sources</b>	<u>154,076</u>	<u>-</u>	<u>154,076</u>	<u>227,171</u>	<u>73,095</u>
<b>Total Revenues</b>	<u>143,090,213</u>	<u>-</u>	<u>143,090,213</u>	<u>165,035,886</u>	<u>21,945,673</u>
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES</b>					
<b>Instruction - Regular Programs</b>					
<b>Salaries of Teachers</b>					
Kindergarten	2,201,467	27,758	2,229,225	2,226,722	2,503
Grades 1-5	15,438,123	507,467	15,945,590	15,941,144	4,446
Grades 6-8	9,885,914	729,425	10,615,339	10,538,771	76,568
Grades 9-12	13,560,673	547,500	14,108,173	14,101,394	6,779
<b>Home Instruction</b>					
Salaries of Teachers	143,100	(31,900)	111,200	111,135	65
Purchased Professional- Educational Services	92,600	(48,100)	44,500	40,734	3,766
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	187,183	639,216	826,399	823,346	3,053
Unused Sick Payment to Terminated/Retired Staff	10,146	(10,146)	-	-	-
Purchased Professional- Educational Services		37,915	37,915	13,833	24,082
Purchased Technical Services	52,415	(48,490)	3,925	3,640	285
Other Purchased Services	1,028,923	45,000	1,073,923	1,058,454	15,489
General Supplies	2,310,520	(174,655)	2,135,865	2,055,248	80,617
General Supplies- Acquired Under Lease Purchase (Non-Budgeted)				545,531	(545,531)
Textbooks	222,585	(113,605)	108,980	103,695	5,285
Other Objects	10,482	2,500	12,982	10,502	2,480
<b>Total Regular Programs</b>	<u>45,144,131</u>	<u>2,109,885</u>	<u>47,254,016</u>	<u>47,574,129</u>	<u>(320,113)</u>
<b>Special Education</b>					
<b>Cognitive Mild</b>					
Salaries of Teachers	642,283	36,835	679,118	677,424	1,694
Other Salaries for Instruction	663,215	(162,211)	501,004	499,434	1,570
General Supplies	3,697	1,500	5,197	5,180	17
<b>Total Cognitive Mild</b>	<u>1,309,195</u>	<u>(123,876)</u>	<u>1,185,319</u>	<u>1,182,038</u>	<u>3,281</u>
<b>Learning and/or Language Disabilities</b>					
Salaries of Teachers	2,123,169	(316,565)	1,806,604	1,805,261	1,343
Other Salaries for Instruction	868,991	(39,851)	829,140	826,450	2,690
General Supplies	4,614	3,100	7,714	4,701	3,013
<b>Total Learning and/or Language Disabilities</b>	<u>2,996,774</u>	<u>(355,316)</u>	<u>2,641,458</u>	<u>2,636,412</u>	<u>7,046</u>
<b>Behavioral Disabilities</b>					
Salaries of Teachers	69,900	(34,000)	35,900	-	35,900
<b>Total Behavioral Disabilities</b>	<u>69,900</u>	<u>(34,000)</u>	<u>35,900</u>	<u>-</u>	<u>35,900</u>

WEST ORANGE BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENDITURES (Continued)</b>					
<b>Multiple Disabilities</b>					
Salaries of Teachers	\$ 106,903	\$ -	\$ 106,903	\$ 104,921	\$ 1,982
Other Salaries for Instruction	341,434	(36,272)	305,162	303,388	1,774
General Supplies	100	1,000	1,100	321	379
<b>Total Multiple Disabilities</b>	<b>448,437</b>	<b>(35,272)</b>	<b>413,165</b>	<b>408,630</b>	<b>4,535</b>
<b>Resource Room/Resource Center</b>					
Salaries of Teachers	6,039,091	(1,230,548)	4,808,543	4,796,326	12,217
Other Salaries for Instruction	796,706	231,294	1,028,000	1,021,793	6,207
General Supplies	5,732	6,700	12,432	11,193	1,239
<b>Total Resource Room</b>	<b>6,841,529</b>	<b>(992,554)</b>	<b>5,848,975</b>	<b>5,829,312</b>	<b>19,663</b>
<b>Artistic Program</b>					
Salaries of Teachers	576,387	16,137	592,524	587,756	4,768
Other Salaries of Instruction	1,061,825	(130,002)	931,823	924,472	7,351
Supplies	5,984	2,140	8,124	7,873	251
Other Objects	-	360	360	350	10
<b>Total Artistic Program</b>	<b>1,644,196</b>	<b>(111,365)</b>	<b>1,532,831</b>	<b>1,520,451</b>	<b>12,380</b>
<b>Preschool Disabilities - Part-Time</b>					
Salaries of Teachers	262,816	(15,209)	247,607	244,961	2,646
Other Salaries for Instruction	225,258	(50,858)	174,400	173,074	1,326
<b>Total Preschool Disabilities - Part-Time</b>	<b>488,074</b>	<b>(66,067)</b>	<b>422,007</b>	<b>418,035</b>	<b>3,972</b>
<b>Preschool Disabilities - Full-Time</b>					
Salaries of Teachers	223,575	108,200	331,775	330,828	947
Other Salaries for Instruction	501,222	47,894	549,116	548,406	710
General Supplies	9,022	15,000	24,022	23,837	185
<b>Total Preschool Disabilities - Full-Time</b>	<b>733,819</b>	<b>171,094</b>	<b>904,913</b>	<b>903,071</b>	<b>1,842</b>
<b>Home Instruction</b>					
Salaries of Teachers	333,900	(120,000)	213,900	212,396	1,504
Purchased Prof-Ed. Services	-	124,000	124,000	96,556	27,444
<b>Total Home Instruction</b>	<b>333,900</b>	<b>4,000</b>	<b>337,900</b>	<b>308,952</b>	<b>28,948</b>
<b>Special Programs- Instruction</b>					
Unused Sick Payment to Terminated/Retired Staff	8,778	(8,778)	-	-	-
<b>Total Special Programs- Instruction</b>	<b>8,778</b>	<b>(8,778)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Special Education</b>	<b>14,874,602</b>	<b>(1,550,134)</b>	<b>13,324,468</b>	<b>13,207,101</b>	<b>117,367</b>
<b>Basic Skills/Remedial</b>					
Salaries of Teachers	2,124,367	47,633	2,172,000	2,170,846	1,154
General Supplies	30,324	3,281	33,605	33,528	77
<b>Total Basic Skills/Remedial</b>	<b>2,154,691</b>	<b>50,914</b>	<b>2,205,605</b>	<b>2,204,374</b>	<b>1,231</b>
<b>Bilingual Education</b>					
Salaries of Teachers	1,163,781	8,374	1,172,155	1,171,501	654
General Supplies	7,808	71,430	79,238	53,386	25,852
<b>Total Bilingual Education</b>	<b>1,171,589</b>	<b>79,804</b>	<b>1,251,393</b>	<b>1,224,887</b>	<b>26,506</b>
<b>School Sponsored Co-Curricular Activities</b>					
Salaries	429,329	110,500	539,829	536,182	3,647
Purchased Services	21,550	15,800	37,350	33,760	3,590
Supplies and Materials	36,963	(7,400)	29,563	29,019	544
Other Objects	27,400	(4,650)	22,750	21,513	1,237
<b>Total School Sponsored Co-Curricular Activities</b>	<b>515,242</b>	<b>114,250</b>	<b>629,492</b>	<b>620,474</b>	<b>9,018</b>
<b>School Sponsored Athletics - Instruction</b>					
Salaries	1,095,062	(44,750)	1,050,312	1,041,928	8,384
Purchased Services	290,498	(91,696)	198,802	180,325	18,477
Supplies & Materials	160,222	(11,000)	149,222	139,723	9,497
Other Objects	46,852	(4,500)	42,352	41,683	669
<b>Total School Sponsored Athletics - Instruction</b>	<b>1,592,634</b>	<b>(151,946)</b>	<b>1,440,688</b>	<b>1,403,661</b>	<b>37,027</b>

WEST ORANGE BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
Total - Instruction	\$ 65,452,889	\$ 652,773	\$ 66,105,662	\$ 66,234,626	\$ (128,964)
Community Serv. Program-Operations					
Purchased Services	-	116,667	116,667	-	116,667
Total Community Serv. Program-Operations	-	116,667	116,667	-	116,667
<b>Undistributed Expenditures</b>					
<b>Instruction</b>					
Tuition to Other LEAs within the State-Reg.	146,462	(110,900)	35,562	35,239	323
Tuition to Other LEAs within the State-Spec.	1,458,367	(601,082)	857,285	840,680	16,605
Tuition to County Vocational School District-Reg.	78,221	(400)	77,821	77,728	93
Tuition to County Vocational School District-Spec.	98,463	(39,000)	59,463	58,266	1,197
Tuition to County Special Services - School Districts & Regional Day Schools	231,720	(76,000)	155,720	154,729	991
Tuition to Private Schools - Disabled w/ State	7,286,485	(602,102)	6,684,383	6,628,713	55,670
Tuition to Private Schools- Disabled & Other LEA o/s State	245,890	39,000	284,890	267,700	17,190
Total Undistributed Expenditures - Instruction	9,545,608	(1,390,484)	8,155,124	8,063,055	92,069
<b>Attendance and Social Work</b>					
Salaries	151,846	25,200	177,046	177,020	26
Purchased Prof & Tech Svc.	500	37,730	38,230	38,133	97
Other Purchased Services	200	-	200	200	-
Supplies & Materials	500	1,700	2,200	2,116	84
Total Attendance and Social Work	153,046	64,630	217,676	217,269	407
<b>Health Services</b>					
Salaries	1,224,073	17,000	1,241,073	1,239,135	1,938
Purchased Professional & Technical Services	75,892	5,100	80,992	72,457	8,535
Other Purchased Services	3,400	(200)	3,200	815	2,385
Supplies and Materials	29,664	6,878	36,542	29,680	6,862
Other Objects	5,113	(3,078)	2,035	1,610	425
Total Health Services	1,338,142	25,700	1,363,842	1,343,697	20,145
<b>Speech, OT, PT &amp; Related Services</b>					
Salaries	1,569,419	(70,450)	1,498,969	1,498,865	104
Purchased Professional/Educational Services	246,000	106,500	352,500	345,662	6,838
Travel	-	2,500	2,500	1,036	1,464
Supplies and Materials	8,674	7,104	15,778	15,135	643
Total Speech, OT, PT & Related Services	1,824,093	45,654	1,869,747	1,860,698	9,049
<b>Other Support Services Std- Extra Serv</b>					
Salaries of Other Professional Staff	723,190	(184,099)	539,091	531,916	7,175
Purchased Professional- Educational Services	379,000	(131,300)	238,700	237,543	1,157
Total Other Support Services Std- Extra Serv	1,093,190	(315,399)	777,791	769,459	8,332
<b>Guidance</b>					
Salaries of Other Professional Staff	2,699,969	2,252	2,702,221	2,702,049	172
Salaries of Secretarial and Clerical Assistants	356,056	48,000	404,056	401,937	2,119
Other Purchased Prof. and Tech. Services	176,277	5,661	181,938	181,019	919
Other Purchased Services	1,277	-	1,277	1,277	-
Supplies and Materials	29,552	(11,161)	18,391	12,896	5,495
Other Objects	370	500	870	860	10
Total Guidance	3,263,501	45,252	3,308,753	3,300,038	8,715
<b>Child Study Teams</b>					
Salaries of Other Professional Staff	3,237,365	(69,047)	3,168,318	3,168,238	80
Salaries of Secretarial and Clerical Assistants	327,457	77,100	404,557	404,237	320
Unused Vac Payment to Term/Retired Staff	7,717	947	8,664	8,664	-
Unused Sick Payment to Term/Retired Staff	17,200	(17,200)	-	-	-
Purchased Prof-Educational Services	44,790	10,400	55,190	46,437	8,753
Other Purchased Prof & Tech Svc.	10,040	27,250	37,290	37,046	244
Misc. Purchased Services	17,100	(10,200)	6,900	6,853	47
Supplies and Materials	24,096	10,098	34,194	33,883	311
Other Objects	-	250	250	150	100
Total Child Study Teams	3,685,765	29,598	3,715,363	3,705,528	9,835



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

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENDITURES (Continued)</b>					
Improvement of Instruction Services/ Other Support Services-Instructional Staff					
Salaries of Supervisor of Instruction	\$ 1,603,789	\$ (95,300)	\$ 1,508,489	\$ 1,500,714	\$ 7,775
Salaries of Other Professional Staff	97,675	99,199	196,874	196,791	83
Salaries of Sec and Clerical Assist.	77,105	3,801	80,906	80,906	-
Other Purchased Services	786	-	786	349	437
Supplies and Materials	1,000	-	1,000	817	183
Other Objects	1,157	-	1,157	801	356
<b>Total Improvement of Instruction Services/ Other Support Services-Instructional Staff</b>	<b>1,781,512</b>	<b>7,700</b>	<b>1,789,212</b>	<b>1,780,378</b>	<b>8,834</b>
Educational Media Services/School Library					
Salaries	1,087,746	(24,200)	1,063,546	1,063,467	79
Purchase Professional and Technical Services	11,000	8,500	19,500	17,468	2,032
Supplies and Materials	123,426	(6,395)	117,031	113,548	3,483
<b>Total Educational Media Services/School Library</b>	<b>1,222,172</b>	<b>(22,095)</b>	<b>1,200,077</b>	<b>1,194,483</b>	<b>5,594</b>
Instructional Staff Training Services					
Salaries of Other Professional Staff	2,000	34,100	36,100	35,941	159
Other Purchased Prof. And Tech. Services	116,854	(60,000)	56,854	51,665	5,189
Other Purchased Services	43,097	(14,760)	28,337	26,498	1,839
Supplies and Materials	47,912	(22,769)	25,143	24,018	1,125
Other Objects	35,000	(7,000)	28,000	4,250	23,750
<b>Total Instructional Staff Training Services</b>	<b>244,863</b>	<b>(70,429)</b>	<b>174,434</b>	<b>142,372</b>	<b>32,062</b>
Support Services General Administration					
Salaries	626,020	(18,200)	607,820	594,917	12,903
Legal Services	180,000	157,400	337,400	286,604	50,796
Audit Fees	75,150	10,500	85,650	73,646	12,004
Architectural/Engineering Services	84,700	1,000	85,700	68,441	17,259
Other Purchased Professional Services	102,900	4,940	107,840	91,140	16,700
Purchased Technical Services	74,683	(47,730)	26,953	26,873	80
Communications/Telephone	294,000	(13,961)	280,039	210,470	69,569
BOE Other Purchased Services	4,000	1,000	5,000	4,429	571
Misc. Purchased Services	276,201	66,260	342,461	341,907	554
General Supplies	5,900	-	5,900	5,426	474
BOE In-House Training/Meeting Supplies	15,550	600	16,150	15,979	171
Judgments against the School District	-	8,136	8,136	8,136	-
Miscellaneous Expenditures	7,664	1,000	8,664	8,419	245
BOE Membership Dues and Fees	28,200	(700)	27,500	26,925	575
<b>Total Support Services General Administration</b>	<b>1,774,968</b>	<b>170,245</b>	<b>1,945,213</b>	<b>1,763,312</b>	<b>181,901</b>
Support Services School Administration					
Salaries of Principals/Asst. Principals	3,887,042	54,808	3,941,850	3,920,754	21,096
Salaries of Secretarial and Clerical Assistants	1,854,945	(195,613)	1,659,332	1,657,109	2,223
Unused Sick Payment to Terminated/Retired Staff	17,200	(1,675)	15,525	15,524	1
Purchased Professional and Technical Services	2,500	8,750	11,250	11,250	-
Other Purchased Services	23,525	900	24,425	23,424	1,001
Supplies and Materials	66,588	11,559	78,147	73,738	4,409
Other Objects	1,415	1,600	2,415	2,341	74
<b>Total Support Services School Administration</b>	<b>5,853,215</b>	<b>(120,271)</b>	<b>5,732,944</b>	<b>5,704,140</b>	<b>28,804</b>
Central Services					
Salaries	1,481,521	(51,498)	1,430,023	1,427,054	2,969
Unused Vacation Payment to Terminated/Retired Staff	18,200	-	18,200	18,176	24
Unused Sick Payment to Terminated/Retired Staff	15,000	29,273	44,273	43,945	328
Purchased Professional Services	44,273	24,917	69,190	67,916	1,274
Purchased Technical Services	64,190	22,960	87,150	84,307	2,843
Misc. Purchased Services	85,050	(54,145)	30,905	28,648	2,257
Supplies and Materials	30,905	(10,891)	20,014	19,290	724
Miscellaneous Expenditures	5,714	(5,714)	-	-	-
<b>Total Central Services</b>	<b>1,744,853</b>	<b>(45,098)</b>	<b>1,699,755</b>	<b>1,689,336</b>	<b>10,419</b>
Administration - Information Technology Services					
Salaries	1,439,510	51,800	1,491,310	1,490,375	935
Purchased Technical Services	31,038	(17,200)	13,838	13,800	38
Other Purchased Services	18,100	(4,700)	13,400	13,370	30
Supplies and Materials	75,070	(12,400)	62,670	62,238	432
Other Objects	1,039	-	1,039	89	950
<b>Total Administration Information Technology Svcs.</b>	<b>1,564,757</b>	<b>17,500</b>	<b>1,582,257</b>	<b>1,579,872</b>	<b>2,385</b>

WEST ORANGE BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit C-1

EXPENDITURES	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENDITURES (Continued)</b>					
Required Maintenance for School Facilities					
Cleaning, Repair and Maintenance Services	\$ 981,627	\$ (81,600)	\$ 900,027	\$ 872,311	\$ 27,716
Lead Testing of Drinking Water		2,000	2,000	1,250	750
General Supplies	401,500	(121,600)	279,900	258,479	21,421
Other Objects	-	8,650	8,650	8,325	125
<b>Total Required Maint. For School Facilities</b>	<b>1,383,127</b>	<b>(192,550)</b>	<b>1,190,577</b>	<b>1,140,565</b>	<b>50,012</b>
<b>Custodial Services</b>					
Salaries	3,987,573	102,000	4,089,573	4,087,380	2,193
Salaries of Non-Instructional Aides	552,101	21,300	573,401	567,569	5,832
Purchased Professional & Technical Services		22,250	22,250	22,250	-
Cleaning, Repair and Maintenance Services	199,900	(27,009)	172,891	170,587	2,304
Rental of Land & Bldgs Other Than Lease	313,657	42,900	356,557	356,478	79
Lease Purchase Payments- Energy Savings	590,289	(52,250)	538,039	537,342	697
Other Purchased Property Services	125,000	23,000	148,000	141,413	6,587
Insurance	237,127	57,000	294,127	293,443	684
Miscellaneous Purchased Services	3,000	-	3,000	890	2,110
General Supplies	262,150	79,108	341,258	325,851	15,407
Energy (Natural Gas)	169,000	217,000	386,000	380,485	5,515
Energy (Electricity)	1,034,711	165,000	1,199,711	1,179,502	20,209
Energy (Gasoline)	35,000	1,400	36,400	36,122	278
Other Objects	22,500	(7,525)	14,975	14,687	288
<b>Total Custodial Services</b>	<b>7,532,008</b>	<b>644,174</b>	<b>8,176,182</b>	<b>8,113,999</b>	<b>62,183</b>
<b>Care and Upkeep of Grounds</b>					
Salaries	486,656	33,700	520,356	520,352	4
Cleaning, Repair and Maintenance Svc.	230,000	50,473	280,473	279,506	967
General Supplies	75,000	(31,125)	43,875	42,321	1,554
<b>Total Care and Upkeep of Grounds</b>	<b>791,656</b>	<b>53,048</b>	<b>844,704</b>	<b>842,179</b>	<b>2,525</b>
<b>Security</b>					
Salaries	488,266	138,600	626,866	622,407	4,459
Cleaning, Repair and Maintenance Svc.	176,620	69,000	245,620	227,967	17,653
General Supplies	245,752	(130,771)	114,981	95,787	19,194
<b>Total Security</b>	<b>910,638</b>	<b>76,829</b>	<b>987,467</b>	<b>946,161</b>	<b>41,306</b>
<b>Student Transportation Services</b>					
Non-Instructional Aides	398,519	9,000	407,519	407,055	464
Salaries for Pupil Trans (Bet. Home & Sch)-Reg.	434,265	3,000	437,265	435,523	1,742
Salaries for Pupil Trans (Bet. Home & Sch)-Sp Ed.	740,104	-	740,104	722,995	17,109
Salaries for Pupil Trans (Other than Bet. Home & Sch)	150,000	(80,000)	70,000	65,904	4,096
Management Fee- ESC & CTSA Trans. Program	53,200	2,000	55,200	54,465	735
Other Purchased Professional & Technical Services	20,000	-	20,000	10,321	9,679
Cleaning, Repair and Maintenance Svc.	177,200	(36,545)	140,655	122,364	18,291
Lease Purchase Payments- School Buses	151,436	-	151,436	151,435	1
Contract Services- Aid in Lieu Pymts-NonPub Sch	309,400	29,000	338,400	335,680	2,720
Contracted Services (Bet. Home and School)- Vendors	3,842,914	(54,700)	3,788,214	3,772,490	15,724
Contracted Services (Oth. Than Bet Home & School)- Vendors	134,438	126,000	260,438	242,877	17,561
Contracted Services (Sp. Ed. Stds)- Vendors	28,241	-	28,241	24,665	3,576
Contracted Services ( Special Education Students)- Joint Agreements	3,000	(3,000)	-	-	-
Contracted Services (Reg. Students)-ESCs & CTSA	405,000	13,000	418,000	396,680	21,320
Contracted Services (Spec. Ed. Students)-ESCs & CTSA	2,240,000	30,500	2,270,500	2,242,783	27,717
Travel	-	800	800	711	89
Misc. Purchased Services	85,100	(500)	84,600	80,928	3,672
General Supplies	12,210	-	12,210	6,185	6,025
Transportation Supplies	100,000	-	100,000	82,090	17,910
Other Objects	6,000	1,000	7,000	6,091	909
<b>Total Student Transportation Services</b>	<b>9,291,027</b>	<b>39,555</b>	<b>9,330,582</b>	<b>9,161,242</b>	<b>169,340</b>
<b>Unallocated Benefits - Employee Benefits</b>					
Group Insurance	1,300	100	1,400	1,384	16
Social Security Contributions	2,100,000	(129,000)	1,971,000	1,940,198	30,802
Other Retirement Contribution-ERIP	27,000	-	27,000	26,770	230
Other Retirement Contribution-DCRP	52,000	24,000	76,000	66,011	9,989
Other Retirement Contribution-PERS	2,443,503	(300,992)	2,142,511	2,142,486	25
Other Retirement Contribution - PERS Deferred Pension Obligation		75,000	75,000	72,792	2,208
Unemployment Compensation	322,967	-	322,967	320,000	2,967
Worker's Compensation	358,000	(157,500)	200,500	197,724	2,776
Health Benefits	17,245,068	(44,453)	17,200,615	17,184,368	16,247
Tuition Reimbursement	305,000	243,505	548,505	413,581	134,924
Other Employee Benefits	41,900	730,345	772,245	754,048	18,197
Unused Sick Payment to Terminated/Retired Staff	-	141,699	141,699	139,175	2,524
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>22,896,738</b>	<b>582,704</b>	<b>23,479,442</b>	<b>23,258,537</b>	<b>220,905</b>

WEST ORANGE BOARD OF EDUCATION  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Exhibit C-1

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES</b>					
<b>CURRENT EXPENDITURES (Continued)</b>					
TPAF Pension Contribution (Non Budgeted)					
Normal Pension Contribution				\$ 9,185,526	\$ (9,185,526)
NCGI Contributions				222,910	(222,910)
Long Term Disability Insurance				10,205	(10,205)
Post Retirement				6,076,708	(6,076,708)
TPAF Social Security Contribution (Non Budgeted)	-	-	-	4,878,297	(4,878,297)
	-	-	-	20,373,646	(20,373,646)
<b>Total Undistributed Expenditures</b>	<b>\$ 77,894,879</b>	<b>\$ (237,070)</b>	<b>\$ 77,657,809</b>	<b>96,949,966</b>	<b>(19,292,157)</b>
<b>Total Current Expenditures</b>	<b>143,347,768</b>	<b>415,703</b>	<b>143,763,471</b>	<b>163,184,592</b>	<b>(19,421,121)</b>
<b>CAPITAL OUTLAY</b>					
Equipment					
Grades 1-5		-			2
Grades 6-8	6,417	2,581	8,998	8,996	
Grades 9-12	40,723	1,634	42,357	42,356	1
Preschool Disabilities- Full Time		3,299	3,299	3,299	-
School Sponsored and Other Instructional Programs	12,750	-	12,750	9,615	3,135
Undistributed Expenditures					
Instructional	42,500	1,318	43,818	35,563	8,255
Support Services-Students-Special		2,100	2,100	2,080	20
General Admin		2,400	2,400	2,397	3
Admin Info Tech.	94,344	19,886	114,230	111,199	3,031
Custodial Services		3,190	3,190	3,190	-
Care and Upkeep of Grounds	28,500	34,667	63,167	63,101	66
Security	-	17,130	17,130	17,130	-
<b>Total Equipment</b>	<b>225,234</b>	<b>88,205</b>	<b>313,439</b>	<b>298,926</b>	<b>14,513</b>
Facilities and Acquisitions					
Construction Services	120,000	49,700	169,700	169,038	662
Assessment for Debt Service on SDA Funding	114,991	-	114,991	114,991	-
<b>Total Facilities and Acquisitions</b>	<b>234,991</b>	<b>49,700</b>	<b>284,691</b>	<b>284,029</b>	<b>662</b>
Interest Deposit to Capital Reserve	10	-	10	-	10
<b>Total Capital Outlay</b>	<b>460,235</b>	<b>137,905</b>	<b>598,140</b>	<b>582,955</b>	<b>15,185</b>
<b>TRANSFER OF FUNDS TO CHARTER SCHOOLS</b>					
Transfer of Funds to Charter Schools	182,210	(50,000)	132,210	126,350	5,860
<b>Total Transfer of Funds to Charter Schools</b>	<b>182,210</b>	<b>(50,000)</b>	<b>132,210</b>	<b>126,350</b>	<b>5,860</b>
<b>Total Expenditures - General Fund</b>	<b>143,990,213</b>	<b>503,608</b>	<b>144,493,821</b>	<b>163,893,897</b>	<b>(19,400,076)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(900,000)	(503,608)	(1,403,608)	1,141,989	2,545,597
Other Financing Sources (Uses)					
Transfers In				8,745	8,745
Lease Purchase Proceeds	-	-	-	545,531	545,531
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>554,276</b>	<b>554,276</b>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Financing Sources	(900,000)	(503,608)	(1,403,608)	1,696,265	3,099,873
Fund Balances, Beginning of Year	3,834,496	-	3,834,496	3,834,496	-
Fund Balances, End of Year	<b>\$ 2,934,496</b>	<b>\$ (503,608)</b>	<b>\$ 2,430,888</b>	<b>\$ 5,530,761</b>	<b>\$ 3,099,873</b>

Recapitulation of Fund Balance

Restricted					
Capital Reserve				\$ 504,226	
Committed					
Year-End Encumbrances				116,667	
Assigned					
Year-End Encumbrances				242,463	
Designated in Subsequent Year's Budget (2018/19 Budget)				2,500,000	
Unassigned Fund Balance				2,167,405	
				5,530,761	
Less State Aid not Recognized on a GAAP Basis				(2,544,820)	
Fund Balance per Governmental Funds (GAAP)				<b>\$ 2,985,941</b>	

**WEST ORANGE BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local Sources		\$ 390,886	\$ 390,886	\$ 285,166	\$ (105,720)
State Sources	466,482	160,276	626,758	589,654	(37,104)
Federal Sources	2,489,547	831,785	3,321,332	3,063,487	(257,845)
Total Revenues	<u>2,956,029</u>	<u>1,382,947</u>	<u>4,338,976</u>	<u>3,938,307</u>	<u>(400,669)</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries of Teachers	744,606	104,127	848,733	844,780	3,953
Purchased Prof & Technical Services		14,223	14,223	14,223	-
Purchased Professional- Educational Services	269,795	(35,966)	233,829	204,821	29,008
Tuition	1,261,835	272,289	1,534,124	1,519,263	14,861
General Supplies	224,143	47,211	271,354	199,300	72,054
Textbooks	73,736	7,722	81,458	78,178	3,280
Total Instruction	<u>2,574,115</u>	<u>409,606</u>	<u>2,983,721</u>	<u>2,860,565</u>	<u>123,156</u>
Support Services					
Salaries		24,053	24,053	7,796	16,257
Salaries of Program Directors	30,000	6,000	36,000	36,000	-
Employee Benefits	99,123	165,231	264,354	262,806	1,548
Purchased Prof. and Technical Services	3,384	66,189	69,573	57,277	12,296
Purchased Professional-Education Services	244,831	270,690	515,521	323,340	192,181
Cleaning, Repair and Maintenance Services		108,655	108,655	79,139	29,516
Other Purchased Services	4,576	87,922	92,498	76,402	16,096
General Supplies		64,051	64,051	54,844	9,207
Other Objects	-	1,382	1,382	1,382	-
Total Support Services	<u>381,914</u>	<u>794,173</u>	<u>1,176,087</u>	<u>898,986</u>	<u>277,101</u>
Facilities Acquisition and Construction Services					
Instructional Equipment	-	24,483	24,483	24,483	-
Non-Instructional Equipment	-	154,685	154,685	154,273	412
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>179,168</u>	<u>179,168</u>	<u>178,756</u>	<u>412</u>
Total Expenditures	<u>2,956,029</u>	<u>1,382,947</u>	<u>4,338,976</u>	<u>3,938,307</u>	<u>400,669</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**

**WEST ORANGE 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>
<b>Sources/Inflows of Resources</b>		
Actual revenue amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 165,035,886	\$ 3,938,307
Differences - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2018		(143,663)
State Aid Payments not recognized for GAAP purposes, not recognized for budgetary statements (2016/17 State Aid)	2,619,891	
State Aid Payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year (2017/2018 State Aid)	<u>(2,544,820)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 165,110,957</u>	<u>\$ 3,794,644</u>
<b>Uses/Outflows of Resources</b>		
Actual expenditure amounts (budgetary basis) (Exhibits C-1 and C-2)	\$ 163,893,897	\$ 3,938,307
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances, June 30, 2018	<u>\$ -</u>	<u>(143,663)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds (Exhibit B-2)	<u>\$ 163,893,897</u>	<u>\$ 3,794,644</u>

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

**PENSION  
AND**

**OTHER POST-EMPLOYMENT BENEFITS INFORMATION**

WEST ORANGE 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)	0.22700%	0.23576%	0.22313%	0.21477%	0.22573%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 52,841,857</u>	<u>\$ 69,826,044</u>	<u>\$ 50,089,583</u>	<u>\$ 42,264,361</u>	<u>\$41,048,410</u>
District's Covered-Employee Payroll	<u>\$ 14,850,275</u>	<u>\$ 14,500,632</u>	<u>\$ 14,864,513</u>	<u>\$ 15,149,651</u>	<u>\$15,849,310</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	355.83%	481.54%	336.97%	278.98%	258.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%	48.72%	52.08%

68 \* 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.



WEST ORANGE BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT 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	\$ 2,102,908	\$ 2,094,479	\$ 1,990,053	\$ 1,931,610	1,687,381
Contributions in Relation to the Contractually Required Contribution	<u>2,102,908</u>	<u>(2,094,479)</u>	<u>(1,990,553)</u>	<u>(1,931,610)</u>	<u>(1,687,381)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	<u>\$ 14,850,275</u>	<u>\$ 14,500,632</u>	<u>\$ 14,864,513</u>	<u>\$ 15,149,651</u>	<u>\$ 15,849,310</u>
Contributions as a Percentage of Covered-Employee Payroll	14.16%	14.44%	13.39%	12.75%	10.65%

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.

**WEST ORANGE 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>\$ 430,568,729</u>	<u>\$ 481,449,331</u>	<u>\$ 378,058,467</u>	<u>\$ 315,386,995</u>	<u>\$ 298,375,976</u>
District's Covered-Employee Payroll	<u>\$ 63,037,056</u>	<u>\$ 63,399,497</u>	<u>\$ 63,894,046</u>	<u>\$ 63,901,803</u>	<u>\$ 61,049,803</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	683.04%	759.39%	591.70%	493.55%	488.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%	33.64%	33.76%

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\* 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.

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

Board of Education Employees' Pension Fund of Essex County

Last Five Fiscal Years\*

	2018	2017	2016	2015	2014
District's Proportion of the Net Position Liability (Asset)	0.621%	0.618%	0.618%	0.639%	0.667%
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 177,430</u>	<u>\$ 223,800</u>	<u>\$ 220,610</u>	<u>\$ 246,206</u>	<u>\$ 265,826</u>
District's Covered-Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.00%	0.00%	0.00%	75.92%	76.05%

\* Fiduciary Net Position Excludes an Amount Designated for Insurance Benefits of \$18,914,961 for fiscal year ending June 30, 2014 and \$19,628,046 for the fiscal year ending June 30, 2015.

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

WEST ORANGE BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 Board of Education Employees' Pension Fund of Essex County  
 Last Five Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 26,770	\$ 25,280	\$ 25,596	\$ 37,410	\$ 31,418
Contributions in Relation to the Contractually Required Contribution	<u>(26,770)</u>	<u>(25,280)</u>	<u>(25,596)</u>	<u>(37,410)</u>	<u>(31,418)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Employee Payroll	0%	0%	0%	0%	0%

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

**WEST ORANGE 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 position liability and statutorily required employer contribution are presented in Note 4 and Note 5.

**WEST ORANGE 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\***

	<b>2018</b>
<b>Total OPEB Liability</b>	
Service Cost	\$ 13,227,808
Interest on Total OPEB Liability	7,737,672
Changes of Assumptions	(32,396,771)
Gross Benefit Payments	(6,917,994)
Contribution from the Member	254,738
<b>Net Change in Total OPEB Liability</b>	(18,094,547)
<b>Total OPEB Liability - Beginning</b>	263,311,980
<b>Total OPEB Liability - Ending</b>	\$ 245,217,433
District's Proportionate Share of OPEB Liability	\$ -
State's Proportionate Share of OPEB Liability	245,217,433
Total OPEB Liability - Ending	\$ 245,217,433
District's Covered-Employee Payroll	\$ 77,887,331
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.

**WEST ORANGE 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 5.

**SPECIAL REVENUE FUND**



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

	Title III- Immigrant	Title I	Carl A. Perkins	IDEA Basic	IDEA Preschool	Title IIA	Nonpublic Technology	Nonpublic Textbooks	Nonpublic Nursing	Total Page 2	Total
<b>REVENUES</b>											
Local										\$ 285,166	\$ 285,166
State										311,830	589,654
Federal	\$ 19,261	\$ 1,013,836	\$ 57,716	\$ 1,637,475	\$ 65,695	\$ 186,797	\$ 55,019	\$ 78,178	\$ 144,627	82,707	3,063,487
<b>Total Revenues</b>	<b>\$ 19,261</b>	<b>\$ 1,013,836</b>	<b>\$ 57,716</b>	<b>\$ 1,637,475</b>	<b>\$ 65,695</b>	<b>\$ 186,797</b>	<b>\$ 55,019</b>	<b>\$ 78,178</b>	<b>\$ 144,627</b>	<b>\$ 679,703</b>	<b>\$ 3,938,307</b>
<b>EXPENDITURES</b>											
<b>Instruction</b>											
Salaries of Teachers		\$ 703,546				\$ 96,787				\$ 44,447	\$ 844,780
Purchased Prof. and Technical Services		1,125	\$ 13,098							-	14,223
Purchased Prof-Educational Services										204,821	204,821
Textbooks								\$ 78,178		-	78,178
Tuition				\$ 1,453,568	\$ 65,695						1,519,263
Supplies	\$ 19,261	33,410	21,616	5,194	-	-	\$ 49,429	-	-	70,390	199,300
<b>Total Instruction</b>	<b>19,261</b>	<b>738,081</b>	<b>34,714</b>	<b>1,458,762</b>	<b>65,695</b>	<b>96,787</b>	<b>49,429</b>	<b>78,178</b>	<b>-</b>	<b>319,658</b>	<b>2,860,565</b>
<b>Support Services</b>											
Salaries		3,404	4,392							-	7,796
Salaries of Program Directors		36,000								-	36,000
Employee Benefits		225,050	336			35,488				1,932	262,806
Purchased Prof. and Technical Services		7,600								49,677	57,277
Purchased Professional-Educational Services				178,713					\$ 144,627		323,340
Cleaning, Repair and Maintenance Services		2,360	2,997			54,522				79,139	79,139
Other Purchased Services		1,341								16,523	76,402
Supplies										53,503	54,844
Other Objects	-	-	-	-	-	-	1,382	-	-	-	1,382
<b>Total Support Services</b>	<b>-</b>	<b>275,755</b>	<b>7,725</b>	<b>178,713</b>	<b>-</b>	<b>90,010</b>	<b>1,382</b>	<b>-</b>	<b>144,627</b>	<b>200,774</b>	<b>898,986</b>
<b>Facilities Acquisition and Construction Services</b>											
Instructional Equipment			15,277				4,208			4,998	24,483
Non-Instructional Equipment										154,273	154,273
<b>Total Facilities Acquisition and Construction Services</b>	<b>-</b>	<b>-</b>	<b>15,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,208</b>	<b>-</b>	<b>-</b>	<b>159,271</b>	<b>178,756</b>
<b>Total Expenditures</b>	<b>\$ 19,261</b>	<b>\$ 1,013,836</b>	<b>\$ 57,716</b>	<b>\$ 1,637,475</b>	<b>\$ 65,695</b>	<b>\$ 186,797</b>	<b>\$ 55,019</b>	<b>\$ 78,178</b>	<b>\$ 144,627</b>	<b>\$ 679,703</b>	<b>\$ 3,938,307</b>

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

	Title III	Title IV	Temporary Emergency Impact Aid	Non Public Chapter 192 ESL	Compens. Education	Nonpublic Security	Exam. And Class	Non Public Chapter 193 Corrective Speech	Supplem. Instruction	Local Grants	Total Page 2
<b>REVENUES</b>											
Local										\$ 285,166	\$ 285,166
State				\$ 903	\$ 5,846	\$ 107,009	\$ 145,790	\$ 17,231	\$ 35,051		311,830
Federal	\$ 56,488	\$ 9,219	\$ 17,000	-	-	-	-	-	-	-	82,707
<b>Total Revenues</b>	<b>\$ 56,488</b>	<b>\$ 9,219</b>	<b>\$ 17,000</b>	<b>\$ 903</b>	<b>\$ 5,846</b>	<b>\$ 107,009</b>	<b>\$ 145,790</b>	<b>\$ 17,231</b>	<b>\$ 35,051</b>	<b>\$ 285,166</b>	<b>\$ 679,703</b>
<b>EXPENDITURES</b>											
<b>Instruction</b>											
Salaries of Teachers	\$ 18,000	\$ 7,252								\$ 19,195	\$ 44,447
Purchased Prof. and Technical Services				\$ 903	\$ 5,846		\$ 145,790	\$ 17,231	\$ 35,051		204,821
Purchased Professional-Educational Services											-
Textbooks											-
Supplies	28,414	734	\$ 17,000			\$ 3,603				20,639	70,390
Other Objects	-	-	-	-	-	-	-	-	-	-	-
<b>Total Instruction</b>	<b>46,414</b>	<b>7,986</b>	<b>17,000</b>	<b>903</b>	<b>5,846</b>	<b>3,603</b>	<b>145,790</b>	<b>17,231</b>	<b>35,051</b>	<b>39,834</b>	<b>319,658</b>
<b>Support Services</b>											
Salaries											-
Salaries of Program Directors											-
Purchased Prof. and Technical Services						49,677					49,677
Employee Benefits	1,377	555									1,932
Cleaning, Repair and Maintenance Services						53,729				25,410	79,139
Other Purchased Services	8,697	678								7,148	16,523
Supplies	-	-	-	-	-	-	-	-	-	53,503	53,503
<b>Total Support Services</b>	<b>10,074</b>	<b>1,233</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>86,061</b>	<b>200,774</b>
<b>Facilities Acquisition and Construction</b>											
Instructional Equipment										4,998	4,998
Non- Instructional Equipment										154,273	154,273
<b>Total Facilities Acquisition and Construction</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,271</b>	<b>159,271</b>
<b>Total Expenditures</b>	<b>\$ 56,488</b>	<b>\$ 9,219</b>	<b>\$ 17,000</b>	<b>\$ 903</b>	<b>\$ 5,846</b>	<b>\$ 107,009</b>	<b>\$ 145,790</b>	<b>\$ 17,231</b>	<b>\$ 35,051</b>	<b>\$ 285,166</b>	<b>\$ 679,703</b>

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

THIS SCHEDULE IS NOT APPLICABLE

**CAPITAL PROJECTS FUND**

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

<u>Issue/Project Title</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Balance,</u>
		<u>Prior Year</u>	<u>Current Year</u>	<u>June 30, 2018</u>
Energy Savings Incentive Program	\$ 11,520,000	\$ 10,767,941	\$ 752,059	\$ -
	<u>\$ 11,520,000</u>	<u>\$ 10,767,941</u>	<u>\$ 752,059</u>	<u>\$ -</u>
Project Balances, June 30, 2018				\$ -
Reserved for Payment of Lease Purchase				<u>-</u>
Fund Balance, June 30, 2018 (GAAP Basis)				<u>\$ -</u>
<b><u>Recapitulation of Fund Balance</u></b>				
Restricted:				
Year-End Encumbrances				
Available for Capital Projects				
Reserved for Payment of Lease Purchase				<u>-</u>
Total Fund Balance - Restricted for Capital Projects				<u>\$ -</u>

**WEST ORANGE BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**REVENUES AND OTHER FINANCING SOURCES**

## Revenues

Interest Income	\$ <u>2,509</u>
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Total Revenues	<u>2,509</u>
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**EXPENDITURES AND OTHER FINANCING USES**

## Expenditures

Construction Services	743,105
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Supplies	5,030
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## Other Financing Uses

Transfer to General Fund - Unexpended Lease Proceeds	3,924
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Transfer to General Fund - Reserve for Payment of Lease	<u>4,821</u>
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Total Expenditures and Other Financing Uses	<u>756,880</u>
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Deficiency of Revenues Under Expenditures and Other Financing Uses	(754,371)
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Fund Balance, July 1, 2017	<u>754,371</u>
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Fund Balance, June 30, 2018	<u>\$ -</u>
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**WEST ORANGE BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS  
2016 ESIP LEASE  
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>
<b>Revenues and Other Financing Sources</b>				
Lease Proceeds	\$ 11,520,000	-	\$ 11,520,000	\$ 11,520,000
Total Revenues and Other Financing Sources	<u>11,520,000</u>	<u>-</u>	<u>11,520,000</u>	<u>11,520,000</u>
<b>Expenditures and Other Financing Uses</b>				
Construction Services	10,027,657	\$ 743,105	10,770,762	10,770,762
Purchased Professional and Technical Services	699,732		699,732	699,732
Equipment	18,169		18,169	18,169
Supplies	21,383	5,030	26,413	26,413
Miscellaneous	1,000	-	1,000	1,000
Transfer to General Fund	-	3,924	3,924	3,924
Total Expenditures and Other Financing Uses	<u>10,767,941</u>	<u>752,059</u>	<u>11,520,000</u>	<u>11,520,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 752,059</u>	<u>\$ (752,059)</u>	<u>\$ -</u>	<u>\$ -</u>

## Additional Project Information:

Project Number	N/A
Grant Date	N/A
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 11,520,000
Additional Authorized Cost	\$ -
Revised Authorized Cost	\$ 11,520,000

Percentage Increase Over Original Authorized Cost	
Percentage Completion	100%
Original Target Completion Date	2016/2017
Revised Target Completion Date	2017/2018

**ENTERPRISE FUNDS**



**EXHIBIT G-1**

**WEST ORANGE BOARD OF EDUCATION  
ENTERPRISE FUNDS  
COMBINING STATEMENT OF NET POSITION  
AS OF JUNE 30, 2018**

THIS SCHEDULE IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

**EXHIBIT G-2**

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

THIS SCHEDULE IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

**EXHIBIT G-3**

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

THIS SCHEDULE IS NOT APPLICABLE

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

**FIDUCIARY FUNDS**

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

	<u>Student</u> <u>Activity</u>	<u>Agency</u> <u>Payroll</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 340,639	\$ 4,521,412	\$ 4,862,051
Accounts Receivable	60	2,174	2,234
Due from Other Funds		77	77
Cash with Fiscal Agent	-	26,695	26,695
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 340,699</u>	<u>\$ 4,550,358</u>	<u>\$ 4,891,057</u>
<b>LIABILITIES</b>			
Due to Student Groups	\$ 329,749		\$ 329,749
Interfund Accounts Payable:			
General Fund		\$ 25,790	25,790
Special Revenue Fund		165	165
Unemployment Fund		30,391	30,391
Accounts Payable	10,950		10,950
Accrued Salaries and Wages		17,258	17,258
Payroll Deductions and Withholdings		4,449,937	4,449,937
Reserve for Flexible Spending	-	26,817	26,817
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>\$ 340,699</u>	<u>\$ 4,550,358</u>	<u>\$ 4,891,057</u>

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

THIS STATEMENT IS NOT APPLICABLE

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

**WEST ORANGE BOARD OF EDUCATION  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2018</u>
<b>Due to Student Groups</b>				
<b>ELEMENTARY SCHOOLS</b>				
Gregory	\$ 3,154	\$ 4,103	\$ 3,708	\$ 3,549
Saint Cloud	6,156	12,509	16,979	1,686
Hazel Avenue	4,916	1,935	1,742	5,109
Kelly School (Formerly Pleasantdale)	9,642	4,854	12,045	2,451
Washington	3,779	3,128	3,777	3,130
Mount Pleasant	2,181	4,361	4,517	2,025
Redwood	11,395	11,632	21,226	1,801
<b>MIDDLE SCHOOLS</b>				
Roosevelt	47,061	197,903	213,013	31,951
Edison	6,874	42,216	42,934	6,156
Liberty	46,941	94,770	112,775	28,936
<b>SENIOR HIGH SCHOOL</b>				
West Orange High School	283,617	293,923	337,271	240,269
<b>ATHLETICS</b>				
High School	6,270	90,248	93,832	2,686
Roosevelt Middle School	3,690	4,323	8,013	-
Liberty Middle School	4,001	4	4,005	-
<b>Accounts Receivable</b>		(60)		(60)
<b>Interfund Payable</b>	17,332		17,332	-
<b>Accounts Payable</b>	9,870	10,950	9,870	10,950
	<u>\$ 466,879</u>	<u>\$ 776,799</u>	<u>\$ 903,039</u>	<u>\$ 340,639</u>

**PAYROLL AGENCY FUND  
STATEMENT OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Balance,</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance,</u> <u>June 30, 2018</u>
Payroll Deductions and Withholdings	\$ 3,857,183	\$ 52,776,139	\$ 52,183,385	\$ 4,449,937
Interfund Payable/Receivable	38,898	56,346	38,975	56,269
Accounts Receivable			2,174	(2,174)
Accrued Salaries and Wages	19,660	55,548,540	55,550,942	17,258
Reserve for Flexible Spending	12,944	314,909	301,036	26,817
	<u>\$ 3,928,685</u>	<u>\$ 108,695,934</u>	<u>\$ 108,076,512</u>	<u>\$ 4,548,107</u>

**LONG-TERM DEBT**

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

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
			<u>Date</u>	<u>Amount</u>				
2012 School Refunding Bonds	1/19/2012	\$ 31,535,000	11/1/2018	\$ 1,935,000	4.000 %	\$ 27,735,000	\$ 1,775,000	\$ 25,960,000
			11/1/2019	2,025,000	5.000			
			11/1/2020	2,115,000	4.000			
			11/1/2021	2,220,000	5.000			
			11/1/2022	2,325,000	4.000			
			11/1/2023	2,425,000	5.000			
			11/1/2024	2,515,000	2.625			
			11/1/2025	3,355,000	2.750			
			11/1/2026	3,470,000	4.000			
			11/1/2027	3,575,000	3.000			
2015 School Refunding	3/13/2015	1,775,000	7/15/2018	340,000	4.000	<u>1,775,000</u>	<u>330,000</u>	<u>1,445,000</u>
			7/15/2019	355,000	4.000			
			7/15/2020	370,000	4.000			
			7/15/2021	380,000	4.000			
						<u>\$ 29,510,000</u>	<u>\$ 2,105,000</u>	<u>\$ 27,405,000</u>
Paid by Budget Appropriation							<u>\$ 2,105,000</u>	

**WEST ORANGE BOARD OF EDUCATION  
LONG TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER LEASE PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Balance, July 1, 2017</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
2015 Refunding Certificates	10/22/15	\$ 25,475,000	10/1/18	\$ 1,265,000	2.356 %			
			10/1/19	1,295,000	2.753			
			10/1/20	1,330,000	2.620			
			10/1/21	1,375,000	3.338			
			10/1/22	1,835,000	5.000			
			10/1/23	1,935,000	5.000			
			10/1/24	2,040,000	5.000			
			10/1/25	2,135,000	5.000			
			10/1/26	2,225,000	3.000			
			10/1/27	2,300,000	3.000			
			10/1/28	2,370,000	3.125			
			10/1/29	2,445,000	3.250	\$ 23,870,000	\$ 1,320,000	\$ 22,550,000
			2016 Refunding Certificates	7/14/2016	4,970,000	10/1/18	560,000	3.000
10/1/19	580,000	4.000						
10/1/20	605,000	4.000						
10/1/21	620,000	4.000						
10/1/22	645,000	4.000						
10/1/23	675,000	4.000						
10/1/24	700,000	4.000				<u>4,930,000</u>	<u>545,000</u>	<u>4,385,000</u>
						<u>\$ 28,800,000</u>	<u>\$ 1,865,000</u>	<u>\$ 26,935,000</u>
Paid by Budget Appropriation							<u>\$ 1,865,000</u>	

**WEST ORANGE BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES/LEASE PURCHASE AGREEMENTS  
FOR THE FISCAL YEAR JUNE 30, 2018**

<u>Series</u>	<u>Interest Rate</u>	<u>Amount of Original Issue</u>	<u>Balance, July 1, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2018</u>
Copier	6.18%	\$ 12,520	\$ 2,251		\$ 2,251	\$ -
Bus Lease #1	2.770%	247,493	100,307		49,461	50,846
Bus Lease #2	2.810%	157,727	63,939		31,520	32,419
Energy Savings Improvement Program Lease	2.730%	11,520,000	11,440,000		800,000	10,640,000
Lease Purchase Agreement-Buses	1.982%	310,739	189,887		62,058	127,829
Lease Purchase- Chrome Books (Supplies)	1.313%	989,796	329,934		329,934	-
Lease Purchase- Chrome Books (Supplies)	1.460%	630,768	417,457		207,216	210,241
Lease Purchase- Chrome Books (Supplies)	1.957%	<u>545,531</u>	<u>-</u>	<u>\$ 545,531</u>	<u>185,379</u>	<u>360,152</u>
		<u>\$ 14,414,574</u>	<u>\$ 12,543,775</u>	<u>\$ 545,531</u>	<u>\$ 1,667,819</u>	<u>\$ 11,421,487</u>
					<u>\$ 1,667,819</u>	
				Paid by Budget Appropriation		



**WEST ORANGE BOARD OF EDUCATION  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES</b>					
Local Sources					
Local Tax Levy	\$ 5,719,471		\$ 5,719,471	\$ 5,719,471	
State Sources					
Debt Service Aid	320,204	-	320,204	320,204	-
<b>Total Revenues</b>	<u>6,039,675</u>	<u>-</u>	<u>6,039,675</u>	<u>6,039,675</u>	<u>-</u>
<b>EXPENDITURES</b>					
Regular Debt Service					
Principal	3,970,000		3,970,000	3,970,000	
Interest	2,116,977	-	2,116,977	2,116,975	\$ 2
<b>Total Expenditures</b>	<u>6,086,977</u>	<u>-</u>	<u>6,086,977</u>	<u>6,086,975</u>	<u>2</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(47,302)</u>	<u>-</u>	<u>(47,302)</u>	<u>(47,300)</u>	<u>2</u>
Excess(Deficiency) of Revenues and Other Financing Sources Over(Under) Expenditures	<u>(47,302)</u>	<u>-</u>	<u>(47,302)</u>	<u>(47,300)</u>	<u>2</u>
Fund Balance, Beginning of Year	<u>47,302</u>	<u>-</u>	<u>47,302</u>	<u>47,302</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

Recapitulation of Fund Balance:

Restricted for Debt Service:

Available for Debt Service Expenditures \$ 2\$ 2

## STATISTICAL SECTION

This part of the West Orange 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.

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014 (Restated)	2015 (Restated)	2016	2017	2018
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$ 47,151,986	\$ 50,892,444	\$ 50,380,283	\$ 52,834,155	\$ 56,057,197	\$ 59,644,905	\$ 6,206,060	\$ 5,013,062	\$ 5,142,084	\$ 7,014,988
Restricted	2,338,655	2,839,791	233,986	1,793,274	3,758,926	2,429,584	689,187	367,589	53,823	504,228
Unrestricted (Deficit)	439,125	281,211	6,023,672	6,092,157	3,891,653	(37,928,804)	(41,271,909)	(43,374,143)	(51,535,350)	(52,340,064)
<b>Total Governmental Activities Net Position</b>	<b>\$ 49,929,766</b>	<b>\$ 54,013,446</b>	<b>\$ 56,637,941</b>	<b>\$ 60,719,586</b>	<b>\$ 63,707,776</b>	<b>\$ 24,145,685</b>	<b>\$ (34,376,662)</b>	<b>\$ (37,993,492)</b>	<b>\$ (46,339,443)</b>	<b>\$ (44,820,848)</b>
<b>Business-Type Activities</b>										
Net Investment in Capital Assets	\$ 99,185	\$ 92,092	\$ 92,083	\$ 108,294	\$ 96,465	\$ 78,903	\$ 837,743	\$ 717,879	\$ 616,162	\$ 500,918
Unrestricted	194,534	301,066	328,461	273,341	177,115	277,446	341,939	504,402	660,784	798,465
<b>Total Business-Type Activities Net Position</b>	<b>\$ 293,719</b>	<b>\$ 393,158</b>	<b>\$ 420,544</b>	<b>\$ 381,635</b>	<b>\$ 273,580</b>	<b>\$ 356,349</b>	<b>\$ 1,179,682</b>	<b>\$ 1,222,281</b>	<b>\$ 1,276,946</b>	<b>\$ 1,299,383</b>
<b>District-Wide</b>										
Net Investment in Capital Assets	\$ 47,251,171	\$ 50,984,536	\$ 50,472,366	\$ 52,942,449	\$ 56,153,662	\$ 59,723,808	\$ 7,043,803	\$ 5,730,941	\$ 5,758,246	\$ 7,515,906
Restricted	2,338,655	2,839,791	233,986	1,793,274	3,758,926	2,429,584	689,187	367,589	53,823	504,228
Unrestricted	633,659	582,277	6,352,133	6,365,498	4,068,768	(37,651,358)	(40,929,970)	(42,869,741)	(50,874,566)	(51,541,599)
<b>Total District Net Position</b>	<b>\$ 50,223,485</b>	<b>\$ 54,406,604</b>	<b>\$ 57,058,485</b>	<b>\$ 61,101,221</b>	<b>\$ 63,981,356</b>	<b>\$ 24,502,034</b>	<b>\$ (33,196,980)</b>	<b>\$ (36,771,211)</b>	<b>\$ (45,062,497)</b>	<b>\$ (43,521,465)</b>

Source: District Financial Statements

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
<b>Governmental Activities</b>										
<b>Instruction</b>										
Regular	\$ 58,023,770	\$ 61,320,997	\$ 62,779,576	\$ 63,124,740	\$ 67,921,457	\$ 70,270,423	\$ 77,479,168	\$ 74,210,221	\$ 85,732,467	\$ 89,764,429
Special Education	11,453,222	11,761,960	12,705,738	13,859,402	13,473,571	13,731,125	15,851,405	32,776,729	37,600,641	35,287,770
Vocational Instruction-Tuition								175,783	154,935	135,994
Other Special Education	2,614,997	2,719,469	2,728,498	2,713,054	3,090,471	2,991,100	3,331,767	5,293,464	6,539,288	6,560,458
Other Instruction	1,327,468	1,401,680	1,467,081	1,366,657	1,522,544	1,509,617	1,465,571	2,687,502	3,670,117	3,502,549
<b>Support Services:</b>										
Tuition	6,823,201	7,727,502	6,723,081	7,653,063	8,120,169	8,966,563	7,361,760			
Student and Instruction Related Services	15,013,419	15,889,197	16,232,826	15,687,467	16,959,236	14,233,945	18,851,833	21,589,825	23,297,639	24,335,737
General Administration Services	1,249,755	1,233,674	1,559,078	1,554,498	1,643,528	1,542,055	2,135,783	2,373,226	2,429,170	2,178,896
School Administration Services	8,621,105	8,793,394	8,112,122	8,015,389	9,077,291	9,679,931	10,968,183	8,729,484	10,176,873	10,373,914
Central Services	1,143,869	1,137,355	1,361,413	1,245,356	1,189,487	1,221,056	2,243,400			
Administrative Technology Information	53,861						546,073			
Business and Other Support Services								4,484,056	5,394,327	4,955,442
Plant Operations And Maintenance	10,225,594	10,459,024	11,044,828	11,074,567	10,877,947	11,250,987	15,505,138	16,421,279	16,440,143	16,181,642
Pupil Transportation	8,382,024	8,607,090	7,789,494	8,086,301	7,869,401	8,120,910	8,696,611	9,025,725	9,598,354	9,902,389
Capital Outlay	56,547									
Interest On Long-Term Debt	4,606,425	4,227,907	3,742,912	3,140,282	3,287,639	3,108,497	2,977,679	3,222,707	2,677,810	2,187,845
Transfer of Funds to Charter Schools								255,172		
Unallocated Depreciation	877,802	1,052,340	2,366,214	2,507,544	2,675,170	2,874,763	5,121,756			
<b>Total Governmental Activities Expenses</b>	<b>130,473,059</b>	<b>136,331,589</b>	<b>138,612,361</b>	<b>140,028,320</b>	<b>147,707,911</b>	<b>149,500,972</b>	<b>172,791,299</b>	<b>180,990,001</b>	<b>203,711,764</b>	<b>205,367,065</b>
<b>Business-Type Activities</b>										
Food Service	2,666,765	2,740,607	2,995,896	3,187,324	3,392,440	3,178,570	3,448,198	3,679,776	3,601,613	3,728,527
Community Education							133,754	127,773	140,192	153,746
<b>Total Business-Type Activities Expense</b>	<b>2,666,765</b>	<b>2,740,607</b>	<b>2,995,896</b>	<b>3,187,324</b>	<b>3,392,440</b>	<b>3,178,570</b>	<b>3,581,952</b>	<b>3,807,549</b>	<b>3,741,805</b>	<b>3,882,273</b>
<b>Total District Expenses</b>	<b>\$ 133,139,824</b>	<b>\$ 139,072,196</b>	<b>\$ 141,608,257</b>	<b>\$ 143,215,644</b>	<b>\$ 151,100,351</b>	<b>\$ 152,679,542</b>	<b>\$ 176,373,251</b>	<b>\$ 184,797,550</b>	<b>\$ 207,453,569</b>	<b>\$ 209,249,338</b>
<b>Program Revenues</b>										
<b>Governmental Activities</b>										
Charges For Services	\$ 132,478	\$ 333,680	\$ 194,732	\$ 445,612	\$ 440,999	\$ 578,707	\$ 311,761	\$ 332,145	\$ 657,964	\$ 634,813
Operating Grants and Contributions	16,727,234	17,783,181	13,605,856	17,292,453	21,211,385	19,047,102	35,456,743	42,770,535	58,171,326	63,784,321
Capital Grants and Contributions	741,147	147,336	43,124						7,284	104,546
<b>Total Governmental Activities Program Revenues</b>	<b>17,600,859</b>	<b>18,264,197</b>	<b>13,843,712</b>	<b>17,738,065</b>	<b>21,652,384</b>	<b>19,625,809</b>	<b>35,768,504</b>	<b>43,102,680</b>	<b>58,836,574</b>	<b>64,523,680</b>
<b>Business-Type Activities</b>										
Charges For Services										
Food Service	1,455,770	1,481,571	1,498,628	1,516,275	1,444,524	1,496,008	1,585,176	2,080,794	1,615,262	1,702,136
Community Education							162,283	145,768	150,529	167,061
Operating Grants And Contributions	1,207,738	1,358,286	1,524,590	1,632,067	1,839,844	1,765,304	1,886,516	1,623,552	2,030,569	2,034,903
<b>Total Business Type Activities Program Revenues</b>	<b>2,663,508</b>	<b>2,839,857</b>	<b>3,023,218</b>	<b>3,148,342</b>	<b>3,284,368</b>	<b>3,261,312</b>	<b>3,633,975</b>	<b>3,850,114</b>	<b>3,796,360</b>	<b>3,904,100</b>
<b>Total District Program Revenues</b>	<b>\$ 20,264,367</b>	<b>\$ 21,104,054</b>	<b>\$ 16,866,930</b>	<b>\$ 20,886,407</b>	<b>\$ 24,936,752</b>	<b>\$ 22,887,121</b>	<b>\$ 39,402,479</b>	<b>\$ 46,952,794</b>	<b>\$ 62,632,934</b>	<b>\$ 68,427,780</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (112,872,200)	\$ (118,067,392)	\$ (124,769,149)	\$ (122,290,255)	\$ (126,055,527)	\$ (129,875,163)	\$ (137,022,795)	\$ (137,887,321)	\$ (144,875,190)	\$ (140,843,385)
Business-Type Activities	(3,237)	99,250	27,322	(38,982)	(108,072)	82,742	52,023	42,565	54,555	21,827
<b>Total District-Wide Net Expenses</b>	<b>\$ (112,875,437)</b>	<b>\$ (117,968,142)</b>	<b>\$ (124,741,827)</b>	<b>\$ (122,329,237)</b>	<b>\$ (126,163,599)</b>	<b>\$ (129,792,421)</b>	<b>\$ (136,970,772)</b>	<b>\$ (137,844,756)</b>	<b>\$ (144,820,635)</b>	<b>\$ (140,821,558)</b>

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>General Revenues and Other Changes in Net Assets</b>										
<b>Governmental Activities</b>										
Property Taxes Levied For General Purposes, Net	\$ 107,215,360	\$ 109,933,212	\$ 115,506,733	\$ 114,498,112	\$ 119,000,131	\$ 120,538,165	\$ 125,184,960	\$ 126,326,356	\$ 128,852,883	\$ 133,115,444
Taxes Levied For Debt Service	5,269,175	5,420,427	5,242,559	5,328,071	4,931,874	5,322,238	4,952,981	5,084,539	5,001,495	5,719,471
Federal and State Aid - Unrestricted	5,729,273	6,068,467	6,105,727	4,846,412	5,016,044	4,851,117	5,253,271	2,268,165	2,192,832	3,244,247
Investment Earnings	261,723	77,776	50,169	21,484	11,368	7,977	5,139	6,802	10,556	25,489
Miscellaneous Income	352,767	651,190	488,456	542,729	741,945	907,811	256,959	584,629	471,473	257,329
Donated Assets	-	-	-	500,000	-	-	-	-	-	-
Transfers	-	-	-	500,000	-	-	-	-	-	-
<b>Total Governmental Activities</b>	<b>118,828,298</b>	<b>122,151,072</b>	<b>127,393,644</b>	<b>125,736,808</b>	<b>129,701,362</b>	<b>131,627,308</b>	<b>135,653,310</b>	<b>134,270,491</b>	<b>136,529,239</b>	<b>142,361,980</b>
<b>Business-Type Activities</b>										
Investment Earnings	286	189	64	73	17	27	15	34	110	610
<b>Total Business-Type Activities</b>	<b>286</b>	<b>189</b>	<b>64</b>	<b>73</b>	<b>17</b>	<b>27</b>	<b>15</b>	<b>34</b>	<b>110</b>	<b>610</b>
<b>Total District-Wide</b>	<b>\$ 118,828,584</b>	<b>\$ 122,151,261</b>	<b>\$ 127,393,708</b>	<b>\$ 125,736,881</b>	<b>\$ 129,701,379</b>	<b>\$ 131,627,335</b>	<b>\$ 135,653,325</b>	<b>\$ 134,270,525</b>	<b>\$ 136,529,349</b>	<b>\$ 142,362,590</b>
<b>Change in Net Position</b>										
Governmental Activities	\$ 5,956,098	\$ 4,083,680	\$ 2,624,495	\$ 3,446,553	\$ 3,645,835	\$ 1,752,145	\$ (1,369,485)	\$ (3,616,830)	\$ (8,345,951)	\$ 1,518,595
Business-Type Activities	(2,971)	99,439	27,386	(38,909)	(108,055)	82,769	52,038	42,599	54,665	22,437
<b>Total District</b>	<b>\$ 5,953,127</b>	<b>\$ 4,183,119</b>	<b>\$ 2,651,881</b>	<b>\$ 3,407,644</b>	<b>\$ 3,537,780</b>	<b>\$ 1,834,914</b>	<b>\$ (1,317,447)</b>	<b>\$ (3,574,231)</b>	<b>\$ (8,291,286)</b>	<b>\$ 1,541,032</b>

Note - Prior to fiscal year ended June 30, 2016, the District did not allocate certain expenditures by function (i.e., tuition, depreciation and transfer of funds to charter schools).

WEST ORANGE 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	\$ 1,537,579	\$ 2,086,766								
Unreserved	3,278,928	2,835,041								
Restricted			\$ 1	\$ 1,349,220	\$ 3,860,212	\$ 2,393,105	\$ 648,772	\$ 273,014	\$ 4,209	\$ 504,226
Committed								2,583,598		116,667
Assigned			1,898,887	2,651,226	1,267,417	1,047,827	2,483,080	2,167,640	1,353,907	2,742,463
Unassigned	-	-	3,417,328	2,827,610	2,513,648	2,511,440	2,368,040	(314,101)	(143,511)	(377,415)
Total General Fund	<u>\$ 4,816,507</u>	<u>\$ 4,921,807</u>	<u>\$ 5,316,216</u>	<u>\$ 6,828,056</u>	<u>\$ 7,641,277</u>	<u>\$ 5,952,372</u>	<u>\$ 5,499,892</u>	<u>\$ 4,710,151</u>	<u>\$ 1,214,605</u>	<u>\$ 2,985,941</u>
All Other Governmental Funds										
Unreserved (Deficit):										
Special Revenue Fund										
Capital Projects Fund	\$ 150,532	\$ 30,872								
Debt Service Fund	128,726	693,188								
Restricted/Reserved for:										
Capital Projects Fund	521,818	28,965	\$ 59,864	\$ 54,864	\$ 42,364			\$ 8,605,089	\$ 754,371	
Debt Service Fund	-	-	174,121	389,190	1,217	\$ 36,479	\$ 40,415	214,574	47,302	2
Total All Other Governmental Funds	<u>\$ 801,076</u>	<u>\$ 753,025</u>	<u>\$ 233,985</u>	<u>\$ 444,054</u>	<u>\$ 43,581</u>	<u>\$ 36,479</u>	<u>\$ 40,415</u>	<u>\$ 8,819,663</u>	<u>\$ 801,673</u>	<u>\$ 2</u>

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

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

	Fiscal Year Ending June 30,									
	2009	2011	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Tax Levy	\$ 112,484,535	115,353,639	\$ 120,749,292	\$ 119,826,183	\$ 123,932,005	\$ 125,860,403	\$ 130,137,941	\$ 131,410,895	\$ 133,854,378	\$ 138,834,915
Tuition Charges	132,478	333,690	194,732	445,612	440,399	578,707	311,761	302,945	524,819	513,225
Miscellaneous	614,490	728,966	593,460	608,908	767,784	919,499	313,392	625,219	669,089	548,197
State Sources	20,304,479	192,654,2	15,194,466	18,329,001	22,378,466	20,873,116	21,304,644	23,797,382	28,138,903	31,760,830
Federal Sources	2,893,175	4,753,442	4,505,406	3,767,169	3,639,492	3,021,392	3,617,131	3,042,881	3,180,141	3,290,618
<b>Total Revenues</b>	<b>136,429,157</b>	<b>140,415,269</b>	<b>141,237,356</b>	<b>142,974,873</b>	<b>151,353,746</b>	<b>151,253,117</b>	<b>157,684,869</b>	<b>159,169,322</b>	<b>166,367,330</b>	<b>174,947,785</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	39,655,392	40,940,145	42,147,377	41,803,213	43,619,297	48,532,741	45,078,017	62,006,225	67,067,133	70,690,474
Special Education Instruction	11,494,205	11,753,353	12,778,869	13,778,274	13,454,793	13,713,576	15,822,868	28,841,051	31,289,011	29,655,939
Vocational Instruction- Tuition										
Other Special Instruction	2,614,997	2,719,469	2,696,589	2,744,983	3,090,471	2,991,100	3,331,767	4,395,365	5,097,364	5,118,803
Other Instruction	1,327,468	1,401,680	1,467,081	1,366,657	1,522,544	1,509,617	1,465,571	2,312,660	2,954,674	2,821,863
<b>Support Services</b>										
Tuition	6,823,201	7,727,502	6,723,081	7,653,063	8,120,169	8,966,563	7,361,760			
Student and Inst. Related Services	11,756,542	12,146,085	12,670,108	11,957,991	12,584,070	10,886,244	12,804,951	19,949,986	19,679,644	20,487,933
General Administration Services	1,101,202	1,111,438	1,391,407	1,415,161	1,450,618	1,417,716	1,884,726	2,153,246	2,072,895	1,971,269
School Administration Services	6,472,092	6,377,200	6,003,281	5,744,918	6,470,856	7,201,449	7,076,852	7,550,998	8,106,505	8,265,316
Central Services	889,697	813,468	1,060,212	917,106	891,714	934,706	1,542,368	4,128,993	4,532,978	4,289,012
Administrative Information Technology	53,861						357,243			
Plant Operations And Maintenance	9,265,785	9,305,398	9,946,807	9,142,144	9,440,090	9,440,998	11,753,134	13,433,838	12,604,576	12,021,433
Pupil Transportation	8,011,092	8,194,067	7,422,233	7,541,259	7,442,420	7,647,525	7,968,435	8,930,484	9,262,691	9,580,098
Unallocated Employee Benefits	25,121,638	28,368,669	28,271,199	29,259,331	32,981,309	29,595,409	33,019,505			
Transfer of Funds to Charter Schools							255,172			
Cost of Insurance							499,298	171,579		
Capital Outlay	4,213,805	3,496,627	2,068,073	2,354,224	3,426,715	3,679,806	3,457,031	3,599,557	8,150,456	1,289,809
<b>Debt Service</b>										
Principal	2,140,150	2,213,140	3,270,000	3,140,000	3,270,000	3,410,000	3,170,000	4,112,973	4,838,471	5,637,819
Interest and Other Charges	4,355,484	4,292,121	3,445,690	2,934,640	3,011,932	2,876,807	2,742,633	2,429,191	2,707,585	2,557,889
<b>Total Expenditures</b>	<b>135,294,611</b>	<b>140,860,362</b>	<b>141,361,987</b>	<b>141,752,964</b>	<b>150,940,998</b>	<b>152,804,257</b>	<b>159,092,053</b>	<b>164,519,648</b>	<b>178,690,497</b>	<b>174,523,651</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,134,546	(445,093)	(124,631)	1,221,909	412,748	(1,551,140)	(1,407,184)	(5,330,326)	(12,323,167)	424,134
<b>Other Financing Sources (Uses)</b>										
Lease Purchase Agreements								12,820,535		
School Bonds Issued				31,335,000				27,250,000		
School Bonds Defeased				(31,409,000)				(28,199,370)		
Bond Insurance Costs				(262,639)						
Bond Premiums				2,730,173				1,448,668	481,347	
Deferred Interest on Refunding				(2,593,534)						
Refunding Certificates of Participation									4,970,000	
Payment to Escrow Agent									(5,279,768)	
Capital Leases (Non-Budgeted)							958,640		630,768	545,531
Gain on Capital Assets	106,250	502,342							7,284	
Transfers In	23,472	8,223	6,525	502,892	2,591	35,273			98	8,745
Transfers Out	(23,472)	(8,223)	(6,525)	(2,892)	(2,591)	(35,273)			(98)	(8,745)
<b>Total Other Financing Sources (Uses)</b>	<b>106,250</b>	<b>502,342</b>	<b>-</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>958,640</b>	<b>13,319,833</b>	<b>809,631</b>	<b>545,531</b>
<b>Net Change in Fund Balances</b>	<b>\$ 1,240,796</b>	<b>\$ 57,249</b>	<b>\$ (124,631)</b>	<b>\$ 1,721,909</b>	<b>\$ 412,748</b>	<b>\$ (1,551,140)</b>	<b>\$ (448,544)</b>	<b>\$ 7,989,507</b>	<b>\$ (11,513,535)</b>	<b>\$ 969,665</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>4.96%</b>	<b>4.74%</b>	<b>4.82%</b>	<b>4.36%</b>	<b>4.26%</b>	<b>4.22%</b>	<b>3.80%</b>	<b>4.07%</b>	<b>4.42%</b>	<b>4.73%</b>

\* Noncapital expenditures are total expenditures less capital outlay.

Note - Prior to fiscal year ended June 30, 2016, the District did not allocate certain budgetary functions.

**WEST ORANGE BOARD OF EDUCATION  
GOVERNMENTAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(Unaudited)**

<u>Fiscal Year Ended June 30,</u>	<u>Interest on Investments</u>	<u>Tuition</u>	<u>Rentals - Use of Facilities</u>	<u>Athletic Fees</u>	<u>Prior Year Refunds/ Accounts Payable Void Checks</u>	<u>Sale of Capital Assets</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 228,616	\$ 132,478	\$ 38,352	\$ 6,075	\$ 143,334		\$ 165,006	\$ 713,861
2010	67,853	333,680	53,731	10,710	239,100	\$ 135,000	212,649	1,052,723
2011	43,795	194,732	75,405	12,700	84,825	6,078	309,270	726,805
2012	18,592	445,612	92,831	6,925	92,276	13,147	337,550	1,006,933
2013	8,777	440,999	124,996	8,960	193,530	3,985	410,474	1,191,721
2014	7,977	578,707	105,518		532,536		269,746	1,494,484
2015	5,139	311,761	161,646				95,313	573,859
2016	6,362	302,945	171,993		137,743		304,093	923,136
2017	8,586	524,819	119,043				485,575	1,138,023
2018	25,489	513,225	109,488		223,551		189,669	1,061,422

Source: School District's Records



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

Calendar Year	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate *
2009	\$ 24,871,000	\$ 1,230,142,100	\$ 239,154,000	\$ 9,370,900	\$ 40,855,100	\$ 1,544,393,100	\$ 2,787,494	\$ 1,547,180,594	\$ 182,451,400	\$ 6,966,319,666	\$ 7.10
2010	19,897,900	1,236,319,100	237,670,000	10,341,500	40,060,100	1,544,288,600	2,967,605	1,547,256,205	182,680,400	7,105,797,328	7.36
2011 *	21,092,800	1,207,344,100	230,213,100	10,178,200	37,684,000	1,506,512,200	2,736,764	1,509,248,964	182,918,900	6,632,422,059	7.82
2012	112,768,400	4,450,975,000	948,378,803	45,003,200	157,243,000	5,714,368,403	13,076,396	5,727,444,799	574,844,780	6,398,985,817	2.10
2013	52,031,300	4,513,256,300	922,143,603	43,432,800	155,305,100	5,686,169,103	11,842,900	5,698,012,003	579,773,180	6,245,876,593	2.14
2014	49,426,500	4,500,872,300	897,291,003	41,999,700	145,776,100	5,635,365,603	11,110,972	5,646,476,575	582,552,380	5,935,653,162	2.21
2015	51,230,700	4,483,432,200	872,286,400	41,029,600	144,226,900	5,592,205,800	9,940,597	5,602,146,397	586,706,455	5,772,315,442	2.29
2016	38,823,200	4,507,877,700	859,291,600	40,699,000	143,752,800	5,590,444,300	9,244,225	5,599,688,525	589,344,255	5,981,356,520	2.34
2017	36,896,700	4,509,625,280	855,975,800	35,342,500	144,408,300	5,582,248,580	9,855,493	5,592,104,073	591,978,555	6,063,510,928	2.37
2018	34,932,100	4,513,041,280	859,738,000	31,867,000	144,408,300	5,583,986,680	9,530,152	5,593,516,832	591,427,955	6,245,720,829	2.44

\* A revaluation of real property became effective in 2011.

a Tax rates are per \$100

Source: County Abstract of Ratables

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

Calendar Year	Overlapping Rates			Total Direct and Overlapping Tax Rate
	School	Municipality	County	
2009	\$ 7.10	\$ 3.26	\$ 1.76	\$ 12.12
2010	7.36	3.39	1.79	12.54
2011	7.82	3.39	1.76	12.97
2012	2.10 *	0.89 *	0.49 *	3.48
2013	2.14	0.86	0.49	3.49
2014	2.21	0.88	0.50	3.59
2015	2.29	0.89	0.51	3.69
2016	2.34	0.91	0.52	3.77
2017	2.37	0.93	0.54	3.84
2018	2.44	0.95	0.55	3.94

Source: County Abstract of Ratables

Note: \* Revaluation of real property became effective in 2011.

WEST ORANGE 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
Essex Green LLC	\$ 76,748,400	0.013744374		
Kessler Institute	50,139,500	0.008979158		
West Orange Plaza	50,000,000	0.008954176		
Bow and Arrow Manor Inc.	46,978,100	0.008413004		
Blackburn Development Co. Inc.	43,000,000	0.007700591		Not Available
West Orange Office Executive Park	35,828,800	0.006416348		
Atkins Medical Plaza	24,000,000	0.004298005		
Prism Property Ser.	21,477,300	0.003846231		
Montclair Golf Club	21,250,000	0.003805525		
Crestmont County Club	18,500,000	0.003313045		
Hutton Lafayette Apartments	16,380,000	0.002933388		
Reckson Operating Partnership L.P.	16,323,700	0.002923306		
	<u>\$ 420,625,800</u>	<u>7.53%</u>	<u>\$ -</u>	<u>0.00%</u>

Source: Municipal Tax Assessor

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2009	\$ 112,484,535	\$ 112,484,535	100.00%	N/A
2010	115,353,639	115,353,639	100.00%	N/A
2011	120,749,292	120,749,292	100.00%	N/A
2012	119,826,183	119,826,183	100.00%	N/A
2013	123,932,005	123,932,005	100.00%	N/A
2014	125,860,403	125,860,403	100.00%	N/A
2015	130,137,941	130,137,941	100.00%	N/A
2016	131,410,895	131,410,895	100.00%	N/A
2017	133,854,378	133,854,378	100.00%	N/A
2018	138,834,915	138,834,915	100.00%	N/A

Source: District records

**WEST ORANGE 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>Certificates of Participation</u>	<u>Capital Leases</u>			
2009	\$ 41,301,000	\$ 43,623,140	\$ 564,674	\$ 85,488,814	42,415	\$ 2,016
2010	40,766,000	41,945,000	707,821	83,418,821	42,561	1,960
2011	38,991,000	40,450,000	357,555	79,798,555	46,236	1,726
2012	37,557,000	38,870,000	208,626	76,635,626	46,588	1,645
2013	35,927,000	37,230,000	107,097	73,264,097	46,726	1,568
2014	34,232,000	35,515,000		69,747,000	47,132	1,480
2015	32,847,000	33,730,000	688,916	67,265,916	47,361	1,420
2016	31,225,000	31,185,000	12,856,478	75,266,478	47,498	1,585
2017	29,510,000	28,800,000	12,543,775	70,853,775	47,645	1,487
2018	27,405,000	26,935,000	11,421,487	65,761,487	48,435	1,358

Source: District records

**WEST ORANGE 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 of Property	Per Capita
	General Obligation Bonds	Deductions			
2009	\$ 41,301,000		\$ 41,301,000	2.67%	\$ 974
2010	40,766,000		40,766,000	2.63%	958
2011	38,991,000		38,991,000	2.58%	843
2012	37,557,000		37,557,000	0.66%	806
2013	35,927,000		35,927,000	0.63%	769
2014	34,232,000		34,232,000	0.61%	726
2015	32,847,000		32,847,000	0.59%	694
2016	31,225,000		31,225,000	0.56%	657
2017	29,510,000		29,510,000	0.53%	619
2018	27,405,000		27,405,000	0.49%	566

Source: District records

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

	<u>Gross Debt</u>
Municipal Debt: (1)	
West Orange Board of Education	\$ 27,405,000
Township of West Orange	<u>76,417,064</u>
	<u>103,822,064</u>
Overlapping Debt Apportioned to the Municipality:	
Essex County	
County of Essex (A)	<u>29,058,098</u>
	<u>29,058,098</u>
Total Direct and Overlapping Debt	<u>\$ 132,880,162</u>

## Source:

(1) Township of West Orange's 2017 Annual Debt Statement

(A) The debt for this entity was apportioned to West Orange by dividing the municipality's 2017 equalized value by the total 2017 equalized value for Essex County.

WEST ORANGE BOARD OF EDUCATION  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS  
 (Unaudited)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$ 273,037,660	\$ 276,795,197	\$ 268,757,098	\$ 257,636,672	\$ 251,482,689	\$ 239,820,163	\$ 233,263,736	\$ 233,250,484	\$ 236,673,670	\$ 242,853,746
Total Net Debt Applicable to Limit	<u>41,301,000</u>	<u>40,766,000</u>	<u>38,991,000</u>	<u>37,557,000</u>	<u>35,927,000</u>	<u>34,232,000</u>	<u>32,847,000</u>	<u>31,225,000</u>	<u>29,510,000</u>	<u>27,405,000</u>
Legal Debt Margin	<u>\$ 231,736,660</u>	<u>\$ 236,029,197</u>	<u>\$ 229,766,098</u>	<u>\$ 220,079,672</u>	<u>\$ 215,555,689</u>	<u>\$ 205,588,163</u>	<u>\$ 200,416,736</u>	<u>\$ 202,025,484</u>	<u>\$ 207,163,670</u>	<u>\$ 215,448,746</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	15.13%	14.73%	14.51%	14.58%	14.29%	14.27%	14.08%	13.39%	12.47%	11.28%

Legal Debt Margin Calculation for Fiscal Year 2018

Equalized Valuation Basis

2017	\$ 6,215,620,287
2016	6,043,723,568
2015	<u>5,954,687,114</u>

\$18,214,030,969

3 Year Average \$ 6,071,343,656

4% of Avg. Equalized Valuation	\$ 242,853,746
Less Net Debt	<u>27,405,000</u>

Remaining Borrowing Power \$ 215,448,746

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



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

<u>Year Ended December 31,</u>	<u>Unemployment Rate (1)</u>	<u>Per Capita Income(2)</u>	<u>Population</u>
2009	7.90%	\$ 50,977	42,415
2010	8.20%	52,603	42,561
2011	7.70%	51,448	46,236
2012	8.00%	51,866	46,588
2013	6.90%	54,345	46,726
2014	6.00%	54,842	47,132
2015	5.10%	55,455	47,361
2016	4.4%	57,541	47,498
2017	4.1%	593,863	47,249
2018	N/A	60,887	48,435

Source: (1) NJ Department of Labor, Bureau of Labor Force Statistics  
(2) County Per Capital Personal Income

N/A - Not Available

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

INFORMATION NOT AVAILABLE

**WEST ORANGE 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	646	632	605	603	622	492	497	508	511	509
Special Education	46	52	109	120	120	306	311	313	308	291
Support Services:										
Student & Instruction-Related Services	79	76	75	90	103	100	101	115	116	121
School Administration Services	53	50	50	55	48	75	68	76	73	77
General Administration Services	3	3	3	3	6	7	7	7	5	5
Plant Operations and Maintenance	75	72	71	75	72	140	141	144	149	118
Pupil Transportation	14	14	14	16	16	27	34	36	36	43
Central Services/Administrative										
Information Technology	12	13	13	14	15	15	31	35	33	34
<b>Total</b>	<b>928</b>	<b>912</b>	<b>940</b>	<b>976</b>	<b>1,002</b>	<b>1,162</b>	<b>1,190</b>	<b>1,234</b>	<b>1,231</b>	<b>1,198</b>

Source: District Personnel Records

WEST ORANGE BOARD OF EDUCATION  
 OPERATING STATISTICS  
 LAST TEN FISCAL YEARS  
 (Unaudited)

Pupil/Teacher Ratio

Fiscal Year	Enrollment <sup>a</sup>	Operating Expenditures <sup>b</sup>	Cost Per Pupil <sup>c</sup>	Percentage Change	Teaching Staff	Elementary	Middle School	High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2009	6,537	\$ 124,587,181	\$ 19,059	-0.23%	666	13.0	17.3	11.5	6,537	6,210	1.90%	95.00%
2010	6,630	130,858,474	19,737	3.56%	684	12.9	16.4	11.7	6,628	6,319	1.39%	95.34%
2011	6,717	132,578,224	19,738	0.00%	714	11.1	10.3	11.5	6,714	6,386	1.31%	95.11%
2012	6,801	133,324,100	19,604	-0.68%	723	10.8	9.6	10.7	6,797	6,494	1.23%	95.53%
2013	6,839	141,232,351	20,651	5.34%	742	11.1	9.8	10.9	6,832	6,500	0.51%	95.13%
2014	6,876	142,837,644	20,773	0.59%	622	11.2	11.3	11.1	6,846	6,561	0.21%	95.84%
2015	6,748	149,722,369	22,188	6.81%	617	11.4	9.7	11.3	6,725	6,414	-1.77%	95.39%
2016	6,697	153,878,629	22,977	11.26%	632	10.9	9.7	10.9	6,673	6,392	-0.77%	95.79%
2017	6,632	162,822,406	24,551	18.19%	636	10.6	9.9	10.5	6,623	6,329	-0.75%	95.56%
2018	6,642	165,038,134	24,848	11.99%	628	10.7	10.1	10.8	6,659	6,346	0.54%	95.30%

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.

WEST ORANGE 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>										
Betty Maddalena ELC										
Square Feet										8,546
Capacity (students)										120
Enrollment										84
Gregory School										
Square Feet	67,666	67,666	67,666	67,666	67,666	67,666	67,666	67,666	67,666	67,666
Capacity (students)	502	502	502	502	502	502	502	502	502	502
Enrollment	522	563	590	575	571	571	546	521	504	467
Hazel School										
Square Feet	44,290	44,290	44,290	44,290	44,290	44,290	44,290	44,290	44,290	44,290
Capacity (students)	332	332	332	332	332	332	332	332	332	332
Enrollment	329	336	368	380	376	376	381	366	337	332
Mount Pleasant School										
Square Feet	41,992	41,992	41,992	41,992	41,992	41,992	41,992	41,992	41,992	41,992
Capacity (students)	348	348	348	348	348	348	348	348	348	348
Enrollment	391	412	416	424	414	414	394	380	365	364
Kelly School										
Square Feet	76,071	76,071	76,071	76,071	76,071	76,071	76,071	76,071	76,071	76,071
Capacity (students)	485	485	485	485	485	485	485	485	485	485
Enrollment	430	439	447	370	491	492	442	419	456	447
Redwood School										
Square Feet	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176	70,176
Capacity (students)	518	518	518	518	518	518	518	518	518	518
Enrollment	529	506	574	569	591	591	566	546	573	533
Saint Cloud School										
Square Feet	42,186	42,186	42,186	42,186	42,186	42,186	42,186	42,186	42,186	42,186
Capacity (students)	362	362	362	362	362	362	362	362	362	362
Enrollment	358	367	386	377	394	394	401	388	367	379
Washington School										
Square Feet	57,588	57,588	57,588	57,588	57,588	57,588	57,588	57,588	57,588	57,588
Capacity (students)	468	468	468	468	468	468	468	468	468	468
Enrollment	430	406	403	415	445	445	438	434	433	413

WEST ORANGE 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>Middle School</u>										
Edison										
Square Feet	82,510	82,510	82,510	82,510	82,510	82,510	82,510	82,510	82,510	82,510
Capacity (students)	558	558	558	558	558	558	558	558	558	558
Enrollment	458	503	475	493	449	466	545	517	487	482
Roosevelt										
Square Feet	111,738	111,738	111,738	111,738	111,738	111,738	111,738	111,738	111,738	111,738
Capacity (students)	625	625	625	625	625	625	625	625	625	625
Enrollment	470	484	485	489	515	515	522	535	558	535
Liberty										
Square Feet	115,741	115,741	115,741	115,741	115,741	115,741	115,741	115,741	115,741	115,741
Capacity (students)	535	535	535	535	535	535	535	535	535	535
Enrollment	543	546	551	421	503	501	449	497	533	512
<u>High School</u>										
West Orange										
Square Feet	381,668	381,668	381,668	381,668	381,668	381,668	381,668	381,668	381,668	381,668
Capacity (students)	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728	2,728
Enrollment	2,077	2,040	2,175	2,190	2,117	2,111	2,048	2,085	2,019	2,094
<u>Administration Building</u>										
Square Feet	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600	21,600
Capacity (students)										
Enrollment										
<u>Administration Building</u>										
Square Feet	42,201	42,201	42,201	42,201	42,201	42,201	42,201	42,201	42,201	42,201
Capacity (students)										
Enrollment										

Number of Schools at June 30, 2018

- Elementary = 8
- Middle School = 3
- Senior High School = 1

Source: District Facilities Office

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

WEST ORANGE BOARD OF EDUCATION  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
(Unaudited)

	<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>
<u>School Facilities</u>										
Gregory	90,414	110,797	126,984	114,363	119,828	128,912	185,350	81,872	73,493	79,075
Hazel	59,180	72,521	83,116	74,855	78,432	84,378	121,319	53,588	48,104	65,090
Mount Pleasant	56,109	68,758	78,804	70,971	74,363	80,000	115,024	50,808	45,608	82,667
Kelly	101,645	124,560	142,758	128,568	134,712	144,925	208,373	92,042	82,622	43,599
Redwood	93,768	114,907	131,695	118,605	124,273	133,694	192,226	84,909	76,220	34,983
Saint Cloud	56,368	69,076	79,168	71,299	74,706	80,370	115,556	51,043	45,819	65,870
Washington	76,948	94,296	108,072	97,330	101,981	109,712	157,745	69,678	62,548	37,184
Edison Middle	110,248	135,103	154,841	139,451	146,115	157,192	226,011	99,832	89,616	58,983
Roosevelt Middle	149,302	182,962	209,691	188,849	197,874	212,875	306,072	135,197	121,361	54,628
Liberty Middle	154,651	189,516	217,204	195,614	204,963	220,501	317,037	140,040	125,709	59,253
West Orange High	509,978	624,949	716,251	645,059	675,887	727,126	1,045,463	461,796	414,538	479,616
Administration Building	28,862	35,369	40,534	36,505	38,251	41,151	59,166	26,134	23,460	22,178
Bus Garage	56,388	69,100	79,196	71,323	74,733	80,398	115,596	51,061	45,835	24,504
Betty Maddelena ELC	-	-	-	-	-	-	-	-	-	32,935
Grand Total	<u>\$ 1,543,861</u>	<u>\$ 1,891,914</u>	<u>\$ 2,168,314</u>	<u>\$ 1,952,792</u>	<u>\$ 2,046,118</u>	<u>\$ 2,201,234</u>	<u>\$ 3,164,938</u>	<u>\$ 1,398,000</u>	<u>\$ 1,254,933</u>	<u>\$ 1,140,565</u>

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - American Guarantee & Liability Insurance Co.:		
Property - Blanket Real and Personal Property	\$ 281,404,373	\$ 5,000
Extra Expense	2,000,000	5,000
Valuable Papers and Records	250,000	5,000
Demolition and Increased Cost of Construction	(Included)	5,000
Flood Zones C	5,000,000	50,000
Flood Zone B	1,000,000	50,000
Earthquake	5,000,000	100,000
Boiler and Machinery	(Included)	5,000
Crime		
Public Employee Dishonesty	250,000	1,000
Money Orders and Counterfeit	250,000	1,000
Forgery or Alteration	250,000	1,000
Computer Fraud	250,000	1,000
General Liability		
Each Occurrence	1,000,000	
Products/Completed Operations	3,000,000	
Sexual Abuse	1,000,000	
Personal and Advertising Policy	1,000,000	
Employee Benefits	1,000,000	
Medical Payments	10,000	
Auto Liability		
Limit for Liability	1,000,000	1,000
Uninsured/Underinsured	1,000,000	
Personal Injury Protection-Statutory		
Medical Payments	5,000	
Hired Car Physical Damage	100,000	
Hired Car & Non-owned Auto Liability	1,000,000	
Garagekeepers	(Included)	



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

	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
Zurich American Insurance Co. School Board Legal Liability	\$ 1,000,000	15,000
Axis Insurance Company Student Accident	5,000,000	-0-
Excess Worker's Compensation - State National Ins. Co. - Part I (In excess of Self-Insured Retention of \$500,000) - Part II	Statutory 1,000,000	-0- -0-
Public Officials Bonds - Selective Insurance Company John Calavano, Business Administrator/Board Secretary Joseph Antonucci, Treasurer	550,000 550,000	-0- -0-
Excess Umbrella - NJ Unshared Excess Program (Markel/Torus)	30,000,000	-0-
Excess of Primary - American Guarantee & Liability and Zurich American Insurance Co.	10,000,000	-0-
Premises Pollution Policy - Ace American Insurance Co. Each Pollution Condition Aggregate	1,000,000 2,000,000	10,000
Cyber Liability - National Union Fire Insurance Co. Security and Privacy Liability	1,000,000	20,000

Source: District Records

**SINGLE AUDIT SECTION**



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA  
GARY J. VINCI, CPA, RMA, PSA  
GARY W. HIGGINS, CPA, RMA, PSA  
JEFFREY C. BLISS, CPA, RMA, PSA  
PAUL 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  
MARK SACO, CPA  
SHERYL M. LEIDIG, CPA, PSA  
ROBERT LERCH, CPA  
CHRIS SOHN, CPA

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

### INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Trustees  
West Orange Board of Education  
West Orange, 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 West Orange 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 West Orange Board of Education's basic financial statements and have issued our report thereon dated January 28, 2019.

#### **Internal Control Over Financial Reporting**

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

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the West Orange Board of Education in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated January 28, 2019.

### **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 West Orange 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 West Orange Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*LERCH, VINCI & HIGGINS, LLP*

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

*DLJ*  
Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
January 28, 2019



# LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

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

**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  
West Orange Board of Education  
West Orange, New Jersey

**Report on Compliance for Each Major Federal and State Program**

We have audited the West Orange 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 West Orange Board of Education's major federal and state programs for the fiscal year ended June 30, 2018. The West Orange 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 West Orange 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 West Orange 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 West Orange Board of Education's compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, the West Orange 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 and state program is not modified with respect to this matter.

The West Orange 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 West Orange 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 West Orange 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 West Orange 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 West Orange 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the 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 West Orange 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 28, 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.

*Handwritten signature: Lerch Vinci & Higgins, LLP*

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

*Handwritten signature: Donna L. Japhet*  
Donna L. Japhet  
Public School Accountant  
PSA Number CS002314

Fair Lawn, New Jersey  
January 28, 2019

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	FAIN Number	Grant Period	Award Amount	Balance July 1, 2017	Carryover Amount	Cash Received	Budgetary Expenditures	Adjust Receivables	Funds Released		Adjustment- Cancelled Encumbrances	Refund of Prior Years' Balances	June 30, 2018		Memo GAAP Receivable	
										Adjusted Revenue	Adjusted Receivables			Accounts Receivable	Unearned Revenue		Due to Grantor
<b>U.S. Department of Agriculture</b>																	
<b>Passed-through State Dept. of Ed</b>																	
<b>Enterprise Fund</b>																	
Food Distribution Program	10.555	181NJ04N1099	7/1/17-6/30/18	\$ 269,786			\$ 269,786	\$ 269,786									\$ (22,290)
School Breakfast Program	10.553	181NJ04N1099	7/1/17-6/30/18	292,687			270,397	292,687									
School Breakfast Program	10.553	171NJ04N1099	7/1/16-6/30/17	290,365	\$ (24,163)		24,163										
National School Lunch Program	10.555	181NJ04N1099	7/1/17-6/30/18	1,411,641			1,315,420	1,411,641									(96,221)
National School Lunch Program	10.555	171NJ01N1099	7/1/16-6/30/17	1,411,599	(103,929)		103,929										
<b>Total Child Nutrition Cluster</b>					(128,092)		1,983,695	1,974,114									(118,511)
Fresh Fruit and Vegetable Program	10.582	181NJ04L1603	7/1/17-6/30/18	24,438			23,301	24,438									(1,137)
Fresh Fruit and Vegetable Program	10.582	171NJ04L1603	7/1/16-6/30/17	32,780	(13,570)		13,570										
					(13,570)		36,871	24,438									(1,137)
<b>Total Enterprise Fund</b>					(141,662)		2,020,566	1,998,552									(119,648)
<b>U.S. Department of Health and Human Services</b>																	
<b>Passed-through State Dept. of Ed</b>																	
<b>General Fund</b>																	
Medical Assistance Program	93.778	1805NJSMAP	7/1/17-6/30/18	227,171			227,171	227,171									
<b>Total U.S. Department of Health and Human Services</b>							227,171	227,171									
<b>Total General Fund</b>							227,171	227,171									
<b>Special Revenue Fund</b>																	
<b>U.S. Department of Education - Passed through State Department of Education</b>																	
<b>Every Student Succeeds Act</b>																	
Title I - Part A	84.010	8010A160030	7/1/17-6/30/18	1,007,578		\$ 13,484	\$ 703,014	\$ 1,013,836	\$ (13,484)			\$ (1)		(318,049)	\$ 7,227		(310,822)
Title I - Part A	84.010	8010A160030	7/1/16-6/30/17	850,622	(882,627)	(13,484)	882,627		13,484								
Title I- Innovative NJ Summer Blended & Personalized Learning Grant	84.010A	17-A.Y06-G02	7/1/16-8/31/16	98,922	(64)		64										
<b>Total Title I Cluster</b>					(882,691)		1,585,705	1,013,836				(1)		(318,049)	7,227		(310,822)
Title II - Part A	84.367A	S367A170029	7/1/17-6/30/18	194,472		2,643	127,329	186,797	(2,643)					(69,786)	10,318		(59,468)
Title II - Part A	84.367A	S367A160029	7/1/16-6/30/17	113,748	(34,471)		34,471		2,643								
Title III	84.365A	S365A170030	7/1/17-6/30/18	43,462		34,678	26,697	56,488	(34,678)					(51,443)	21,652		(29,791)
Title III	84.365A	S365A160030	7/1/16-6/30/17	58,454	(44,477)		44,477		34,678								
Title III	84.365A	S365A150030	7/1/15-6/30/16	67,106		966						\$ 966					
Title III	84.365A	S365A140030	7/1/14-6/30/15	76,608		2,430							2,430				
Title III- Immigrant	84.365	S365A170030	7/1/17-6/30/18	14,979		23,637		19,261	(23,637)			(9,060)		(29,556)	10,295		(19,261)
Title III- Immigrant	84.365	S365A160030	7/1/16-6/30/17	14,577		(23,637)			23,637			9,060					
Title IV	84.424	S424A170031	7/1/17-6/30/18	11,440			2,940	9,219						(8,500)	2,221		(6,279)
Carl D. Perkins Secondary Education	84.048A	V048A170030	7/1/17-6/30/18	57,719			45,383	57,716		\$ (3)	\$ 3			(12,333)			(12,333)
Carl D. Perkins Secondary Education	84.048A	V048A160030	7/1/16-6/30/17	30,025	(15,205)		15,206										
Carl D. Perkins Secondary Education	84.048A	V048A150030	7/1/15-6/30/16	42,904		1,710							1,710				
Temporary Emergency Impact Aid	84.938C	S938C18005	7/1/17-6/30/18	17,000				17,000							(17,000)		(17,000)
L.D.E.A. - Part B, Basic Regular	84.027	H027A170100	7/1/17-6/30/18	1,646,684		254,317	1,572,622	1,637,475	254,317					(328,379)	263,526		(64,853)
L.D.E.A. - Part B, Basic Regular	84.027	H027A160100	7/1/16-6/30/17	1,676,008	(336,173)	(254,317)	336,173		(254,317)								
L.D.E.A. - Part B, Preschool	84.173	H173A170114	7/1/17-6/30/18	65,017			65,695							(322)	322		
L.D.E.A. - Part B, Preschool	84.173	H173A160114	7/1/16-6/30/17	66,522	(6,520)		6,520										
<b>Total Special Education Cluster IDEA</b>					(342,693)		1,981,010	1,703,170						(345,701)	263,848		(64,853)
<b>Total U.S. Department of Education</b>					(1,314,431)		3,863,218	3,063,487		(3)	3	(1)	5,106	(835,368)	315,561		(519,807)
<b>Total Special Revenue Fund</b>					(1,314,431)		3,863,218	3,063,487		(3)	3	(1)	5,106	(835,368)	315,561		(519,807)
<b>Total Federal Financial Awards</b>					\$ (1,456,093)		\$ 6,110,955	\$ 5,282,210		\$ (3)	\$ 3	\$ (1)	\$ 5,106	\$ (955,016)	\$ 315,561		\$ (639,455)



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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017			Budgetary Expenditures	Refund of Prior Years' Balances	Balance, June 30, 2018			Memo	
				(Accounts Receivable)	Due to Grantor	Cash Received			(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures
<b>State Department of Education</b>													
<b>General Fund</b>													
Transportation Aid	18-495-034-5120-014	7/1/17-6/30/18	\$ 524,095			\$ 471,685	\$ 524,095		\$ (52,410)			\$	524,095
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	524,095	\$ (52,410)		52,410							-
Nonpublic Transportation Costs	18-495-034-5120-014	7/1/17-6/30/18	101,063			101,063	101,063		(101,063)			\$ (101,063)	101,063
Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17	127,721	(127,721)		127,721							-
<b>Total Transportation Aid Cluster</b>				(180,131)		651,816	625,158		(153,473)			(101,063)	625,158
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	3,234,482			2,911,034	3,234,482		(323,448)				3,234,482
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	1,731,112	(173,111)		173,111							-
Special Education Aid	18-495-034-5120-089	7/1/17-6/30/18	4,143,435			3,772,648	4,143,435		(370,787)				4,143,435
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	4,143,435	(378,655)		378,655							-
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	440,321			396,289	440,321		(44,032)				440,321
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	440,321	(44,032)		44,032							-
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17-6/30/18	70,410			70,410	70,410		(7,041)				70,410
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	70,410	(7,041)		7,041							-
PARCC Readiness Aid	18-495-034-5120-098	7/1/17-6/30/18	70,410			63,369	70,410		(7,041)				70,410
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	70,410	(7,041)		7,041							-
Professional Learning Community Aid	18-495-034-5120-101	7/1/17-6/30/18	67,900			61,110	67,900		(6,790)				67,900
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	67,900	(6,790)		6,790							-
<b>Total State Aid Public Cluster</b>				(616,670)		7,884,489	8,026,958		(759,139)				8,026,958
Extraordinary Special Education Costs	18-100-034-5120-044	7/1/17-6/30/18	1,726,561			1,950,811	1,733,271		(1,733,271)				1,733,271
Extraordinary Special Education Costs	17-100-034-5120-044	7/1/16-6/30/17	1,950,811	(1,950,811)		1,950,811							-
Lead Testing for Schools Aid	18-195-034-5120-104	7/1/17-6/30/18	19,116			19,116	19,116						19,116
Reimbursed TPAF Social Security Contributions	18-495-034-5094-003	7/1/17-6/30/18	4,878,297			4,636,171	4,878,297		(242,126)			(242,126)	4,878,297
Reimbursed TPAF Social Security Contributions	17-495-034-5095-003	7/1/16-6/30/17	4,907,323	(650,162)		650,162							-
TPAF On-Behalf Contributions						15,495,349	15,495,349						15,495,349
TPAF Pension Contributions-Normal Costs	18-495-034-5094-002	7/1/17-6/30/18	9,185,526			9,185,526	9,185,526						9,185,526
TPAF Pension Contributions-NCH	18-495-034-5094-004	7/1/17-6/30/18	222,910			222,910	222,910						222,910
TPAF-Long Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	10,205			10,205	10,205						10,205
TPAF Pension Contribution - Post Retirement Cost	18-495-034-5094-001	7/1/17-6/30/18	6,076,708			6,076,708	6,076,708						6,076,708
<b>Total On-Behalf TPAF Contribution Cluster</b>						15,495,349	15,495,349						15,495,349
<b>Total General Fund</b>				(3,397,774)		31,287,914	30,778,149		(2,888,099)			(343,189)	30,778,149
<b>Special Revenue Fund</b>													
<b>New Jersey Nonpublic Aid:</b>													
<b>Auxiliary Services (Chapter 192)</b>													
Compensatory Education	18-100-034-5120-067	7/1/17-6/30/18	12,402			12,402	5,846				\$ 6,556		5,846
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	12,541		\$ 3,045			\$ 3,045					-
ESL	18-100-034-5120-067	7/1/17-6/30/18	1,084			1,084	903					181	903
ESL	17-100-034-5120-067	7/1/16-6/30/17	2,010		1,919			1,919					-
Home Instruction	18-100-034-5120-067	7/1/17-6/30/18				5,704							-
Home Instruction	17-100-034-5120-067	7/1/16-6/30/17	5,704	(5,704)									-
<b>Total Nonpublic Auxiliary Services Aid (Chap 192) Cluster</b>				(5,704)	4,964	19,190	6,749	4,964				6,737	6,749
<b>Handicapped Services (Chap. 193)</b>													
Supplementary Instruction	18-100-034-5120-066	7/1/17-6/30/18	42,979			42,979	35,051				7,928		35,051
Supplementary Instruction	17-100-034-5120-066	7/1/16-6/30/17	67,877		4,395			4,395					-
Examination and Classification	18-100-034-5120-066	7/1/17-6/30/18	155,044			155,044	145,790				9,254		145,790
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	157,924		18,183			18,183					-
Corrective Speech	18-100-034-5120-666	7/1/16-6/30/17	22,320			22,320	17,231				5,089		17,231
Corrective Speech	17-100-034-5120-666	7/1/17-6/30/18	18,554		1,224			1,224					-
<b>Total Nonpublic Handicapped Services Aid (Chap 193) Cluster</b>					23,802	220,343	198,072	23,802			21,271		198,072
Textbook Aid	18-100-034-5120-064	7/1/17-6/30/18	81,458			81,458	78,178				3,280		78,178
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	86,748		6,657			6,657					-
Nursing Services	18-100-034-5120-070	7/1/17-6/30/18	144,627			144,627	144,627						144,627
Security Aid	18-100-034-5120-509	7/1/17-6/30/18	111,825			111,825	107,009				4,816		107,009
Security Aid	17-100-034-5120-509	7/1/16-6/30/17	75,500		7,694			7,694					-
Technology Initiative	18-100-034-5120-373	7/1/17-6/30/18	55,019			55,019	55,019						55,019
Technology Initiative	17-100-034-5120-373	7/1/16-6/30/17	39,130		358			358					-
<b>Total Special Revenue Fund</b>				(5,704)	45,475	632,462	589,654	43,475			37,104		589,654

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2017			Budgetary Expenditures	Refund of Prior Years' Balances	Balance, June 30, 2018			Memo		
				(Accounts Receivable)	Due to Grantor	Cash Received			(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
<b>Debt Service Fund</b>														
Debt Service Aid - State Support	18-495-034-5120-075	7/1/17-6/30/18	\$ 320,204	-	-	\$ 320,204	\$ 320,204	-	-	-	-	-	\$ 320,204	
<b>Enterprise Fund</b>														
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	33,823			33,823	36,351		(2,528)				(2,528)	36,351
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	37,181	\$ (5,891)		5,891								
Total Department of Agriculture/Enterprise Fund				(5,891)		39,724	36,351		(2,528)				(2,528)	36,351
<b>Total State Financial Assistance Subject to Single Audit Determination</b>				\$ (3,409,379)	\$ 43,475	\$ 32,280,304	\$ 31,724,358	\$ 43,475	\$ (2,890,537)	\$ -	\$ 37,104	\$ (345,717)	\$ 31,724,358	
<b>State Financial Assistance Not Subject to Single Audit Major Program Determination</b>														
<b>General Fund</b>														
TPAF Pension Contribution-Normal Costs	18-495-034-5094-002	7/1/17-6/30/18	9,185,526			(9,185,526)	(9,185,526)							(9,185,526)
TPAF Pension Contribution-NCGI	18-495-034-5094-004	7/1/17-6/30/18	222,910			(222,910)	(222,910)							(222,910)
TPAF- Long Term Disability Insurance	18-495-034-5094-004	7/1/17-6/30/18	10,205			(10,205)	(10,205)							(10,205)
TPAF Pension Contribution - Post Retirement Cost	18-495-034-5094-001	7/1/17-6/30/18	6,076,708			(6,076,708)	(6,076,708)							(6,076,708)
<b>Total State Financial Assistance Subject to Single Audit Major Programs Determination</b>				\$ (3,409,379)	\$ 43,475	\$ 16,784,955	\$ 16,229,009	\$ 43,475	\$ (2,890,537)	\$ -	\$ 37,104	\$ (345,717)	\$ 16,229,009	

**WEST ORANGE 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 West Orange Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

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

**NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$75,071 for the general fund and a decrease of \$143,663 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 227,171	\$ 30,853,220	\$ 31,080,391
Special Revenue Fund	3,063,447	587,406	3,650,853
Debt Service Fund		320,204	320,204
Food Service Fund	<u>1,998,552</u>	<u>36,351</u>	<u>2,034,903</u>
Total Awards and Financial Assistance	<u>\$ 5,289,170</u>	<u>\$ 31,797,181</u>	<u>\$ 37,086,351</u>

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

**NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5 OTHER INFORMATION**

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$4,878,297 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 \$9,408,436, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$6,076,708 and TPAF Long-Term Disability Insurance in the amount of \$10,205 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 payments 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.

**WEST ORANGE 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?            yes   X   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 section .510(a)?   X   yes            no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>FAIN #</u>	<u>Name of Federal Program or Cluster</u>
84.027	H027A170100	IDEA, Part B Basic
84.173	H173A170114	IDEA Preschool
10.555	181NJ304N1099	National School Lunch Program
10.553	181NJ304N1099	School Breakfast Program

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

Auditee qualified as low-risk auditee?            yes   X   no



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

*Part 2 – Schedule of Financial Statement Findings*

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

There are none.

**WEST ORANGE 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 indicated that the District did not maintain the required level of effort with respect to Special Education expenditures related to the federal IDEA grant program.

**Information on the Federal Program**

84.027	IDEA, Part B – Basic
84.137	IDEA Preschool

**Criteria or Specific Requirement**

U.S. Uniform Guidance Compliance Supplement – Special Education Cluster

**Condition**

The District did not meet its minimum requirement for special education expenditures funds from local and/or state funds.

**Questioned Costs**

None.

**Context**

The District's actual per pupil spending of local/state funds for special education costs decreased from 2016/17 to 2017/18.

IDEA funds received by a school district cannot be used except under limited circumstances to reduce the level of expenditures for the education of children with disabilities made from state and local funds below the level of those expenditures for the preceding fiscal year.

**Effect**

The District is not in compliance with the maintenance of effort requirement with respect to the IDEA grant program.

**Cause**

Unknown.

**Recommendation**

The District maintain its level of effort with respect to special education expenditures funded from state and/or local funds in accordance with the federal IDEA grant program compliance requirements.

**View of Responsible Officials and Planned Corrective Action**

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



WEST ORANGE 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.

WEST ORANGE BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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

**STATUS OF PRIOR YEAR FINDINGS**

**Finding 2017-001**

Fiscal year 2016 NCLB carryovers were not approved by Board resolution.

**Current Status**

Corrective action has been taken.