

**NETCONG BOROUGH SCHOOL DISTRICT**

**Netcong Borough School District  
Board of Education  
Netcong, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2019**

**Comprehensive Annual  
Financial Report**

**of the**

**Netcong Borough School District**

**Netcong, New Jersey**

**For the Fiscal Year Ended June 30, 2019**

**Prepared by**

**Netcong Borough School District  
Board of Education**

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INTRODUCTORY SECTION



# Netcong Elementary School

26 Collège Road • Netcong • New Jersey 07857  
Telephone (973) 347-0020 • Fax (973) 347-3676

November 15, 2019

The Honorable President and Members of  
the Board of Education of the  
Netcong Borough School District  
County of Morris, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Netcong Borough School District (the "District") for the fiscal year ended June 30, 2019, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of officials and a list of principal consultants and advisors. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Netcong Borough School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Netcong Borough School District elementary school constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre K through 8. The educational services provided include regular as well as special education for handicapped children. The District completed the 2018-2019 fiscal year with an enrollment of 289 students, which is a decrease of 26 students from the previous year's enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Netcong is primarily residential with few commercial ratables and little space remaining to be developed. As state and federal aid to education declines, the local tax levy has assumed a larger percentage of the school budget in 2018-19.

Families with young children choose Netcong Borough School District for its small class sizes and private school experience in a public school setting. The school enrollment has been consistent over the last few years. This is a testament to the community and school working together to create a welcoming school and borough.

3) MAJOR INITIATIVES: The Netcong School District continues to have Title I Schoolwide status for the 2018-2019 school year and is committed to developing new programs and improving existing programs for our students. Our curriculum is up to date and revisions to curriculum will be coming as the District needs to ensure that the curriculum remains current and up to date thus ensuring we are delivering a quality curriculum to the students we serve. During the 2018-2019 school year, Raz Kids, an online leveled reading program, was purchased to support teachers in the classroom with leveled readers to ensure that students had access to books on their individual reading levels. Our students in K-8 continue to be exposed to STEM via the NGSS, coding, technology class, and The Lego STEM Program. Three-D printers were purchased as part of funding provided via Title I reallocated monies and students in the middle school will be learning how to create and print objects using the three-D printers. The Stem Scopes Science kits were purchased to ensure our instruction and resources are aligned to the NGSS and NJSLs. This program is implemented in grades K-8. The district participated in a pilot program offered by LinkIt! as a way to identify gaps in the curriculum and to identify struggling students. The district also participated in the TREP\$ program, an entrepreneurial program where students go through the steps of product development, marketing, identifying how to make a profit, and eventually creating a product to eventually be sold at the TREP\$ Marketplace.

Academic resources and/or training purchased or funded through grants for the 2019-20 school year are: Orton Gillingham training, Applied Behavior Analysis (ABA) training, STEAM and Maker Space supplies, some chrome book replacements, Quaver music program, Spelling City program, the Second Step Social and Emotional Development program for students in grades K-8, the Stem Scopes science kits, and Virtual Reality goggles that are aligned to curriculum and can be used to bring learning to life for our students. A partnership with the School Culture and Climate Initiative was developed to improve school culture and climate using funding from Title I and Title IV and Keith Hawkins came in to work with our middle school students in May to improve school culture and climate. Carry over funds from the IDEA grant were used to purchase flexible seating, technology, light covers, and standing desks for our students with special needs. Finally, the district entered into a consortium with two other districts so that we are able to utilize Title II funds. Those funds were used to fund our ESL extra help program after school and to purchase educational supplies and materials for our ESL program. We continued to offer after school help twice per week for students in grades K-8 as an added academic support for students. These programs and purchases will ensure our curriculum efforts are aligned to the NJ Student Learning Standards (NJSLs), Next Generation Science Standards (NGSS), and New Jersey Core Curriculum Content Standards (NJCCCS).



4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2019.

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

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. 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 carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board oversees risk management for the District. A schedule of insurance coverage is found on J-20.

The Honorable President and Members of  
the Board of Education of the  
Netcong Borough School District  
County of Morris, New Jersey  
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9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

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

Respectfully submitted,



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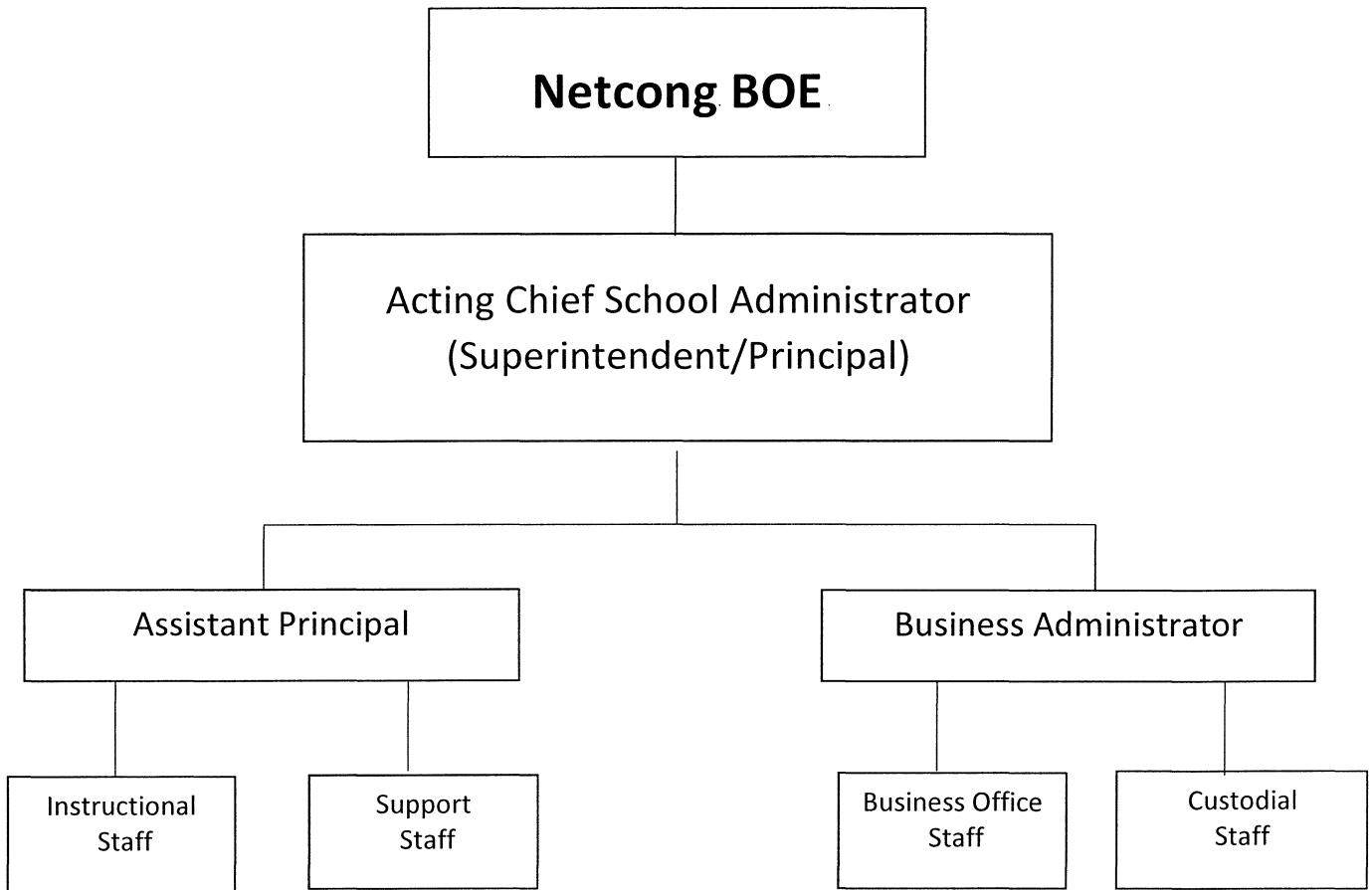
Kathleen Walsh  
Chief School Administrator



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Paul Stabile  
Business Administrator

**Netcong Public Schools  
Organizational Chart**



**NETCONG BOROUGH SCHOOL DISTRICT**

**ROSTER OF OFFICIALS**

**AS OF JUNE 30, 2019**

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Bernadette Dalesandro, President	2020
Kerri Santalucia, Vice President	2021
David Costanzo	2021
Timothy Domick	2021
Charles Kranz	2019
Todd Morton	2019
Jennifer Santana	2020
Anne Witt	2020

OTHER OFFICIALS

TITLE

Kathleen Walsh	Acting Chief School Administrator
Paul Stabile	Business Administrator
Jennifer Kerr	Board Secretary
René Metzgar	Treasurer of School Monies

**NETCONG BOROUGH SCHOOL DISTRICT**

**CONSULTANTS AND ADVISORS**

**ARCHITECT**

Parette Somjen  
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**ATTORNEY**

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Mount Arlington Corporate Center  
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Mount Arlington, New Jersey 07856

**BOND COUNSEL**

Lisa Gorab, Esq.  
Wilentz, Goldman and Spitzer, P.A.  
90 Woodbridge Center Drive  
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Woodbridge, New Jersey 07095

**OFFICIAL DEPOSITORIES**

Valley National Bank  
410 Route 94  
Newton, New Jersey 07860

MBIA Municipal Investors Service Corporation  
113 King Street  
Armonk, New York 10504

Wells Fargo  
50 International Drive South  
Flanders, New Jersey 07836

FINANCIAL SECTION

## Independent Auditors' Report

The Honorable President and Members  
of the Board of Education of the  
Netcong Borough School District  
County of Morris, 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 Netcong Borough School District (the "District") in the County of Morris, as of and for the fiscal 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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 Netcong Borough School District, in the County of Morris, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension and post-retirement benefit schedules in Exhibits L-1 through L-5 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying other supplementary schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.



The Honorable President and Members  
of the Board of Education  
Netcong Borough School District  
Page 3

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

The accompanying other information such as the introductory and statistical sections 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 15, 2019  
Mount Arlington, New Jersey

*Nisivoccia, LLP*

NISIVOCCIA LLP

*Kathryn L. Mantell*

Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

This section of the Netcong Borough Board of Education's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1  
Organization of District's Financial Report**

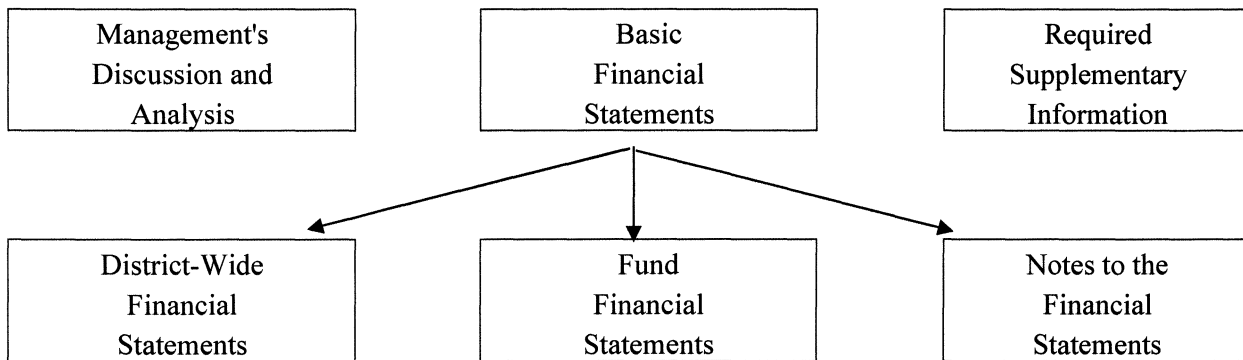


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Figure A-2**

*Major Features of the District-Wide and Fund Financial Statements*

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, food services program	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenue, expenses, and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets, deferred inflows and outflows and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**District-wide Statements**

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

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

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

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

***Fund Financial Statements***

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

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

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

***Notes to the Basic Financial Statements***

The notes provide information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

**Financial Analysis of the District as a Whole**

*Net Position.* The District's *combined* net position was \$4,050,787 on June 30, 2019, \$603,067 or 17.49% higher than the year before. (See Figure A-3).

**Figure A-3  
Condensed Statement of Net Position**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
<b>Assets:</b>							
Current and Other Assets	\$ 1,216,469	\$ 1,015,144	\$ 21,250	\$ 24,536	\$ 1,237,719	\$ 1,039,680	
Capital Assets, Net	5,104,232	5,041,527	5,609	7,182	5,109,841	5,048,709	
Total Assets	<u>6,320,701</u>	<u>6,056,671</u>	<u>26,859</u>	<u>31,718</u>	<u>6,347,560</u>	<u>6,088,389</u>	4.26%
Deferred Outflows of Resources	<u>229,218</u>	<u>409,655</u>			<u>229,218</u>	<u>409,655</u>	-44.05%
<b>Liabilities:</b>							
Other Liabilities	201,346	453,816	5,460	4,961	206,806	458,777	
Long-Term Liabilities	1,870,490	2,292,552			1,870,490	2,292,552	
Total Liabilities	<u>2,071,836</u>	<u>2,746,368</u>	<u>5,460</u>	<u>4,961</u>	<u>2,077,296</u>	<u>2,751,329</u>	-24.50%
Deferred Inflows of Resources	<u>448,695</u>	<u>298,995</u>			<u>448,695</u>	<u>298,995</u>	50.07%
<b>Net Position:</b>							
Net Investment in Capital Assets							
Assets	3,702,232	3,544,527	5,609	7,182	3,707,841	3,551,709	
Restricted	852,897	414,067			852,897	414,067	
Unrestricted/(Deficit)	<u>(525,741)</u>	<u>(537,631)</u>	<u>15,790</u>	<u>19,575</u>	<u>(509,951)</u>	<u>(518,056)</u>	
Total Net Position	<u>\$ 4,029,388</u>	<u>\$ 3,420,963</u>	<u>\$ 21,399</u>	<u>\$ 26,757</u>	<u>\$ 4,050,787</u>	<u>\$ 3,447,720</u>	17.49%

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

*Changes in Net Position.* The District's combined net position increased \$603,067 or 17.49%. Net position from governmental activities increased \$608,425 and net position from business-type activities decreased by \$5,358. Net investment in capital assets increased \$156,132 due to \$48,479 in construction in progress, \$38,616 in building improvements, \$30,369 in equipment acquisitions, and a \$95,000 reduction in bonds offset by \$56,332 of current year depreciation. Restricted net position for governmental activities increased \$438,830 primarily due to a withdrawal from the capital reserve of \$31,013 and a withdrawal from maintenance reserve of \$13,740 offset by deposits of \$481,324 in the capital reserve and \$1,950 in the maintenance reserve. Unrestricted net position increased by \$8,105 primarily due to the net decrease in the net pension liability and associated pension deferred inflows and outflows.

**Figure A-4  
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Revenue:							
Program Revenue:							
Charges for Services	\$ 6,915	\$ 21,060	\$ 33,553	\$ 38,159	\$ 40,468	\$ 59,219	
Operating Grants & Contributions	1,917,487	2,258,593	64,144	67,511	1,981,631	2,326,104	
General Revenue:							
Property Taxes	3,865,764	3,664,063			3,865,764	3,664,063	
Unrestricted Federal & State Aid	1,047,115	968,026			1,047,115	968,026	
Other	26,919	37,651	338	279	27,257	37,930	
Total Revenue	<u>6,864,200</u>	<u>6,949,393</u>	<u>98,035</u>	<u>105,949</u>	<u>6,962,235</u>	<u>7,055,342</u>	-1.32%
Expenses:							
Instruction	3,941,231	4,250,154			3,941,231	4,250,154	
Pupil and Instruction Services	825,984	933,099			825,984	933,099	
Administrative and Business	767,199	739,303			767,199	739,303	
Maintenance and Operations	411,211	452,648			411,211	452,648	
Transportation	195,862	206,661			195,862	206,661	
Other	114,288	115,137	106,325	109,173	220,613	224,310	
Total Expenses	<u>6,255,775</u>	<u>6,697,002</u>	<u>106,325</u>	<u>109,173</u>	<u>6,362,100</u>	<u>6,806,175</u>	-6.52%
Other Items			2,932	(1,893)	2,932	(1,893)	
Increase/(Decrease) in Net Position	<u>\$ 608,425</u>	<u>\$ 252,391</u>	<u>\$ (5,358)</u>	<u>\$ (5,117)</u>	<u>\$ 603,067</u>	<u>\$ 247,274</u>	143.89%

**Governmental Activities**

The financial position of the District has increased by \$608,425. Maintaining existing programs with a slight decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources. Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Cost comparisons are made on a continuous basis in order to assure savings in major expense areas
- Efforts are made to keep purchase increases within the 2% cap
- Cash flow is carefully monitored due to tight budgetary constraints
- A reduction in staff, teachers, and stipend positions
- A decrease in field trip costs
- A spending freeze

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for activities, small class sizes and programs must be evaluated thoroughly. Figure A-5 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Figure A-5  
Net Cost of Governmental Activities**

	<u>Total Costs of Services</u>		<u>Net Cost of Services</u>	
	<u>2018/2019</u>	<u>2017/2018</u>	<u>2018/2019</u>	<u>2017/2018</u>
Instruction	\$ 3,941,231	\$ 4,250,154	\$ 2,163,711	\$ 2,130,482
Pupil and Instruction Services	825,984	933,099	783,413	866,826
Administrative and Business	767,199	739,303	665,980	648,617
Maintenance and Operations	411,211	452,648	411,211	452,648
Transportation	195,862	206,661	192,770	203,639
Other	114,288	115,137	114,288	115,137
	<u>\$ 6,255,775</u>	<u>\$ 6,697,002</u>	<u>\$ 4,331,373</u>	<u>\$ 4,417,349</u>

***Business-Type Activities***

- Net position from the District's business-type activity decreased \$5,358 primarily due to a decrease in revenues attributable to a decrease in student participation. (Refer to Figure A-4).

***Financial Analysis of the District's Funds***

The District's General Fund fund balance increased by \$441,462 on the GAAP basis due primarily to unexpended budget appropriations. The District must continue to be diligent in monitoring expenditures. Health benefit costs for all staff have increased considerably in the past several years. The District must also consider the escalating costs for utilities and insurance.

The District must continue its practice of sound financial management in order to maintain a stable financial position and achieve educational excellence.

***General Fund Budgetary Highlights***

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.
- Changes made due to increased out of district students.



**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Capital Assets**

**Figure A-6  
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2018/2019	2017/2018	2018/2019	2017/2018	2018/2019	2017/2018	
Land	\$ 892	\$ 892			\$ 892	\$ 892	
Construction in Progress	48,479				48,479		
Buildings and Building Improvements	4,848,055	4,854,335			4,848,055	4,854,335	
Furniture, Machinery and Equipment	206,806	186,300	\$ 5,609	\$ 7,182	212,415	193,482	
<b>Total Capital Assets (Net)</b>	<b>\$ 5,104,232</b>	<b>\$ 5,041,527</b>	<b>\$ 5,609</b>	<b>\$ 7,182</b>	<b>\$ 5,109,841</b>	<b>\$ 5,048,709</b>	<b>1.21%</b>

The District's capital assets increased by \$61,132, or 1.21%, as a result of \$48,479 of construction in progress, \$38,616 of building improvements and \$30,369 of equipment purchases offset by depreciation of \$54,759 from its governmental activities and \$1,573 from its business type activities. More detailed information regarding the District's Capital Assets is presented in Note 5 to the basic financial statements.

**Long-term Liabilities**

The District's total long-term debt was \$1,870,490 at June 30, 2019; \$422,062 or 18.41% lower than the year before. The District continued to paydown its Serial Bonds during the year – a decrease of \$95,000. The District had \$360,880 in net pension liability – a decrease of \$341,422. At year-end, the District had \$107,610 in Compensated Absences Payable outstanding – an increase of \$14,360 from the prior year - as shown in Figure A-7. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**Figure A-7  
Outstanding Long-Term Liabilities**

	Total School District		Percentage Change
	2018/2019	2017/2018	
Serial Bonds	\$ 1,402,000	\$ 1,497,000	
Compensated Absences Payable	107,610	93,250	
Net Pension Liability	360,880	702,302	
	<b>\$ 1,870,490</b>	<b>\$ 2,292,552</b>	<b>-18.41%</b>

**NETCONG BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)**

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Keeping within the 2% cap levy is challenging but is viewed as an opportunity to review resource allocation and structure.
- Shared services, where possible, are being used where cost savings are realized without impact to the importance of continuity, certification and performance.

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 26 College Road, Netcong, New Jersey 07857.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 266,547	\$ 16,184	\$ 282,731
Receivables from Federal Government	28,444	3,029	31,473
Receivables from State Government	53,430	58	53,488
Other Accounts Receivable	15,055		15,055
Interfund Receivable	97		97
Inventory		1,979	1,979
Restricted Assets - Cash and Cash Equivalents:			
Capital Reserve Account	852,896		852,896
Capital Assets, Net:			
Sites (Land) and Construction in Progress	892		892
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	5,103,340	5,609	5,108,949
Total Assets	<u>6,320,701</u>	<u>26,859</u>	<u>6,347,560</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows Related to Pensions	229,218		229,218
Total Deferred Outflows of Resources	<u>229,218</u>		<u>229,218</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Interfund Payable	345		345
Accrued Interest Payable	7,567		7,567
Accounts Payable	189,334	3,921	193,255
Unearned Revenue	4,100	1,539	5,639
Noncurrent Liabilities:			
Due Within One Year	95,000		95,000
Due Beyond One Year	1,775,490		1,775,490
Total Liabilities	<u>2,071,836</u>	<u>5,460</u>	<u>2,077,296</u>

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	\$ 448,695		\$ 448,695
Total Deferred Inflows of Resources	<u>448,695</u>		<u>448,695</u>
NET POSITION			
Net Investment in Capital Assets	3,702,232	\$ 5,609	3,707,841
Restricted for:			
Capital Projects	756,029		756,029
Maintenance Reserve	96,867		96,867
Debt Service	1		1
Unrestricted/(Deficit)	<u>(525,741)</u>	<u>15,790</u>	<u>(509,951)</u>
Total Net Position	<u>\$ 4,029,388</u>	<u>\$ 21,399</u>	<u>\$ 4,050,787</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
<b>Instruction:</b>							
Regular	\$ 2,834,664	\$ 6,915	\$ 903,386	\$	\$ (1,924,363)	\$	(1,924,363)
Special Education	992,727		832,786		(159,941)		(159,941)
Other Instruction	40,628		12,445		(28,183)		(28,183)
School-Sponsored Instruction	73,212		21,988		(51,224)		(51,224)
<b>Support Services:</b>							
Tuition	287,200		42,571		(244,629)		(244,629)
Student & Instruction Related Services	538,784				(538,784)		(538,784)
General Administrative Services	162,006				(162,006)		(162,006)
School Administrative Services	378,305		101,219		(277,086)		(277,086)
Central Services	162,862				(162,862)		(162,862)
Administration Information Technology	64,026				(64,026)		(64,026)
Plant Operations and Maintenance	411,211				(411,211)		(411,211)
Pupil Transportation	195,862		3,092		(192,770)		(192,770)
Unallocated Depreciation	44,207				(44,207)		(44,207)
Capital Outlay	6,950				(6,950)		(6,950)
Interest on Long-Term Debt	63,131				(63,131)		(63,131)
<b>Total Governmental Activities</b>	<b>6,255,775</b>	<b>6,915</b>	<b>1,917,487</b>		<b>(4,331,373)</b>		<b>(4,331,373)</b>

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 106,325	\$ 33,553	\$ 64,144		\$ (8,628)	\$ (8,628)	
Total Business-Type Activities	106,325	33,553	64,144		(8,628)	(8,628)	
Total Primary Government	\$ 6,362,100	\$ 40,468	\$ 1,981,631	\$ - 0 -	\$ (4,331,373)	(8,628)	(4,340,001)
General Revenues and Other Item:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					3,707,261		3,707,261
Taxes Levied for Debt Service					158,503		158,503
Federal and State Aid Not Restricted					1,047,115		1,047,115
Investment Earnings					50	338	388
Miscellaneous Income					26,869		26,869
Other Item - Insurance Claim Reimbursement						2,932	2,932
Total General Revenues and Other Item					4,939,798	3,270	4,943,068
Change in Net Position					608,425	(5,358)	603,067
Net Position - Beginning					3,420,963	26,757	3,447,720
Net Position - Ending					\$ 4,029,388	\$ 21,399	\$ 4,050,787

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



FUND FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 266,546		\$ 1	\$ 266,547
Interfund Receivable	1,043			1,043
Receivables from Federal Government		\$ 28,444		28,444
Receivables from State Government	53,430			53,430
Other Accounts Receivable	13,436	1,619		15,055
Restricted Cash and Cash Equivalents	852,896			852,896
<b>Total Assets</b>	<b>\$ 1,187,351</b>	<b>\$ 30,063</b>	<b>\$ 1</b>	<b>\$ 1,217,415</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund Payable	\$ 345	\$ 946		\$ 1,291
Accounts Payable - Vendors	135,722	25,073		160,795
Unearned Revenue	56	4,044		4,100
<b>Total Liabilities</b>	<b>136,123</b>	<b>30,063</b>	<b>1</b>	<b>166,186</b>
Fund Balances:				
Restricted				
Capital Reserve Account	756,029			756,029
Maintenance Reserve Account	96,867			96,867
Debt Service			\$ 1	1
Assigned:				
Year End Encumbrances	55,090			55,090
Unassigned	143,242			143,242
<b>Total Fund Balances</b>	<b>1,051,228</b>	<b>30,063</b>	<b>1</b>	<b>1,051,229</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,187,351</b>	<b>\$ 30,063</b>	<b>\$ 1</b>	

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. 5,104,232

Interest on long term debt is not accrued in the governmental funds but is recognized as an expenditure when due. (7,567)

Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:

Deferred Outflows	200,679
Deferred Inflows	(448,695)

Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds. (1,870,490)

Net Position of Governmental Activities **\$ 4,029,388**

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>				
Local Sources:				
Local Tax Levy	\$ 3,707,261		\$ 158,503	\$ 3,865,764
Tuition	6,915			6,915
Miscellaneous	26,919	\$ 17,091		44,010
Total - Local Sources	3,741,095	17,091	158,503	3,916,689
State Sources	2,309,011			2,309,011
Federal Sources	26,546	190,455		217,001
Total Revenues	6,076,652	207,546	158,503	6,442,701
<b>EXPENDITURES</b>				
Current:				
Regular Instruction	1,579,525	108,808		1,688,333
Special Education Instruction	521,874	98,738		620,612
Other Instruction	22,869			22,869
School Sponsored Instruction	41,836			41,836
Support Services and Undistributed Costs:				
Tuition	287,200			287,200
Student & Instruction Related Services	465,045			465,045
General Administrative Services	150,704			150,704
School Administrative Services	225,560			225,560
Central Services	136,789			136,789
Administrative Information Technology	64,026			64,026
Plant Operations and Maintenance	356,635			356,635

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES				
Current:				
Pupil Transportation	\$ 190,296			\$ 190,296
Unallocated Benefits	1,451,986			1,451,986
Capital Outlay	140,845			140,845
Debt Service:				
Principal			\$ 95,000	95,000
Interest and Other Charges			63,502	63,502
Total Expenditures	5,635,190	\$ 207,546	158,502	6,001,238
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	441,462		1	441,463
Net Change in Fund Balances	441,462		1	441,463
Fund Balance—July 1	609,766			609,766
Fund Balance—June 30	\$ 1,051,228	\$ - 0 -	\$ 1	\$ 1,051,229

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 441,463

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit 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 differed from depreciation.

Depreciation expense	\$	(54,759)
Capital outlays		117,464
		62,705

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 371

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 95,000

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	\$	341,422
Change in Deferred Outflows		(168,476)
Change in Deferred Inflows		(149,700)
Change in Net Position of Governmental Activities (Exhibit A-2)		608,425

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019

	Business-Type Activities - Enterprise Funds Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 16,184
Intergovernmental Receivable:	
Federal	3,029
State	58
Inventory	1,979
	21,250
Total Current Assets	21,250
Non-Current Assets:	
Capital Assets:	19,800
Less: Accumulated Depreciation	(14,191)
	5,609
Total Non-Current Assets	5,609
Total Assets	26,859
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable - Vendors	3,921
Unearned Revenue - Prepaid Sales	565
Unearned Revenue - Donated Commodities	974
	5,460
Total Current Liabilities	5,460
Total Liabilities	5,460
<b>NET POSITION:</b>	
Investment in Capital Assets	5,609
Unrestricted	15,790
	21,399
Total Net Position	\$ 21,399

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 29,152
Daily Sales - Non-Reimbursable Programs	4,401
Total Operating Revenue	33,553
Operating Expenses:	
Cost of Sales - Reimbursable Programs	34,688
Cost of Sales - Nonreimbursable Programs	13,056
Supplies, Insurance & Other Costs	7,199
Salaries & Benefits	38,885
Payroll Taxes	3,512
Management Fee	7,412
Depreciation Expense	1,573
Total Operating Expenses	106,325
Operating Loss	(72,772)
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	46,494
School Breakfast Program	6,842
Food Distribution Program	9,737
State Sources:	
State School Lunch Program	1,071
Local Sources	
Interest Income	338
Total Non-Operating Revenue	64,482
Change in Net Position Before Other Item	(8,290)
Other Item - Insurance Claim Reimbursement	2,932
Change in Net Position After Other Item	(5,358)
Net Position - Beginning of Year	26,757
Net Position - End of Year	\$ 21,399

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Business-Type Activities - <u>Enterprise Funds</u> <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 33,604
Payments to Employees	(9,949)
Payments to Food Service Vendor	(79,511)
Payments to Suppliers	(5,205)
Net Cash Used for Operating Activities	<u>(61,061)</u>
Cash Flows from Investing Activities:	
Interest on Investments	338
Net Cash Provided by Investing Activities	<u>338</u>
Cash Flows from Noncapital Financing Activities:	
Insurance Claim Reimbursement	2,932
Federal Subsidy Reimbursements	53,312
State Subsidy Reimbursements	1,083
Net Cash Provided by Noncapital Financing Activities	<u>57,327</u>
Net Decrease in Cash and Cash Equivalents	(3,396)
Cash and Cash Equivalents, July 1	<u>19,580</u>
Cash and Cash Equivalents, June 30	<u>\$ 16,184</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (72,772)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,573
Food Distribution Program	9,737
Changes in Assets and Liabilities:	
(Increase) in Inventory	(98)
Increase in Accounts Payable	448
Increase in Unearned Revenue - Prepaid Sales	161
(Decrease) in Unearned Revenue - Donated Commodities	(110)
Net Cash Used for Operating Activities	<u>\$ (61,061)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$9,627 and utilized \$9,737 of commodities from the Federal Food Distribution Program for the year ended June 30, 2019.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT



NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2019

	Agency	Private Purpose Scholarship Trust
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 15,569	\$ 103
Interfund Receivable - General Fund	345	
Total Assets	15,914	103
<b>LIABILITIES:</b>		
Payroll Deductions and Withholdings	974	
Interfund Payable - General Fund	97	
Due to Student Groups	14,843	
Total Liabilities	15,914	
<b>NET POSITION:</b>		
Restricted for Scholarships		\$ 103
Total Net Position	\$ - 0 -	\$ 103

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Purpose Scholarship Trust
ADDITIONS	
Investment Earnings	\$ 2
Total Additions	2
Change in Net Position	2
Net Position - Beginning of the Year	101
Net Position - End of the Year	\$ 103

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE  
AN INTEGRAL PART OF THIS STATEMENT

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of the Netcong Borough School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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.

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. 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. Basis of Presentation

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay sub-fund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise Funds: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund types:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and the Private Purpose Scholarship Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2019 was submitted to the County office and was approved by a vote of the Board of Education. 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. 6:20-2A.2(m)1. All budget amendments/transfers must be made by school board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the two last state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the GAAP financial statements.

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 6,101,821	\$ 207,546
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	126,994	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(152,163)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 6,076,652	\$ 207,546
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule		
	\$ 5,635,190	\$ 207,546
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 5,635,190	\$ 207,546

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that 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.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has a pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the governmental units.

F. Interfund Transactions

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. 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 restricted, committed and/or assigned fund balances at the fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Encumbrances (Cont'd)

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue 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.

I. Short-term Interfund Receivables/Payables

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

J. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

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, 2019.

K. Capital Assets

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at acquisition value. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 years
Furniture, Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.



NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

L. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2019.

M. Long Term Liabilities

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by GASB 16. 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 rights 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.

O. Unearned Revenue

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated

General Fund: Of the \$1,051,228 General Fund fund balance at June 30, 2019, \$55,090 is assigned for year-end encumbrances; \$756,029 is restricted in the capital reserve account; \$96,867 is restricted in the maintenance reserve account, and \$143,242 is unassigned, which is \$152,163 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Capital Projects Fund: There is no Capital Projects Fund fund balance at June 30, 2019.

Debt Service Fund: The \$1 of Debt Service Fund fund balance as of June 30, 2019 is restricted.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated (Cont'd)

Calculation of Excess Surplus: The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to restrict General 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 year's budget. The District did not have excess fund balance at June 30, 2019.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$152,163, as reported in the fund financial statements (modified accrual basis). P.L. 2004, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position and Fund Balance

There is a deficit in unrestricted governmental activities net position in the amount of \$525,741. The deficit is primarily due to compensated absences payable, net pension liability and the related deferred inflows and outflows. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources at June 30, 2019 for pensions.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has deferred inflows of resources at June 30, 2019 for pensions.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position (Cont'd)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for the capital reserve account, the maintenance reserve account and the Debt Service Fund.

The District's Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2019.

The assignment of resources is generally made by the District's Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources in year-end encumbrances in the General Fund at June 30, 2019.

T. Revenue - Exchange and Non-exchange Transactions

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Non-exchange Transactions (Cont'd)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest and tuition.

U. Operating Revenue and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

The Board 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.

GASB requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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, and

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 Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located.
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the "Local Authorities Fiscal Control Law", P.L. 1983, c.313 (C.40A:5A-1 et seq.). Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Investment in the Department of the Treasury for investment by local units;
- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties, and entities subject to the requirements of the "Local Authorities Fiscal Control Law," P.L. 1983, c. 313 (C.40A:5A-1 et seq.).
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed;  
or
- (9) Deposit of funds in accordance with the following conditions:
  - (a) The funds are initially invested through a public depository as defined in section 1 of P.L. 1970, c. 236 (C.17:9-41) designated by the school district;
  - (b) The designated public depository arranges for the deposit of the funds in deposit accounts in one or more federally insured banks, savings banks or savings and loan associations or credit unions for the account of the school district;

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

- (c) 100 percent of the principal and accrued interest of each deposit is insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund;
- (d) The designated public depository acts as custodian for the school district with respect to these deposits; and
- (e) On the same date that the school district's funds are deposited pursuant to subparagraph (b) of this paragraph, the designated public depository receives an amount of deposits from customers of other financial institutions, wherever located, equal to the amounts of funds initially invested by the school district through the designated public depository.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 298,403	\$ 852,896	\$ 1,151,299

During the period ended June 30, 2019, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2019, was \$1,151,299 and the bank balance was \$1,287,907.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Netcong Borough School District by inclusion of \$1 on October 1, 2001 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.

Funds 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 State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-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.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The activity of the capital reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Balance June 30, 2018	\$	305,410
Increased by:		
Interest Earnings		50
Increased by Board Resolution		481,582
		787,042
Withdrawal by:		
Board Resolution		(31,013)
		(31,013)
Balance June 30, 2019	\$	756,029

The balance in the capital reserve at June 30, 2019 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFP. The withdrawal from the capital reserve was for use in DOE approved facilities projects consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 892			\$ 892
Construction in Progress		\$ 48,479		48,479
Total Capital Assets Not Being Depreciated	892	48,479		49,371
Capital Assets Being Depreciated:				
Buildings and Building Improvements	6,196,090	38,616		6,234,706
Machinery and Equipment	240,172	30,369		270,541
Total Capital Assets Being Depreciated	6,436,262	68,985		6,505,247
Governmental Activities Capital Assets	6,437,154	117,464		6,554,618
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,341,755)	(44,896)		(1,386,651)
Machinery and Equipment	(53,872)	(9,863)		(63,735)
	(1,395,627)	(54,759)		(1,450,386)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 5,041,527	\$ 62,705	\$ -0-	\$ 5,104,232
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 19,800			\$ 19,800
Less Accumulated Depreciation	(12,618)	\$ (1,573)		(14,191)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 7,182	\$ (1,573)	\$ -0-	\$ 5,609



NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

The District expended \$117,464 from budgetary capital outlay accounts during the fiscal year, of which \$48,479 was related to construction in progress.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	5,596
Support/Adminstration		3,948
Maintenance/Custodial		1,008
Unallocated		44,207
	<u>\$</u>	<u>54,759</u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2019, the District transferred \$63,895 to the capital outlay accounts for facilities acquisition and construction services which required County Superintendent approval.

NOTE 7. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2019, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2018	Accrued	Retired	Balance 6/30/2019
Serial Bonds Payable	\$ 1,497,000		\$ 95,000	\$ 1,402,000
Net Pension Liability	702,302		341,422	360,880
Compensated Absences Payable	93,250	\$ 14,360		107,610
	<u>\$ 2,292,552</u>	<u>\$ 14,360</u>	<u>\$ 436,422</u>	<u>\$ 1,870,490</u>

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 general obligation bonds. The serial bonds will be liquidated by the Debt Service Fund.

The District had bonds outstanding as of June 30, 2019 as follows:

Purpose	Maturity Date	Interest Rate	Amount
School Bonds	5/15/2031	3.125% - 4.50%	<u>\$ 1,402,000</u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

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

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 95,000	\$ 60,534	\$ 155,534
2021	100,000	57,565	157,565
2022	105,000	54,315	159,315
2023	110,000	49,590	159,590
2024	115,000	44,640	159,640
2025-2029	620,000	142,650	762,650
2030-2031	257,000	17,280	274,280
	<u>\$ 1,402,000</u>	<u>\$ 426,574</u>	<u>\$ 1,828,574</u>

B. Bonds Authorized But Not Issued:

The District had no bonds authorized but not issued as of June 30, 2019.

C. Capital Leases Payable:

The District had no capital leases during the fiscal year.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental fund is \$-0- and the long-term liability balance of compensated absences is \$107,610. The General Fund will be used to liquidate the compensated absences payable.

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, 2019, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2019 is \$-0- and the long-term portion is \$360,880. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. 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). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

Benefits Provided

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

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

Service retirement benefits of 1/55<sup>th</sup> 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<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. 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 is being paid by the employer in level annual payments over a period of 15 years, which began 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. District contributions to PERS amounted to \$18,435 for 2019.

The employee contribution rate was 7.50% effective July 1, 2018.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2019, the District's liability was \$360,880 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.002%, which was a decrease of 0.001% from its proportion measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the District recognized actual pension expense in the amount of \$(5,016). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 2,856	
	2015	5.72	12,892	
	2016	5.57	43,720	
	2017	5.48		\$ (66,526)
	2018	5.63		(48,865)
			<u>59,468</u>	<u>(115,391)</u>
Difference Between Expected and Actual Experience	2015	5.72	3,578	
	2016	5.57	1,326	
	2017	5.48	1,978	
	2018	5.63		(1,861)
			<u>6,882</u>	<u>(1,861)</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		2,181
	2016	5.00		12,191
	2017	5.00		(10,973)
	2018	5.00		(6,784)
				<u>(3,385)</u>
Changes in Proportion	2014	6.44	64,697	
	2015	5.72		(62,751)
	2016	5.57	69,632	
	2017	5.48		(45,672)
	2018	5.63		(219,635)
			<u>134,329</u>	<u>(328,058)</u>
District Contribution Subsequent to the Measurement Date	2018	1.00	28,539	
			<u>\$ 229,218</u>	<u>\$ (448,695)</u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and the District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 2,505
2020	(3,468)
2021	(24,867)
2022	(21,555)
2023	(6,902)
	\$ (54,287)

Actuarial Assumptions

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:

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 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 Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. 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 one 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.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market 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 upon the contribution rate in the most recent fiscal year. 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

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate (Cont'd)

projected future benefit payments of current plan members through June 30, 2046. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through June 30, 2046, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2018 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (4.66%)	At Current Discount Rate (5.66%)	At 1% Increase (6.66%)
District's proportionate share of the Net Pension Liability	\$ 453,765	\$ 360,880	\$ 282,956

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' 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 contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members 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.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. 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 included 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 2019, the 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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2019, the State of New Jersey contributed \$399,964 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$750,209.

The employee contribution rate was 7.50% effective July 1, 2018.



NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2019, the State's proportionate share of the net pension liability associated with the District was \$12,868,854. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017 which was rolled forward to June 30, 2018. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2018, the District's proportion was 0.02%, which was a decrease of 0.002% from its proportion measured as of June 30, 2017.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>12,868,854</u>
Total	<u>\$ 12,868,854</u>

For the fiscal year ended June 30, 2019, the State recognized pension expense on behalf of the District in the amount of \$750,209 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2019 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions from the following sources:

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,076,424,469	
	2015	8.3	3,063,649,492	
	2016	8.3	6,913,685,892	
	2017	8.3		\$10,084,192,916
	2018	8.29		5,994,557,085
				<u>11,053,759,853</u>
Difference Between Expected and Actual Experience	2014	8.5		10,252,211
	2015	8.3	189,214,650	
	2016	8.3		85,977,601
	2017	8.3	179,419,108	
	2018	8.29	1,051,605,259	
				<u>1,420,239,017</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5		(192,642,062)
	2016	5		(863,710,381)
	2017	5		678,024,787
	2018	5		384,121,486
			<u>\$12,473,998,870</u>	<u>\$16,180,773,643</u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

Fiscal Year Ending June 30,	Total
2019	\$ 401,574,312
2020	208,932,249
2021	(222,922,941)
2022	(149,225,008)
2023	(735,040,983)
Thereafter	(3,210,092,402)
	\$ (3,706,774,773)

Actuarial Assumptions

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 mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected\_returns, net of pension plan investment expense and inflation) are developed for each major asset class.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return (Cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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 Asset	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
U.S. Equity	30.00%	8.19%
Non-U.S. Developed Market Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate – TPAF

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 50% of the actuarially determined contributions. Based on those assumptions, the pension 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 pension 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.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District 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 were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (3.86%)	At Current Discount Rate (4.86%)	At 1% Increase (5.86%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 15,210,741	\$ 12,868,854	\$ 10,927,486

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$3,035 for the fiscal year ended June 30, 2019. Employee contributions to DCRP amounted to \$3,392 for the fiscal year ended June 30, 2019.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund)

General Information about the OPEB Plan

Plan Description and Benefits Provided

The District is in a “special funding situation”, as described in GASB Codification Section P50, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the District.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in GASB Codification Section P50. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52:14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers’ Pension and Annuity Fund (TPAF), the Public Employees’ Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree’s annual retirement benefit and level of coverage.

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

For additional information about the State Health Benefit Local Education Retired Education Plan, please refer to the Division’s Comprehensive Annual Financial Report (CAFR) which can be found at <https://www.state.nj.us/treasury/pensions/gasb-notices-opeb.shtml>.

Employees Covered by Benefit Terms

At June 30, 2017, the plan membership consisted of the following:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	145,050
Active Plan Members	<u>217,131</u>
Total	<u><u>362,181</u></u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016 which was rolled forward to June 30, 2017.

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

	Inflation Rate	2.50%
	<u>TPAF/ABP</u>	<u>PERS</u>
Salary Increases:		
Through 2026	1.55 - 4.55%	2.15 - 4.15%
	based on years of service	based on age
Thereafter	2.00 - 5.45%	3.15 - 5.15%
	based on years of service	based on age

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 and July 1, 2011 – June 30, 2014 for TPAF and PERS, 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.

Mortality Rates

Pre-retirement 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. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health 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 MP-2017 scale.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, 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 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 rates for June 30, 2018 and 2017 were 3.87% and 3.58%, respectively, a change of +.29%. This represents the municipal bond rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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's Proportionate Share of the Total OPEB Liability Associated with the District

	<u>Total OPEB Liability</u>
Balance at June 30, 2017	\$ 10,956,210
Changes for Year:	
Service Cost	341,091
Interest on the Total OPEB Liability	400,487
Changes of Assumptions	(991,248)
Differences between Expected and Actual Experience	(1,845,597)
Gross Benefit Payments by the State	(230,976)
Contributions from Members	<u>7,983</u>
Net Changes	<u>(2,318,260)</u>
Balance at June 30, 2018	<u>\$ 8,637,950</u>

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease (2.87%)	At Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB Liability Attributable to the District	\$ 10,211,815	\$ 8,637,950	\$ 7,386,890

Sensitivity of the Total Nonemployer OPEB Liability Attributable to the District to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the District as of June 30, 2018, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the District would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability Attributable to the District	\$ 7,139,769	\$ 8,637,950	\$ 10,619,352

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019 the District recognized OPEB expense of \$256,475 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Codification Section P50, in which there is a special funding situation.

In accordance with GASB Codification Section P50, as the District's proportionate share of the OPEB liability is \$-0-, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB associated with the District from the following sources:



NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Cont'd)

State Health Benefit Program Fund – Local Education Retired (including Prescription Drug Program Fund) (Cont'd)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)

	<u>Deferral</u> <u>Year</u>	<u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2017	9.54		\$ (1,049,225)
Changes in Assumptions	2018	9.51		(887,016)
			<u>-0-</u>	<u>(1,936,241)</u>
Differences Between Expected and Actual Experience	2018	9.51		(838,506)
Changes in Proportion	N/A	N/A		<u>(946,391)</u>
			<u>\$ -0-</u>	<u>\$ (3,721,138)</u>

N/A - Not Available

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding employer specific amounts for changes in proportion) will be recognized in OPEB expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2019	\$ (341,919)
2020	(341,919)
2021	(341,919)
2022	(341,919)
2023	(341,919)
Thereafter	<u>(1,065,154)</u>
	<u>\$ (2,774,747)</u>

NOTE 10. 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. The District obtains its health and dental coverage through the New Jersey State Health Benefits Plan.

Property and Liability Insurance

The Netcong Borough School District is a member of the New Jersey Schools Insurance Group (“NJSIG”). The NJSIG provides the District with workers’ compensation, umbrella liability, school board legal liability, and crime policy insurance.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2019 financial information was not available as of the date of the audit. Selected, summarized financial information for NJSIG as of June 30, 2018 is as follows:

	New Jersey Schools Insurance Group
Total Assets	\$ 342,337,056
Net Position	\$ 82,580,855
Total Revenue	\$ 133,258,299
Total Expenses	\$ 129,340,074
Change in Net Position	\$ 3,918,225
Member Dividends	\$ -0-

Financial Statements for NJSIG are available at their respective Executive Director's Office:

New Jersey Schools Insurance Group  
6000 Midlantic Drive  
Mount Laurel, NJ 08054  
(609) 386-6060

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 1,043	\$ 345
Special Revenue Fund		946
Fiduciary Funds	345	97
	\$ 1,388	\$ 1,388

The interfunds between the General Fund and the Fiduciary Funds represents interest earned in the Payroll Agency account which was not turned over to the General Fund as of June 30, 2019 and retro pension refunds due back to Payroll Agency. The interfund between the General Fund and the Special Revenue Fund is due to the timing of collections of Federal grant receipts.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). These plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

AXA Equitable	Lincoln Investments
Aflac	Prudential
MetLife Investors	

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

NOTE 14. ECONOMIC DEPENDENCY

The Board of Education 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 Board of Education's programs and activities.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2019, there were \$55,090 of encumbrances in the General Fund of the governmental funds.

NOTE 16. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account was established by Board resolution on June 21, 2016. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2018 to June 30, 2019 fiscal year is as follows:

Balance June 30, 2018	\$	108,657
Increased by Return of unexpended Budgeted Funds - Maintenance		1,950
		110,607
Withdrawal by:		
Board Resolution		(13,740)
Balance June 30, 2019	\$	96,867

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 17. OPERATING LEASES

The District has commitments to lease computer equipment and textbooks under operating leases which expire in 2020. The District also has commitments to lease copiers under operating leases which expire in 2024. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2020	\$ 14,523
June 30, 2021	6,643
June 30, 2022	6,643
June 30, 2023	6,643
June 30, 2024	6,643
	<hr/>
Total future minimum lease payments	\$ 41,095

NOTE 18. ACCOUNTS PAYABLE

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>District Contribution Subsequent to Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities</u>
					<u>Proprietary Funds</u>
Vendors	\$ 135,722	\$ 25,073		\$ 160,795	
State of New Jersey			\$ 28,539	28,539	\$ 3,921
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 135,722	\$ 25,073	\$ 28,539	\$ 189,334	\$ 3,921

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FIVE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,			
	2015	2016	2017	2018
District's Proportion of the Net Pension Liability	0.0036710977%	0.0025870859%	0.0033468571%	0.0030169695%
District's Proportionate Share of the Net Pension Liability	\$ 687,330	\$ 580,749	\$ 991,243	\$ 702,302
District's Covered Employee Payroll	\$ 123,694	\$ 215,357	\$ 163,965	\$ 203,659
District's Proportionate Share of the Net Pension Liability as a % of its Covered Employee Payroll	555.67%	269.67%	604.55%	344.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.08%	47.93%	40.14%	48.10%
				53.60%

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

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST FIVE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 30,264	\$ 22,242	\$ 30,079	\$ 28,542	\$ 18,435
Contributions in Relation to the Contractually Required Contribution	(30,264)	(22,242)	(30,079)	(28,542)	(18,435)
Contribution Deficiency/(Excess)	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -
District's Covered Employee Payroll	\$ 122,569	\$ 123,694	\$ 215,357	\$ 163,965	\$ 203,659
Contributions as a % of Covered Employee Payroll	24.69%	17.98%	13.97%	17.41%	9.05%

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



NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
ATTRIBUTABLE TO THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FIVE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
State's Proportion of the Net Pension Liability Attributable to the District	0.0219078354%	0.0224484501%	0.0247286847%	0.0223840455%	0.0202283688%
State's Proportionate Share of the Net Pension Liability Attributable to the District	\$ 11,709,025	\$ 14,188,379	\$ 19,453,158	\$ 15,092,131	\$ 12,868,854
District's Covered Employee Payroll	\$ 2,302,483	\$ 2,231,484	\$ 2,160,293	\$ 2,115,144	\$ 2,004,973
State's Proportionate Share of the Net Pension Liability Attributable to the District as a % of its Covered Employee Payroll	508.54%	635.83%	900.49%	713.53%	641.85%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.64%	28.71%	22.33%	25.41%	26.49%

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

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST FIVE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,				
	2015	2016	2017	2018	2019
Contractually Required Contribution	\$ 630,055	\$ 866,332	\$ 1,461,632	\$ 1,045,506	\$ 750,209
Contributions in Relation to the Contractually Required Contribution	(121,365)	(197,988)	(242,973)	(297,893)	(399,964)
Contribution Deficiency/(Excess)	<u>\$ 508,690</u>	<u>\$ 668,344</u>	<u>\$ 1,218,659</u>	<u>\$ 747,613</u>	<u>\$ 350,245</u>
District's Covered Employee Payroll	\$ 2,231,484	\$ 2,302,483	\$ 2,231,484	\$ 2,160,293	\$ 2,115,144
Contributions as a % of Covered Employee Payroll	5.44%	8.60%	10.89%	13.79%	18.91%

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

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF CHANGES IN THE STATE'S PROPORTIONATE SHARE OF THE TOTAL OPEB LIABILITY  
ASSOCIATED WITH THE DISTRICT AND RELATED RATIOS  
LAST TWO FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,	
	2017	2018
Total OPEB Liability:		
Service Cost	\$ 411,722	\$ 341,091
Interest Cost	346,479	400,487
Changes in Assumptions	(1,424,365)	(991,248)
Differences between Expected and Actual Experience		(1,845,597)
Member Contributions	9,344	7,983
Gross Benefit Payments	(253,769)	(230,976)
	(910,589)	(2,318,260)
Net Change in Total OPEB Liability		
Total OPEB Liability - Beginning	11,866,799	10,956,210
Total OPEB Liability - Ending	\$ 10,956,210	\$ 8,637,950
District's Covered Employee Payroll *	\$ 2,324,258	\$ 2,318,803
Total OPEB Liability as a Percentage of Covered Employee Payroll	471%	373%

\* - Covered payroll for the fiscal years ending June 30, 2017 and June 30, 2018 are based on the payroll on the June 30, 2016 and June 30, 2017 census data.

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the fiscal year ended June 30, 2018.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018. The municipal bond rate changed from 3.58% to 3.87%.

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. 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 (set back 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 one year for females).

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. 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 Conduent modified 2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and a generational approach based on the Conduent 2014 projection scale thereafter. 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 one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018. The municipal bond rate changed from 3.58 to 3.87%.

The salary increases in the July 1, 2016 valuation were as follows: 2012-2021 and thereafter – varies based on experience. The salary increases in the July 1, 2017 valuation are as follows: 2011-2026 – 1.55% - 4.55% and thereafter – 2% - 5.45%.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The mortality rates utilized in the July 1, 2016 valuation were as follows: Pre-retirement, post-retirement and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average of Social Security data from 1953 to 2013.

The mortality rates utilized in the July 1, 2017 valuation were as follows: Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set back 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60 year average of improvement rates based on Social Security data from 1953 to 2013. Disabled mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN

Benefit Changes

There were none.

Changes of Actuarial Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

The mortality rates in the valuation as of June 30, 2017 were based on the following:

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Health 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-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The mortality rates in the valuation as of June 30, 2018 were based on the following:

Pre-retirement 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. Post-retirement mortality rates were based on the RP-2006 Headcount-Weighted Health 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 MP-2017 scale.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

(Continued)

C. STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES OPEB PLAN (Cont'd)

Changes of Actuarial Assumptions (Cont'd)

The health care trend rates in the valuation as of June 30, 2017 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long term trend rate after nine years. For self-insured post 65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long term rate after eight years. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long term rate after eight 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.

The health care trend rates in the valuation as of June 30, 2018 were based on the following:

For pre-Medicare preferred provider organization (PPO) medical benefits and health maintenance organization (HMO) medical benefits, 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 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.

BUDGETARY COMPARISON SCHEDULES

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

REVENUES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Local Sources:					
Local Tax Levy	\$ 3,707,261		\$ 3,707,261	\$ 3,707,261	
Tuition from Individuals	5,000		5,000	6,915	\$ 1,915
Interest Earned on Capital Reserve Funds	50		50	50	
Interest Earned on Investments	3,000		3,000	19,912	16,912
Miscellaneous	3,650		3,650	6,957	3,307
<b>Total - Local Sources</b>	<b>3,718,961</b>		<b>3,718,961</b>	<b>3,741,095</b>	<b>22,134</b>
State Sources:					
School Choice Aid	146,556		146,556	146,556	
Categorical Special Education Aid	175,160	\$ 89,642	264,802	264,802	
Categorical Security Aid	69,911		69,911	69,911	
Categorical Transportation Aid	18,938		18,938	18,938	
Equalization Aid	950,751	77,626	1,028,377	1,028,377	
Extraordinary Aid				42,313	42,313
Extraordinary Aid - Prior Year				258	258
Nonpublic Transportation Aid				3,092	3,092
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				399,964	399,964
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				185,221	185,221
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				8,372	8,372
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				559	559
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				165,817	165,817
<b>Total State Sources</b>	<b>1,361,316</b>	<b>167,268</b>	<b>1,528,584</b>	<b>2,334,180</b>	<b>805,596</b>
Federal Sources:					
Medicaid Reimbursement	9,881		9,881	26,546	16,665
<b>Total Federal Sources</b>	<b>9,881</b>		<b>9,881</b>	<b>26,546</b>	<b>16,665</b>
<b>TOTAL REVENUES</b>	<b>5,090,158</b>	<b>167,268</b>	<b>5,257,426</b>	<b>6,101,821</b>	<b>844,395</b>



NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 94,829	\$ 8,051	\$ 102,880	\$ 102,879	\$ 1
Kindergarten - Salaries of Teachers	129,111	8,361	137,472	137,472	
Grades 1-5 - Salaries of Teachers	683,076	72,563	755,639	755,635	4
Unused Vacation Payment to Terminated/Retired Staff	16,856	326	17,182	17,182	
Grades 6-8 - Salaries of Teachers	469,444	(6,446)	462,998	462,998	
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000		2,000	1,138	862
Regular Programs - Undistributed Instruction:					
Other Purchased Services	17,050	(258)	16,792	16,792	
General Supplies	14,123	49,703	63,826	54,325	9,501
Textbooks	27,153	(2,149)	25,004	25,004	
Other Objects		6,100	6,100	6,100	
<b>Total Regular Programs - Instruction</b>	<b>1,453,642</b>	<b>136,251</b>	<b>1,589,893</b>	<b>1,579,525</b>	<b>10,368</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	214,043	(230)	213,813	206,348	7,465
Other Salaries for Instruction		230	230	230	
General Supplies	508		508	432	76
<b>Total Learning and/or Language Disabilities</b>	<b>214,551</b>		<b>214,551</b>	<b>207,010</b>	<b>7,541</b>
Resource Room/Resource Center:					
Salaries of Teachers	213,487	41,251	254,738	254,738	
Other Salaries for Instruction	55,422	3,829	59,251	59,250	1
General Supplies	351		351	351	
<b>Total Resource Room/Resource Center</b>	<b>269,260</b>	<b>45,080</b>	<b>314,340</b>	<b>314,339</b>	<b>1</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
Preschool Disabilities - Full Time:					
Other Salaries for Instruction	\$ 886	\$ 886	\$ 886	\$ 886	\$ 886
Total Preschool Disabilities - Full Time			886		886
<b>Home Instruction:</b>					
Salaries of Teachers	4,000	(2,275)	1,725	\$ 525	1,200
Total Home Instruction	4,000	(2,275)	1,725	525	1,200
Total Special Education - Instruction	487,811	43,691	531,502	521,874	9,628
<b>Bilingual Education - Instruction:</b>					
Salaries of Teachers	20,594	2,275	22,869	22,869	
Total Bilingual Education - Instruction	20,594	2,275	22,869	22,869	
<b>School-Sponsored Cocurricular Activities - Instruction:</b>					
Salaries	32,300		32,300	25,540	6,760
Total School-Sponsored Cocurricular Activities - Instruction	32,300		32,300	25,540	6,760

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
School-Sponsored - Athletics:					
Salaries	\$ 4,459		\$ 4,459		\$ 4,459
Purchased Services	1,750		1,750	\$ 1,430	320
<b>Total School-Sponsored - Athletics</b>	<b>6,209</b>		<b>6,209</b>	<b>1,430</b>	<b>4,779</b>
Summer School Programs - Instruction:					
Salaries of Teachers	17,795		17,795	14,866	2,929
<b>Total Summer School Programs - Instruction</b>	<b>17,795</b>		<b>17,795</b>	<b>14,866</b>	<b>2,929</b>
<b>Total Instruction</b>	<b>2,018,351</b>	<b>\$ 182,217</b>	<b>2,200,568</b>	<b>2,166,104</b>	<b>34,464</b>
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	108,170	141,607	249,777	243,918	5,859
Tuition to Private Schools for the Disabled Within the State	304,190	(239,529)	64,661	43,282	21,379
<b>Total Undistributed Expenditures - Instruction</b>	<b>412,360</b>	<b>(97,922)</b>	<b>314,438</b>	<b>287,200</b>	<b>27,238</b>
Health Services:					
Salaries	77,191	4,217	81,408	81,408	
Purchased Professional and Technical Services	2,775	(1,044)	1,731	1,730	1
Supplies and Materials	1,029		1,029	1,029	
<b>Total Health Services</b>	<b>80,995</b>	<b>3,173</b>	<b>84,168</b>	<b>84,167</b>	<b>1</b>
Speech, OT, PT and Related Services:					
Salaries	58,027	1,299	59,326	59,326	
Purchased Professional - Educational Services	30,000	(1,315)	28,685	25,920	2,765
Supplies and Materials	758	16	774	774	
<b>Total Speech, OT, PT and Related Services</b>	<b>88,785</b>		<b>88,785</b>	<b>86,020</b>	<b>2,765</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 64,093	\$	64,093	\$ 29,734	\$ 34,359
Purchased Professional - Educational Services	205,140	(9,332)	195,808	96,801	99,007
Supplies and Materials	180	832	1,012	1,012	
<b>Total Other Support Services - Students - Extraordinary Services</b>	<b>269,413</b>	<b>(8,500)</b>	<b>260,913</b>	<b>127,547</b>	<b>133,366</b>
<b>Guidance Services:</b>					
Salaries of Other Professional Staff	22,091	1	22,092	22,092	
<b>Total Guidance Services</b>	<b>22,091</b>	<b>1</b>	<b>22,092</b>	<b>22,092</b>	
<b>Child Study Team:</b>					
Salaries of Other Professional Staff	94,915	848	95,763	95,762	1
Salaries of Secretarial and Clerical Assistants	19,523		19,523	19,000	523
Purchased Professional - Educational Services	18,775	(4,363)	14,412	10,744	3,668
Miscellaneous Purchased Services (Other than Residential Costs)	500	(2)	498	157	341
Supplies and Materials	124	543	667	666	1
<b>Total Child Study Team</b>	<b>133,837</b>	<b>(2,974)</b>	<b>130,863</b>	<b>126,329</b>	<b>4,534</b>
<b>Improvement of Instruction Services:</b>					
Purchased Professional - Educational Services	3,500		3,500	3,500	
<b>Total Improvement of Instruction Services</b>	<b>3,500</b>		<b>3,500</b>	<b>3,500</b>	

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
Educational Media Services/School Library:					
Salaries of Technology Coordinators	\$ 13,500		\$ 13,500	\$ 13,500	
Total Educational Media Services/School Library	13,500		13,500	13,500	
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	500		500	300	\$ 200
Purchased Professional - Technical Services	\$ 650		650	650	
Other Purchased Services	2,681	(650)	2,031	940	1,091
Total Instructional Staff Training Services	3,181		3,181	1,890	1,291
<b>General Administration:</b>					
Salaries	85,174	(15,280)	69,894	49,175	20,719
Legal Services	20,000	3,730	23,730	23,729	1
Audit Fees	27,000	2,750	29,750	29,750	
Other Purchased Professional Services	2,000	(66)	1,934	95	1,839
Communications/Telephone	13,545	4,328	17,873	17,816	57
BOE Other Purchased Services	2,000	(589)	1,411	723	688
Other Purchased Services (400-500 series)	23,505	1,143	24,648	22,719	1,929
General Supplies	450	1,363	1,813	870	943
Miscellaneous Expenditures		1,335	1,335	1,335	
BOE Membership Dues and Fees	4,810	(245)	4,565	4,492	73
Total General Administration	178,484	(1,531)	176,953	150,704	26,249

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
School Administration:					
Salaries of Principals/Assistant Principals	\$ 182,350	\$ 3,651	\$ 186,001	\$ 186,000	\$ 1
Salaries of Secretarial and Clerical Assistants	19,523	(522)	19,001	19,000	1
Purchased Professional and Technical Services	750	1,280	2,030	2,030	
Supplies and Materials	9,262	6,862	16,124	14,240	1,884
Other Objects	4,850	(560)	4,290	4,290	
<b>Total School Administration</b>	<b>216,735</b>	<b>10,711</b>	<b>227,446</b>	<b>225,560</b>	<b>1,886</b>
<b>Central Services:</b>					
Salaries	123,560	(1,692)	121,868	113,442	8,426
Purchased Professional Services	15,210	4,926	20,136	20,135	1
Miscellaneous Purchased Services	2,211		2,211	1,091	1,120
Supplies and Materials	2,300	566	2,866	942	1,924
Miscellaneous Expenditures	2,385		2,385	1,179	1,206
<b>Total Central Services</b>	<b>145,666</b>	<b>3,800</b>	<b>149,466</b>	<b>136,789</b>	<b>12,677</b>
<b>Administrative Information Technology:</b>					
Purchased Professional Services	58,021		58,021	57,208	813
Supplies and Materials	11,066		11,066	6,818	4,248
<b>Total Administrative Information Technology</b>	<b>69,087</b>		<b>69,087</b>	<b>64,026</b>	<b>5,061</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES</b>					
Custodial Services:					
Salaries	\$ 94,600	\$ 7,087	\$ 101,687	\$ 91,339	\$ 10,348
Cleaning, Repair and Maintenance Services	36,230	27,692	63,922	56,083	7,839
Other Purchased Property Services	3,000		3,000	1,967	1,033
Insurance	23,650	(2,413)	21,237	21,060	177
General Supplies	26,371	3,407	29,778	29,732	46
Energy (Electricity)	45,000		45,000	38,911	6,089
Energy (Natural Gas)	42,000		42,000	36,864	5,136
<b>Total Custodial Services</b>	<b>270,851</b>	<b>35,773</b>	<b>306,624</b>	<b>275,956</b>	<b>30,668</b>
<b>Required Maintenance of School Facilities:</b>					
Salaries	38,767		38,767	37,961	806
Cleaning, Repair and Maintenance Services	61,018	13,406	74,424	41,814	32,610
General Supplies	1,000	(184)	816	295	521
Other Objects	150	518	668	609	59
<b>Total Required Maintenance of School Facilities</b>	<b>100,935</b>	<b>13,740</b>	<b>114,675</b>	<b>80,679</b>	<b>33,996</b>
<b>Student Transportation Services:</b>					
Sal. For Pupil Trans(Between Home and School) - Regular	12,240	11,977	24,217	24,217	
Contracted Services:					
Other than Between Home and School - Vendors	3,900	1,574	5,474	5,473	1
Regular Students - ESCs and CTSA's		3,820	3,820	3,820	
Special Education Students - ESCs and CTSA's	232,000	(21,469)	210,531	150,786	59,745
Aid in Lieu Payments - Non-Public School	13,000	(4,402)	8,598	6,000	2,598
<b>Total Student Transportation Services</b>	<b>261,140</b>	<b>(8,500)</b>	<b>252,640</b>	<b>190,296</b>	<b>62,344</b>

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>CURRENT EXPENSES</b>					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	\$ 35,000	\$ 20,931	\$ 55,931	\$ 55,931	
Other Retirement Contributions - Regular	40,500	10,000	10,000	3,035	\$ 6,965
Other Retirement Contributions - PERS	13,000	(21,980)	18,520	18,435	85
Unemployment Compensation	24,200	1,530	13,000	12,485	515
Workmen's Compensation	599,945	(13,243)	25,730	25,730	
Health Benefits			586,702	545,480	41,222
Other Employee Benefits		21,900	21,900	21,900	
Tuition Reimbursement	15,000	(1,000)	14,000	9,057	4,943
<b>Total Unallocated Benefits - Employee Benefits</b>	<b>727,645</b>	<b>18,138</b>	<b>745,783</b>	<b>692,053</b>	<b>53,730</b>
<b>Nonbudgeted:</b>					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				399,964	(399,964)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				185,221	(185,221)
TPAF Non-Contributory Insurance (On-Behalf - Non-Budgeted)				8,372	(8,372)
TPAF Long-Term Disability Insurance (On-Behalf - Non-Budgeted)				559	(559)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				165,817	(165,817)
<b>Total On-Behalf Contributions</b>				<b>759,933</b>	<b>(759,933)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>727,645</b>	<b>18,138</b>	<b>745,783</b>	<b>1,451,986</b>	<b>(706,203)</b>
<b>Total Undistributed Expenditures</b>	<b>2,998,205</b>	<b>(34,091)</b>	<b>2,964,114</b>	<b>3,328,241</b>	<b>(364,127)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>5,016,556</b>	<b>148,126</b>	<b>5,164,682</b>	<b>5,494,345</b>	<b>(329,663)</b>



NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND

FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY:</b>					
Facilities Acquisition and Construction Services:					
Architectural / Engineering Services	\$ 10,000	\$ 12,750	\$ 22,750	\$ 22,750	
Assessment for Debt Service on SDA	6,950		6,950	6,950	
Other Purchased Professional and Technical Services		22,950	22,950	22,950	
Construction Services	60,000	28,195	88,195	88,195	
Total Facilities Acquisition and Construction Services	76,950	63,895	140,845	140,845	
<b>TOTAL CAPITAL OUTLAY</b>	76,950	63,895	140,845	140,845	
<b>TOTAL EXPENDITURES</b>	5,093,506	212,021	5,305,527	5,635,190	\$ (329,663)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(3,348)	(44,753)	(48,101)	466,631	514,732
Fund Balance, July 1	736,760		736,760	736,760	
Fund Balance, June 30	\$ 733,412	\$ (44,753)	\$ 688,659	\$ 1,203,391	\$ 514,732

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FISCAL YEAR ENDED JUNE 30, 2019  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation:					
Restricted for:					
Capital Reserve Account				\$ 756,029	
Maintenance Reserve Account				96,867	
Assigned Fund Balance:					
Year End Encumbrances				55,090	
Unassigned				295,405	
				<u>1,203,391</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				(152,163)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,051,228</u>	

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources	\$ 147,966	\$ 17,091	\$ 17,091	\$ 17,091	
Federal Sources		64,581	212,547	190,455	\$ (22,092)
<b>Total Revenues</b>	<u>\$ 147,966</u>	<u>\$ 81,672</u>	<u>\$ 229,638</u>	<u>\$ 207,546</u>	<u>\$ (22,092)</u>
<b>EXPENDITURES:</b>					
Instruction					
Salaries of Teachers	\$ 10,137	\$ (1,556)	\$ 8,581	\$ 3,060	\$ 5,521
Other Salaries for Instruction	4,111	818	4,929	4,929	
Other Purchased Services		3,292	3,292	3,292	
Tuition	68,830	15,064	83,894	73,720	10,174
General Supplies	13,435	46,876	60,311	57,772	2,539
Other Objects		16,141	16,141	16,141	
<b>Total Instruction</b>	<u>96,513</u>	<u>80,635</u>	<u>177,148</u>	<u>158,914</u>	<u>18,234</u>
Support Services					
Salaries of Other Professional Staff	18,658	(18,658)			
Purchased Professional - Educational Services	8,352	2,000	10,352	7,644	2,708
Personal Services - Employee Benefits	314	63	377	377	
Other Purchased Professional Services	468	(468)			
Purchased Professional and Technical Services		12,000	12,000	10,850	1,150
General Supplies	2,737	10,255	12,992	12,992	
<b>Total Support Services</b>	<u>30,529</u>	<u>5,192</u>	<u>35,721</u>	<u>31,863</u>	<u>3,858</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	14,216	2,553	16,769	16,769	
Non-Instructional Equipment	6,708	(6,708)			
<b>Total Facilities Acquisition and Construction Services</b>	<u>20,924</u>	<u>(4,155)</u>	<u>16,769</u>	<u>16,769</u>	
<b>Total Expenditures</b>	<u>\$ 147,966</u>	<u>\$ 81,672</u>	<u>\$ 229,638</u>	<u>\$ 207,546</u>	<u>\$ 22,092</u>

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

Note A - Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 6,101,821	\$ 207,546
Difference - Budget to GAAP:		
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(152,163)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>126,994</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 6,076,652</u>	<u>\$ 207,546</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 5,635,190</u>	<u>\$ 207,546</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,635,190</u>	<u>\$ 207,546</u>

NETCONG BOROUGH SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
UNAUDITED

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 and are approved by a vote of the Board of Education. 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. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in the recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

NETCONG BOROUGH SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Elementary and Secondary Education Act						Total
	IDEA Part B		Title I	Title II		Title IV	
	Basic	Preschool		Part A	Local Grant		
<b>REVENUE:</b>							
Local Sources							
Federal Sources	\$ 93,432	\$ 5,306	\$ 76,781	\$ 7,644	\$ 7,292	\$ 17,091	\$ 17,091
Total Revenue	\$ 93,432	5,306	76,781	7,644	7,292	17,091	207,546
<b>EXPENDITURES:</b>							
Instruction:							
Salaries of Teachers			3,060				3,060
Other Salaries for Instruction		4,929					4,929
Other Purchased Services			3,292				3,292
Tuition	73,720						73,720
General Supplies	4,112		53,660				57,772
Other Objects						16,141	16,141
Total Instruction	77,832	4,929	60,012			16,141	158,914
Support Services:							
Purchased Professional/Educational Services				7,644			7,644
Personal Services - Employee Benefits		377					377
Supplies and Materials	4,750				7,292	950	12,992
Purchased Professional/Technical Services	10,850						10,850
Total Support Services	15,600	377		7,644	7,292	950	31,863
Equipment:							
Instructional Equipment			16,769				16,769
Total Equipment			16,769				16,769
Total Expenditures	\$ 93,432	\$ 5,306	\$ 76,781	\$ 7,644	\$ 7,292	\$ 17,091	\$ 207,546



CAPITAL PROJECTS FUND  
(NOT APPLICABLE)

PROPRIETARY FUNDS

NETCONG BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2019

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 16,184
Intergovernmental Receivable:	
Federal	3,029
State	58
Inventory	1,979

Total Current Assets	<u>21,250</u>
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## Non-Current Assets:

Capital Assets	19,800
Less: Accumulated Depreciation	<u>(14,191)</u>

Total Non-Current Assets	<u>5,609</u>
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Total Assets	<u>26,859</u>
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## LIABILITIES:

## Current Liabilities:

Accounts Payable - Vendors	3,921
Unearned Revenue - Prepaid Sales	565
Unearned Revenue - Donated Commodities	974

Total Current Liabilities	<u>5,460</u>
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Total Liabilities	<u>5,460</u>
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## NET POSITION:

Investment in Capital Assets	5,609
Unrestricted	<u>15,790</u>

Total Net Position	<u><u>\$ 21,399</u></u>
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NETCONG BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 29,152
Daily Sales - Non-Reimbursable Programs	4,401
	<hr/>
Total Operating Revenue	33,553
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	34,688
Cost of Sales - Nonreimbursable Programs	13,056
Supplies, Insurance & Other Costs	7,199
Salaries & Benefits	38,885
Payroll Taxes	3,512
Management Fee	7,412
Depreciation Expense	1,573
	<hr/>
Total Operating Expenses	106,325
	<hr/>
Operating Loss	(72,772)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	46,494
School Breakfast Program	6,842
Food Distribution Program	9,737
State Sources:	
State School Lunch Program	1,071
Local Sources:	
Interest Revenue	338
	<hr/>
Total Non-Operating Revenue	64,482
	<hr/>
Change in Net Position Before Other Item	(8,290)
	<hr/>
Other Item - Insurance Claim Reimbursement	2,932
	<hr/>
Change in Net Position After Other Item	(5,358)
	<hr/>
Net Position - Beginning of Year	26,757
	<hr/>
Net Position - End of Year	\$ 21,399
	<hr/> <hr/>

NETCONG BOROUGH SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 33,604
Payments to Employees	(9,949)
Payments to Food Service Vendor	(79,511)
Payments to Suppliers	(5,205)
Net Cash Used for Operating Activities	<u>(61,061)</u>
Cash Flows from Investing Activities:	
Interest on Investments	338
Net Cash Provided by Investing Activities	<u>338</u>
Cash Flows from Noncapital Financing Activities:	
Insurance Claim Reimbursement	2,932
Federal Subsidy Reimbursements	53,312
State Subsidy Reimbursements	1,083
Net Cash Provided by Noncapital Financing Activities	<u>57,327</u>
Net Decrease in Cash and Cash Equivalents	(3,396)
Cash and Cash Equivalents, July 1	<u>19,580</u>
Cash and Cash Equivalents, June 30	<u>\$ 16,184</u>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (72,772)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,573
Food Distribution Program	9,737
Changes in Assets and Liabilities:	
(Increase) in Inventory	(98)
Increase in Accounts Payable	448
Increase in Unearned Revenue - Prepaid Sales	161
(Decrease) in Unearned Revenue - Donated Commodities	(110)
Net Cash Used for Operating Activities	<u>\$ (61,061)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$9,627 and utilized \$9,737 of commodities from the Federal Food Distribution Program for the year ended June 30, 2019.

FIDUCIARY FUNDS

NETCONG BOROUGH SCHOOL DISTRICT  
 FIDUCIARY FUND  
 COMBINING STATEMENT OF NET POSITION  
 JUNE 30, 2019

	Agency		Private Purpose Scholarship Trust	Totals
	Student Activity	Payroll		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 14,843	\$ 726	\$ 103	\$ 15,672
Interfund Receivable - General Fund		345		345
Total Assets	14,843	1,071	103	16,017
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings		974		974
Interfund Payable - General Fund		97		97
Due to Student Groups	14,843			14,843
Total Liabilities	14,843	1,071		15,914
<b>NET ASSETS:</b>				
Restricted for Scholarships			103	103
Total Net Assets	\$ - 0 -	\$ - 0 -	\$ 103	\$ 103

NETCONG BOROUGH SCHOOL DISTRICT  
FIDUCIARY FUND  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Private Purpose Scholarship Trust <hr style="border: 0.5px solid black;"/>
ADDITIONS:	
Investment Earnings	\$ <u>2</u>
Total Additions	<u>2</u>
Net Position - Beginning of the Year	<hr style="border: 0.5px solid black;"/> 101
Net Position - End of the Year	<hr style="border: 0.5px solid black;"/> \$ <u><u>103</u></u>



NETCONG BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 23,378	\$ 53,171	\$ 61,706	\$ 14,843
Total Assets	<u>\$ 23,378</u>	<u>\$ 53,171</u>	<u>\$ 61,706</u>	<u>\$ 14,843</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 23,378	\$ 53,171	\$ 61,706	\$ 14,843
Total Liabilities	<u>\$ 23,378</u>	<u>\$ 53,171</u>	<u>\$ 61,706</u>	<u>\$ 14,843</u>

NETCONG BOROUGH SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<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>
Netcong Elementary School	\$ 23,378	\$ 53,171	\$ 61,706	\$ 14,843
Total All Schools	<u>\$ 23,378</u>	<u>\$ 53,171</u>	<u>\$ 61,706</u>	<u>\$ 14,843</u>

NETCONG BOROUGH SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 3,536	\$ 3,384,126	\$ 3,386,936	\$ 726
Interfund Receivable		345		345
<b>Total Assets</b>	<u>\$ 3,536</u>	<u>\$ 3,384,471</u>	<u>\$ 3,386,936</u>	<u>\$ 1,071</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 3,509	\$ 1,353,292	\$ 1,355,827	\$ 974
Interfund Payable	27	97	27	97
Net Salaries and Wages		2,031,082	2,031,082	
<b>Total Liabilities</b>	<u>\$ 3,536</u>	<u>\$ 3,384,471</u>	<u>\$ 3,386,936</u>	<u>\$ 1,071</u>

LONG-TERM DEBT

NETCONG BOROUGH SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of				Matured	Balance June 30, 2018	Balance June 30, 2019
			Bonds Outstanding		Interest Rate	Amount			
			Date	June 30, 2019					
School Bonds	05/12/11	\$ 2,027,000	5/15/2020	\$ 95,000	3.125%		\$ 1,497,000	\$ 1,402,000	
			5/15/2021	100,000	3.250%				
			5/15/2022	105,000	4.500%				
			5/15/2023	110,000	4.500%				
			5/15/2024	115,000	4.500%				
			5/15/2025	120,000	4.500%				
			5/15/2026	120,000	4.500%				
			5/15/2027	125,000	4.500%				
			5/15/2028	125,000	4.500%				
			5/15/2029	130,000	4.500%				
			5/15/2030	130,000	4.500%				
			5/15/2031	127,000	4.500%		\$ 95,000	\$ 1,402,000	
							\$ 1,497,000	\$ 1,402,000	

NETCONG BOROUGH SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOT APPLICABLE

NETCONG BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 158,503		\$ 158,503	\$ 158,503	
<b>Total Revenues</b>	<u>158,503</u>		<u>158,503</u>	<u>158,503</u>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	63,503		63,503	63,502	\$ 1
Redemption of Principal	95,000		95,000	95,000	
<b>Total Regular Debt Service</b>	<u>158,503</u>		<u>158,503</u>	<u>158,502</u>	<u>1</u>
<b>Total Expenditures</b>	<u>158,503</u>		<u>158,503</u>	<u>158,502</u>	<u>1</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenditures</b>	- 0 -	\$ - 0 -	- 0 -	1	1
<b>Fund Balance, July 1</b>	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
<b>Fund Balance, June 30</b>	<u>- 0 -</u>	<u>\$ - 0 -</u>	<u>- 0 -</u>	<u>\$ 1</u>	<u>\$ 1</u>
<b>Recapitulation:</b>					
Designated for Subsequent Year's Expenditures			\$ 1	\$ 1	\$ 1
			<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

**Contents**

	<b><u>Exhibit</u></b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	J-1 thru J-5
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.	J-6 thru J-9
<b>Debt Capacity</b> These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 thru J-13
<b>Demographic and Economic Information</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.	J-14 thru J-15
<b>Operating Information</b> These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.	J-16 thru J-20

**Sources:** Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.



NETCONG BOROUGH SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

UNAUDITED

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Governmental Activities:</b>										
Net Investment in Capital Assets/(Deficit)	\$ 1,565,309	\$ (1,347)	\$ 2,391,653	\$ 2,507,424	\$ 2,648,217	\$ 2,702,388	\$ 2,885,749	\$ 3,116,354	\$ 3,544,527	\$ 3,702,232
Restricted	12,626	1,814,214	348,805	441,199	275,024	274,064	414,063	592,926	414,067	852,897
Unrestricted/(Deficit)	36,649	97,739	(643,303)	(17,392)	(600,959)	(556,810)	(427,190)	(540,708)	(537,631)	(525,741)
<b>Total Governmental Activities</b>	<b>\$ 1,614,584</b>	<b>\$ 1,910,606</b>	<b>\$ 2,097,155</b>	<b>\$ 2,931,231</b>	<b>\$ 2,322,282</b>	<b>\$ 2,419,642</b>	<b>\$ 2,872,622</b>	<b>\$ 3,168,572</b>	<b>\$ 3,420,963</b>	<b>\$ 4,029,388</b>
<b>Business-type Activities:</b>										
Net Investment in Capital Assets Unrestricted	\$ 2,539	\$ 5,119	\$ 31,084	\$ 27,277	\$ 15,047	\$ 13,474	\$ 11,901	\$ 10,328	\$ 7,182	\$ 5,609
	8,091	8,757	6,266	4,266	8,343	20,815	21,738	21,546	19,575	15,790
<b>Total Business-Type Activities</b>	<b>\$ 10,630</b>	<b>\$ 13,876</b>	<b>\$ 37,350</b>	<b>\$ 31,543</b>	<b>\$ 23,390</b>	<b>\$ 34,289</b>	<b>\$ 33,639</b>	<b>\$ 31,874</b>	<b>\$ 26,757</b>	<b>\$ 21,399</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets Restricted	\$ 1,567,848	\$ 3,772	\$ 2,422,737	\$ 2,534,701	\$ 2,663,264	\$ 2,715,862	\$ 2,897,650	\$ 3,126,682	\$ 3,551,709	\$ 3,707,841
Restricted	12,626	1,814,214	348,805	441,199	275,024	274,064	414,063	592,926	414,067	852,897
Unrestricted/(Deficit)	44,740	106,496	(637,037)	(13,126)	(592,616)	(535,995)	(405,452)	(519,162)	(518,056)	(509,951)
<b>Total District-Wide Net Position</b>	<b>\$ 1,625,214</b>	<b>\$ 1,924,482</b>	<b>\$ 2,134,505</b>	<b>\$ 2,962,774</b>	<b>\$ 2,345,672</b>	<b>\$ 2,453,931</b>	<b>\$ 2,906,261</b>	<b>\$ 3,200,446</b>	<b>\$ 3,447,720</b>	<b>\$ 4,050,787</b>

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$ 2,180,516	\$ 2,108,316	\$ 2,365,805	\$ 2,564,121	\$ 2,380,418	\$ 2,626,959	\$ 2,639,071	\$ 3,176,797	\$ 3,074,873	\$ 2,834,664
Special Education	723,124	833,346	685,609	791,797	845,519	952,443	1,080,707	1,040,651	1,044,482	992,727
Other Instruction	142,052	51,099	36,689	90,223	39,858	26,619	22,024	67,122	42,965	40,628
School Sponsored Instruction			35,263	28,581	7,759	48,477	66,360	73,554	87,834	73,212
<b>Support Services:</b>										
Tuition	11,576	61,629	42,550	6,546	32,657	20,112	67,917	126,696	274,891	287,200
Student/Instruction-Related Services	499,572	430,902	372,350	445,388	569,201	689,163	660,977	734,083	658,208	538,784
General Administrative Services	302,516	285,703	135,467	185,961	244,124	183,244	249,896	332,296	249,471	162,006
School Administrative Services	122,261	129,509	151,594	157,953	162,369	291,622	182,954	257,722	268,204	378,305
Central Services			117,723	118,437	186,502	129,624	175,158	187,527	176,953	162,862
Admin. Information Technology			8,012	15,697	13,324	17,054	20,233	21,582	44,675	64,026
Plant Operations and Maintenance	409,875	275,380	287,218	313,484	307,377	294,087	312,791	381,977	452,648	411,211
Pupil Transportation	54,437	55,140	29,545	59,966	110,835	68,324	106,942	99,600	206,661	195,862
Unallocated Depreciation			32,558	31,939	31,939	39,599	39,913	39,913	39,913	44,207
Capital Outlay			10,063	24,952	82,166	31,939	8,626	6,950	9,490	6,950
Interest on Long-Term Debt		8,989	74,652	74,931	73,356	71,767	70,053	68,098	65,734	63,131
<b>Total Governmental Activities</b>	<b>4,445,929</b>	<b>4,240,013</b>	<b>4,385,098</b>	<b>4,909,976</b>	<b>5,087,404</b>	<b>5,491,033</b>	<b>5,703,622</b>	<b>6,614,568</b>	<b>6,697,002</b>	<b>6,255,775</b>
<b>Business-Type Activities:</b>										
Food Service	79,596	78,818	83,889	88,367	91,532	88,012	104,847	102,823	109,173	106,325
After Care Program	8,313									
<b>Total Business-Type Activities</b>	<b>87,909</b>	<b>78,818</b>	<b>83,889</b>	<b>88,367</b>	<b>91,532</b>	<b>88,012</b>	<b>104,847</b>	<b>102,823</b>	<b>109,173</b>	<b>106,325</b>
<b>Total District-wide Expenses</b>	<b>4,533,838</b>	<b>4,318,831</b>	<b>4,468,987</b>	<b>4,998,343</b>	<b>5,178,936</b>	<b>5,579,045</b>	<b>5,808,469</b>	<b>6,717,391</b>	<b>6,806,175</b>	<b>6,362,100</b>

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Program Revenues:</b>										
Governmental Activities:										
Charges for Services	\$ 941,538	\$ 935,539	\$ 1,614,389	\$ 862,230	\$ 973,626	\$ 56,107	\$ 18,131	\$ 26,023	\$ 21,060	\$ 6,915
Operating Grants and Contributions	941,538	935,539	1,614,389	862,230	973,626	1,543,717	1,745,710	2,423,705	2,258,593	1,917,487
Total Governmental Activities						1,599,824	1,763,841	2,449,728	2,279,653	1,924,402
Business-type Activities:										
Charges for Services:										
Food Service	37,898	40,902	34,263	31,239	28,949	33,638	41,478	38,175	38,159	33,553
Child Care	5,289									
Operating Grants and Contributions	39,271	41,136	46,227	51,302	62,844	65,562	62,698	62,832	67,511	64,144
Total Business-Type Activities	82,458	82,038	80,490	82,541	91,793	99,200	104,176	101,007	105,670	97,697
Total District-wide Program Revenues	1,023,996	1,017,577	1,694,879	944,771	1,065,419	1,699,024	1,868,017	2,550,735	2,385,323	2,022,099
<b>Net (Expense)/Revenue:</b>										
Governmental Activities	(3,504,391)	(3,304,474)	(2,770,709)	(4,047,746)	(4,113,778)	(3,891,209)	(3,939,781)	(4,164,840)	(4,417,349)	(4,331,373)
Business-Type Activities	(5,451)	3,220	(3,399)	(5,826)	261	11,188	(671)	(1,816)	(3,503)	(8,628)
Total District-Wide Net (Expense)/Revenue	(3,509,842)	(3,301,254)	(2,774,108)	(4,053,572)	(4,113,517)	(3,880,021)	(3,940,452)	(4,166,656)	(4,420,852)	(4,340,001)
<b>General Revenues and Other Changes in Net Position:</b>										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	2,635,485	2,718,432	2,718,432	2,718,432	2,745,616	2,904,108	3,340,928	3,407,746	3,513,010	3,707,261
Taxes Levied for Capital Projects							13,357			
Taxes Levied for Debt Service			139,250	145,128	143,553	146,978	150,290	153,390	151,053	158,503
Federal and State Aid not Restricted	932,374	760,595	96,099	1,956,081	1,112,705	876,881	877,576	889,404	968,026	1,047,115
Tuition Charges	6,000	20,154								
Investment Earnings	2,742	1,804	2	2		52	346	94	99	50
Miscellaneous Income	3,204	99,510	68,372	62,179	18,009	60,550	10,264	10,156	37,552	26,869
Transfers	(250,229)									
Total Governmental Activities	3,329,576	3,600,495	3,022,155	4,881,822	4,019,883	3,988,569	4,392,761	4,460,790	4,669,740	4,939,798

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Revenues and Other Changes in Net Position:										
Business-Type Activities:										
Investment Earnings	\$ 80	\$ 32	\$ 50	\$ 18	\$ 9	\$ 26	\$ 36		\$ 279	\$ 338
Miscellaneous Income	(3,393)	(4)				(315)	(15)			
Cancellation of Prior Year Receivable									(1,893)	
Loss on Disposal of Equipment										2,932
Insurance Claim Reimbursement										
Total Business-type Activities	(3,313)	28	50	18	9	(289)	21		(1,614)	3,270
Total District-wide General Revenues and Other Changes in Net Position	3,326,263	3,600,523	3,022,205	4,881,840	4,019,892	3,988,280	4,392,782	\$ 4,460,790	4,668,126	4,943,068
Change in Net Position:										
Governmental Activities	(174,815)	296,021	251,446	834,076	(93,895)	97,360	452,980	295,950	252,391	608,425
Business-Type Activities	(8,764)	3,248	(3,349)	(5,808)	270	10,899	(650)	(1,816)	(5,117)	(5,358)
Total District-Wide Change in Net Position	\$ (183,579)	\$ 299,269	\$ 248,097	\$ 828,268	\$ (93,625)	\$ 108,259	\$ 452,330	\$ 294,134	\$ 247,274	\$ 603,067

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

UNAUDITED

*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>General Fund:</b>										
Reserved										
Unreserved (Deficit)	\$ 132,584	\$ 203,905								
Restricted	4,693	226,557	\$ 348,805	\$ 224,204	\$ 6,938	\$ 6,953	\$ 294,183	\$ 576,761	\$ 414,067	\$ 852,896
Assigned			76,590	30,150		8,400			3,398	55,090
Unassigned/(Deficit)			162,374	64,562	(61,874)	17,562	160,646	153,666	192,301	143,242
<b>Total General Fund/(Deficit)</b>	<b>\$ 137,277</b>	<b>\$ 430,462</b>	<b>\$ 587,769</b>	<b>\$ 318,916</b>	<b>\$ (54,936)</b>	<b>\$ 32,915</b>	<b>\$ 454,829</b>	<b>\$ 730,427</b>	<b>\$ 609,766</b>	<b>\$ 1,051,228</b>
<b>All Other Governmental Funds:</b>										
Unreserved (Deficit):										
Capital Projects Fund										
Restricted	\$ 7,932	\$ 1,587,657		\$ 216,995	\$ 254,729	\$ 267,111	\$ 119,880	\$ 16,165		\$ 1
Committed				2,571						
Unassigned (Deficit)			\$ (800,781)			(13,357)				
<b>Total All Other Governmental Funds/(Deficit)</b>	<b>\$ 7,932</b>	<b>\$ 1,587,657</b>	<b>\$ (800,781)</b>	<b>\$ 219,566</b>	<b>\$ 254,729</b>	<b>\$ 253,754</b>	<b>\$ 119,880</b>	<b>\$ 16,165</b>	<b>\$ -0-</b>	<b>\$ 1</b>
<b>Total All Governmental Funds:</b>										
Unreserved	\$ 140,516	\$ 203,905								
Restricted		1,814,214	\$ 348,805	\$ 441,199	\$ 261,667	\$ 274,064	\$ 414,063	\$ 592,926	\$ 414,067	\$ 852,897
Committed				2,571						
Assigned			76,590	30,150		8,400			3,398	55,090
Unassigned/(Deficit)			(638,407)	64,562	(61,874)	4,205	160,646	153,666	192,301	143,242
<b>Total All Governmental Funds/(Deficit)</b>	<b>\$ 140,516</b>	<b>\$ 2,018,119</b>	<b>\$ (213,012)</b>	<b>\$ 538,482</b>	<b>\$ 199,793</b>	<b>\$ 286,669</b>	<b>\$ 574,709</b>	<b>\$ 746,592</b>	<b>\$ 609,766</b>	<b>\$ 1,051,229</b>

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Tax Levy	\$ 2,635,485	\$ 2,718,432	\$ 2,857,682	\$ 2,863,560	\$ 2,889,169	\$ 3,051,086	\$ 3,504,575	\$ 3,561,136	\$ 3,664,063	\$ 3,865,764
Tuition Charges	6,000	20,154	17,750	19,938	14,090	56,107	18,131	26,023	21,060	6,915
Interest Earnings	2,742	1,804	2	2		15	8	94	99	50
Miscellaneous	3,204	99,510	50,622	42,241	3,919	70,493	31,766	30,447	23,391	43,960
State Sources	1,518,906	1,425,653	1,513,503	2,665,195	1,870,269	1,724,301	1,862,978	1,891,151	1,987,957	2,309,011
Federal Sources	355,007	270,481	196,985	153,116	216,062	177,701	182,531	190,815	205,001	217,001
<b>Total Revenues</b>	<b>4,521,344</b>	<b>4,536,034</b>	<b>4,636,544</b>	<b>5,744,052</b>	<b>4,993,509</b>	<b>5,079,703</b>	<b>5,599,989</b>	<b>5,699,666</b>	<b>5,901,571</b>	<b>6,442,701</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	1,632,884	1,570,834	1,755,785	1,785,452	1,720,370	1,662,302	1,533,968	1,528,712	1,537,212	1,688,333
Special Education Instruction	586,264	677,183	528,134	578,729	624,277	621,296	643,365	545,277	546,959	620,612
Other Instruction	122,984	46,046	29,531	63,380	27,741	21,416	18,366	39,081	19,849	22,869
School Sponsored Instruction			30,552	20,406	6,671	24,406	31,382	25,178	41,037	41,836
<b>Support Services:</b>										
Tuition	11,576	61,629	42,550	6,546	32,657	20,112	67,917	126,696	274,891	287,200
Student & Instruction-Related	393,294	340,212	333,489	376,678	471,406	478,162	535,860	573,923	533,693	465,045
General Administration	234,904	218,663	120,142	163,212	211,739	143,423	214,095	271,846	218,787	150,704
School Administration	90,032	86,971	104,294	109,645	111,538	178,267	106,170	138,953	137,412	225,560
Central Services			121,973	118,460	183,588	107,089	137,709	140,848	135,576	136,789
Administrative Information Technology			8,012	15,697	13,324	17,054	20,233	21,582	44,675	64,026
Plant Operations and Maintenance	355,928	236,224	278,434	281,872	281,070	247,031	281,033	348,035	420,576	356,635
Pupil Transportation	54,437	55,140	29,545	59,966	110,835	68,324	105,979	96,555	202,298	190,296
Allocated Benefits			496,991	83,839						
Unallocated Benefits	910,674	916,584	432,668	1,095,283	1,124,213	1,224,053	1,304,492	1,315,617	1,372,176	1,451,986

NETCONG BOROUGH SCHOOL DISTRICT  
CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenditures:										
Capital Outlay	\$ 363,696	\$ 480,639	\$ 2,419,260	\$ 85,330	\$ 269,215	\$ 32,914	\$ 161,090	\$ 201,996	\$ 402,104	\$ 140,845
Debt Service:										
Principal			65,000	70,000	70,000	75,000	80,000	85,000	85,000	95,000
Interest and Other Charges			74,250	75,128	73,553	71,978	70,290	68,390	66,053	63,502
Total Expenditures	4,756,673	4,690,125	6,870,610	4,989,623	5,332,197	4,992,827	5,311,949	5,527,689	6,038,298	6,001,238
Excess (Deficiency) of Revenues Over (Under) Expenditures	(235,329)	(154,091)	(2,234,066)	754,429	(338,688)	86,876	288,040	171,977	(136,727)	441,463
Other Financing Sources (Uses)										
Bond Proceeds		2,027,000								
P/Y Adjustment - Expenditures	(40,229)									
Transfers In							338			
Transfers Out	(85,003)						(338)	(94)	(99)	
Total Other Financing Sources (Uses)	(125,229)	2,027,000						(94)	(99)	
Net Change in Fund Balances	\$ (360,558)	\$ 1,872,909	\$ (2,234,066)	\$ 754,429	\$ (338,688)	\$ 86,876	\$ 288,040	\$ 171,883	\$ (136,826)	\$ 441,463
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	3.2%	3.0%	2.9%	3.1%	3.0%	3.0%	2.8%	2.8%

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

Fiscal Year Ending June 30,	Tuition	Interest on Investments	Prior Year Refunds	Other	Total
2010	\$ 6,000	\$ 2,742		\$ 3,204	\$ 11,946
2011	20,154	1,804		91,166 *	113,124
2012	17,750	1,297	\$ 11,475	20,102	50,624
2013	19,938	580	26,079	15,584	62,181
2014	14,090			19,847	33,937
2015	56,107	950		59,615	116,672
2016	18,131	783		9,151	28,065
2017	26,023	1,884		8,366	36,273
2018	21,060	9,557		7,034	37,651
2019	6,915	19,962		6,957	33,834

\* - Includes \$57,557 of (first year) employee contributions for health insurance premiums.

Source: Netcong Borough School District Financial Reports.



NETCONG BOROUGH SCHOOL DISTRICT  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

Year Ended Dec. 31,	Total Assessed Value							Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax	Estimated Actual (County Equalized Value)
	Vacant Land	Residential	Commercial	Industrial	Apartment	Value	Value					
2009	\$ 6,240,200	\$ 240,485,300	\$ 43,745,600	\$ 20,196,900	\$ 27,085,700	\$ 337,753,700	\$ 3,159,554	\$ 340,913,254	\$ 20,966,400	\$ 0.773	\$ 342,948,236	
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263	21,259,300	0.782	318,940,713	
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535	21,583,300	0.849	321,029,391	
2012	5,892,600	239,449,400	43,109,000	18,746,800	25,781,800	332,979,600	3,117,096	336,096,696	21,567,700	0.852	303,147,024	
2013	6,072,900	238,253,100	42,694,000	17,413,500	25,781,800	330,215,300		330,215,300	21,735,000	0.875	273,815,716	
2014	6,000,500	237,191,500	42,855,300	17,413,500	25,781,800	329,242,600		329,242,600	21,735,000	0.927	276,798,948	
2015	5,840,000	236,807,700	41,890,700	17,413,500	25,781,800	327,733,700		327,733,700	21,435,500	1.065	257,290,637	
2016	6,359,000	234,351,300	41,198,400	17,413,500	25,781,800	325,104,000		325,104,000	22,047,400	1.095	253,786,662	
2017	6,359,000	233,929,500	41,275,900	17,413,500	25,781,800	324,759,700		324,759,700	22,052,400	1.128	265,424,494	
2018	6,313,900	232,897,600	41,092,600	17,413,500	25,781,800	323,499,400		323,499,400	22,052,400	1.195	270,035,525	

Note: 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 of assessed valuation.

Source: Netcong Borough Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	Borough of Netcong School District Direct Rate			Overlapping Rates			
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	Netcong Borough	Regional High School	Morris County	Total Direct
2009	\$ 0.773		\$ 0.773	\$ 0.656	\$ 0.447	\$ 0.231	\$ 2.107
2010	0.782		0.782	0.681	0.484	0.216	2.163
2011	0.807	\$ 0.041	0.849	0.701	0.461	0.225	2.236
2012	0.809	0.043	0.852	0.714	0.470	0.221	2.257
2013	0.831	0.043	0.875	0.738	0.536	0.208	2.357
2014	0.882	0.045	0.927	0.756	0.473	0.215	2.371
2015	1.019	0.046	1.065	0.775	0.442	0.197	2.479
2016	1.048	0.047	1.095	0.797	0.483	0.197	2.572
2017	1.082	0.047	1.128	0.821	0.483	0.212	2.644
2018	1.146	0.049	1.195	0.840	0.501	0.217	2.753

Note: NJSA 18A:7F-5d limits the amount that the District can submit for a General Fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

a - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b - Rates for debt service are based on each year's requirements.

Source: Netcong Borough Tax Collector and School Business Administrator.

NETCONG BOROUGH SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Taxpayer	2018		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Netcong Heights	\$ 629,520	1	0.19%
Dowel-Netcong, LLC	225,581	2	0.07%
Semper Development Group, LLC	102,480	3	0.03%
Great Northern Love Lane 59, LLC	92,855	4	0.03%
Netcong 201 LLC Morris Canal Plaza	81,457	5	0.03%
US Mineral Wool Products	77,863	6	0.02%
Great Northern 69 Love Lane, LLC	73,709	7	0.02%
Quirk Realty, LLC	71,196	8	0.02%
Bell Atlantic-NJ	60,258	9	0.02%
Mark Appraisals, LLC	49,946	10	0.02%
<b>Total</b>	<b>\$ 1,464,865</b>		<b>0.45%</b>

Taxpayer	2009		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
INFORMATION IS NOT AVAILABLE			

Source: Netcong Borough Tax Assessor.

NETCONG BOROUGH SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS,  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2010	\$ 2,635,485	\$ 2,635,485	100.00%	\$ - 0 -
2011	2,635,485	2,635,485	100.00%	- 0 -
2012	2,857,682	2,857,682	100.00%	- 0 -
2013	2,863,560	2,863,560	100.00%	- 0 -
2014	2,889,169	2,889,169	100.00%	- 0 -
2015	3,051,086	3,051,086	100.00%	- 0 -
2016	3,504,575	3,504,575	100.00%	- 0 -
2017	3,561,136	3,561,136	100.00%	- 0 -
2018	3,664,063	3,664,063	100.00%	- 0 -
2019	3,865,764	3,865,764	100.00%	- 0 -

a - School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

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

NETCONG BOROUGH SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases			
2010	\$ - 0 -	\$ 125,000	\$ 125,000	0.05%	\$ 39
2011	2,027,000	102,151	2,129,151	0.85%	655.93
2012	1,962,000	78,274	2,040,274	0.78%	627.20
2013	1,892,000	53,322	1,945,322	0.74%	598.19
2014	1,822,000	27,248	1,849,248	0.68%	569.17
2015	1,747,000	- 0 -	1,747,000	0.64%	538.20
2016	1,667,000	- 0 -	1,667,000	0.58%	514.98
2017	1,582,000	- 0 -	1,582,000	0.55%	489.93
2018	1,497,000	- 0 -	1,497,000	0.49%	471.79
2019	1,402,000	- 0 -	1,402,000	0.47%	441.85

a - See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2010	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.000%	\$ - 0 -
2011	2,027,000	- 0 -	2,027,000	0.601%	624.46
2012	1,962,000	- 0 -	1,962,000	0.583%	603.14
2013	1,892,000	- 0 -	1,892,000	0.563%	581.80
2014	1,822,000	- 0 -	1,822,000	0.552%	560.79
2015	1,747,000	- 0 -	1,747,000	0.531%	538.20
2016	1,667,000	- 0 -	1,667,000	0.509%	514.98
2017	1,582,000	- 0 -	1,582,000	0.487%	489.93
2018	1,497,000	- 0 -	1,497,000	0.461%	471.79
2019	1,402,000	- 0 -	1,402,000	0.433%	441.85

a - See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Note: Details regarding the District's outstanding debt can be found in the notes to the basic financial statements.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2018  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Netcong	\$ 1,954,980	100.00%	\$ 1,954,980
Morris County General Obligation Debt	216,647,700	0.28%	617,408
Subtotal, Overlapping Debt			2,572,388
Netcong Borough School District Direct Debt			1,497,000
Total Direct and Overlapping Debt			<u>\$ 4,069,388</u>

a - For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the District's boundaries and dividing it by each unit's total equalized property value.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by residents and businesses of Netcong. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

Sources: Assessed value data used to estimate applicable percentages provided by the Morris County Board of Taxation; debt outstanding data provided by each governmental unit.

NETCONG BOROUGH SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 9,740,546	\$ 9,709,801	\$ 9,314,227	\$ 8,886,748	\$ 8,482,307	\$ 8,064,740	\$ 7,866,344	\$ 7,674,737	\$ 7,878,232	\$ 8,355,126
Total Net Debt Applicable to Limit		2,027,000	1,962,000	1,892,000	1,822,000	1,747,000	1,667,000	1,582,000	1,497,000	1,402,000
Legal Debt Margin	\$ 9,740,546	\$ 7,682,801	\$ 7,352,227	\$ 6,994,748	\$ 6,660,307	\$ 6,317,740	\$ 6,199,344	\$ 6,092,737	\$ 6,381,232	\$ 6,953,126
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	20.88%	21.06%	21.29%	21.48%	21.66%	21.19%	20.61%	19.00%	16.78%

Legal Debt Margin Calculation for Fiscal Year 2019

	2018	2017	2016
Equalized valuation basis	\$ 301,884,472	269,487,760	264,140,396
Average Equalized Valuation of Taxable Property	\$ 835,512,628		
Debt Limit (3% of average equalization value) <sup>a</sup>	\$ 278,504,209		
Net Bonded School Debt as of June 30, 2019	\$ 8,355,126	1,402,000	
Legal Debt Margin	\$ 6,953,126		

<sup>a</sup> Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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



NETCONG BOROUGH SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year	Population <sup>a</sup>	Morris County Per Capita Income <sup>b</sup>	Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2010	3,235	\$ 74,460	\$ 240,878,100	6.80%
2011	3,246	77,207	250,613,922	6.60%
2012	3,253	80,027	260,327,831	6.80%
2013	3,252	80,868	262,982,736	7.10%
2014	3,249	83,687	271,899,063	4.20%
2015	3,246	87,896	285,310,416	6.20%
2016	3,237	89,065	288,303,405	5.70%
2017	3,229	94,259	304,362,311	5.30%
2018	3,173	94,259	299,083,807	4.80%
2019	3,173 *	94,259 **	299,083,807 ***	N/A

\* - Latest population data available (2018) was used for calculation purposes.

\*\* - Latest Morris County per capita personal income available (2017) was used for calculation purposes.

\*\*\* - Latest population data available (2018) and latest Morris County per capita personal income (2017) was used for calculation purposes.

N/A - Not Available

Sources:

a - Population information provided by the US Department of Census - Population Division.

b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

NETCONG BOROUGH SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

	2018		2009		Percentage of Total Employment
	Employer	Employees	Employer	Employees	
U.S. Army Armament Research and Development		6,400	Atlantic Health System	6,300	N/A
Atlantic Health Systems		6,350	U.S. Army Armament Research and Development	3,575	N/A
Novartis Corporation		4,607	Novartis	3,573	N/A
Bayer Healthcare, LLC		2,800	St. Clare's Health System	2,342	N/A
ADP		2,242	County of Morris	2,126	N/A
Wyndham Worldwide		1,907	ADP	2,019	N/A
Accenture		1,883	United Parcel Service	1,941	N/A
Honeywell		1,868	AT&T	1,500	N/A
Allergan		1,700	Honeywell	1,500	N/A
St. Clare's Health System		1,544	Wyndham Worldwide Corporation	1,395	N/A
		<u>31,301</u>		<u>26,271</u>	<u>N/A</u>
Total Employment *		<u>244,696</u>			

N/A - Total amount of employment is not available in order to do the percentage calculation.

\* - Employment data provided by the NJ Department of Labor and Workforce Development.

Note - Information is for Morris County

Source: Morris County Economic Development Corporation.

NETCONG BOROUGH SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction:										
Regular	23.0	24.0	24.0	24.0	24.0	23.0	20.0	20.0	20.0	20.0
Special Education	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	12.0	12.0	12.0	12.0	9.0	5.0	5.0	5.0	5.0	7.0
General Administrative Services	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	2.0
School Administrative Services	3.0	3.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0
Central Services			1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.0	2.5	2.5
<b>Total</b>	<b>49.0</b>	<b>50.0</b>	<b>50.0</b>	<b>50.0</b>	<b>48.0</b>	<b>43.0</b>	<b>40.0</b>	<b>39.0</b>	<b>39.5</b>	<b>41.5</b>

Source: Netcong Borough School District Personnel Records.

NETCONG BOROUGH SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2010	291.0	\$ 4,392,978	\$ 15,096	5.87%	32.0	1:12	1:11	284.0	267.0	-4.38%	94.01%
2011	286.0	4,209,486	14,718	-2.50%	32.0	1:12	1:11	285.0	270.0	0.35%	94.74%
2012	284.0	4,312,100	15,183	3.16%	32.0	1:12	1:11	284.4	267.5	-0.21%	94.06%
2013	308.0	4,759,165	15,452	1.77%	32.0	1:12	1:11	308.5	272.0	8.47%	88.17%
2014	303.0	4,919,429	16,236	5.07%	32.0	1:12	1:11	299.0	281.0	-3.08%	93.98%
2015	296.0	4,812,935	16,260	0.15%	32.0	1:15	1:16	292.0	279.0	-2.34%	95.55%
2016	289.0	5,000,569	17,303	6.42%	32.0	1:15	1:16	290.0	275.0	-0.68%	94.83%
2017	295.0	5,172,303	17,533	1.33%	32.0	1:15	1:16	293.4	278.6	1.16%	94.97%
2018	315.0	5,485,141	17,413	-0.68%	30.0	1:15	1:16	314.4	297.5	7.18%	94.63%
2019	289.0	5,701,891	19,730	13.30%	30.0	1:15	1:16	287.5	273.2	-8.56%	95.03%

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).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>District Building</u>										
Netcong Elementary (1926)										
Square Feet	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Capacity (students)	310	310	310	310	310	310	310	310	320	320
Enrollment	291	286	284	308	303	296	289	295	315	289

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures - Required Maintenance  
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Netcong Elementary	N/A	\$ 43,287	\$ 39,280	\$ 40,901	\$ 59,242	\$ 88,159
Grand Total		\$ 43,287	\$ 39,280	\$ 40,901	\$ 59,242	\$ 88,159

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Netcong Elementary	N/A	\$ 57,738	\$ 84,370	\$108,878	\$139,824	\$ 80,679
Grand Total		\$ 57,738	\$ 84,370	\$108,878	\$139,824	\$ 80,679

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

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2019  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package - NJSIG:		
Property - Blanket Building and Contents	\$ 500,000,000.00	\$ 1,000.00
Accounts Receivable	\$ 250,000.00	\$ 1,000.00
Automobile Physical Damage	None	None
Electronic Data Processing Equipment	\$ 475,000.00	\$ 1,000.00
Comprehensive General Liability - NJSIG:		
Occurrence Limit	\$ 16,000,000.00	None
Automobile Liability	\$ 16,000,000.00	None
Employee Benefit Liability	\$ 16,000,000.00	\$ 1,000.00
Workers' Compension - NJSIG:		
Statutory Benefits	Included	
Employer's Liability	\$ 2,000,000.00	None
Supplemental Indemnity Coverage	Included	7 Day Waiting Period
School Board Legal Liability - NJSIG:		
Directors' and Officers' Policy		
Limit Each Loss	\$ 16,000,000.00	\$ 5,000.00
Crime - NJSIG:		
Blanket Employee Dishonesty	\$ 100,000.00	\$ 500.00
Computer Fraud	\$ 50,000.00	\$ 500.00
Forgery	\$ 50,000.00	\$ 500.00
Theft/Disappearance/Destruction:		
Inside	\$ 50,000.00	\$ 500.00
Outside	\$ 50,000.00	\$ 500.00
Public Official Bonds - NJISG:		
Treasurer	\$ 175,000.00	\$ 1,000.00
Board Secretary	\$ 175,000.00	\$ 500.00

Source: Netcong Borough School District Insurance Agent

SINGLE AUDIT SECTION



Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members  
of the Board of Education of the  
Netcong Borough School District  
County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the 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 Borough of Netcong, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 15, 2019.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members  
of the Board of Education of the  
Netcong Borough School District  
Page 2

**Compliance and Other Matters**

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

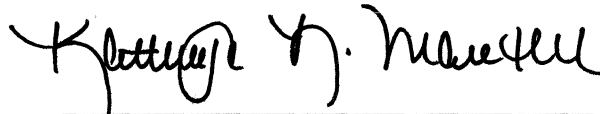
**Purpose of this Report**

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 District’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 District’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



November 15, 2019  
Mount Arlington, New Jersey

NISIVOCCIA LLP



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Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant



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Newton, NJ 07860  
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Report on Compliance For Each Major State Program:  
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members  
of the Board of Education of the  
Netcong Borough School District  
County of Morris, New Jersey

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

We have audited the Board of Education of the Borough of Netcong's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2019. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

The Honorable President and Members  
of the Board of Education of the  
Netcong Borough School District  
Page 2

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2019.

### **Report on Internal Control Over Compliance**

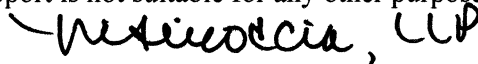
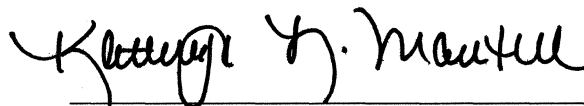
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJOMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

November 15, 2019  
Mount Arlington, New Jersey

  
NISIVOCCIA LLP  
  
Kathryn L. Mantell  
Licensed Public School Accountant #884  
Certified Public Accountant

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2019	
			From	To					Budgetary (Accounts Receivable)	Budgetary Unearned Revenue
U.S. Department of Health and Human Services										
Passed-through State Department of Human Services:										
Medical Assistance Program (SEMI)	93.778	N/A	7/1/18	6/30/19	\$ 26,546	\$ 26,546	\$ (26,546)			
Total General Fund						26,546	(26,546)			
U.S. Department of Education Passed-through State Department of Education:										
Special Revenue Fund:										
Special Education Cluster:										
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-19	7/1/18	6/30/19	104,756	83,894	(93,432)		\$ (9,538)	
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-18	7/1/17	6/30/18	5,206	1,363			(1,363)	
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-19	7/1/18	6/30/19	5,306	5,306	(5,306)			
Total Special Education Cluster						90,563	(98,738)		(9,538)	
Elementary and Secondary Education Act:										
Title I	84.010A	ESEA-3520-18	7/1/17	6/30/18	77,519	13,274			(13,274)	
Title I	84.010A	ESEA-3520-19	7/1/18	6/30/19	81,785	65,167	(76,781)			(11,614)
Title IIA	84.367A	ESEA-3520-18	7/1/17	6/30/18	14,312	195			(195)	
Title IIA	84.367A	ESEA-3520-19	7/1/18	6/30/19	7,645	7,644	(7,644)			
Title IV	84.424	ESEA-3520-19	7/1/18	6/30/19	10,000		(7,292)			(7,292)
Total U.S. Department of Education - Elementary and Secondary Education Act						86,280	(91,717)		(13,469)	(18,906)
Total U.S. Department of Education - Special Revenue Fund						176,843	(190,455)		(14,832)	(28,444)
U.S. Department of Agriculture -										
Passed-through State Department of Agriculture:										
Enterprise Fund										
Child Nutrition Cluster:										
Food Distribution Program	10.555	N/A	7/1/18	6/30/19	9,627	9,627	(8,653)			\$ 974
Food Distribution Program	10.555	N/A	7/1/17	6/30/18	9,863		(1,084)		1,084	

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2019		Amounts Paid to Subrecipients
			From	To					Budgetary (Accounts Receivable)	Budgetary Unearned Revenue	
U.S. Department of Agriculture - Passed-through State Department of Education: Enterprise Fund											
Child Nutrition Cluster:											
School Breakfast Program	10.553	N/A	7/1/17	6/30/18	\$ 3,532	\$ 215					
School Breakfast Program	10.553	N/A	7/1/18	6/30/19	6,842	\$ (6,842)	\$ (478)				
National School Lunch Program	10.555	N/A	7/1/17	6/30/18	52,443	2,790					
National School Lunch Program	10.555	N/A	7/1/18	6/30/19	46,494	(46,494)	(2,551)				
Total Enterprise Fund					(1,921)	62,939	(63,073)		\$ 974		
<b>TOTAL FEDERAL AWARDS</b>					\$ (16,753)	\$ 266,328	\$ (280,074)	\$ - 0 -	\$ 974	\$ (31,473)	\$ - 0 -

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2018		Balance at June 30, 2019		MEMO	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:										
General Fund:										
Equalization Aid	18-495-034-5120-078	7/1/17	6/30/18	\$ 950,751	\$ (94,562)	\$	\$ 94,562		\$	\$ 950,751
School Choice	18-495-034-5120-068	7/1/17	6/30/18	119,922	(11,928)		11,928			119,922
Categorical Special Education Aid	18-495-034-5120-089	7/1/17	6/30/18	171,660	(17,073)		17,073			171,660
Security Aid	18-495-034-5120-084	7/1/17	6/30/18	14,363	(1,429)		1,429			14,363
Transportation Aid	18-495-034-5120-014	7/1/17	6/30/18	698	(69)		69			698
Under Adequacy Aid	18-495-034-5120-096	7/1/17	6/30/18	10,772	(1,071)		1,071			10,772
PARCC Readiness Aid	18-495-034-5120-098	7/1/17	6/30/18	2,950	(293)		293			2,950
Per Pupil Growth Aid	18-495-034-5120-097	7/1/17	6/30/18	2,950	(293)		293			2,950
Professional Learning Community Aid	18-495-034-5120-101	7/1/17	6/30/18	2,770	(276)		276			2,770
Extraordinary Aid	18-495-034-5120-044	7/1/17	6/30/18	66,531	(66,273)		66,531	\$ (258)		66,531
Nonpublic Transportation Aid	18-495-034-5120-014	7/1/17	6/30/18	3,022	(3,022)		3,022			3,022
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18	6/30/19	185,221			185,221	(185,221)		185,221
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18	6/30/19	399,964			399,964	(399,964)		399,964
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18	6/30/19	8,372			8,372	(8,372)		8,372
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18	6/30/19	559			559	(559)		559
Equalization Aid	19-495-034-5120-078	7/1/18	6/30/19	1,028,377			926,007	(1,028,377)	\$ (102,370)	1,028,377
School Choice	19-495-034-5120-068	7/1/18	6/30/19	146,556			131,967	(146,556)	(14,589)	146,556
Categorical Special Education Aid	19-495-034-5120-089	7/1/18	6/30/19	264,802			238,442	(264,802)	(26,360)	264,802
Security Aid	19-495-034-5120-084	7/1/18	6/30/19	69,911			62,952	(69,911)	(6,959)	69,911
Transportation Aid	19-495-034-5120-014	7/1/18	6/30/19	18,938			17,053	(18,938)	(1,885)	18,938
Extraordinary Aid	19-495-034-5120-044	7/1/18	6/30/19	42,313				(42,313)	(42,313)	42,313
Nonpublic Transportation Aid	19-495-034-5120-014	7/1/18	6/30/19	3,092				(3,092)	(3,092)	3,092
Reimbursed TPAF Social Security	19-495-034-5095-003	7/1/18	6/30/19	165,817			157,792	(165,817)	(8,025)	165,817
<b>Total General Fund State Aid</b>					(196,289)		2,324,876	(2,334,180)	(53,430)	3,680,311
<b>Total State Department of Education</b>					(196,289)		2,324,876	(2,334,180)	(53,430)	3,680,311

NETCONG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2018		Balance at June 30, 2019		MEMO	
		From	To		Budgetary/ (Accounts Receivable)	Due to Grantor	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Agriculture:										
Enterprise Fund:										
State School Lunch Program	18-100-010-3350-023	7/1/17	6/30/18	\$ 1,258	\$ (70)	\$ 70				\$ 1,258
State School Lunch Program	19-100-010-3350-023	7/1/18	6/30/19	1,071		1,013				1,071
Total Enterprise Fund					(70)	1,083			(58)	(58)
TOTAL STATE AWARDS					\$ (196,359)	\$ 2,325,959	\$ (53,488)	\$ - 0 -	\$ (205,651)	\$ 3,682,640
Total State Awards Subject to Single Audit Determination										
Less: State Awards Not Subject to Single Audit Major Program Determination										
On-Behalf TPAF Pension System Contributions:										
On-Behalf TPAF Post Retirement Contributions	19-495-034-5094-001	7/1/18	6/30/19							185,221
On-Behalf TPAF Pension Contributions	19-495-034-5094-002	7/1/18	6/30/19							399,964
On-Behalf TPAF Non-Contributory Insurance	19-495-034-5094-004	7/1/18	6/30/19							8,372
On-Behalf TPAF Long-Term Disability Insurance	19-495-034-5094-004	7/1/18	6/30/19							559
Subtotal - On-Behalf TPAF Pension System Contributions										594,116
Total State Awards Subject to Single Audit Major Program Determination										\$ (1,741,135)

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS



NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Netcong Borough School District under programs of the federal and state governments for the fiscal year ended June 30, 2019. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic 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 two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(25,169) for the General Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund.

NETCONG BOROUGH SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITUES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS (Cont'd)

Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 26,546	\$ 2,309,011	\$ 2,335,557
Special Revenue Fund	190,455		190,455
Food Service Fund	<u>63,073</u>	<u>1,071</u>	<u>64,144</u>
Total Financial Assistance	<u>\$ 280,074</u>	<u>\$ 2,310,082</u>	<u>\$ 2,590,156</u>

NOTE 5. RELATIONSHIP AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Netcong Borough School District had no loan balances at June 30, 2019.

NOTE 7. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2019.

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2019 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>State</u>	<u>Award</u>	<u>Budgetary</u>	
	<u>Grant Number</u>	<u>Grant Period</u>	<u>Amount</u>	<u>Expenditures</u>
State:				
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	\$ 1,028,377	\$ 1,028,377
School Choice Aid	19-495-034-5120-068	7/1/18-6/30/19	146,556	146,556
Categorical Special Education	19-495-034-5120-089	7/1/18-6/30/19	264,802	264,802
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	69,911	69,911

- The threshold for distinguishing between Type A and Type B state programs was \$750,000.
- The District was determined to be a "low-risk auditee" for state programs.

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

(Continued)

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

NETCONG BOROUGH SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Status of Prior Year Findings:

The District had no prior year audit findings.