

SCHOOL DISTRICT
OF
ISLAND HEIGHTS



ISLAND HEIGHTS BOARD OF EDUCATION
ISLAND HEIGHTS, NEW JERSEY

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

ISLAND HEIGHTS BOARD OF EDUCATION

ISLAND HEIGHTS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

PREPARED BY

**ISLAND HEIGHTS BOARD OF EDUCATION
FINANCE DEPARTMENT**

ISLAND HEIGHTS SCHOOL DISTRICT

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INTRODUCTORY SECTION

ISLAND HEIGHTS BOARD OF EDUCATION

December 5, 2019

Honorable President and
Members of the Board of Education
Island Heights School District
County of Ocean
Island Heights, NJ 08732

Dear Board Members:

The comprehensive annual financial report of the Island Heights School District for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Island Heights Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations of the various funds and account groups of the Island Heights school 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.
These are:

- Introductory
- Financial
- Statistical
- 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 general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented in multi-year basis.

The district is required to undergo an annual single audit in conformity with the provisions of "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to the single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and Its Services:

The Island Heights School District is an independent reporting entity within the criteria adopted by the GASB, as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Island Heights Board of Education and the Island Heights Grade School constitute the district's reporting entity.

The Island Heights School District provides a full range of educational services and programs, which are appropriate for grades Kindergarten through Grade Six. These services and programs include regular, as well as, special education for handicapped pupils. The district completed the 2018-19 fiscal year with an enrollment

of 124 pupils housed in the Island Heights Grade School, and 5 pupil enrolled in an out-of-district placement for special education pupils. The June 2019 enrollment remained the same as the October 15, 2019. The following enrollment information shows the enrollments recorded on the ASSA reports for each October 15th for the past five years.

<u>Fiscal Year</u> <u>(as of 10/15)</u>	<u>Pupil</u> <u>Enrollment</u>	<u>% Change</u>
2018-19	124	-
2017-18	124	-9%
2016-17	126	+9%
2015-16	120	-
2014-15	120	+9%

2. Economic Conditions and Outlook:

The Borough of Island Heights is limited in land for building purposes. The current land use in the 0.6 square mile borough is primarily for single-family residences. There are no subdivisions where new small businesses are being developed. Most of the remaining lots are suitable only for homes. Zoning in the borough of Island Heights prohibits multi-family dwellings. The population of the borough in 1990 was 1,750 and has only grown to 1751 as of the 2000 census. There are limited businesses in Island Heights and the majority of tax ratables are collected from the homeowners. As a result of the lack of employment in the borough of Island Heights, most wage earners living in Island Heights are employed outside of Island Heights. Because of the lack of business tax ratables, and the slow growth of new homes, the present trend of collecting most of the tax ratables from homeowners is expected to continue in the future.

3. Major Initiatives:

The Island Heights Grade School passed a referendum in March 2016 to renovate the grade school. The roof was completed in the summer of 2016. The main part of the renovation began in June 2017 which included new HVAC, new windows, new flooring, new interior doors, new generator and new bathrooms and was completed in September 2017. .

The Island Heights Grade School serves students with a full range of educational services for students in Kindergarten through sixth grade. The school is a true community school, rich in parent involvement. The school strives to provide the foundation of skills upon which children can build. Our students are provided with learning experiences, which stimulate logical and critical thinking, creativity, problem solving, decision making, and communication, mathematical skills, a love of the arts and a growing awareness of self and others. Island Heights Grade School is committed to continuous improvement, providing a learning environment, which promotes responsibility, self-reliance, confidence in oneself, good citizenship and a sense of community. Our programs enable students to reach their full potential, as they transition to middle school.

At our school we have 124 students, a staff of 16 full-time teachers and 3 part-time teachers and 2 paraprofessionals. We provide child study team services for students ages three through the sixth grade. Also, a full time counselor provides individual, small group and classroom lessons addressing topics such as character education and bullying. All of our students walk or are transported to school in a small, quaint and caring community.

Various afterschool activities are offered to the students in Island Heights Grade School. These programs are taught by talented staff members and are conducted before or after school. Examples of these activities include academic assistance program, robotics/lego Clubs, band, performing arts and visual arts clubs, running club and various seasonal sports activity clubs.

Island Heights also offers a SAIL program which serves our Gifted and Talented population as well as a STARS program which serves our students in need of Basic Skills instruction. We also offer lessons in STEAM

education to all grade levels in the areas of Science, Technology, Engineering, Arts and Mathematics. The staff at Island Heights is fully committed to offering an outstanding educational program to all of our students which instills a lifelong love of learning.

4. Internal Accounting Controls:

Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Island Heights Board of Education Business Administrator, Frank Frazee, has become fully trained in the GAAP procedures and has been the key person in establishing GAAP for the Island Heights Grade School.

The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurances recognizes that:

- A. The cost of a control should not exceed the benefits likely to be derived; and,
- B. The valuation of the costs and benefits requires estimated and judgments by management.

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

Each year before September 30th, the Island Heights Grade School submits data and information to the Bureau of Child Nutrition Program, N.J. Department of Agriculture, Trenton, NJ, in the form of a school nutrition program agreement. For the past five years, our agreements have been approved. We are currently waiting approval for the current school year.

The internal operation of the school lunch program was monitored during the 2018-19 school year. In 2004-05 the IASA Consolidated Grant became known as the NCLB (No Child Left Behind) Grant. The district filed the application for the IDEA Grant and the grant was awarded to the district. Title I funds were issued to the district in the 2015-16 2016-17, 2017-18 and 2018-19.

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

5. Budgetary Controls:

In addition to internal accounting controls, the district maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the borough of Island Heights. 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 funds. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance account 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 reservations of fund balance as of June 30th each year.

6. Accounting System and Reports:

The district's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. Debt Administration

On June 30, 2019, the district had an outstanding debt of \$233,000 from bonds issued in May 2003. These bonds will be fully paid in May 2022. The district also has new debt outstanding of \$2,992,000 which was issued in June 2016 and will be fully paid in June 2037.

The investment policy of the district is guided in large part by State of New Jersey statutes as detailed in "Notes to the Financial Statements", Note 2. The district has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental unit deposit protection act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

8. Risk Management:

The Board of Education carries various forms of insurance, including, but not limited to, general liability, hazard and theft insurance on property and contents, and fidelity bonds.

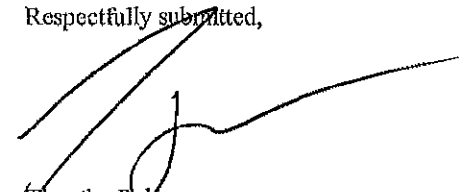
9. Other Information:

Independent Audit: The State of New Jersey statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Co., CPAs, was selected by the Island Heights Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements and New Jersey OMB Circular 15-08. The auditor's report on the general-purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports relate specifically to the single audit and are included in the single audit section of this report.

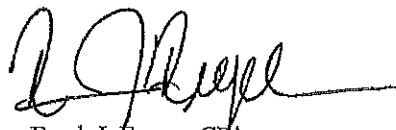
10. Acknowledgments:

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

Respectfully submitted,



Timothy Rehm
Superintendent



Frank J. Frazee, CPA
Business Administrator

Island Heights Board of Education**Island Heights, New Jersey****June 30, 2019**

Members of Board of Education	Term Expires
Sara Bornebusch	2020
Wayne Cimorelli	2019
Maureen DeSanto	2020
Bob MacNeal	2019
Bob King	2021
Kristofor Sabey	2021
Brooke Kelly-Smith	2021

Other Officials:

Tim Rehm - Superintendent

Frank J. Frazee, CPA – School Business Administrator

Lil Brendel – Board Secretary

Island Heights Board of Education

Consultants & Advisors

Audit firm

Robert A. Hulsart & Son
2807 Hurley Pond Road
Wall, NJ

Attorney

Cleary, Giacobbe, Alfieri, Jacobs, LLC
5 Ravine Drive
Matawan, NJ

Official Depository

Ocean First Bank
Hooper Avenue
Toms River, NJ

Doc: CAFR Letter

**Island Heights Board of Education
Organizational Chart**

Board of Education

Superintendent

School Business Administrator/Board Secretary

Support Staff Instructional Staff Business Staff Custodial Staff

FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

8.

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

Telecopier:
(732) 280-8888
e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07718-1409
(732) 681-4990

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Island Heights School District
County of Ocean
Island Heights, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

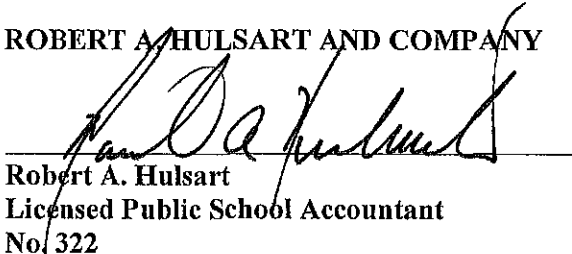
The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2019 on our consideration of the Island Heights's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Island Heights Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY



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

December 5, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

ISLAND HEIGHTS BOARD OF EDUCATION
ISLAND HEIGHTS, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The discussion and analysis of the Island Heights Board of Education District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019. The intent of this discussion analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

The overall condition of all funds, instructional activities and business-type activities remains strong for the School District. All goals related to financial activities have been met and if revenue and expenditure patterns can be maintained, the resources for next year will be available.

Total spending for all our programs was \$3,236,173 for the school year 2018-19. Most of the School District's taxes and state aid programs funds were used to support the cost of services for regular instructional programs. State and federal aid in the amount of \$815,320 supported educational programs and the school district's taxes, grants and contributions were sufficient to cover all unfounded costs incurred in the school year 2018-19.

The total cost for the school year 2018-19 for current expense was \$2,734,095 which was an increase of \$191,681.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the School District as a Whole

State of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector business. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Government activities – All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service and Material for Resale enterprise funds are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. The District's governmental funds are the General Fund, Special Revenue Fund and Capital Projects Fund.

Governmental Funds

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

Enterprise Fund

The Enterprise Fund uses the same basis of account as business type activities; therefore these statements are essentially the same.

The School District as a Whole

Recall that the state of Net Position provides the perspective of the School district as a whole.

Table I provides a summary of the School District's net position for 2019 and 2018.

Table I
Net Position

	<u>2019</u>	<u>2018</u>
Assets		
Current and Other Assets	\$ 633,684	1,001,455
Capital Assets	<u>4,211,165</u>	<u>4,390,320</u>
Total Assets	<u>4,844,849</u>	<u>5,391,775</u>
Deferred Outflow of Resources		
Contribution of Pension Plan	<u>159,635</u>	<u>147,829</u>
Deferred Inflow of Resources		
Pension Deferrals	<u>156,500</u>	<u>112,419</u>
Liabilities		
Current Liabilities	214,214	235,326
Other Liabilities		
Long-Term Liabilities	<u>3,461,686</u>	<u>3,653,078</u>
Total Liabilities	<u>3,675,900</u>	<u>3,888,404</u>
Net Position		
Invested in Capital Assets, Net of Debt	1,093,165	1,105,320
Restricted	405,085	422,255
Unrestricted	<u>(326,166)</u>	<u>11,206</u>
Total Net Position	<u>\$1,172,084</u>	<u>1,538,781</u>

Table 2 shows changes in net position for fiscal year 2019 and 2018.

Table 2
Change in Net Position

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 4,600	5,040
Operating Grants and Contributions	71,600	71,227
General Revenue:		
Property Taxes	2,035,557	2,061,402
Grants and Entitlements	743,720	619,079
Other (net of transfers)	13,999	35,659
Total Revenues	<u>2,869,476</u>	<u>2,792,407</u>
Program Expenses		
Instruction	1,125,954	1,136,176
Support Services:		
Pupils and Instructional Staff	363,780	175,962
General Administration, School Admin	204,271	211,153
Business Operations & Maintenance of		
Facilities	299,222	355,050
Pupil Transportation	61,881	58,715
Business Type Activities	6,603	7,371
Other	<u>1,174,462</u>	<u>1,078,585</u>
Total Expenses	<u>3,236,173</u>	<u>3,023,012</u>
Increase/Decrease) in Net Position	<u>\$(366,697)</u>	<u>(230,605)</u>

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

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

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

Analysis of Financial Position

Depreciation expense GASB34 requires school districts for the first time to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net position. For fiscal year ended June 30, 2019 the net increase in accumulated depreciation was \$179,155. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. One way to think of depreciation expense is that in order to maintain assets at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation in assets during the year.

Student enrollment in the school district continues to increase which will continue to affect the district's future expenditures. Assessed valuations are continuing to grow, increasing the district's ability to maintain a stable tax rate.

The financial well being of the school district is tied in large measure to the state funding formula and the tax base. As long as the state fully funds state aid and the tax base continues to increase, the school district's tax rate should continue to be stable.

Original budget versus final budget. Over the course of the school year, the school board revised its budget as it attempts to deal with unexpected changes in revenue and expenditures. All transfers are approved by the Board of Education at their regular scheduled meetings.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

ISLAND HEIGHTS SCHOOL DISTRICT**STATEMENT OF NET POSITION****Exhibit A-1****JUNE 30, 2019**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 180,382	124	180,506
Receivables, Net	56,492	88	56,580
Restricted Assets:			
Cash and Cash Equivalents	396,598		396,598
Capital Assets Not Depreciated	920,868		920,868
Capital Assets, Net of Depreciation	3,289,467	830	3,290,297
Total Assets	<u>4,843,807</u>	<u>1,042</u>	<u>4,844,849</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>159,635</u>		<u>159,635</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>156,500</u>		<u>156,500</u>
<u>Liabilities</u>			
Accrued Interest	35,592		35,592
Other Current Liabilities	8,622		8,622
Noncurrent Liabilities:			
Due Within One Year	170,000		170,000
Due Beyond One Year	3,461,686		3,461,686
Total Liabilities	<u>3,675,900</u>	<u>-</u>	<u>3,675,900</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	1,092,335	830	1,093,165
Restricted For:			
Other Purposes	405,085		405,085
Unrestricted	<u>(326,378)</u>	<u>212</u>	<u>(326,166)</u>
Total Net Position	<u>\$ 1,171,042</u>	<u>1,042</u>	<u>1,172,084</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit A-2

Sheet 1 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
<u>Functions/Programs</u>					
Governmental Activities:					
Instruction:					
Regular	\$ 789,966			(789,966)	(789,966)
Special Education	325,748		55,668	(270,080)	(270,080)
Other Instruction	10,240			(10,240)	(10,240)
Support Services:					
Student & Instruction Related Services	363,780		13,847	(349,933)	(349,933)
School Administrative Services	204,271			(204,271)	(204,271)
Plant Operations and Maintenance	299,222			(299,222)	(299,222)
Pupil Transportation	61,881			(61,881)	(61,881)
Capital Outlay	155,636			(155,636)	(155,636)
Depreciation	178,590			(178,590)	(178,590)
Unallocated Benefits	755,581			(755,581)	(755,581)
Interest and Other Charges	84,655			(84,655)	(84,655)
Total Government Activities	<u>3,229,570</u>	<u>-</u>	<u>69,515</u>	<u>(3,160,055)</u>	<u>(3,160,055)</u>
Business-Type Activities:					
Food Service	<u>6,603</u>	<u>4,600</u>	<u>2,085</u>	<u>82</u>	<u>82</u>
Total Business-Type Activities	<u>6,603</u>	<u>4,600</u>	<u>2,085</u>	<u>82</u>	<u>82</u>
Total Primary Government	<u>3,236,173</u>	<u>4,600</u>	<u>71,600</u>	<u>(3,160,055)</u>	<u>(3,159,973)</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES

Sheet 2 of 2

FOR THE YEAR ENDED JUNE 30, 2019

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	1,951,482		1,951,482
Taxes Levied for Debt Service	84,075		84,075
Federal and State Aid Not Restricted	743,720		743,720
Miscellaneous Income	13,995	4	13,999
Transfer from Food Service to General	1,200	(1,200)	-
Total General Revenues, Special Items, Extraordinary Items and Transfers	<u>2,794,472</u>	<u>(1,196)</u>	<u>2,793,276</u>
Change in Net Position	(365,583)	(1,114)	(366,697)
Net Position - Beginning	<u>1,536,625</u>	<u>2,156</u>	<u>1,538,781</u>
Net Position - Ending	<u>\$ 1,171,042</u>	<u>1,042</u>	<u>1,172,084</u>

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

FUND FINANCIAL STATEMENTS – B

ISLAND HEIGHTS SCHOOL DISTRICTBALANCE SHEETGOVERNMENTAL FUNDSJUNE 30, 2019

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 180,382			180,382
Cash and Cash Equivalents-Restricted	158,928	237,658	12	396,598
Receivable - Net	56,492			56,492
Total Assets	<u>\$ 395,802</u>	<u>237,658</u>	<u>12</u>	<u>633,472</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Current Liabilities				
Other Current Liabilities	\$ 8,622			8,622
Total Liabilities	<u>8,622</u>	<u>-</u>	<u>-</u>	<u>8,622</u>
Fund Balance:				
Assigned Fund Balance:				
Other Purposes	8,487			8,487
Restricted Fund Balance:				
Maintenance Reserve	125,439			125,439
Capital Reserve	33,489			33,489
Capital Projects		237,658		237,658
Debt Service			12	12
Unrestricted Fund Balance	219,765			219,765
Total Fund Balances	<u>387,180</u>	<u>237,658</u>	<u>12</u>	<u>624,850</u>
Total Liabilities and Fund Balance	<u>\$ 395,802</u>	<u>237,658</u>	<u>12</u>	

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 \$6,440,605 and the accumulated depreciation is \$2,230,270.

4,210,335

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.

(3,631,686)

Deferred outflow of resources - contributions to the pension plan

159,635

Deferred inflow of resources - acquisition of assets applicable to future reporting periods

(156,500)

Accrued Interest

(35,592)

Net position of governmental activities

\$ 1,171,042

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

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 1,951,482			84,075	2,035,557
Miscellaneous	15,184			11	15,195
Total Local Sources	<u>1,966,666</u>	-	-	<u>84,086</u>	<u>2,050,752</u>
Federal Sources		69,515	(107,000)	107,000	69,515
State Sources	681,761			61,959	743,720
Total Revenues	<u>2,648,427</u>	<u>69,515</u>	<u>(107,000)</u>	<u>253,045</u>	<u>2,863,987</u>
<u>Expenditures</u>					
Current:					
Regular Instruction	789,966				789,966
Special Education Instruction	270,080	55,668			325,748
Other Instruction	10,240				10,240
Support Services and Undistributed Costs:					
Students and Instruction Related Services	349,933	13,847			363,780
General Administrative Services	104,347				104,347
Central Services	99,924				99,924
Plant Operations and Maintenance	299,222				299,222
Pupil Transportation	61,881				61,881
Unallocated Benefits	744,698				744,698
Capital Outlay	3,804		151,832		155,636
Debt Service:					
Principal				167,000	167,000
Interest and Other Charges				86,035	86,035
Total Expenditures	<u>2,734,095</u>	<u>69,515</u>	<u>151,832</u>	<u>253,035</u>	<u>3,208,477</u>

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

ISLAND HEIGHTS SCHOOL DISTRICT

**Exhibit B-2
Sheet 2 of 2**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(85,668)</u>	<u>-</u>	<u>(258,832)</u>	<u>10</u>	<u>(344,490)</u>
Other Financing Sources (Uses):					
Transfer from Capital Projects to Debt Service	<u></u>	<u></u>	<u>(107,000)</u>	<u>107,000</u>	<u>-</u>
Total Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources (Uses)	<u>(85,668)</u>	<u>-</u>	<u>(365,832)</u>	<u>107,010</u>	<u>(344,490)</u>
Net Change in Fund Balances	<u>(85,668)</u>	<u>-</u>	<u>(365,832)</u>	<u>107,010</u>	<u>(344,490)</u>
Fund Balance - July 1	<u>472,848</u>	<u></u>	<u>496,490</u>	<u>2</u>	<u>969,340</u>
Fund Balance - June 30	<u>\$ 387,180</u>	<u>-</u>	<u>130,658</u>	<u>107,012</u>	<u>624,850</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

Exhibit B-3

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (344,490)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(178,590)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	167,000
In the statement of activities, certain operating expenses as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported when paid.	515
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	11,806
Pension related deferrals	(44,081)
Change in net pension liability	20,877
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental fund, interest is reported when due.	1,380
Change in Net Position of Governmental Activities	<u>\$ (365,583)</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2019

	<u>Enterprise Fund</u>
<u>Assets</u>	
Cash	\$ 124
Accounts Receivable	
Federal	85
State	3
Total Current Assets	<u>212</u>
Noncurrent Assets:	
Furniture, Machinery & Equipment	17,863
Less: Accumulated Depreciation	<u>(17,033)</u>
Total Noncurrent Assets	<u>830</u>
Total Assets	<u>\$ 1,042</u>
 <u>Net Position</u>	
Investment in Capital Assets	\$ 830
Unrestricted	<u>212</u>
Total Net Position	<u>\$ 1,042</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET POSITIONPROPRIETARY FUNDSJUNE 30, 2019

	<u>Enterprise Fund</u>
Operating Revenues:	
Local Sources:	
Daily Sales Reimbursable Programs	\$ 3,117
Daily Sales Non-Reimbursable Programs	1,483
Total Operating Revenue	<u>4,600</u>
Operating Expenses:	
Cost of Operations - Reimbursable	4,011
Cost of Operations - Non-Reimbursable	1,887
Miscellaneous	140
Depreciation	565
Total Operating Expenses	<u>6,603</u>
Operating Income (Loss)	(2,003)
Non-Operating Revenues (Expenses):	
Interest Revenue	4
State Sources:	
State School Lunch Program	79
Federal Sources:	
National School Lunch Program	1,914
HHFKA Lunch Program	92
Total Non-Operating Revenues	<u>2,089</u>
Net Change in Net Position	86
Net Position, Beginning	2,156
Transfer to General	<u>(1,200)</u>
Net Position, Ending	<u>\$ 1,042</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2019

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 4,600
Payments to Suppliers	(5,778)
Net Cash Used by Operating Activities	<u>(1,178)</u>
Cash Flows from Noncapital Financing Activities:	
General Fund	(1,200)
State Sources	79
Federal Sources	2,006
Net Cash Provided (Used by) Noncapital Financing Activities	<u>885</u>
Cash Flows from Investing Activities:	
Interest Received	<u>4</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(289)
Balances Beginning of Year	<u>413</u>
Balances End of Year	<u>\$ 124</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (2,003)
Depreciation	565
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	<u>260</u>
Net Cash Used by Operating Activities	<u>\$ (1,178)</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2019

	<u>Unemployment Compensation Trust</u>
Assets:	
Cash and Cash Equivalents	\$ 47,816
Total Assets	<u>\$ 47,816</u>
Net Position:	
Held in Trust for Unemployment Claims	\$ 47,816
Total Net Position	<u>\$ 47,816</u>

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

ISLAND HEIGHTS SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

FIDUCIARY FUNDSFOR THE YEAR ENDED JUNE 30, 2019

	<u>Unemployment Compensation Trust</u>
<u>Increased By</u>	
Interest Income	\$ 95
Budget	4,000
Total Receipts	<u>4,095</u>
Change in Net Position	
Net Position - Beginning of Year	<u>43,721</u>
Net Position - End of the Year	<u>\$ 47,816</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
ISLAND HEIGHTS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of 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.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in Island Heights Borough. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore the District is not includable in any other reporting entity on the basis of such criteria.

B. Government-Wide Financial Statements

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting:

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Type

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

Fiduciary Fund Types

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

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

NOTE 1: Summary of Significant Accounting Policies (Continued)**D. Fund Accounting (Continued):****Fiduciary Fund Types (Continued)**

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2019 were insignificant.

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

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

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

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 generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Encumbrances:

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

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

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

G. Short-Term Interfund Receivables/Payables:

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

H. Inventories and Prepaid Expenses

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

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

I. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company during the 2019 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2018-2019 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2019, fiscal year 2019 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>
Governmental Activities:				
Capital Assets That are				
Not Being Depreciated:				
Construction in Progress	\$ 906,538			906,538
Land	<u>14,330</u>			<u>14,330</u>
	<u>920,868</u>			<u>920,868</u>
Depreciable Assets:				
Site Improvements	69,723			69,723
Buildings & Sites	5,087,218			5,087,218
Equipment	<u>362,796</u>			<u>362,796</u>
Total	<u>5,519,737</u>			<u>5,519,737</u>
Less: Accumulated				
Depreciation:				
Site Improvements	(60,978)	(1,953)		(62,931)
Buildings	(1,694,510)	(156,908)		(1,851,418)
Equipment	<u>(296,192)</u>	<u>(19,729)</u>		<u>(315,921)</u>
Total Accumulated				
Depreciation	<u>(2,051,680)</u>	<u>(178,590)</u>		<u>(2,230,270)</u>
Net Depreciable				
Assets	<u>3,468,057</u>	<u>(178,590)</u>		<u>3,289,467</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 4,388,925</u>	<u>(178,590)</u>		<u>4,210,335</u>
Business-Type Activities:				
Equipment	\$ 17,863			17,863
Less: Accumulated				
Depreciation				
Equipment	<u>(16,405)</u>	<u>(565)</u>		<u>(16,970)</u>
Business-Type Activities				
Capital Assets (Net)	<u>\$ 1,458</u>	<u>(565)</u>		<u>893</u>

Depreciation expense was charged to governmental functions as follows:

Unallocated

\$ 178,590

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

K. Deferred Revenue

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned. Deferred revenue in the general fund represents monies received for fiscal year 2018. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 9).

M. Net Position

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

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

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

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

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

Fund Balance

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

NOTE 1: Summary of Significant Accounting Policies (Continued)**M. Net Position (Continued)**

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

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

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

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

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

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

NOTE 2: Cash and Cash Equivalents and Investments

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

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

Deposits

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

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

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

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

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

Investments

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

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

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

As of June 30, 2019, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents
Checking, Money Market Accounts and Certificate of Deposit	<u>\$ 635,980</u>

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2019 was \$635,980 and the bank balance was \$670,367. Of the bank balance, \$250,000 was covered by federal depository insurance.

Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

FDIC	\$ 250,000
GUPDA	<u>420,367</u>
	<u>\$ 670,367</u>

As of June 30, 2019, the District did not hold any long-term investments.

Custodial Credit Risk – Deposits

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

The District had no uninsured deposits.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Long-Term Portion</u>	<u>2019-2020 Payment</u>
Pension Liability	\$ 434,966		(20,877)	414,089	414,089	
Compensated Absences Payable	100,112		(515)	99,597	99,597	
Bonds Payable	<u>3,285,000</u>	_____	<u>(167,000)</u>	<u>3,118,000</u>	<u>2,948,000</u>	<u>170,000</u>
	<u>\$ 3,820,078</u>	=====	<u>(188,392)</u>	<u>3,631,686</u>	<u>3,461,686</u>	<u>170,000</u>

NOTE 3: General Long-Term Debt (Continued)**A. Bonds Payable**

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 3.875% to 4.260%.

Principal and interest due on serial bonds outstanding is as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 170,000	81,464	251,464
2021	170,000	76,835	246,835
2022	175,000	72,111	247,111
2023	173,000	67,388	240,388
2024	125,000	63,813	188,813
2025-2029	685,000	277,819	962,819
2030-2034	830,000	181,563	1,011,563
2035-2038	<u>790,000</u>	<u>48,600</u>	<u>838,600</u>
	<u>\$ 3,118,000</u>	<u>869,593</u>	<u>3,987,593</u>

NOTE 4: Pension Plans

Description of Plans – All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) – The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

NOTE 4: Pension Plans (Continued)

Public Employees' Retirement System (PERS) – The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

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 contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

NOTE 4: Pension Plans (Continued)

Funding Policy -- The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.78% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2019, the State of New Jersey contributed \$253,518 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$76,391 during the year ended June 30, 2019 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 34.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/19	\$ 20,919	100%	0
6/30/18	17,310	100%	0
6/30/17	16,420	100%	0

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/19	\$ 253,518	100%	0
6/30/18	208,312	100%	0
6/30/17	203,239	100%	0

NOTE 4: Pension Plans (Continued)**Public Employees' Retirement System (PERS)****Plan Description**

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
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 $1/55^{\text{th}}$ of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of $1/60^{\text{th}}$ of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

The schedule of employer allocations and the schedule of pension amounts by employer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

NOTE 4: Pension Plans (Continued)**Allocation Methodology and Reconciliation to Financial Statements**

GASB Statement No. 68, *Accounting and Financial Reporting for Pension*, 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. The employer allocation percentages presented in the schedule of employer allocations and applied to amounts presented in the schedule of pension amounts by employer based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2017 through June 30, 2018. Employer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedule of pension amount by employer. The allocation percentages for each group of June 30, 2018 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2018.

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. 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. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

NOTE 4: Pension Plans (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$20,919. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 7,897	2,135
Changes of Assumptions	68,235	132,404
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		3,884
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	62,584	18,077
District Contributions Subsequent to the Measurement Date	<u>20,919</u>	<u> </u>
Total	<u>\$ 159,635</u>	<u>156,500</u>

\$20,919 reported as deferred outflows of resources related to pensions resulting from school district, project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending**June 30,**

2019	\$ 2,870
2020	(3,973)
2021	(28,491)
2022	(24,697)
2023	<u>(7,909)</u>
	<u>\$ (62,200)</u>

Additional Information

Collective balances at December 31, 2018 and 2017 are as follows:

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
Collective Deferred Outflows of Resources	\$ 159,635	147,829
Collective Deferred Inflows of Resources	156,500	112,419
Collective Net Pension Liability	414,089	434,966
District's Proportion	.00210%	.00187%

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability**

The components of the collective net pension liability of the participating employers as of June 30, 2018 were as follows:

	2018		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 30,434,600,657	42,431,573,511	72,866,174,168
Plan Fiduciary Net Position	<u>6,730,302,564</u>	<u>22,742,071,972</u>	<u>29,472,374,536</u>
Net Pension Liability	<u>\$ 23,704,298,093</u>	<u>19,689,501,539</u>	<u>43,393,799,632</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.11%	53.60%	40.45%

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

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%

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTE 4: Pension Plans (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 4: Pension Plans (Continued)**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2018, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2018		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
School District's Proportionate Share Of the Net Pension Liability	<u>\$ 520,669</u>	<u>414,089</u>	<u>324,675</u>

Teachers Pensions and Annuity Fund (TPAF)**Plan Description**

The State of New Jersey, Teacher's Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contribution, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division).

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, member's beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

NOTE 4: Pension Plans (Continued)**Basis of Presentation**

The Schedule of employers and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of TPAF and the State as an employer/nonemployer entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of TPAF or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of TPAF to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, 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. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocation and applied to, presented in the schedule of pension amount by employer and nonemployer are based on the ratio of the State's actual contributions made as an employer and nonemployer adjusted for unpaid early retirement incentives to total contributions to TPAF during the year ended June 30, 2018. Employer and nonemployer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences.

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. State legislation had 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. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2018, State's pension contribution was less than the actuarial determined amount.

Special Funding Situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total Pension Liability	\$ 86,797,467,286	90,726,371,000
Plan Fiduciary Net Position	<u>22,991,116,840</u>	<u>23,056,161,829</u>
Net Pension Liability	<u>\$ 63,806,350,446</u>	<u>67,670,209,171</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2018</u>	<u>2017</u>
District's Liability	<u>\$ 5,332,015</u>	<u>6,638,229</u>
District's Proportion	.00836%	.00981%

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation Rate	2.25%
Salary Increases:	
2011-2026	1.55 - 4.55%
Thereafter	2.00 - 5.45%
Investment Rate of Return	7.00%

Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvements on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

NOTE 4: Pension Plans (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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%

Discount Rate

The discount rate used to measure the total pension liability was 4.86% as of June 30, 2018. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.87% as of June 30, 2018 based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2040. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 4: Pension Plans (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the State as of June 30, 2018 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>2018</u>		
	<u>At 1% Decrease (3.86%)</u>	<u>At Current Discount Rate (4.86%)</u>	<u>At 1% Increase (5.86%)</u>
School District's Proportionate Share Of the Net Pension Liability	\$ 0	0	0
State of New Jersey's Proportionate Share Of the Net Pension Liability	<u>6,302,340</u>	<u>5,332,015</u>	<u>4,527,639</u>
	<u>\$ 6,302,340</u>	<u>5,332,015</u>	<u>4,527,639</u>

NOTE 5: Post-Retirement Benefits**General Information about the OPEB Plan****Plan description and benefits provided**

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2018, the State paid PRM benefits for 148,401 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2018, the State contributed \$1.909 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The increase in the State's pay-as-you-go contribution between Fiscal Year 2017 and Fiscal Year 2018 is attributed to rising health care costs, an increase in the number of participants qualifying for State-paid PRM benefits at retirement and larger fund balance utilization in Fiscal Year 2017 than in Fiscal Year 2018. The Fiscal Year 2019 Appropriations Act includes \$1.921 billion as the State's contribution to fund pay-as-you-go PRM costs.

NOTE 5: Post-Retirement Benefits (Continued)

In accordance with the provision of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. As such, the Fiscal Year 2017 total State OPEB liability to provide these benefits has been re-measured to \$97.1 billion, an increase of \$60.6 billion or 166 percent from the previous year's \$36.5 billion liability booked in accordance with GASB Statement No. 45. For Fiscal Year 2018, the total OPEB liability for the State is \$90.5 billion, a decrease of \$6.6 billion or 7 percent from the re-measured total OPEB liability in Fiscal Year 2017.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

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

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>.

Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 2018 actuarial valuation reported by the State in the State's most recently issued CAFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>TPAF</u>	<u>PERS</u>
Salary Increases:			
Through 2026	1.55 – 4.55%	2.15% - 4.15% based on age	2.10% - 8.98% based on age
Thereafter	2.00 – 5.45%	3.15% - 5.15% based on age	3.10% - 9.98% based on age

NOTE 5: Post-Retirement Benefits (Continued)

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2006 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2011 – June 30, 2014, and July 1, 2010 – June 30, 2013 for TPAF, PERS and PFRS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend rate is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount Rate

The discount rate for June 30, 2018 was 3.87%. This 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.

Changes in the State of New Jersey's proportionate share of the total Non-Employer OPEB Liability associated with the School District:

	Total OPEB Liability
Balances at June 30, 2017	\$ 5,318,049
Changes for the Year:	
Service Cost	156,467
Interest	193,922
Difference Between Expected and Actual Experience	(524,764)
Changes in Assumptions or Other Inputs	(517,515)
Benefit Payments	(120,589)
Member Contributions	<u>4,168</u>
Balance at June 30, 2018	<u>\$ 4,509,738</u>

NOTE 5: Post-Retirement Benefits (Continued)

There were no changes in benefit terms between the June 30, 2017 measurement date and the June 30, 2018 measurement date.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% percent in 2017 to 3.87% percent in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease <u>(2.87%)</u>	Discount Rate <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
State of New Jersey's Proportionate Share Of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 5,331,428</u>	<u>4,509,738</u>	<u>3,856,579</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
State of New Jersey's Proportionate Share Of the Total Non-Employer OPEB Liability Associated with the School District	<u>\$ 3,727,561</u>	<u>4,509,738</u>	<u>5,544,197</u>

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.

For the year ended June 30, 2018, the Board of Education recognized OPEB expense of \$163,812 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

NOTE 5: Post-Retirement Benefits (Continued)

In accordance with GASBS No. 75, the Island Heights Board of Education proportionate share of school retirees OPEB is zero; there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows or resources. At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$	437,771
Changes in Proportion	12,240	72,007
Changes of Assumptions or Other Inputs	_____	<u>1,010,881</u>
Total	<u>\$ 12,240</u>	<u>1,520,659</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2020	\$ (177,461)
2021	(177,461)
2022	(177,461)
2023	(177,461)
2024	(177,461)
Thereafter	<u>(621,114)</u>
	<u>\$ (1,508,419)</u>

NOTE 6: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the right to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2018, no liability existed for compensated absences in the Food Service Fund.

NOTE 7: Capital Reserve Account

A capital Reserve account was established by the Borough of Island Heights Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Fund placed in the capital reserve account 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. 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-5.1(d) 7*, the balance in the account 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 July 1, 2018 to June 30, 2019 fiscal year is as follows:

Beginning Balance, July 1, 2018	<u>\$ 33,489</u>
Ending Balance, June 30, 2019	<u>\$ 33,489</u>

NOTE 8: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance – 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 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 expendable trust fund for the current year and previous year:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Disbursed</u>	<u>Balance</u>
2018-2019	\$ 95	4,000	0	47,816
2017-2018	33	5,000	0	43,721
2016-2017	11	0	458	38,688

NOTE 9: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/ received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2019 financial statements.

NOTE 10: Economic Dependency

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District's programs and activities.

NOTE 11: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 12: 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures Per the CAFR	\$ 2,734,095
Decreased by:	
On Behalf TPAF Pension and Social Security	(329,909)
Adjusted 2018-19 General Fund Expenditures	<u>\$ 2,404,186</u>
2% of Adjusted 2018-19 General Fund Expenditures	<u>\$ 48,084</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>52,786</u>
Maximum Unassigned Fund Balance	<u>\$ 302,786</u>
 <u>Section 2</u>	
Total General Fund Fund Balance @ June 30, 2019	\$ 416,707
Decreased by:	
Reserved for Encumbrances	(8,487)
Other Reserves	<u>(158,928)</u>
Total Unassigned Fund Balance	<u>\$ 249,292</u>
 <u>Section 3</u>	
Reserved Fund Balance -- Excess Surplus Designated for Subsequent Year's Expenditures	\$ 0
Excess Surplus	<u>0</u>
	<u>\$ 0</u>
 <u>Detail of Allowable Adjustments</u>	
Extraordinary Aid	\$ 52,206
Non-Public Transportation	<u>580</u>
	<u>\$ 52,786</u>

NOTE 12: 2% Calculation of Excess Surplus (Continued)**Detail of Other Restricted Fund Balance**

Maintenance Reserve	\$ 125,439
Capital Reserve	<u>33,489</u>
	<u>\$ 158,928</u>

NOTE 13: Fund Balance Appropriated

General Fund – Of the \$416,707 General Fund fund balance at June 30, 2019, \$8,487 is reserved for encumbrances; \$33,489 has been reserved in the Capital Reserve Account; \$125,439 is maintenance reserve; and \$302,786 is unreserved and undesignated.

NOTE 14: Calculation of Excess Surplus

In accordance with *N.J.S.A. 18A:7F-7*, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES – C

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 1,951,482		1,951,482	1,951,482	-
Unrestricted Miscellaneous Revenues	5,000		5,000	15,184	10,184
Total Local Sources	<u>1,956,482</u>	<u>-</u>	<u>1,956,482</u>	<u>1,966,666</u>	<u>10,184</u>
State Sources:					
Transportation Aid	11,068		11,068	11,068	-
School Choice	181,468		181,468	181,468	-
Special Education Aid	65,219		65,219	65,219	-
Security Aid	9,976		9,976	9,976	-
Adjustment Aid	31,349		31,349	31,349	-
Extraordinary Aid			-	52,206	52,206
Non Public Transportation			-	580	580
TPAF Pension (On Behalf-Non-Budgeted)			-	253,518	253,518
TPAF Social Security (Reimbursed - Non-Budgeted)			-	76,391	76,391
Total State Sources	<u>299,080</u>	<u>-</u>	<u>299,080</u>	<u>681,775</u>	<u>382,695</u>
Total Revenues	<u>2,255,562</u>	<u>-</u>	<u>2,255,562</u>	<u>2,648,441</u>	<u>392,879</u>

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures:</u>					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	117,144	(5,266)	111,878	111,878	-
Grades 1-5 - Salaries of Teachers	440,933	2,825	443,758	443,758	-
Grades 6-8 - Salaries of Teachers	87,966	(340)	87,626	87,626	-
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	84,500	(13,314)	71,186	66,231	4,955
Purchased Professional Educational Services	25,300	(8,800)	16,500	16,500	-
Other Purchased Services (400-500 Series)	5,800	530	6,330	4,817	1,513
General Supplies	68,047	(24,844)	43,203	42,978	225
Textbooks	20,000	(11,537)	8,463	7,664	799
Other Objects	8,900	(385)	8,515	8,514	1
Total Regular Programs - Instruction	<u>858,590</u>	<u>(61,131)</u>	<u>797,459</u>	<u>789,966</u>	<u>7,493</u>
Learning And language Disability					
Salaries of Teachers	52,426		52,426	52,426	-
Other Salaries For Instruction	14,400	1,476	15,876	15,876	-
	<u>66,826</u>	<u>1,476</u>	<u>68,302</u>	<u>68,302</u>	<u>-</u>
Resource Room/Resource Center:					
Salaries of Teachers	190,175	(17,329)	172,846	161,536	11,310
Other Salaries For Instruction	38,274	1,968	40,242	40,242	-
	<u>228,449</u>	<u>(15,361)</u>	<u>213,088</u>	<u>201,778</u>	<u>11,310</u>

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Special Education-Instruction	295,275	(13,885)	281,390	270,080	11,310
School Sponsored Co-Curricular Activities - Instruction:					
Salaries	7,399		7,399	7,399	-
Other Objects	3,600		3,600	2,841	759
Total School Sponsored Co-Curricular Activities - Instruction	10,999	-	10,999	10,240	759
Total Instruction	1,164,864	(75,016)	1,089,848	1,070,286	19,562
Undistributed Expenditures-Tuition					
Tuition-Other LEA Within State Special	20,000	118,454	138,454	129,035	9,419
Undistributed Expenditures - Attendance & Social Work:					
Salaries	25,916	802	26,718	26,717	1
Total Attendance and Social Work	25,916	802	26,718	26,717	1
Undistributed Expenditures - Health Services:					
Salaries	21,106		21,106	20,465	641
Supplies and Materials	800		800	428	372
Total Undistributed Expenditures - Health Services	21,906	-	21,906	20,893	1,013

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures-Other Support Svcs.-Students-Related Svcs.:					
Purchased Professional/Educational Services	<u>70,000</u>	<u>24,128</u>	<u>94,128</u>	<u>94,128</u>	<u>-</u>
Total Undistributed Expenditures - Other Support Services - Students - Related Services	<u>70,000</u>	<u>24,128</u>	<u>94,128</u>	<u>94,128</u>	<u>-</u>
Undistributed Expenditures-CST Extra Services					
Purchased Professional and Technical Services		<u>73,725</u>	<u>73,725</u>	<u>58,409</u>	<u>15,316</u>
Undistributed Expenditures - Other Support Services - Child Study Team:					
Secretarial Salaries		<u>4,500</u>	<u>4,500</u>	<u>4,500</u>	
Purchased Professional/Educational Services	<u>10,000</u>	<u>2,000</u>	<u>12,000</u>	<u>12,000</u>	
Total Undistributed Expenditures - Other Support Services - Child Study Team	<u>10,000</u>	<u>6,500</u>	<u>16,500</u>	<u>16,500</u>	
Undistributed Expenditures - Educational Media Services/ School Library:					
Other Purchased Services	<u>3,750</u>	<u>285</u>	<u>4,035</u>	<u>4,035</u>	<u>-</u>
Total Undistributed Expenditures - Educational Media Services/ School Library	<u>3,750</u>	<u>285</u>	<u>4,035</u>	<u>4,035</u>	<u>-</u>

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional/Educational Services	5,500	(550)	4,950	216	4,734
Undistributed Expenditures - Support Services - General Administration:					
Salaries	85,500	(2,400)	83,100	82,820	280
Legal Services	4,000	(1,700)	2,300	2,300	-
Audit Fee	7,000		7,000	7,000	-
BOE Other Purchased Services	400		400	375	25
Communications/Telephone	1,000	(120)	880	866	14
Other Purchased Services	7,695	(3,006)	4,689	4,467	222
Miscellaneous Expenditures	3,400		3,400	2,968	432
Board of Education - Dues & Administration	4,200		4,200	3,551	649
Total Undistributed Expenditures - Support Services - General Administration	113,195	(7,226)	105,969	104,347	1,622
Undistributed Expenditures - Central Services:					
Salaries	95,848	3,951	99,799	99,799	-
Supplies and Materials	350		350	125	225
Total Undistributed Expenditures - Central Services	96,198	3,951	100,149	99,924	225

ISLAND HEIGHTS SCHOOL DISTRICT

**Exhibit C-1
Sheet 6 of 9**

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Undistributed Expenditures - Required Maintenance for School Facilities:					
Salaries	3,500	1,624	5,124	5,124	-
Cleaning, Repair and Maintenance Services	70,000	(20,000)	50,000	49,646	354
Total Undistributed Expenditures - Required Maintenance for School Facilities	73,500	(18,376)	55,124	54,770	354
Undistributed Expenditures - Other Operations and Maintenance of Plant:					
Salaries	57,705	508	58,213	58,213	-
Cleaning, Repair and Maintenance Services	40,000	19,440	59,440	57,526	1,914
Other Purchased Property Services	1,700		1,700	1,564	136
Insurance	40,000	(2,272)	37,728	37,728	-
General Supplies	8,055	1,819	9,874	9,874	-
Energy-Electricity	42,500	(9,987)	32,513	32,512	1
Energy-Natural Gas	26,000	787	26,787	20,542	6,245
Total Undistributed Expenditures - Other Operations and Maintenance of Plant	215,960	10,295	226,255	217,959	8,296

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Undistributed Expenditures - Security					
Salaries	<u>24,099</u>	<u>2,747</u>	<u>26,846</u>	<u>26,493</u>	<u>353</u>
Total Undistributed Expenditures Other Operations and Maintenance of Plant	<u>313,559</u>	<u>(5,334)</u>	<u>308,225</u>	<u>299,222</u>	<u>9,003</u>
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) Special Education	<u>9,513</u>		<u>9,513</u>	<u>9,513</u>	<u>-</u>
Contracted Services (Other than Between Home and School) Vendors	<u>2,500</u>	<u>622</u>	<u>3,122</u>	<u>2,527</u>	<u>595</u>
Contracted Services (Other Than Between Home and School) Jointures	<u>7,500</u>	<u>4,599</u>	<u>12,099</u>	<u>5,851</u>	<u>6,248</u>
Contracted Services - (Special Education Students)-ESCs & CTSAs	<u>32,000</u>	<u>11,990</u>	<u>43,990</u>	<u>43,990</u>	<u>-</u>
Total Undistributed Expenditures - Student Transportation Services	<u>51,513</u>	<u>17,211</u>	<u>68,724</u>	<u>61,881</u>	<u>6,843</u>

ISLAND HEIGHTS SCHOOL DISTRICT

**Exhibit C-1
Sheet 8 of 9**

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits-Employee Benefits					
Social Security Contributions	32,000	(7,015)	24,985	24,985	-
Other Retirement Contributions-PERS	20,000	919	20,919	20,919	-
Health Benefits	415,000	(41,457)	373,543	368,885	4,658
Total Unallocated Benefits - Employee Benefits	<u>467,000</u>	<u>(47,553)</u>	<u>419,447</u>	<u>414,789</u>	<u>4,658</u>
Total Personal Services-Employee Benefits	<u>467,000</u>	<u>(47,553)</u>	<u>419,447</u>	<u>414,789</u>	<u>4,658</u>
On-Behalf TPAF Pension Contribution - Non-Budgeted			-	253,518	(253,518)
Reimbursed TPAF Social Security Contributions - Non-Budgeted			-	76,391	(76,391)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,909</u>	<u>(329,909)</u>
Total Undistributed Expenditures	<u>1,198,537</u>	<u>184,393</u>	<u>1,382,930</u>	<u>1,660,005</u>	<u>(277,075)</u>
Total Current Expense	<u>2,363,401</u>	<u>109,377</u>	<u>2,472,778</u>	<u>2,730,291</u>	<u>(257,513)</u>
Capital Outlay:					
Debt Service Assessment	3,804		3,804	3,804	-
Total Capital Outlay	<u>3,804</u>	<u>-</u>	<u>3,804</u>	<u>3,804</u>	<u>-</u>
Total Expenditures	<u>2,367,205</u>	<u>109,377</u>	<u>2,476,582</u>	<u>2,734,095</u>	<u>(257,513)</u>

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(111,643)</u>	<u>(109,377)</u>	<u>(221,020)</u>	<u>(85,654)</u>	<u>135,366</u>
Fund Balance July 1	<u>502,361</u>		<u>502,361</u>	<u>502,361</u>	
Fund Balance June 30	<u>\$ 390,718</u>	<u>(109,377)</u>	<u>281,341</u>	<u>416,707</u>	<u>135,366</u>
Recapitulation:					
Restricted Fund Balance:					
Maintenance Reserve				\$ 125,439	
Capital Reserve				33,489	
Assigned Fund Balance:					
Year-End Encumbrances				8,487	
Unassigned Fund Balance				<u>249,292</u>	
				416,707	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				<u>(29,527)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 387,180</u>	

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Federal Sources	<u>\$ 59,206</u>	<u>10,309</u>	<u>69,515</u>	<u>69,515</u>	<u> </u>
Total Revenues	<u><u>\$ 59,206</u></u>	<u><u>10,309</u></u>	<u><u>69,515</u></u>	<u><u>69,515</u></u>	<u><u>-</u></u>
Expenditures:					
Instruction:					
Teachers Salaries	<u>\$ 20,000</u>	<u>2,267</u>	<u>22,267</u>	<u>22,267</u>	<u> </u>
Tuition	<u>33,000</u>	<u>401</u>	<u>33,401</u>	<u>33,401</u>	<u> </u>
Total Instruction	<u>53,000</u>	<u>2,668</u>	<u>55,668</u>	<u>55,668</u>	<u>-</u>
Support Services:					
Benefits	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>	<u>10,000</u>	<u> </u>
Purchased Professional & Technical Services	<u>1,106</u>	<u>2,086</u>	<u>3,192</u>	<u>3,192</u>	<u> </u>
Other Purchased Services	<u>100</u>	<u>555</u>	<u>655</u>	<u>655</u>	<u> </u>
Total Support Services	<u>6,206</u>	<u>7,641</u>	<u>13,847</u>	<u>13,847</u>	<u>-</u>
Total Expenditures	<u><u>\$ 59,206</u></u>	<u><u>10,309</u></u>	<u><u>69,515</u></u>	<u><u>69,515</u></u>	<u><u>-</u></u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ISLAND HEIGHTS SCHOOL DISTRICTREQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

BUDGET-TO-GAAP RECONCILIATIONNOTE TO RSIFOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 2,648,441	69,515
Difference - Budget to GAAP: Grant accounting budgetary basis differs from GAAP in the encumbrances are recognized as expenditures and the related revenue is recognized.		
State aid payment prior year	29,513	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33)	<u>(29,527)</u>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,648,427</u>	<u>69,515</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,734,095	69,515
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not yet received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,734,095</u>	<u>69,515</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - PERS

Exhibit L-1

LAST SIX FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 414,089	434,966	547,412	459,179	340,008	333,702
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 414,089</u>	<u>434,966</u>	<u>547,412</u>	<u>459,179</u>	<u>340,008</u>	<u>333,702</u>
District's Covered-Employee Payroll	\$ 157,821	127,016	121,366	115,047	121,547	110,812
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	38.11%	29.20%	22.17%	25.05%	35.75%	33.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.45%	36.78%	31.20%	38.21%	42.74%	40.71%

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS

Exhibit L-2

LAST SIX FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 17,310	16,420	16,420	14,971	13,156	16,577
Contributions in Relation to the Contractually Required Contribution	<u>17,310</u>	<u>16,420</u>	<u>16,420</u>	<u>14,971</u>	<u>13,156</u>	<u>16,577</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 157,821	127,016	121,366	115,047	121,547	110,812
Contributions as a Percentage of Covered-Employee Payroll	10.97%	12.93%	13.53%	13.01%	10.82%	14.96%

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - TPAF

Exhibit L-3

LAST SIX FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
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>5,332,015</u>	<u>6,638,229</u>	<u>6,631,223</u>	<u>5,379,662</u>	<u>4,769,570</u>	<u>4,788,808</u>
Total	<u>\$ 5,332,015</u>	<u>6,638,229</u>	<u>6,631,223</u>	<u>5,379,662</u>	<u>4,769,570</u>	<u>4,788,808</u>
District's Covered-Employee Payroll	\$ 968,820	905,011	803,249	981,217	870,937	822,456
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	18.17%	13.63%	12.11%	18.24%	18.26%	17.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

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

ISLAND HEIGHTS SCHOOL DISTRICTSCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOSLAST THREE FISCAL YEARS

Exhibit M-1

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>State's OPEB Liability Attributable to the District</u>			
Service Cost	\$ 156,467	187,753	*
Interest	193,922	166,581	*
Benefit Payments	(120,589)	(123,177)	*
Member Contributions	4,168	4,536	*
Difference between Expected and Actual Experience	(524,764)		
Change of Assumptions	(517,515)	(633,753)	*
Net Change in Total OPEB Liability	(808,311)	(398,060)	*
Total Attributable OPEB Liability - Beginning	5,318,049	5,716,109	*
Total Attributable OPEB Liability - Ending	<u>\$ 4,509,738</u>	<u>5,318,049</u>	<u>5,716,109</u>
District's Covered Payroll	\$ 1,126,641	1,032,027	924,615
District's Contribution	None	None	None
State's Proportionate Share of OPEB Liability as a Percentage of its Covered-Employee Payroll	400.28%	515.30%	618.22%

* - Information not available

Source: GASB 75 report on State of New Jersey Health Benefits Program; District Records.

Note: This schedule is required by GASB 75 to show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

ISLAND HEIGHTS SCHOOL DISTRICTNOTES TO REQUIRED SUPPLEMENTARY INFORMATIONFOR THE FISCAL YEAR ENDED JUNE 30, 2019

Exhibit M-2

Change of Benefit Terms

None

Changes of Assumptions

The Discount Rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

ISLAND HEIGHTS SCHOOL DISTRICT

SPECIAL REVENUE FUND

Exhibit E-1

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>I.D.E.A. Basic</u>	<u>Title 1</u>	<u>Title IIA</u>	<u>Title IV</u>	<u>I.D.E.A. Preschool</u>	<u>Totals</u>
Revenues:						
Federal Sources	<u>\$ 33,401</u>	<u>22,267</u>	<u>3,192</u>	<u>10,000</u>	<u>655</u>	<u>69,515</u>
Total Revenues	<u>\$ 33,401</u>	<u>22,267</u>	<u>3,192</u>	<u>10,000</u>	<u>655</u>	<u>69,515</u>
Expenditures:						
Instruction:						
Teachers Salaries	\$ -	22,267				22,267
Tuition	33,401					33,401
Total Instruction	<u>33,401</u>	<u>22,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,668</u>
Support Services:						
Benefits				10,000		10,000
Purchased Professional & Technical Services			3,192			3,192
Other Purchased Services					655	655
Total Support Services	<u>-</u>	<u>-</u>	<u>3,192</u>	<u>10,000</u>	<u>655</u>	<u>13,847</u>
Total Expenditures	<u>\$ 33,401</u>	<u>22,267</u>	<u>3,192</u>	<u>10,000</u>	<u>655</u>	<u>69,515</u>

CAPITAL PROJECTS FUND – F

ISLAND HEIGHTS SCHOOL DISTRICTCAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGESIN FUND BALANCE - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2019

Expenditures:	
Purchased Professional and Technical Services	\$ 68,228
Construction	83,604
Total Expenditures	<u>151,832</u>
Less Transfer to Debt Service	107,000
Excess of Revenues over Expenditures	(258,832)
Fund Balance - Beginning	<u>496,490</u>
Fund Balance - Ending	<u><u>\$ 237,658</u></u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit F-1a

CAPITAL PROJECTS FUND**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,****AND PROJECT STATUS - BUDGETARY BASIS****ADDITION TO ELEMENTARY SCHOOL****FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
Bond Proceeds	\$ 2,992,000		2,992,000	2,992,000
Total Revenues	<u>2,992,000</u>	<u>-</u>	<u>2,992,000</u>	<u>2,992,000</u>
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	199,303	68,228	267,531	280,000
Construction Services	2,236,362	190,604	2,426,966	2,652,155
Legal And Bonding	59,845		59,845	59,845
Contingency			-	
Total Expenditures	<u>2,495,510</u>	<u>258,832</u>	<u>2,754,342</u>	<u>2,992,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 496,490</u>	<u>(258,832)</u>	<u>237,658</u>	<u>-</u>
<u>Additional Project Information</u>				
Project Number		N/A		
Grant Date		N/A		
Bond Authorization Date		3/06/2016		
Bonds Issued		7/19/2016		
Original Authorized Cost		2,992,000		
Additional Authorized Cost		N/A		
Revised Authorized Cost		N/A		
Percentage Increase Over Original Authorized Cost		N/A		
Percentage Completion		95%		
Original Target Completion Date		12/31/19		
Revised Target Completion Date		12/31/19		

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

ISLAND HEIGHTS SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

	<u>Student Activity</u>	<u>Payroll Agency and Net Salary</u>	<u>Unemployment</u>	<u>Total 2019</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 7,716	3,343	47,816	58,875
<u>Liabilities</u>				
Payroll Deductions and Withholding	\$ -	3,343		3,343
Due to Student Groups	7,716	-		7,716
Total Liabilities	\$ 7,716	3,343	-	11,059
<u>Net Position</u>				
Reserve for Unemployment			\$ 47,816	47,816

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITIONJUNE 30, 2019

	Unemployment Compensation Trust	Total
Increased By:		
Interest Income	\$ 95	95
Budget	4,000	4,000
Total Additions	<u>4,095</u>	<u>4,095</u>
Net Increase	4,095	4,095
Net Position, June 30, 2018	<u>43,721</u>	<u>43,721</u>
Net Position, June 30, 2019	<u><u>\$ 47,816</u></u>	<u><u>47,816</u></u>

ISLAND HEIGHTS SCHOOL DISTRICT**STUDENT ACTIVITY AGENCY FUND**

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS**JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Elementary School</u>				
6th Grade	\$ 3,322	9,494	10,601	2,215
Parent/Yearbook	676	2,254	1,539	1,391
Gabriel Donation	116			116
Band	(66)			(66)
Tsucasas Donation		2,385	2,360	25
Summer Camp		3,916	99	3,817
I Fly Trip		737	769	(32)
Leadership	250			250
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 4,298</u>	<u>18,786</u>	<u>15,368</u>	<u>7,716</u>

ISLAND HEIGHTS SCHOOL DISTRICTPAYROLL AND PAYROLL AGENCY FUND

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTSJUNE 30, 2019

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 3,647	1,486,852	1,487,156	3,343
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	\$ 3,647	1,486,852	1,487,156	3,343

LONG-TERM DEBT – I

ISLAND HEIGHTS SCHOOL DISTRICT

GENERAL LONG-TERM DEBT ACCOUNT GROUP

Exhibit I-1

SCHEDULE OF SERIAL BONDS

JUNE 30, 2019

<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, 2018</u>	<u>Retired</u>	<u>Balance June 30, 2019</u>
			<u>Date</u>	<u>Amount</u>				
School Addition	5/1/2003	\$ 1,093,000	11/1/19	\$ 60,000	4.000%	\$ 293,000	(60,000)	233,000
			11/1/20	60,000	4.100%			
			11/1/21	60,000	4.150%			
			11/1/22	53,000	4.260%			
School Improvements & Renovations	7/16/2016	2,992,000	7/15/19-20	110,000	2.000%	2,992,000	(107,000)	2,885,000
			7/15/21	115,000				
			7/15/22	120,000				
			7/15/23	125,000				
			7/15/24-25	130,000				
			7/15/26	135,000				
			7/15/27	140,000	2.250%			
			7/15/28	150,000				
			7/15/29	155,000	2.500%			
			7/15/30	160,000				
			7/15/31	165,000	2.750%			
			7/15/32	170,000	3.000%			
			7/15/33	180,000				
			7/15/34	185,000				
			7/15/35	195,000				
			7/15/36	200,000				
7/15/37	220,000							
						<u>\$ 3,285,000</u>	<u>(167,000)</u>	<u>3,118,000</u>

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 84,075		84,075	84,075	-
State Aid Type 11	61,959		61,959	61,959	-
Interest				11	11
Total Revenues	<u>146,034</u>	<u>-</u>	<u>146,034</u>	<u>146,045</u>	<u>11</u>
Expenditures:					
Regular Debt Service:					
Interest	84,075		84,075	86,035	(1,960)
Redemption of Principal	61,959		61,959	167,000	(105,041)
Total Expenditures	<u>146,034</u>	<u>-</u>	<u>146,034</u>	<u>253,035</u>	<u>(107,001)</u>
Other Sources and (Uses)					
Transfer From Capital Projects				107,000	107,000
Excess (Deficiency) of Revenues Over/(Under)					
Expenditures	-	-	-	10	10
Fund Balance July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>
Fund Balance June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>12</u>

STATISTICAL SECTION

(Unaudited)

ISLAND HEIGHTS SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 1,092,335	1,103,925	1,219,327	1,316,588	1,816,181	1,856,595	2,156,198	2,152,967	2,149,736	2,130,357
Restricted	405,085	422,255	872,877	342,984	55,882	194,828	164,285	130,545	123,489	234,475
Unrestricted	(326,378)	10,445	(325,733)	141,703	(178,511)	75,145	53,094	6,698	(35,944)	(97,721)
Total Governmental Activities Net Position	\$ 1,171,042	1,536,625	1,766,471	1,801,275	1,693,552	2,126,568	2,373,577	2,290,210	2,237,281	2,267,111
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 830	1,395	2,591	1,591	2,561	2,561	-			
Restricted										
Unrestricted	212	761	863	4,106	5,197	4,410	3,361	1,489	6,627	4,784
Total Business-Type Activities Net Position	\$ 1,042	2,156	3,454	5,697	7,758	6,971	3,361	1,489	6,627	4,784
District-Wide										
Invested in Capital Assets, Net of Related Debt	\$ 1,093,165	1,105,320	1,221,918	1,318,179	1,818,742	1,859,156	2,156,198	2,152,967	2,149,736	2,130,357
Restricted	405,085	422,255	872,877	342,984	55,882	194,828	164,285	130,545	123,489	234,475
Unrestricted	(326,166)	11,206	(324,870)	145,809	(173,314)	79,555	56,455	8,187	(29,317)	(92,937)
Total District Net Position	\$ 1,172,084	1,538,781	1,769,925	1,806,972	1,701,310	2,133,539	2,376,938	2,291,699	2,243,908	2,271,895

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN NET POSITION - (ACCRUAL BASIS OF ACCOUNTING)
LAST TEN FISCAL YEARS
FISCAL YEAR ENDING JUNE 30,

	Fiscal Year Ending June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental Activities										
Instruction:										
Regular	\$ 789,966	832,102	821,679	785,137	846,395	701,967	691,907	688,653	664,174	868,969
Special Education	325,748	294,190	260,261	263,614	254,475	266,051	250,191	189,944	211,969	65,586
Other Instruction	10,240	9,884	8,905	7,631	38,446	39,163	36,285	34,925	35,241	89,724
Support Services:										
Tuition							3,459	2,101	2,533	12,325
Student & Instruction Related Services	363,780	175,962	154,090	161,949	130,220	136,468	136,257	174,523	162,802	175,528
School Administrative Services	204,271	211,153	198,734	125,254	207,330	204,046	191,249	190,902	204,371	225,053
Plant Operations & Maintenance	299,222	355,050	400,737	273,870	379,206	271,323	244,391	241,077	259,225	296,306
Pupil Transportation	61,881	58,715	40,506	35,048	27,175	17,045	17,182	30,460	34,192	53,261
Capital Outlay	155,636	144,690		91,251	3,804	3,804	2,652	1,932		
Interest on Long-Term Debt	84,655	92,214	84,365	17,574	18,658	25,819	24,790	27,253	28,628	30,542
Unallocated Benefits	755,581	696,288	584,747	533,365	505,271	437,269	446,656	411,288	383,437	381,017
Unallocated Depreciation	178,590	145,393	108,247	100,414	100,414	105,048	56,769	56,769	56,769	56,600
Total Governmental Activities Expenses	3,229,570	3,015,641	2,662,271	2,395,107	2,511,394	2,208,003	2,101,788	2,049,827	2,043,341	2,254,911
Business-Type Activities:										
Food Service	6,603	7,762	13,007	14,636	8,235	8,361	6,713	12,431	13,404	17,177
Total Business-Type Activities Expense	6,603	7,762	13,007	14,636	8,235	8,361	6,713	12,431	13,404	17,177
Total District Expenses	\$ 3,236,173	3,023,403	2,675,278	2,409,743	2,519,629	2,216,364	2,108,501	2,062,258	2,056,745	2,272,088
Program Revenues										
Governmental Activities:										
Operating Grants & Contributions	\$ 69,515	69,655	61,596	63,831	38,351	37,901	37,903	46,062	41,392	61,847
Charge for Services							43,500			
Total Governmental Activities Program Revenues	69,515	69,655	61,596	63,831	38,351	37,901	81,403	46,062	41,392	61,847
Business-Type Activities:										
Charges for Services:										
Food Service	4,600	4,892	6,361	9,103	6,022	6,643	5,851	10,217	10,701	12,905
Operating Grants & Contributions	2,085	1,572	2,270	3,957	3,000	5,328	2,734	3,576	4,546	4,410
Total Business Type Activities Program Revenues	6,685	6,464	8,631	13,060	9,022	11,971	8,585	13,793	15,247	17,315
Total District Program Revenues	\$ 76,200	76,119	70,227	76,891	47,373	49,872	89,988	59,855	56,639	79,162
Net (Expense)/Revenue										
Governmental Activities	\$ (3,160,055)	(2,945,986)	(2,600,675)	(2,331,276)	(2,473,043)	(2,170,102)	(2,020,385)	(2,003,765)	(2,001,949)	(2,193,064)
Business-Type Activities	82	(1,300)	(4,376)	(1,576)	787	3,610	1,872	1,362	1,843	138
Total District-Wide Net Expense	\$ (3,159,973)	(2,947,286)	(2,605,051)	(2,332,852)	(2,472,256)	(2,166,492)	(2,018,513)	(2,002,403)	(2,000,106)	(2,192,926)
General Revenues & Other Changes in Net Assets										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 1,951,482	1,913,218	1,875,704	1,838,925	1,776,100	1,741,275	1,681,240	1,631,883	1,599,885	1,594,705
Taxes Levied for Debt Service	84,075	148,184	75,603	77,957	80,290	82,578	84,790	86,910	88,949	90,901
Federal and State Aid Not Restricted	743,720	619,079	575,204	506,525	465,577	280,036	311,790	284,353	232,317	249,993
Miscellaneous Income	15,195	35,659	39,360	17,171	58,068	73,759	25,932	53,548	50,968	17,527
Transfers										(2,937)
Total Governmental Activities	\$ 2,794,472	2,716,140	2,565,871	2,440,578	2,380,035	2,177,648	2,103,752	2,056,694	1,972,119	1,950,189
Business-type Activities:										
Transfers	\$ (1,196)	2	2	-	-	-	-	(6,500)	-	2,937
Total Business-Type Activities	(1,196)	2	2	-	-	-	-	(6,500)	-	2,937
Total District-Wide	\$ 2,793,276	2,716,142	2,565,873	2,440,578	2,380,035	2,177,648	2,103,752	2,050,194	1,972,119	1,953,126
Change in Net Position										
Governmental Activities	\$ (365,583)	(229,846)	(34,804)	109,302	(93,008)	7,546	83,367	52,929	(29,830)	(242,875)
Business-Type Activities	(1,114)	(1,298)	(4,374)	(1,576)	787	3,610	1,872	(5,138)	1,843	3,075
Total District	\$ (366,697)	(231,144)	(39,178)	107,726	(92,221)	11,156	85,239	47,791	(27,987)	(239,800)

**ISLAND HEIGHTS SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

	FISCAL YEAR ENDING JUNE 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Reserved	\$ 167,415	274,391	265,509	219,293	62,142	194,828	164,285	130,544	123,471	234,457
Unreserved	219,765	198,457	220,423	221,061	199,784	154,619	123,775	85,146	80,146	49,605
Total General Fund	\$ 387,180	472,848	485,932	440,354	261,926	349,447	288,060	215,690	203,617	284,062
All Other Governmental Funds										
Reserved	\$ -	-	-	-	-	-	-	-	-	-
Unreserved, Reported in:										
Special Revenue Fund										-
Capital Projects Fund	237,658	496,490	607,367							
Debt Service Fund	12	2	1		1	1	1	1	18	18
Total All Other Governmental Funds	\$ 237,670	496,492	607,368	-	1	1	1	1	18	18

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Tax Levy	\$ 2,035,557	2,061,402	1,951,307	1,916,882	1,856,390	1,741,275	1,766,030	1,718,793	1,688,834	1,685,606
Miscellaneous	13,995	35,659	3,031,360	17,171	58,068	73,759	69,432	53,548	52,235	18,308
State Sources	743,720	619,088	575,204	506,525	465,577	280,036	311,790	284,353	232,317	249,993
Federal Sources	69,515	69,655	61,596	63,831	38,351	37,901	37,903	46,062	40,125	61,066
Total Revenue	2,862,787	2,785,804	5,619,467	2,504,409	2,418,386	2,132,971	2,185,155	2,102,756	2,013,511	2,014,973
Expenditures										
Instruction:										
Regular Instruction	789,966	832,102	821,679	775,586	846,395	696,415	691,907	718,412	716,118	868,811
Special Education Instruction	325,748	294,190	260,261	263,614	254,475	266,051	250,191	189,944	211,969	65,586
Other Special Instruction			8,905	7,631	29,507	28,813	28,261	27,666	27,630	62,592
Other Instruction	10,240	9,884		-	8,939	10,350	8,024	7,259	7,611	27,132
Support Services:										
Tuition							3,459	2,101	2,533	12,325
Student & Instruction Related Services	363,780	175,962	154,090	161,949	130,220	136,468	136,257	174,523	162,802	175,528
School Administrative Services	204,271	211,153	198,734	125,254	207,330	204,046	191,249	190,902	204,371	225,053
Plant Operations & Maintenance	299,222	355,050	400,737	273,870	379,206	271,323	244,391	241,077	259,225	296,306
Pupil Transportation	61,881	58,715	40,506	35,048	27,175	17,045	17,182	30,460	34,192	53,261
Other Support Services				87,447	-	3,804	-	6,294		
Unallocated Benefits	744,698	671,209	627,470	513,821	538,566	437,269	454,422	404,994	383,437	381,017
Capital Outlay	155,636	114,681	2,378,537	3,804	3,804		2,652	1,932	3,323	
Debt Service:										
Principal	167,000	60,000	60,000	60,000	60,000		60,000	60,000	60,000	60,000
Interest & Other Charges	86,035	126,809	15,602	17,958	20,290		24,790	26,928	28,953	30,902
Total Expenditures	3,208,477	2,909,755	4,966,521	2,325,982	2,505,907	2,071,584	2,112,785	2,082,492	2,102,164	2,258,513

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(345,690)	(123,951)	652,946	178,427	(87,521)	61,387	72,370	20,264	(88,653)	(243,540)
Other Financing Sources/(Uses):										
Transfers In	1,200									
Transfers Out									-	(2,937)
Total Other Financing Sources/(Uses)	1,200	-	-	-	-	-	-	-	-	(27,204)
Net Change in Fund Balances	(344,490)	(123,951)	652,946	178,427	(87,521)	61,387	72,370	20,264	(88,653)	92,716
Debt Service as a Percentage of Noncapital Expenditures	7.8%	5.0%	1.5%	2.6%	4.3%	4.2%	4.4%	4.8%	4.6%	5.0%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

**ISLAND HEIGHTS SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)**

FISCAL YEAR ENDING JUNE 30,	INTEREST ON INVESTMENTS	Tuition	DONATIONS	RENTALS	PRIOR YEAR REFUNDS	SALE & LEASEBACK OF TEXTBOOKS	MISCELLANEOUS	TOTAL
2010	\$ -						18,308	18,308
2011	729						6,555	7,284
2012							26,263	26,263
2013							25,932	25,932
2014		42,450					31,309	73,759
2015							67,787	67,787
2016							45,452	45,452
2017							48,658	48,658
2018							35,659	35,659
2019							15,195	15,195
Total	\$ 729	42,450	-	-	-	-	321,118	364,297

Source: District records

**ISLAND HEIGHTS SCHOOL DISTRICT
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
 LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2019	11,224,600	333,025,700			24,591,600		1,499,400	369,544,341	32,555,600		402,099,941	0.615	
2018	13,014,400	313,614,800			20,576,200		489,300	346,430,885	23,018,800		370,912,575	0.585	
2017	16,671,000	310,496,700			20,576,200		489,300	346,430,885	23,018,800		369,449,685	0.595	
2016	16,740,400	307,677,800			20,523,400		489,300	345,631,813	22,736,500		368,368,313	0.565	
2015	16,158,700	307,697,700			20,588,200		489,300	345,132,255	22,736,500		367,868,755	0.556	
2014	15,221,700	309,324,600			20,588,200		489,300	345,623,800	22,736,500		368,360,300	0.537	
2013	14,328,500	310,198,700			20,718,300		489,300	345,734,800	22,724,700		368,459,500	0.527	
2012	12,913,000	314,965,700			21,616,800		489,300	349,984,800	22,674,700		372,659,500	0.504	
2011	13,983,900	314,685,500			23,043,100		489,300	352,201,800	22,460,600		374,662,400	0.488	
2010	13,762,500	315,343,500			23,101,200		489,300	352,696,500	22,460,600		375,157,100	0.479	
2009	14,791,600	313,526,200			23,101,200		489,300	351,908,300	22,460,600		374,368,900	0.479	

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a. Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b. Tax rates are per \$100

**ISLAND HEIGHTS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)**

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES					TOTAL DIRECT AND OVERLAPPING TAX RATE
	ISLAND HEIGHTS SCHOOL	REGIONAL SCHOOL	TOTAL DIRECT	ISLAND HEIGHTS BOROUGH	OCEAN COUNTY	COUNTY LIBRARY	COUNTY OPEN SPACE	COUNTY HEALTH RATE	
2019	0.615	0.337	0.952	0.537	0.336	0.037	0.012	0.017	1.891
2018	0.585	0.354	0.939	0.556	0.347	0.038	0.012	0.014	1.906
2017	0.595	0.309	0.904	0.546	0.334	0.036	0.012	0.013	1.845
2016	0.565	0.347	0.912	0.502	0.357	0.039	0.012	0.014	1.836
2015	0.556	0.332	0.888	0.502	0.35	0.038	0.012	0.014	1.804
2014	0.537	0.339	0.876	0.493	0.342	0.038	0.012	0.014	1.775
2013	0.527	0.333	0.860	0.472	0.331	0.038	0.013	0.014	1.728
2012	0.504	0.362	0.866	0.449	0.337	0.039	0.013	0.014	1.718
2011	0.488	0.349	0.837	0.439	0.335	0.039	0.015	0.015	1.680
2010	0.479	0.301	0.780	0.445	0.340	0.039	0.015	0.015	1.634
2009	0.479	0.302	0.781	0.424	0.322	0.038	0.015	0.015	1.595
2008	0.479	0.259	0.738	0.409	0.306	0.036	0.015	0.015	1.519

Source: Abstract of Ratables, Breakdown of General Tax Rate

**ISLAND HEIGHTS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
Last Years Information**

Exhibit J-8

	2019	
Taxpayer	TAXABLE ASSESSED VALUE	RANK (Optional)
FLM Marine	\$4,950,500	1
Conza Builders LLC	\$2,706,600	2
Linda Tavares	2,386,600	3
Nelson Properties Partnership	2,147,300	4
Peter & Elisa Rapaport	1,900,700	5
George & Harriet Prepis	1,847,300	6
Linda J. Bartlett	1,780,400	7
Henry Kelly Jr.	1,760,300	8
Steven Brick	1,706,400	9
Sal T & Gina M Laforgia	1,614,900	10
Total	\$22,801,000	

EXHIBIT J-9

**ISLAND HEIGHTS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

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	
2018	6,650,279	6,507,251	97.85%	
2017	6,458,810	6,329,634	98.38%	
2016	6,459,026	6,305,932	97.63%	
2015	6,250,504	6,078,827	97.25%	
2014	6,121,419	6,019,877	98.34%	
2013	5,967,793	5,818,612	97.20%	
2012	5,988,654	5,842,802	96.74%	
2011	6,016,573	5,658,129	93.70%	
2010	5,770,950	5,622,305	97.42%	
2009	5,637,164	5,487,795	97.35%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

**ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST EIGHT FISCAL YEARS
(Dollars in Thousands, Except per Capita)**

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			BOND ANTICIPATION NOTES (BANs)	BUSINESS- TYPE ACTIVITIES	TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES		CAPITAL LEASES			
2019	\$ 3,118,000					3,118,000	n/a	n/a
2018	\$ 3,285,000					3,285,000	n/a	n/a
2017	\$ 3,345,000					3,345,000	1.5%	50,184
2016	\$ 3,405,000					3,405,000	1.4%	48,116
2015	\$ 473,000					473,000	9.9%	46,849
2014	\$ 533,000					533,000	8.4%	44,808
2013	\$ 593,000					593,000	7.3%	43,171
2012	\$ 653,000					653,000	6.6%	42,807
2011	\$ 713,000					713,000	5.8%	41,460
2010	\$ 773,000					773,000	5%	39,900
2009	\$ 833,000					833,000	5%	39,746
2008	\$ 893,000					893,000	5%	41,329

EXHIBIT J-11

ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Dollars in Thousands, Except per Capita)

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			
2019	3,118,000		3,118,000		N/A
2018	3,285,000		3,285,000		N/A
2017	3,345,000		3,345,000		50,184
2016	3,405,000		3,405,000		48,116
2015	473,000		473,000		46,849
2014	533,000		533,000	N/A	44,453
2013	593,000		593,000	N/A	43,214
2012	653,000		653,000	N/A	43,016
2011	713,000		713,000	N/A	41,460
2010	773,000		773,000	N/A	39,900
2009	833,000		833,000	N/A	40,612

EXHIBIT J-12

**ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2018**

GOVERNMENTAL UNIT	SHARE OF OVERLAPPING DEBT
Overlapping Debt*	
County of Ocean	\$ 1,110,096.05
Township of Island Heights	1,805,816.00
Central Regional School District	<u>54,666.79</u>
Subtotal, Overlapping Debt	2,970,578.84
Island Heights District Overlapping Debt	<u>3,118,000.00</u>
Total Direct & Overlapping Debt	<u><u>\$ 6,088,578.84</u></u>

*Overlapping debt as of December 31, 2017 Annual Debt Statements.

Sources: Assessed value data used to estimate applicable percentages provided by the Ocean County Board of Taxat

**ISLAND HEIGHTS SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Dollars in tThousands)**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Debt Limit	9,135,224	8,662,982	9,135,224	8,640,445	8,642,777	9,043,463	9,649,280	10,217,736	10,439,719	10,836,082
Total Net Debt Applicable to Limit	<u>3,118,000</u>	<u>3,285,000</u>	<u>3,345,000</u>	<u>3,405,000</u>	<u>473,000</u>	<u>533,000</u>	<u>593,000</u>	<u>653,000</u>	<u>713,000</u>	<u>773,000</u>
Legal Debt Margin	<u>6,017,224</u>	<u>5,377,982</u>	<u>5,790,224</u>	<u>5,235,445</u>	<u>8,169,777</u>	<u>8,510,463</u>	<u>9,056,280</u>	<u>9,564,736</u>	<u>9,726,719</u>	<u>10,063,082</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	34.13%	37.92%	36.62%	39.41%	5.47%	5.89%	6.15%	6.39%	6.83%	7.13%

Legal Debt Margin Calculation for Fiscal Year 2019

	Equalized Valuation Basis
	2018 \$402,099,941
	2017 \$347,893,775
	2016 <u>\$346,233,200</u>
	<u>\$1,096,226,916</u>
Average Equalized Valuation of Taxable Property	[A/B] \$365,408,972
Debt Limit (2.5 % of Average Equalization Value)	[B] 9,135,224
Net Bonded School Debt	[C] _____
Legal Debt Margin	[B-C] <u>\$9,135,224</u>

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

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

EXHIBIT J-14

**ISLAND HEIGHTS SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME (Thousands of Dollars) (b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2018	1674			3.70%
2017	1667	\$ 50,184		4.40%
2016	1649	47,413		4.60%
2015	1642	46,109		5.40%
2014	1648	44,381		6.90%
2013	1660	43,214		10.3%
2012	1659	43,016		10.60%
2011	1664	42,121		10.1%
2010	1668	60,689		10.0%
2009	1891	40,612		9.2%

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income provided by NJ Department of Labor and Workforce Development

^c Per Capita provided by NJ Department of Labor and Workforce Development

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

**ISLAND HEIGHTS SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEAR**

Function/Program	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction:										
Regular	14	14	14	14	14	14	13	13	13	13
Special Education	4	4	4	4	4	4	3.5	2.5	2	2
Other Special Education	2	2	2	2	2	2	2	2	2	2
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student & Instruction Related Services										
School Administrative Services	2	2	2	2	2	2	2	2	2	2
General & Business Administrative Services	2	2	2	2	2	2	2	2	2	2
Plant Operations & Maintenance	2	2	2	2	2	2				
Pupil Transportation	1	1	1	1	1	1	1	1	1	1
Business & Other Support Services										
Special Schools										
Food Service	2	2	2	2	2	2	2	2	2	2
Child Care										
Total	29	29	29	29	29	29	24.5	24.5	24	24

Source: District Personnel Records

**ISLAND HEIGHTS SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO	AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)
						ELEMENTARY		
2019	124						123.22	118.01
2018	125						123.62	118.36
2017	126						124.74	119.06
2016	120						118.02	112.37
2015	125						121.04	114.41
2014	106						105.88	100.81
2013	115						118.6	93.6
2012	110						104.4	94.9
2011	123						121.3	115.3
2010	115			%			115.0	110.0

Sources: District records

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

ISLAND HEIGHTS SCHOOL DISTRICT
 SCHOOL BUILDING INFORMATION
 LAST TEN FISCAL YEAR

DISTRICT BUILDINGS	2019	2018	2016	2015	2014	2013	2012	2011	2010	2009
Elementary Schools:										
Island Heights Grade School										
Square Feet	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483
Capacity (Students)	160	160	160	160	160	160	160	160	160	160
Enrollment	124	125	110	115	111	123	119	109	110	114

Number of Schools at June 30, 2016:
 Elementary = 1

Source: District Facilities Office

**ISLAND HEIGHTS SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST SIX FISCAL YEARS**

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
I-000-261-xxx

Exhibit J-19

*	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
\$	49,646.94	\$ 98,219.00	\$ 145,988.00	\$ 70,682.03	\$ 60,382	52,915	20,422	31,363	38,700	41,000	41,000

Total School
Facilities

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

EXHIBIT J-20

**ISLAND HEIGHTS SCHOOL DISTRICT
INSURANCE SCHEDULE
2018-2019 School Year**

	COVERAGE	DEDUCTIBLE
NJSIG Policy :		
Building & Contents (All Locations)	\$ 500,000,000.00	\$ 1,000.00
Electronic Data Processing	\$ 500,000.00	\$ 1,000.00
Equipment Breakdown	\$ 100,000,000.00	\$ 1,000.00
General Liability	\$ 6,000,000.00	-
General Automobile Liability	\$ 6,000,000.00	-
School Board Legal Liability	\$ 6,000,000.00	\$ 5,000.00
Employers Liability	\$ 2,000,000.00	-
Workers' Compensation	Statutory Limit	-
Crime Coverage		
Public Employee Dishonesty	\$ 100,000.00	\$ 500.00
Loss of Money & Securities On/Off Premises	\$ 10,000.00	\$ 500.00
Money Orders & Counterfeit Paper Currency	\$ 10,000.00	\$ 500.00
Forgery/Alteration	\$ 100,000.00	\$ 500.00
Computer Fraud	\$ 100,000.00	\$ 500.00
Surety Bonds (3)		
Treasurer	\$ 135,000.00	\$ 1,000.00
Business Administrator	\$ 125,000.00	\$ 1,000.00
Board Secretary	\$ 125,000.00	\$ 1,000.00

Source: District records

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

ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.

ROBERT A. HULSART, JR., C.P.A., P.S.A.

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

Telecopier:
(732) 280-8888

e-mail:
rah@monmouth.com

2807 Hurley Pond Road • Suite 100
P.O. Box 1409
Wall, New Jersey 07719-1409
(732) 681-4890

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

K-1

Honorable President and Members
of the Board of Education
Island Heights School District
County of Ocean
Island Heights, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Island Heights Board of Education, County of Ocean, State of New Jersey as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Island Heights Board of Education, County of Ocean, State of New Jersey's basic financial statements, and have issued our report thereon dated December 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

December 5, 2019

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Federal C.F.D.A. Number	Federal Fain Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2018	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years Balances	Balance at June 30, 2019				
					From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U.S. Department of Education																	
Passed-Through State Department of Education																	
Special Revenue Fund:																	
No Child Left Behind:																	
Title I	84.010A	S010A170030	NCLB-18	\$ 22,267	09/01/2018	08/31/2019	\$ -		22,267	(22,267)							
Title IIA	84.281	S367A170029	NCLB-18	3,192	09/01/2018	08/31/2019			3,192	(3,192)							
Title IV	84.424	S424A180031	NCLB-18	10,000	09/01/2018	08/31/2019			10,000	(10,000)							
L.D.E.A.:																	
Basic	84.027	H027A180100	FT-18	33,401	09/01/2018	08/31/2019			33,401	(33,401)							
Preschool	84.027	H173A170114	FT-18	655	09/01/2018	08/31/2019			655	(655)							
Total Special Revenue Fund							-	-	69,515	(69,515)	-	-	-	-	-		
U.S. Department of Agriculture																	
Passed-Through State Department of Education																	
Enterprise Fund:																	
National School Lunch Program	10.555	171NJ304N1099	N/A	1,404	09/01/2017	08/31/2018	(317)		317								
National School Lunch Program	10.555	181NJ304N1099	N/A	1,914	07/01/2018	06/30/2019			1,832	(1,914)			(82)				
HHFKA	10.555	171NJ304N1099	N/A	90	09/01/2017	08/31/2018	(17)		17								
HHFKA	10.555	181NJ304N1099	N/A	92	07/01/2018	06/30/2019			89	(92)			(3)				
Total Enterprise Fund							(334)	-	2,255	(2,006)	-	-	(85)	-	-		
Total Federal Financial Awards							\$ (334)	-	71,770	(71,521)	-	-	(85)	-	-		

See accompanying Notes to Schedules of Financial Assistance.

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Schedule B

K-4

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2018			Balance at June 30, 2019			MEMO					
					Deferred Revenue Balance	Due To Grantor	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Total Cumulative Expenditures	
					Accts Receivable											
State Department of Education																
General Fund:																
Transportation Aid	19-495-034-5120-014	\$ 11,068	07/01/2018	06/30/2019	\$				9,976	(11,068)					(1,092)	11,068
Special Education Aid	19-495-034-5120-089	65,219	07/01/2018	06/30/2019				58,780	(65,219)						(6,439)	65,219
Security Aid	19-495-034-5120-084	9,976	07/01/2018	06/30/2019				8,990	(9,976)						(986)	9,976
School Choice Aid	19-495-034-5120-068	181,468	07/01/2018	06/30/2019				163,512	(181,468)						(17,956)	181,468
Extraordinary Aid	19-495-034-5120-098	52,260	07/01/2018	06/30/2019								(52,206)				52,206
Adjustment Aid	19-495-034-5120-085	31,349	07/01/2018	06/30/2019				28,255	(31,349)						(3,094)	31,349
Non-Public Transportation Aid	19-495-034-5120-101	580	07/01/2018	06/30/2019								(580)				580
Non-Public Transportation Aid	18-495-034-5120-014	870	07/01/2017	06/30/2018		(870)		870								
On-Behalf TPAF Pension Fund	19-100-034-5095-002	253,518	07/01/2018	06/30/2019				253,518	(253,518)							253,518
Reimbursed TPAF Social Security	19-100-034-5095-003	76,391	07/01/2018	06/30/2019				72,685	(76,391)			(3,706)				76,391
Total General Fund						(870)		596,586	(681,775)			(56,492)			(29,567)	681,775
Debt Service Aid Type II	19-495-034-5120-017	61,959	07/01/2018	06/30/2019				61,959	(61,959)							61,959
State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program	18-100-010-3350-023	76	07/01/2017	06/30/2018		(14)		14	(79)			(3)				79
National School Lunch Program	19-100-010-3350-023	79	07/01/2018	06/30/2019		(14)		90	(79)			(3)				79
						(14)		-	90	(79)		(3)				79
						\$ (884)		-	658,635	(743,813)		(56,495)			(29,567)	743,813
									\$ (253,518)							
									\$ (490,295)							

ISLAND HEIGHTS SCHOOL DISTRICT

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NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE**JUNE 30, 2019****NOTE 1: General**

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

NOTE 2: Basis of Accounting

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The 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, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

Awards and financial assistance revenues are reported in the Board's general purpose financial statements on a GAAP basis as presented below:

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Food Service</u>	<u>Debt</u>	<u>Total</u>
<u>State Assistance</u>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of State Financial Assistance	\$ 681,775	79	61,959	743,813
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized				
On Behalf Payments Recognized for GAAP Statements but Not Included in the Schedule of Expenditures of State Financial Assistance				
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	(14)	—	—	(14)
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 681,761</u>	<u>79</u>	<u>61,959</u>	<u>743,799</u>

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

	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>			
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of Federal Awards	\$ 69,515	2,006	71,521
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	<u>\$ 69,515</u>	<u>2,006</u>	<u>71,521</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2019. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2019.

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 1 - Summary of Auditor's Results

Financial Statement Section

Unqualified

Type of auditor's report issued:

Internal control over financial reporting:

1) Material weakness(es) identified? Yes x No

2) Reportable conditions(s) identified that are not considered to be material weaknesses? Yes x None Reported

Noncompliance material to general purpose financial statements noted? Yes x No

Federal Awards

Internal control over compliance:

1) Material weakness(es) identified? N/A Yes No

2) Reportable condition(s) identified that are not considered to be material weaknesses? N/A Yes None Reported

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with Circular 15-08 OMB? N/A Yes No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? N/A Yes No

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 1 - Summary of Auditor's Results (Continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: N/A

Auditee qualified as low-risk auditee? N/A Yes No

Type of auditor's report issued on compliance for major programs: N/A

Internal Control over major programs:

(1) Material Weakness(es) identified? N/A Yes No

(2) Reportable condition(s) identified that are not considered to material weaknesses? N/A Yes None Reported

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB's Circular 15-08? N/A Yes No

Identification of major programs:

GMIS Number(s)

N/A

Name of State Program

N/A

ISLAND HEIGHTS SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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Part 2 - Financial Statement Findings

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's Response: N/A

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 3 - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by Title 2 U.S. Code of Federal Regulations Part 200 and NJOMB Circular Letter 15-08

FEDERAL AWARDS

Finding: NONE

Information on the Federal Program (1): N/A

Criteria or specific requirement: N/A

Condition (2): N/A

Questioned Costs(3): N/A

Context (4): N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's response (5): N/A

STATE AWARDS

Finding: NONE

Information on the State Program: N/A

Criteria or specific requirement: N/A

Condition (2): N/A

Questioned Costs (3): N/A

Context (4): N/A

Effect: N/A

Cause: N/A

ISLAND HEIGHTS SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Part 3 - Federal Awards and State Financial Assistance Findings and Questioned Costs (Continued)

STATE AWARDS (Continued)

Recommendation: N/A

Management's response: N/A

ISLAND HEIGHTS SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Prior Audit Findings:

None