

**LEBANON BOROUGH SCHOOL DISTRICT**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2020**

**Responsibility of the Management of  
Lebanon Borough School District  
Hunterdon County, New Jersey**



Certified Public Accountants, PC

**LEBANON BOROUGH SCHOOL DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2020**

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# Lebanon Borough School District

6 Maple Street  
Lebanon, New Jersey 08833

Bruce Arcurio  
Chief School Administrator

Patricia Duell  
School Business Administrator

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January 11, 2021

Honorable President and  
Members of the Board of Education  
Lebanon Borough School District  
County of Hunterdon, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Lebanon Borough School District for the fiscal year ended June 30, 2020 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 (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 financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: Introductory, Financial, Statistical and Single Audit. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The Financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented 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 Guidelines) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the Single Audit section of this report.

## **1) REPORTING ENTITY AND ITS SERVICES:**

Lebanon Borough School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Lebanon Borough Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through six. Students in grade levels seven and eight attend Clinton Township Middle School on a tuition basis. These include regular, as well as special education for handicapped youngsters. The District completed the 2019/20 fiscal year with an enrollment of 105 students, which is fewer than the prior year finish. The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	<u>Average Daily Enrollment</u> Student Enrollment	Percent Change
2019-20	105.2	(1.1%)
2018-19	106.4	(3.1%)
2017-18	109.8	6.9%
2016-17	102.7	5.0%
2015-16	97.8	5.8%
2014-15	92.4	1.6%
2013-14	91.0	19.7%
2012-13	76.0	(7.4%)
2011-12	82.1	9.6%
2010-11	75.0	(11.8%)

**2) ECONOMIC CONDITION AND OUTLOOK:**

Lebanon Borough is an established community and has a fairly stable population and a small transient population due to the availability of attractive rentals in the town. The prosperity of the town will continue.

**3) MAJOR INITIATIVES:**

- Continued focus on safety and security improvements has been a hallmark of the LBS School community.
- Implementation of the New Jersey Learning Standards and their inclusion in the curriculum has yielded gains in standardized testing in ELA, Mathematics, and Science.
- All students receive instruction in the following areas by teacher specialists: Art, Gifted and Talented/Enrichment, Music, Technology, and World Languages.
- Small class size allows staff to individualize classroom instruction.
- Basic skills instruction is provided with a certified teacher trained in addressing struggling readers and math students.
- Special education services are provided by certified teachers both in pull-out and push-in settings. Additionally, paraprofessionals support students in both settings.
- Staff development is provided for all professional staff to address academic, technology, and social/emotional issues.
- Our staff focuses on character development through our work with the Positive Behavioral Supports in Schools (PBSIS) model that originated at Rutgers University.
- The district has a 1 to 1 Chromebook environment that is supported through Instruction using Promethean Boards. Technology is continually reviewed and hardware, software, and subscription services are updated regularly.

#### **4) INTERNAL ACCOUNTING CONTROLS:**

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

#### **5) BUDGETARY CONTROLS:**

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2020.

#### **6) ACCOUNTING SYSTEM AND REPORTS:**

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

#### **7) FINANCIAL INFORMATION AT FISCAL YEAR-END:**

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.



**8) CASH MANAGEMENT:**

The investment policy of the District is guided in large part by state statute as detailed in Notes to the Financial Statements, Notes 1 and 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.

**9) RISK MANAGEMENT:**

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

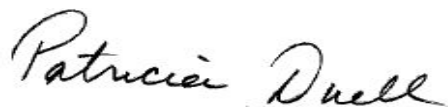
**10) OTHER INFORMATION:**

**Independent Audit** - State statutes require an annual audit by independent Certified Public Accountants or Registered Municipal Accountants. The accounting firm of BKC, CPAs, PC was selected by the Board of Education. In addition to meeting 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 OMB's Circular 15-08. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the Single Audit section of this report.

**11) ACKNOWLEDGMENTS:**

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

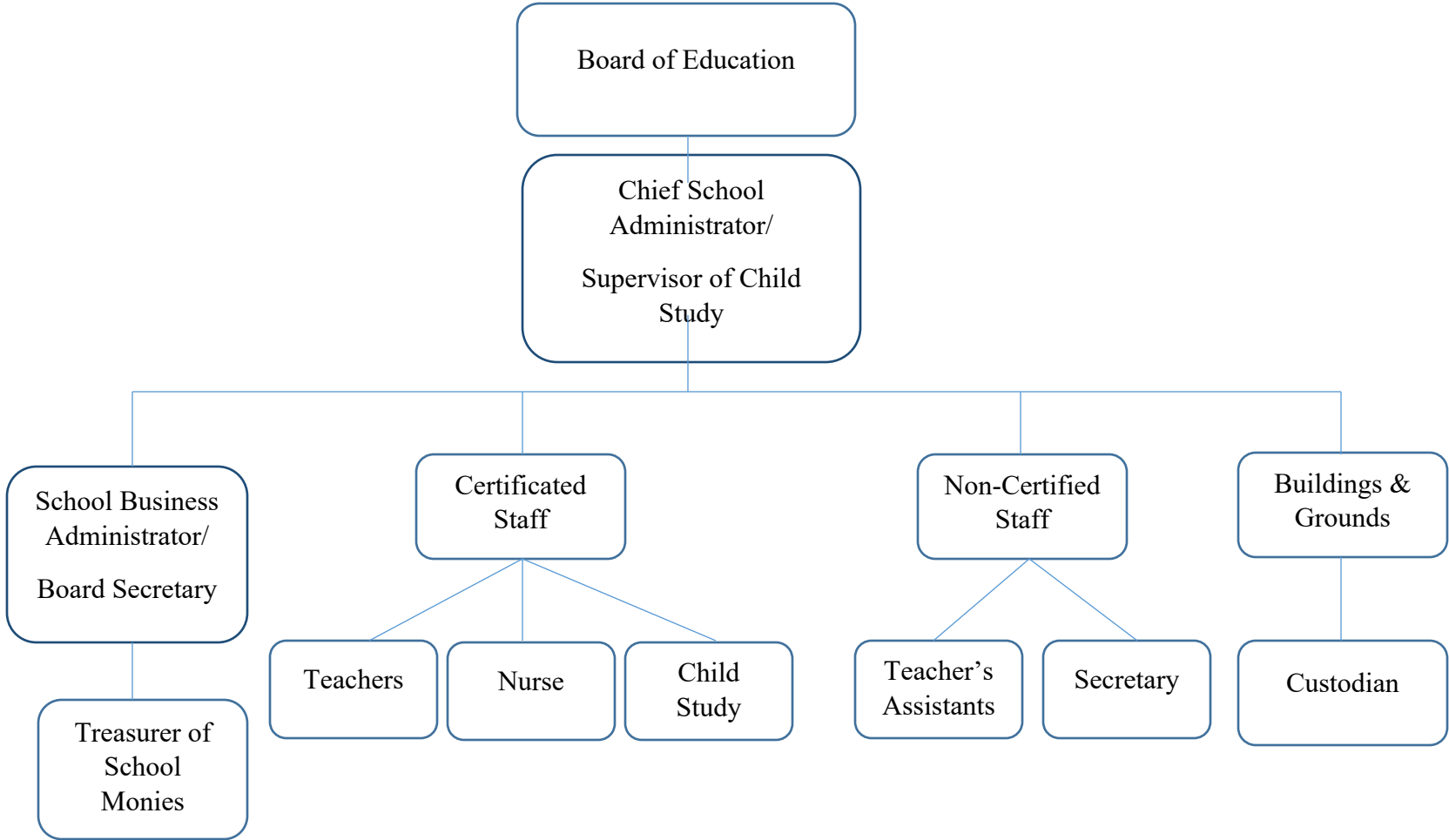
Respectfully submitted,



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Patricia Duell  
School Business Administrator/Board Secretary

Lebanon Borough School District  
Organizational Chart



**LEBANON BOROUGH BOARD OF EDUCATION**  
**Roster of Officials**  
**June 30, 2020**

<b>Member of the Board of Education</b>	<b>Title</b>	<b>Term Expires</b>
Daniel Elwell	President	2022
Jacklyn Carruthers	Vice President	2022
Christine Burton		2020
David Abeles		2021
Danielle Nugent		2021

<b>Other District Officials</b>	<b>Title</b>
Mr. Bruce Arcurio	Chief School Administrator
Mrs. Patricia Duell	School Business Administrator/Board Secretary
Mrs. Cheryl Zarra	Treasurer of School Monies
Comegno Law Group	Board Attorney

**LEBANON BOROUGH BOARD OF EDUCATION**  
**Consultants and Advisors**  
**June 30, 2020**

**Audit Firm**

BKC, CPAs, PC  
39 State Route 12, Ste 2  
Flemington, NJ 08822

**Architect**

Gianforcaro Architects, Engineers & Planners  
55 East Main St., Suite 1  
Chester, NJ 07930

**Attorney**

Comegno Law Group  
521 Pleasant Valley Ave.  
Moorestown, NJ 08057

**Official Depository**

Investor's Savings Bank  
55 Old Highway 22 #4  
Clinton, NJ 08809



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## Independent Auditors' Report

Honorable President and  
Members of the Board of Education  
Lebanon Borough School District  
County of Hunterdon, 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 Lebanon Borough School District (the District) in the County of Hunterdon, as of and for the fiscal year ended June 30, 2020, and the related Notes to the Financial Statements, which collectively comprise the District's Basic Financial Statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinion

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 Lebanon Borough School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the 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, Budgetary Comparison Schedules, Schedules Related to Accounting and Reporting for Pensions, and Schedules Related to Accounting and Reporting for Other Postemployment Employee Benefits listed in the Table of Contents 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introduction section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements. The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introduction and Statistical sections have not been subject 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, January 11, 2021 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 to solely 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 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.



**BKC, CPAs, PC**



Michael Holk, CPA, PSA  
NO. 20CS00265600

January 11, 2021  
Flemington, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION - PART I**



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

The discussion and analysis of Lebanon Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statement and financial statement to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

- In total, net position decreased \$35,393 which represents a 1.71% decrease from fiscal year 2019.
- General revenues accounted for \$3,822,311 in revenue or 98.17% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$71,442 or 1.83% to total revenues of \$3,893,753.
- Total assets of governmental activities increased by \$20,884 as cash and cash equivalents increased by \$82,071, receivables decreased by \$18,361 and capital assets decreased by \$42,826. The change in total assets is primarily the result of a decrease in emergency reserve cash for appropriations budgeted in the current year being offset by an increase in accounts receivable for federal grants expended.
- The School District had \$3,929,146 in expenses; only \$71,442 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$3,822,311 and budgeted fund balances were adequate to provide for these programs.
- Among major funds, the general fund had \$3,469,212 in revenues and \$3,463,563 in expenditures and other financing uses. The general fund's balance increased \$5,649 over 2019.

**Using this Generally Accepted Accounting Principles Report (GAAP)**

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

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

with all other non-major funds presented in total in one column. In the case of Lebanon Borough School District, the general fund is by far the most significant fund.

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question; "How did we do financially during fiscal year 2020?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, special revenue fund, and capital projects fund.

**Governmental Funds**

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds measure and report the operating results by measuring cash on hand and other assets that can be easily converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position) and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

**The School District as a Whole**

Table 1 provides a summary of the District's net position at June 30, 2020 with comparisons to June 30, 2019.

**Table 1**  
**Net Position**

	Fiscal Year Ended		Variance	
	06/30/20	06/30/19	Dollars	%
<b>Assets</b>				
Current and other assets	\$ 899,489	\$ 835,551	\$ 63,938	7.65%
Capital assets	1,790,167	1,833,253	(43,086)	-2.35%
Total assets	<u>2,689,656</u>	<u>2,668,804</u>	<u>20,852</u>	0.78%
<b>Deferred outflows of resources</b>				
Deferred amount on pension activity	<u>233,473</u>	<u>162,759</u>	<u>70,714</u>	43.45%
<b>Liabilities</b>				
Long-term liabilities	539,362	466,515	72,847	15.62%
Other liabilities	64,441	6,380	58,061	910.05%
Total liabilities	<u>603,803</u>	<u>472,895</u>	<u>130,908</u>	27.68%
<b>Deferred outflows of resources</b>				
Deferred amount on pension activity	<u>280,440</u>	<u>284,389</u>	<u>(3,949)</u>	-1.39%
<b>Net position</b>				
Net investment in capital assets	1,790,167	1,833,253	(43,086)	-2.35%
Restricted	572,578	570,709	1,869	0.33%
Unrestricted	<u>(323,859)</u>	<u>(329,683)</u>	<u>5,824</u>	1.77%
Total net position	<u>\$ 2,038,886</u>	<u>\$ 2,074,279</u>	<u>\$ (35,393)</u>	-1.71%

Total assets increased \$20,852. Cash and cash equivalents increased by \$82,299 receivables decreased by \$18,361 and capital assets decreased by \$43,086. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements of the School District, increased by \$5,824.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition but is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 provides a summary of the District's changes in net position in the fiscal year 2020 with comparisons to fiscal year 2019.

**Table 2**  
**Changes in Net Position**

	Fiscal Year Ended		Variance	
	06/30/20	06/30/19	Dollars	%
Revenues				
Program revenues				
Charges for services	\$ 16,775	\$ 52,839	\$ (36,084)	-68.29%
Operating grants	54,687	55,667	(980)	-1.76%
General revenues				
Property taxes	2,828,942	2,707,930	121,012	4.47%
Unrestricted grants	984,396	1,060,063	(75,667)	-7.14%
Other	8,973	12,759	(3,766)	-28.67%
Total revenues	<u>3,893,753</u>	<u>3,889,258</u>	<u>4,495</u>	<u>0.12%</u>
Program expenses				
Instruction				
Regular	1,402,236	1,431,256	(29,020)	-2.03%
Special	378,123	355,791	22,332	6.28%
Other	161,084	134,299	26,785	19.94%
Support services				
Tuition	594,490	671,384	(76,894)	-11.45%
Student and instructional staff	631,302	675,535	(42,233)	-6.55%
General and business administration	363,637	348,496	15,141	4.34%
School administration	4,814	1,299	3,515	270.59%
Maintenance	229,716	224,892	4,824	2.15%
Transportation	161,831	118,529	43,302	36.53%
Milk service	358	608	(250)	-41.14%
Childcare	1,555	27,980	(26,425)	-94.44%
Total expenses	<u>3,929,146</u>	<u>3,990,069</u>	<u>(60,923)</u>	<u>-1.53%</u>
Increase (decrease) in net position	<u>\$ (35,393)</u>	<u>\$ (100,811)</u>	<u>\$ 65,418</u>	<u>64.89%</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

**Governmental Activities**

Property taxes made up 72.66% of revenues for governmental activities for the Lebanon Borough School District for fiscal year 2020. The Board of Education and School Administrators work diligently to provide a through and efficient education to the students of Lebanon Borough School District within the constraints of laws governing school district operations.

Instruction and student support services comprise 80.61 percent of District expenses. Administration, Buildings and Grounds maintenance and other employer related expenses account for the remaining 19.39 percent.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to fiscal year 2019 have been made.

Table 3 provides a summary of the School District's cost of governmental and business type services in 2019 and 2020.

**Table 3**  
**Cost of Governmental and Business Type Services**

	Total Cost of Services		Net Cost of Services	
	6/30/20	6/30/19	6/30/20	6/30/19
Instruction	\$1,941,443	\$1,921,346	\$1,894,670	\$1,853,781
Support services				
Tuition	594,490	671,384	594,490	669,480
Student and instructional staff	631,302	675,535	607,063	653,587
General and business administration	363,637	348,496	363,637	348,496
School administration	4,814	1,299	4,814	1,299
Plant operations and maintenance	229,716	224,892	229,596	224,762
Pupil transportation	161,831	118,529	161,831	118,529
Business type services				
Milk service	358	608	48	54
Childcare	1,555	27,980	1,555	11,575
Total expenses	<u>\$3,929,146</u>	<u>\$3,990,069</u>	<u>\$3,857,704</u>	<u>\$3,881,563</u>

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

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

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

Pupil Transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involved the transactions associated with the payment of interest and other related charges to debt of the School District.

The dependence upon tax revenues is apparent. For all activities local tax revenue support is 72.65%. The community, as a whole, is the primary support of the Lebanon Borough School District.

### **The School District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$3,523,899; expenditures of \$3,516,695 and transfers out to other funds of \$1,555. The net positive change in fund balance for all major funds was \$5,649. This was primarily a result of the increase in real estate taxes being more than the increase in expenditures for legal fees and transportation costs.

### **General Fund Budgeting Highlights**

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

During the course of the fiscal year 2020, the School District amended its general fund budget as needed. The School District uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the general fund, budget basis revenue was \$3,067,299 or \$4,303 above original budgeted estimates of \$3,062,996. This difference was due primarily to an increase extraordinary special education costs state aid and miscellaneous income offset by a decrease in tuition income.

The general fund revenues and other financing sources of the School District was higher than expenditures and other financing uses by approximately \$5,439.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

**Capital Assets**

At the end of the fiscal year 2020, the School District had \$1,790,167 invested in land, buildings, furniture and equipment.

Table 4 provides a summary of the School District's capital assets net of depreciation at June 30, 2020 with comparisons to June 30, 2019.

**Table 4**  
**Capital Assets at Year-end**  
**(Net of Depreciation)**

	Fiscal Year Ended		Variance	
	06/30/20	06/30/19	Dollars	%
Land	\$ 10,503	\$ 10,503	\$ -	-
Construction in progress	8,395	-	8,395	*
Buildings and improvements	1,710,458	1,794,224	(83,766)	-4.67%
Furniture and equipment	60,811	28,526	32,285	113.18%
Total	<u>\$ 1,790,167</u>	<u>\$ 1,833,253</u>	<u>\$ (43,086)</u>	-2.35%

\* = undefined

Overall, capital assets decreased \$43,086 from fiscal year 2019 to Fiscal Year 2020. Increases in capital acquisitions were offset by depreciation expenses during the fiscal year.

**Debt Administration**

At June 30, 2020, the School District had \$539,362 of long-term liabilities consisting of compensated absences and PERS net pension liability.

At June 30, 2020, the School District's overall legal debt margin was \$8,520,742 and the unvoted debt margin was \$8,520,742.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2020**  
**Unaudited**

Table 5 provides a summary of the District's long-term liabilities at June 30, 2020 with comparisons to June 30, 2019.

**Table 5**  
**Long-term Liabilities at Year-End**

	Year Ended		Variance	
	6/30/20	6/30/19	Dollars	%
PERS net pension liability	\$ 460,972	\$ 378,042	\$ 82,930	21.94%
Compensated absences	78,390	88,473	(10,083)	-11.40%
Total	<u>\$ 539,362</u>	<u>\$ 466,515</u>	<u>\$ 72,847</u>	15.62%

**For the Future**

The Lebanon Borough School District is in good financial condition presently. A major concern is the increased reliance on local property taxes. Future finances are not without challenges as expenses continue to grow and state funding is stagnant.

Lebanon Borough School District is primarily a residential community, with very few ratables; thus, the tax burden is focused on homeowners. During the budget process in the Spring, it was a concern to the Administration and Board of Education how future budgets would be financed; therefore, Board and Administration continually review all costs centers in the District.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Patricia Duell, School Business Administrator at [tduell@lebanonschool.org](mailto:tduell@lebanonschool.org).

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 449,354	\$ 1,672	\$ 451,026
Receivables, net	22,485	-	22,485
<b>Restricted assets</b>			
Capital reserve account - cash	220,153	-	220,153
Emergency reserve account - cash	129,195	-	129,195
Maintenance reserve account - cash	76,630	-	76,630
<b>Capital assets, net</b>			
Land	10,503	-	10,503
Construction in progress	8,395	-	8,395
Other capital assets, net of depreciation	1,769,581	1,688	1,771,269
Total assets	<u>2,686,296</u>	<u>3,360</u>	<u>2,689,656</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	<u>233,473</u>	-	<u>233,473</u>
<b>Liabilities</b>			
Accounts payable	61,440	-	61,440
Unearned revenue	3,001	-	3,001
<b>Long-term liabilities</b>			
Due within one year	5,383	-	5,383
Due beyond one year	533,979	-	533,979
Total liabilities	<u>603,803</u>	-	<u>603,803</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	<u>280,440</u>	-	<u>280,440</u>
<b>Net position</b>			
Net investment in capital assets	1,788,479	1,688	1,790,167
<b>Restricted for</b>			
Capital reserve	220,153	-	220,153
Emergency reserve	129,195	-	129,195
Maintenance reserve	76,630	-	76,630
Tuition reserve	146,600	-	146,600
Unrestricted	<u>(325,531)</u>	<u>1,672</u>	<u>(323,859)</u>
<b>Total net position</b>	<u><u>\$ 2,035,526</u></u>	<u><u>\$ 3,360</u></u>	<u><u>\$ 2,038,886</u></u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2020**

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities</b>								
Instruction								
Regular	\$ 928,466	\$ 473,770	\$ 16,325	\$ -	\$ -	\$ (1,385,911)	\$ -	\$ (1,385,911)
Special education	237,783	140,340	-	30,448	-	(347,675)	-	(347,675)
Other special education	100,171	58,306	-	-	-	(158,477)	-	(158,477)
Other instruction	2,500	107	-	-	-	(2,607)	-	(2,607)
Support services								
Tuition	594,490	-	-	-	-	(594,490)	-	(594,490)
Students & instruction related services	464,149	167,153	-	24,239	-	(607,063)	-	(607,063)
General & business administration services	259,377	104,260	-	-	-	(363,637)	-	(363,637)
School administration services	4,402	412	-	-	-	(4,814)	-	(4,814)
Plant operations & maintenance	203,252	26,464	120	-	-	(229,596)	-	(229,596)
Pupil transportation	161,831	-	-	-	-	(161,831)	-	(161,831)
Total governmental activities	<u>2,956,421</u>	<u>970,812</u>	<u>16,445</u>	<u>54,687</u>	<u>-</u>	<u>(3,856,101)</u>	<u>-</u>	<u>(3,856,101)</u>
<b>Business-type activities</b>								
Milk service	358	-	310	-	-	-	(48)	(48)
Child care program	1,555	-	-	-	-	-	(1,555)	(1,555)
Total business-type activities	<u>1,913</u>	<u>-</u>	<u>310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,603)</u>	<u>(1,603)</u>
<b>Total primary government</b>	<u>\$ 2,958,334</u>	<u>\$ 970,812</u>	<u>\$ 16,755</u>	<u>\$ 54,687</u>	<u>\$ -</u>	<u>(3,856,101)</u>	<u>(1,603)</u>	<u>(3,857,704)</u>
General revenues, special items and transfers								
Property taxes levied for general purposes						2,828,942	-	2,828,942
Federal and state aid not restricted						984,396	-	984,396
Investment earnings						7,968	16	7,984
Miscellaneous income						989	-	989
Transfer						(1,555)	1,555	-
Total general revenues, special items and transfers						<u>3,820,740</u>	<u>1,571</u>	<u>3,822,311</u>
Change in net position						(35,361)	(32)	(35,393)
Net position - beginning						2,070,887	3,392	2,074,279
Net position - ending						<u>\$ 2,035,526</u>	<u>\$ 3,360</u>	<u>\$ 2,038,886</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

The individual fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund type.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2020**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 449,354	\$ -	\$ -	\$ -	\$ 449,354
Due from other funds	5,448	-	-	-	5,448
Receivables from other governments					
Federal	-	4,811	-	-	4,811
State	13,401	-	-	-	13,401
Restricted cash and cash equivalents	425,978	-	-	-	425,978
<b>Total assets</b>	<b>\$ 894,181</b>	<b>\$ 4,811</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 898,992</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 1,175	\$ -	\$ -	\$ 1,175
Accounts payable	60,805	635	-	-	61,440
Unearned revenue	-	3,001	-	-	3,001
<b>Total liabilities</b>	<b>60,805</b>	<b>4,811</b>	<b>-</b>	<b>-</b>	<b>65,616</b>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Balance Sheet (continued)**  
**June 30, 2020**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital reserve	\$ 220,153	\$ -	\$ -	\$ -	\$ 220,153
Emergency reserve	129,195	-	-	-	129,195
Maintenance reserve	76,630	-	-	-	76,630
Tuition reserve	146,600	-	-	-	146,600
Committed fund balance					
Encumbrances	17,695	-	-	-	17,695
Unassigned fund balance	243,103	-	-	-	243,103
Total fund balances	833,376	-	-	-	833,376
 Total liabilities and fund balances	 \$ 894,181	 \$ 4,811	 \$ -	 \$ -	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,638,175 and the accumulated depreciation is \$1,849,696.	1,788,479
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	(46,967)
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(539,362)
Total net position of governmental activities	\$ 2,035,526

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2020**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues</b>					
<b>Local sources</b>					
Local tax levy	\$ 2,828,942	\$ -	\$ -	\$ -	\$ 2,828,942
Tuition charges	16,325	-	-	-	16,325
Interest earned on emergency expense reserve funds	1,033	-	-	-	1,033
Interest earned on capital reserve funds	1,761	-	-	-	1,761
Interest earned on investments	5,174	-	-	-	5,174
Miscellaneous	1,109	-	-	-	1,109
	<u>2,854,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,854,344</u>
State sources	614,868	-	-	-	614,868
Federal sources	-	54,687	-	-	54,687
Total revenues	<u>3,469,212</u>	<u>54,687</u>	<u>-</u>	<u>-</u>	<u>3,523,899</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instructional</b>					
Regular instruction	928,466	-	-	-	928,466
Special education instruction	207,335	30,448	-	-	237,783
Other special instruction	100,171	-	-	-	100,171
Other instruction	2,500	-	-	-	2,500
<b>Support service &amp; undistributed costs</b>					
Tuition	594,490	-	-	-	594,490
Student & instruction related services	439,910	24,239	-	-	464,149
<b>General &amp; business</b>					
administrative services	259,377	-	-	-	259,377
School administrative services	4,402	-	-	-	4,402
Plant operations & maintenance	203,252	-	-	-	203,252
Pupil transportation	161,831	-	-	-	161,831

See accompanying notes to financial statements.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)**  
**For the Fiscal Year Ended June 30, 2020**

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures					
Current (continued)					
Support service & undistributed costs (cont'd)					
Unallocated benefits	\$ 511,256	\$ -	\$ -	\$ -	\$ 511,256
Capital outlay	49,018	-	-	-	49,018
Total expenditures	<u>3,462,008</u>	<u>54,687</u>	<u>-</u>	<u>-</u>	<u>3,516,695</u>
Excess (deficit) of revenues over (under) expenditures	7,204	-	-	-	7,204
Other financing sources (uses)					
Transfers out	<u>(1,555)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,555)</u>
Net change in fund balance	5,649	-	-	-	5,649
Fund balances, July 1	<u>827,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827,727</u>
Fund balances, June 30	<u><u>\$ 833,376</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 833,376</u></u>

See accompanying notes to financial statements.

**LEBANON 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, 2020**

Total net changes in fund balances - governmental fund (from B-2)	\$	5,649
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p>		
<p>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 expenses. This is the amount by which depreciation exceeds capital outlays in the period:</p>		
Capital outlays	\$	49,018
Depreciation expense		(91,844)
		(42,826)
<p>Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
		(8,267)
<p>In the Statement of Activities, compensated absences and early retirement benefits 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.</p>		
		10,083
Change in net position of governmental activities	\$	(35,361)

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Net Position**  
**June 30, 2020**

	<u>Milk Service Fund</u>	<u>Childcare Program</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 1,668	\$ 4	\$ 1,672
Noncurrent assets			
Capital assets	41,879	-	41,879
Less: accumulated depreciation	<u>(40,191)</u>	<u>-</u>	<u>(40,191)</u>
Total noncurrent assets	<u>1,688</u>	<u>-</u>	<u>1,688</u>
Total assets	<u>3,356</u>	<u>4</u>	<u>3,360</u>
Net position			
Invested in capital assets, net of related debt	1,688	-	1,688
Unrestricted	<u>1,668</u>	<u>4</u>	<u>1,672</u>
Total net position	<u>\$ 3,356</u>	<u>\$ 4</u>	<u>\$ 3,360</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2020**

	Milk Service Fund	Childcare Program	Total
Operating revenues			
Charges for services			
Daily sales - non-reimbursable programs	\$ 310	\$ -	\$ 310
Total operating revenues	<u>310</u>	<u>-</u>	<u>310</u>
Operating expenses			
Costs of sales	98	-	98
Salaries	-	1,555	1,555
Depreciation	260	-	260
Total operating expenses	<u>358</u>	<u>1,555</u>	<u>1,913</u>
Operating income (loss)	(48)	(1,555)	(1,603)
Non-operating revenues (expenses)			
Local sources			
Interest on investments	<u>12</u>	<u>4</u>	<u>16</u>
Other financing sources			
Transfer in from general fund	<u>-</u>	<u>1,555</u>	<u>1,555</u>
Change in net position	(36)	4	(32)
Net position, beginning	<u>3,392</u>	<u>-</u>	<u>3,392</u>
Net position, ending	<u>\$ 3,356</u>	<u>\$ 4</u>	<u>\$ 3,360</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Proprietary Funds**  
**Combining Statement of Cash Flow**  
**For the Fiscal Year Ended June 30, 2020**

	Milk Service Fund	Childcare Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 310	\$ -	\$ 310
Payments to employees	-	(1,555)	(1,555)
Payments to vendors	(98)	-	(98)
Net cash flows provided by (used for) operating activities	<u>212</u>	<u>(1,555)</u>	<u>(1,343)</u>
Cash flows from non-capital financing activities			
Interfund activity	-	1,555	1,555
Net cash flows provided by (used for) non-capital financing activities	<u>-</u>	<u>1,555</u>	<u>1,555</u>
Cash flows from investing activities			
Interest on investments	12	4	16
Net cash flows provided by (used for) investing activities	<u>12</u>	<u>4</u>	<u>16</u>
Net increase (decrease) in cash and cash equivalents	224	4	228
Cash and cash equivalents, July 1	<u>1,444</u>	<u>-</u>	<u>1,444</u>
Cash and cash equivalents, June 30	<u>\$ 1,668</u>	<u>\$ 4</u>	<u>\$ 1,672</u>
Reconciliation of operating loss to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (48)	\$ (1,555)	\$ (1,603)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	<u>260</u>	<u>-</u>	<u>260</u>
Net cash provided by (used for) operating activities	<u>\$ 212</u>	<u>\$ (1,555)</u>	<u>\$ (1,343)</u>

See accompanying notes to financial statements.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

	Student Activity Agency Fund	Payroll Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 1,230	\$ 8,914
Total assets	\$ 1,230	\$ 8,914
<b>Liabilities</b>		
Due to other funds	\$ -	\$ 4,273
Due to student groups	1,230	-
Payroll deductions and withholdings	-	4,641
Total liabilities	\$ 1,230	\$ 8,914

See accompanying notes to financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

The financial statements of the Lebanon Borough School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts overall financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the school district functions independently through a Board of Education. The Board is comprised of five members elected to three-year terms. The purpose of the District is to educate students in Grades K-6. The District also has a sending/receiving relationship with Clinton Township School District for Grades 7-8. The District had an approximate enrollment at June 30, 2020 of 105 students.

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

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

Based on the aforementioned criteria, the District has no component units.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and postemployment healthcare benefits, are recorded only when payment is due.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or service, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major governmental funds:

*General Fund* - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for 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 the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state 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 revenues.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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 expense by Board Resolution.

*Special Revenue Fund* - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted to expenditures for specified purposes in the special revenue fund.

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

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

Additionally, the District reports the following fund types:

Proprietary Fund types

*Proprietary Fund* - The focus of proprietary fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the District.

*Enterprise Fund* - The enterprise 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; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's enterprise funds are comprised of the milk service fund and childcare program.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

All proprietary funds are accounted for on a current financial resource's measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
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Fiduciary fund types

*Trust and Agency Funds* - This fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the trust and agency funds of the District:

*Student Activities Agency Fund* - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

*Payroll Agency Fund* - This fund accounts for the withholding and remittance of employee salary deductions.

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 budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. 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. 6:23-16.2(f)1. All budget amendments must be approved by School Board Resolution.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal year 2019-2020 are based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

H. Short-term interfund receivable and payables

Short-term interfund receivables and 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.

I. Inventories and prepaid items

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

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Communication & security systems equipment	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (i.e., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. 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 Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the general fund and special revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the special revenue fund.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the school district or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

O. Fund balances - governmental funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the general fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned.

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

P. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from those estimates

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension Contributions, reimbursed TPAF Social Security Contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et. seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed, as to amount of collection, by the municipality (the collection agency) and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits and investments

Cash equivalents and investments - Cash and cash equivalents include petty cash, change funds, and cash on deposit with public depositories. The District does not have any investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 3 - Deposits and investments (continued)

New Jersey school districts are limited as to the types 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.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require that cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, all demand deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, bail funds or funds that may pass to the District relative to the happening of a future condition.

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 public 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 saving banks the deposits of which are federally insured.

As of June 30, 2020, the District's bank balances of \$1,005,466 were exposed to custodial credit risk as follows:

Insured by the FDIC	\$ 250,000
Insured by GUDPA	755,466
Total	\$ 1,005,466

Deposits at June 30, 2020 appear in the financial statements as summarized below:

Cash		\$ 887,148
	<u>Ref.</u>	
Unrestricted cash		
Governmental funds, Balance Sheet	B-1	\$ 449,354
Enterprise funds, Statement of Net Position	B-4	1,672
Fiduciary funds, Statement of Net Position	B-7	10,144
Restricted cash		
Governmental activities, Balance Sheet	B-1	425,978
Total cash		\$ 887,148

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 10,503	\$ -	\$ -	\$ 10,503
Construction in progress	-	8,395	-	8,395
Total	<u>10,503</u>	<u>8,395</u>	<u>-</u>	<u>18,898</u>
Capital assets, being depreciated				
Land improvements	14,300	-	-	14,300
Building & improvements	3,432,112	-	-	3,432,112
Furniture & equipment	132,242	40,623	-	172,865
Total	<u>3,578,654</u>	<u>40,623</u>	<u>-</u>	<u>3,619,277</u>
Accumulated depreciation				
Land improvements	14,300	-	-	14,300
Building & improvements	1,637,888	83,766	-	1,721,654
Furniture & equipment	105,664	8,078	-	113,742
Total	<u>1,757,852</u>	<u>91,844</u>	<u>-</u>	<u>1,849,696</u>
Total capital assets being depreciated, net	<u>1,820,802</u>	<u>(51,221)</u>	<u>-</u>	<u>1,769,581</u>
Governmental activities capital assets, net	<u>\$ 1,831,305</u>	<u>\$ (42,826)</u>	<u>\$ -</u>	<u>\$ 1,788,479</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 41,879	\$ -	\$ -	\$ 41,879
Less: accumulated depreciation	39,931	260	-	40,191
Business type activities capital assets, net	<u>\$ 1,948</u>	<u>\$ (260)</u>	<u>\$ -</u>	<u>\$ 1,688</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction			
Regular	\$	44,531	
Special education		10,328	
Other special instruction		4,306	
Other instruction		107	
Support services			
Student & instruction		20,624	
General & business administration		11,150	
School administration		411	
Plant operation & maintenance		387	
Total depreciation expense, governmental activities	\$	<u>91,844</u>	

Note 5 - Long-term debt

Long-term liability activity for the fiscal year ended June 30, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
PERS net pension liability	\$ 378,042	\$ 82,930	\$ -	\$ 460,972	\$ -
Compensated absences payable	<u>88,473</u>	<u>-</u>	<u>10,083</u>	<u>78,390</u>	<u>5,383</u>
Total governmental activities long-term liabilities	<u>\$ 466,515</u>	<u>\$ 82,930</u>	<u>\$ 10,083</u>	<u>\$ 539,362</u>	<u>\$ 5,383</u>

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2020 is \$8,520,742. The general obligation debt at June 30, 2020, is \$0 resulting in a legal debt margin of \$8,520,742.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following defined benefit public employee retirement systems which have been established by state statute: The Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The TPAF retirement system is considered a multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
A. Public employees' retirement systems (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 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).

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 10 years of service.

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit 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.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedule of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2019 measurement date are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2019 measurement date.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2018 through June 30, 2019. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

Contributions

The contribution policy for PERS is set by N.J.S.A 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For State fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Contributions (continued)

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

The District's contractually required contribution rate for the year ended June 30, 2020 was 22.44% of the District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

The contribution rate was 7.50% of base salary effective July 1, 2018.

Collective net pension liability and actuarial information

The District's proportionate share of the net pension liability for PERS as of the measurement date June 30, 2019 are as follows:

Net pension liability	\$	460,972
Proportionate share		.0025583286%
Plan fiduciary net position as a percentage of the total pension liability		56.27%



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases (based on years of service)	
Through 2026	2.00% - 6.00%
Thereafter	3.00% - 7.00%
Investment rate of return	7.00%

Preretirement mortality rates were based on the Pub-10 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Long-term expected rate of return

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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. 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's target asset allocation as of June 30, 2019 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. 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 3.50% as of June 30, 2019, 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 based on 100% of actuarially determined contributions for the local employers.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate (continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2057 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2019 measurement date, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District's Proportionate Share of Net Pension Liability

At current discount rate (6.28%)	\$ 460,972
At a 1% lower rate (5.28%)	586,333
At a 1% higher rate (7.28%)	361,246

Collective deferred outflows of resources and deferred inflows of resources

At the June 30, 2019 measurement date, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,274	\$ 2,036
Changes of assumptions	46,030	160,002
Net difference between projected and actual earnings on pension plan investments	-	7,277
Changes in proportion and differences between District contributions and proportionate share of contributions	154,284	111,125
District contributions subsequent to the measurement date	24,885	-
Total	<u>\$ 233,473</u>	<u>\$ 280,440</u>

The amount reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e., for the school year ended June 30, 2020, the plan measurement date is June 30, 2019) of \$24,885 will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the fiscal year ended June 30, 2019 measurement date:

	Beginning Balance	Net Change in Activity	Ending Balance
Deferred outflows of resources			
Differences between expected and actual experience	\$ 7,209	\$ 1,065	\$ 8,274
Changes of assumptions	62,295	(16,265)	46,030
Deferred inflows of resources			
Differences between expected and actual experience	(1,949)	(87)	(2,036)
Changes of assumptions	(120,878)	(39,124)	(160,002)
Differences between projected and actual earnings on pension plan investments	(3,546)	(3,731)	(7,277)
Net of deferred outflows (inflows)	\$ (56,869)	\$ (58,142)	\$ (115,011)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

<u>Fiscal Year Ended June 30,</u>	
2020	\$ (13,311)
2021	(43,180)
2022	(38,557)
2023	(18,105)
2024	(1,858)
Total	\$ (115,011)

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information (continued)

Pension expense

For the fiscal year ended June 30, 2020, the District recognized net pension expense of \$33,153, which represents the District's proportionate share of allocable plan pension expense of \$21,372, plus the net amortization of deferred amounts from changes in proportion of \$17,568, less other adjustments to the net pension liability of \$5,787. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the fiscal year ended June 30, 2019 measurement date are as follows:

Service cost	\$	17,754
Interest on total pension liability		52,622
Member contributions		(12,229)
Administrative expense		324
Expected investment return net of investment expense		(32,651)
Pension expense related to specific liabilities of individual employers		(153)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		3,962
Amortization of expected versus actual experience		(12,109)
Amortization of projected versus actual investment earnings on pension plan investments		3,852
Pension expense	\$	21,372

B. Teachers' pension and annuity fund (TPAF)

Plan description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a 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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

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. 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.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
B. Teachers' pension and annuity fund (TPAF) (continued)  
Plan description (continued)

The following represents the membership tiers for TPAF:

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

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

Contributions

The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2019, the State's pension contribution was less than the actuarial determined amount.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
B. Teachers' pension and annuity fund (TPAF) (continued)  
Special funding situation (Continued)

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 non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employer as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

During the State fiscal year ended June 30, 2019, the State of New Jersey contributed \$175,531 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.50% of base salary effective July 1, 2018.

Collective net pension liability and actuarial information

The District's proportionate share of the net pension liability for TPAF for fiscal year ended June 30, 2019 measurement date is as follows:

Total pension liability	\$	7,334,421
Plan fiduciary net position		1,976,676
Net pension liability	\$	5,357,745

Plan fiduciary net position as a percentage of the total pension liability	26.95%
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The total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
B. Teachers' pension and annuity fund (TPAF) (continued)  
Long-term expected rate of return

<u>Inflation rate</u>	
Price	2.75%
Wage	3.25%
<u>Salary increases (based on years of service)</u>	
Through 2026	1.55 - 4.45%
Thereafter	2.75 - 5.65%
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income Healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2019.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

In accordance with state statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019 measurement date) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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. 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 TPAF's target asset allocation as of June 30, 2019 measurement date are summarized in the following table:



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)  
B. Teachers' pension and annuity fund (TPAF) (continued)  
Long-term expected rate of return (continued)

Asset Class	Target Allocations	Long-Term Expected Rate of Return
Risk mitigation strategies	3.00%	4.67%
Cash equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment grade credit	10.00%	4.25%
High yield	2.00%	5.37%
Private credit	6.00%	7.92%
Real assets	2.50%	9.31%
Real estate	7.50%	8.33%
U.S. equity	28.00%	8.26%
Non-U.S. developed markets equity	12.50%	9.00%
Emerging markets equity	6.50%	11.37%
Private equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 5.60% as of June 30, 2019. 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 3.50% as of June 30, 2019 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 based on 70% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2054. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2054 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2019 measurement date, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

District's Proportionate Share of the Net Pension Liability

At current discount rate (5.60%)	\$ 5,357,745
At a 1% lower rate (4.60%)	6,317,968
At a 1% higher rate (6.60%)	4,561,064

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Pension expense

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District fiscal year ended June 30, 2019 measurement date are as follows:

Service cost	\$	163,911
Interest on total pension liability		365,927
Member contributions		(73,693)
Administrative expense		1,213
Expected investment return net of investment expense		(134,371)
Pension expense related to specific liabilities of individual employers		(26)
Recognition of deferred inflows/outflows of resources		
Amortization of economic/demographic gains or losses		15,522
Amortization of assumption changes or inputs		(51,965)
Amortization of investment gains or losses		29,496
Pension expense	\$	<u>316,014</u>

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,400 in 2020) but who earn salary of at least \$5,000 annually are eligible to participate. The Program Administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: [www.prudential.com/njdcrp](http://www.prudential.com/njdcrp).

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ended 2020 was \$1,084.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

D. Contribution requirements

During the fiscal year ended June 30, 2020, the State of New Jersey contributed \$86,083 to the TPAF for postretirement medical benefits, \$4,086 for non-contributory insurance premiums, \$375 for long-term disability insurance and \$227,954 for pension costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$83,205 during the fiscal year ended June 30, 2020 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB Statement No. 68.

Note 7 - Postretirement benefits

The State of New Jersey provides employer-paid coverage to members of the TPAF who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provision of Chapter 126, P.L. 1992, the State also provides employer-paid coverage to members of PERS and Alternative Benefits Program (ABP) who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for employer paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare Parts A and B by paying the cost of the insurance for themselves and their covered dependents. In fiscal year 2019, the State paid PRM benefits for 153,893 State and local retirees.

The State funds postretirement medical benefits on a pay-as-you-go basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For fiscal year 2019, the State contributed \$1.908 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State's pay-as-you-go contributions have remained consistent with fiscal year 2019 amounts. The State has appropriated 1.612 billion in fiscal year 2020 as the State's contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The fiscal year 2019 total State OPEB liability to provide these benefits is \$76.0 billion, a decrease of \$14.5 billion or 16 percent from the \$90.5 billion liability recorded in fiscal year 2018.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Postretirement benefits (continued)

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

No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75.

Total OPEB liability

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

Under a special funding situation, the State, a non-employer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. Accordingly, the District did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Therefore, the following OPEB liability note information is reported at the State's level and is not accrued by the District.

For purposes of reporting required GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the District's proportionate share of allocable OPEB liability and employer OPEB expense and related revenue as of June 30, 2019 measurement date is as follows:

State's proportionate share of the OPEB liability	\$ 41,729,081,045
District's proportionate share of the State's OPEB liability	3,808,033
Employer OPEB expense and related revenue	53,514
Allocable proportionate percentage	0.0000912561%

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Postretirement benefits (continued)  
Changes in the total OPEB liability

	<u>Total OPEB Liability</u>
Total OPEB liability at June 30, 2018	\$ 3,957,720
Service cost	118,993
Interest cost	155,595
Change of benefit terms	-
Differences between expected and actual experience	(367,623)
Changes of assumptions	56,778
Member contributions	3,465
Gross benefit payments	(116,895)
Total OPEB liability at June 30, 2019	\$ 3,808,033

There were no changes of the benefit terms from June 30, 2018 to June 30, 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% as of June 30, 2018 to 3.50% as of June 30, 2019.

Total OPEB liability

The total non-employer OPEB liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018, which was rolled forward to June 30, 2019. 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</u>	<u>PERS</u>
	(based on years of service)	(based on year of service)
Salary increases		
Through 2026	1.55% - 3.05%	2.00% - 6.00%
Thereafter	1.55% - 3.05%	3.00% - 7.00%

Preretirement mortality rates were based on the Pub-2010 Healthy “Teachers” (TPAF/ABP) and “General” (PERS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Postretirement mortality rates were based on the Pub-2010 “General” classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019. Disability mortality was based on the Pub-2010 “General” classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2019.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies for the periods July 1, 2015 – June 30, 2018 and July 1, 2014 – June 30, 2018 for TPAF and PERS, respectively.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Postretirement benefits (continued)  
Changes in the total OPEB liability (continued)  
Health care trend assumptions

For Pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

Discount rate

The discount rate for June 30, 2019 was 3.50%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of the total OPEB liability to changes in the discount rates

The following presents the total non-employer OPEB liability as of June 30, 2019 measurement date, using the District's allocable proportionate percentage, calculated using the discount rate as disclosed above as well as what the total non-employer OPEB liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

Total OPEB Liability (school retirees)

At current discount rate (3.50%)	\$ 3,808,033
At a 1% lower rate (2.50%)	4,498,792
At a 1% higher rate (4.50%)	3,259,332

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total non-employer OPEB liability, as well as what the total non-employer OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

Total OPEB Liability (school retirees)

Healthcare cost trend rate	\$ 3,808,033
At a 1% lower rate (1% decrease)	3,137,649
At a 1% higher rate (1% increase)	4,695,483

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Postretirement benefits (continued)  
Changes in the total OPEB liability (continued)  
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 \$53,514 determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 and in which there is a special funding situation.

In accordance with GASB Statement No. 75, the District's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

Note 8 - 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). The 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:

- Equitable
- Midland National
- Lincoln Investments

Note 9 - Interfund receivable and payables

The composition of interfund balances as of June 30, 2020 is as follows:

Fund	Receivable Fund	Payable Fund
General fund	\$ 5,448	\$ -
Special revenue fund	-	1,175
Payroll agency fund	-	4,273
Total	<u>\$ 5,448</u>	<u>\$ 5,448</u>

The balance due from the payroll agency fund to the general fund represents canceled payroll balances determined to be due to the general fund totaling \$4,273. The balance due from the special revenue fund to the general fund represents a loan from the general fund of \$1,175 due to cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the school district.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 10 - Contingent liabilities (continued)

Amounts received, or are receivables, from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

Note 11 - Risk management

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

*Property and Liability Insurance* - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

*New Jersey Unemployment Compensation Insurance* - The District has elected to fund its NJ Unemployment Compensation Insurance under the Contributory Method. Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the State. Any claims for unemployment are paid for by the state from those funds.

Note 12 - Reserve accounts

A capital reserve account was established by the District 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) and updated annually in the Quality Single Accountability Continuum (QSAC). Upon submission of the LRFP to the 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. 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 NJSA 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 12 - Reserve accounts (continued)

Districts are allowed as per NJSA 18A:7F-41(a) and 41(b) to deposit to the reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this state statute, the District deposited \$46,600 to their tuition reserve account by Board Resolution in June 2020 as summarized in the following schedule. The following schedule is a summarization of the reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 218,393	\$ -	\$ 1,760	\$ -	\$ -	\$ 220,153
Emergency	128,162	-	1,033	-	-	129,195
Maintenance	76,630	-	-	-	-	76,630
Tuition	147,524	46,600	-	-	(47,524)	146,600
Total	<u>\$ 570,709</u>	<u>\$ 46,600</u>	<u>\$ 2,793</u>	<u>\$ -</u>	<u>\$ (47,524)</u>	<u>\$ 572,578</u>

Note 13 - Fund balance

As described in Note 1 (O) - Fund Balance may be restricted, committed or assigned. An analysis of the general fund balance on June 30, 2020 is as follows:

Restricted

Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 220,153
Emergency reserve account - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	129,195
Tuition reserve account - Represents funds accumulated to finance for a foreseeable future tuition adjustment pursuant to N.J.A.C. 6A:23A-17.1(f).	146,600
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:76-9).	76,630

Committed

Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	17,695
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Unassigned

Undesignated - Represents fund balance which has not been restricted or designated.	263,058
Total fund balance - Budgetary basis (Exhibit C-1)	<u>853,331</u>
Last state aid payments not recognized on GAAP basis	<u>(19,955)</u>
Total fund balance - GAAP basis (Exhibit B-1)	<u>\$ 833,376</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 14 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2020 of (\$325,531) on Schedule A-1 Statement of Net Position. The deficit balance is the result of reporting required by GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* which allocates the proportionate share of the state’s net pension liability for PERS to each contributing entity throughout the state.

Note 15 - Operating leases

As of June 30, 2020, the District had an operating lease for a copier. The future minimum rental payments under the operating lease are as follows:

Fiscal Year Ended June 30,	Amount
2021	\$ 4,428
2022	4,428
2023	4,428
2024	1,107
Total	\$ 14,391

Note 16 - Recent accounting pronouncements not yet effective

The following is of recent accounting pronouncements which are not yet effective as of the year-end date of this report.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. This statement is effective for reporting periods beginning after June 15, 2021 as amended by GASB Statement No. 95. The District is evaluating the effect of the pronouncement on financial reporting.

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. This statement is effective for reporting periods beginning after December 15, 2019 as amended by GASB Statement No. 95. The District is evaluating the effect of the pronouncement on financial reporting.

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is effective for reporting periods beginning after June 15, 2022. The District is evaluating the effect of the pronouncement on financial reporting.

Note 17 - Risks and uncertainties

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (The “COVID-19 outbreak”) and the risks to the international community as a virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 17 - Risks and uncertainties (continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations.

Note 18 - Subsequent events

The District has evaluated subsequent events through January 11, 2021, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

**BUDGETARY COMPARISON SCHEDULES**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
<b>Revenues</b>					
Local sources					
Local tax levy	\$ 2,828,942	\$ -	\$ 2,828,942	\$ 2,828,942	\$ -
Tuition from individuals	30,000	-	30,000	16,325	(13,675)
Unrestricted miscellaneous revenues	4,500	-	4,500	6,284	1,784
Interest earned on current expense emergency reserve	-	-	-	1,033	1,033
Interest earned on capital reserve funds	-	-	-	1,760	1,760
<b>Total</b>	<b>2,863,442</b>	<b>-</b>	<b>2,863,442</b>	<b>2,854,344</b>	<b>(9,098)</b>
State sources					
School choice aid	52,132	-	52,132	52,132	-
Categorical transportation aid	24,207	-	24,207	24,207	-
Extraordinary aid	-	-	-	13,401	13,401
Categorical special education aid	111,417	-	111,417	111,417	-
Categorical security aid	11,798	-	11,798	11,798	-
TPAF Pension (on-behalf)	-	-	-	232,040	232,040
TPAF Social Security (reimbursed)	-	-	-	83,205	83,205
TPAF Postretirement benefits	-	-	-	86,083	86,083
TPAF Long-term disability insurance	-	-	-	375	375
<b>Total</b>	<b>199,554</b>	<b>-</b>	<b>199,554</b>	<b>614,658</b>	<b>415,104</b>
<b>Total revenues</b>	<b>\$ 3,062,996</b>	<b>\$ -</b>	<b>\$ 3,062,996</b>	<b>\$ 3,469,002</b>	<b>\$ 406,006</b>
<b>Expenditures</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 57,120	\$ (2,301)	\$ 54,819	\$ 54,819	\$ -
Kindergarten	92,744	(1,964)	90,780	84,628	6,152
Grades 1-5	444,165	(10,495)	433,670	433,670	-
Grades 6-8	78,604	(1,694)	76,910	76,633	277
Home instruction					
Salaries of teacher	500	-	500	-	500
Regular programs - undistributed instruction					
Other purchased services	13,000	3,491	16,491	16,491	-
General supplies	29,500	13,376	42,876	42,825	51
Textbooks	27,000	2,390	29,390	29,368	22
Other objects	1,000	(955)	45	45	-
<b>Total</b>	<b>743,633</b>	<b>1,848</b>	<b>745,481</b>	<b>738,479</b>	<b>7,002</b>
Special education					
Resource room/resource center					
Salaries of teachers	151,078	(5,650)	145,428	145,406	22
General supplies	500	(500)	-	-	-
<b>Total</b>	<b>151,578</b>	<b>(6,150)</b>	<b>145,428</b>	<b>145,406</b>	<b>22</b>
<b>Total special education</b>	<b>151,578</b>	<b>(6,150)</b>	<b>145,428</b>	<b>145,406</b>	<b>22</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Basic skills/remedial					
Salaries of teachers	\$ 68,210	\$ 9,953	\$ 78,163	\$ 78,163	\$ -
General supplies	-	12,641	12,641	12,641	-
Total	<u>68,210</u>	<u>22,594</u>	<u>90,804</u>	<u>90,804</u>	<u>-</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	3,800	(380)	3,420	2,500	920
Total	<u>3,800</u>	<u>(380)</u>	<u>3,420</u>	<u>2,500</u>	<u>920</u>
Total instruction regular	<u>\$ 967,221</u>	<u>\$ 17,912</u>	<u>\$ 985,133</u>	<u>\$ 977,189</u>	<u>\$ 7,944</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ 425,350	\$ -	\$ 425,350	\$ 425,350	\$ -
Tuition to other LEAs within the state - special	77,734	4,169	81,903	81,903	-
Tuition to priv. school for the disabled within state	170,934	(71,567)	99,367	87,237	12,130
Total	<u>674,018</u>	<u>(67,398)</u>	<u>606,620</u>	<u>594,490</u>	<u>12,130</u>
Undistributed expenditures - health services					
Salaries	57,810	908	58,718	58,718	-
Purchased professional and technical services	1,500	-	1,500	695	805
Other purchased services	17,433	1,280	18,713	18,353	360
Supplies and materials	1,500	(390)	1,110	1,061	49
Total	<u>78,243</u>	<u>1,798</u>	<u>80,041</u>	<u>78,827</u>	<u>1,214</u>
Undistributed expenditures - speech/ot/pt and related services					
Purchased professional - educational services	59,000	(17,907)	41,093	41,093	-
Supplies and materials	250	1,672	1,922	1,914	8
Total	<u>59,250</u>	<u>(16,235)</u>	<u>43,015</u>	<u>43,007</u>	<u>8</u>
Undistributed expenditures - other supp. service stds. - extra service					
Salaries	55,767	(20,890)	34,877	34,877	-
Purchased professional - educational services	-	39,715	39,715	39,715	-
Total	<u>55,767</u>	<u>18,825</u>	<u>74,592</u>	<u>74,592</u>	<u>-</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	114,894	(3,801)	111,093	111,083	10
Purchased professional - educational services	4,000	(4,000)	-	-	-
Other purchased services	10,646	4,608	15,254	15,254	-
Supplies and materials	1,000	(257)	743	671	72
Total	<u>130,540</u>	<u>(3,450)</u>	<u>127,090</u>	<u>127,008</u>	<u>82</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	60,447	(3,000)	57,447	57,442	5
Other purchased services	10,646	-	10,646	7,400	3,246
Total	<u>71,093</u>	<u>(3,000)</u>	<u>68,093</u>	<u>64,842</u>	<u>3,251</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	\$ -	\$ 350	\$ 350	\$ -	\$ 350
Other purchased services	1,000	(350)	650	-	650
<b>Total</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>
Undistributed expenditures - support service - general admin.					
Salaries	78,596	(7)	78,589	78,589	-
Legal services	7,000	35,746	42,746	42,746	-
Audit fees	11,700	-	11,700	11,700	-
Other purchased professional services	3,000	(3,000)	-	-	-
Communications/telephone	3,500	(1,732)	1,768	1,768	-
Miscellaneous purchased services	5,000	(294)	4,706	4,706	-
General supplies	1,000	(1,000)	-	-	-
Miscellaneous expenditures	4,000	60	4,060	3,943	117
BOE membership dues and fees	2,500	(609)	1,891	1,891	-
<b>Total</b>	<b>116,296</b>	<b>29,164</b>	<b>145,460</b>	<b>145,343</b>	<b>117</b>
Undistributed expenditures - support service - school admin.					
Purchased professional and technical services	3,358	-	3,358	3,358	-
Other purchased services	1,200	(156)	1,044	1,044	-
<b>Total</b>	<b>4,558</b>	<b>(156)</b>	<b>4,402</b>	<b>4,402</b>	<b>-</b>
Undistributed expenditures - central services					
Salaries	85,698	-	85,698	85,698	-
Purchased professional services	4,100	2,064	6,164	6,164	-
Purchased technical services	5,500	(2,434)	3,066	3,066	-
Miscellaneous purchased services	750	(750)	-	-	-
Supplies and materials	500	377	877	877	-
Other objects	1,100	552	1,652	1,652	-
<b>Total</b>	<b>97,648</b>	<b>(191)</b>	<b>97,457</b>	<b>97,457</b>	<b>-</b>
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	17,500	3,747	21,247	21,247	-
General supplies	-	214	214	214	-
<b>Total</b>	<b>17,500</b>	<b>3,961</b>	<b>21,461</b>	<b>21,461</b>	<b>-</b>
Undistributed expenditures - custodial services					
Salaries	83,947	(1,000)	82,947	82,227	720
Cleaning, repair, and maintenance service	4,100	(2,024)	2,076	2,076	-
Other purchased property services	5,103	710	5,813	5,729	84
Insurance	20,000	(1,200)	18,800	18,738	62
Miscellaneous purchased services	2,000	182	2,182	2,182	-
General supplies	13,150	(4,829)	8,321	8,152	169
Energy (natural gas)	15,000	(122)	14,878	13,528	1,350
Energy (electricity)	15,000	2,122	17,122	17,122	-
Other objects	850	-	850	625	225
<b>Total</b>	<b>159,150</b>	<b>(6,161)</b>	<b>152,989</b>	<b>150,379</b>	<b>2,610</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	\$ 2,000	\$ -	\$ 2,000	\$ 1,917	\$ 83
General supplies	2,000	-	2,000	-	2,000
Total	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>1,917</u>	<u>2,083</u>
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	12,000	2,031	14,031	14,031	-
Management fee - esc and ctsa trans. program	5,000	2,319	7,319	6,963	356
Contract service - aid in lieu pymts - non-public schools	5,000	3,000	8,000	5,381	2,619
Contract service - aid in lieu pymts - choice school students	1,000	(1,000)	-	-	-
Contract service (oth. than between home & school) - vend.	-	1,000	1,000	565	435
Contract service (between home & school) - joint agreements	40,000	(13,975)	26,025	26,025	-
Contract service (sp. Ed. stds) - vendors	73,500	(73,500)	-	-	-
Contract service (reg. students) - escs and ctsas	8,000	(8,000)	-	-	-
Contract service (spl. ed. students) - escs and ctsas	-	110,125	110,125	108,866	1,259
Total	<u>144,500</u>	<u>22,000</u>	<u>166,500</u>	<u>161,831</u>	<u>4,669</u>
Allocated benefits - employee benefits					
Regular programs - instruction					
Health benefits	237,732	(44,918)	192,814	186,822	5,992
Tuition reimbursement	8,000	(4,835)	3,165	3,165	-
Total	<u>245,732</u>	<u>(49,753)</u>	<u>195,979</u>	<u>189,987</u>	<u>5,992</u>
Special programs - instruction					
Health benefits	78,851	(5,000)	73,851	71,296	2,555
Total	<u>78,851</u>	<u>(5,000)</u>	<u>73,851</u>	<u>71,296</u>	<u>2,555</u>
Health services					
Health benefits	32,768	-	32,768	30,640	2,128
Tuition reimbursement	-	7,740	7,740	7,740	-
Total	<u>32,768</u>	<u>7,740</u>	<u>40,508</u>	<u>38,380</u>	<u>2,128</u>
Other supp services - students - extraordinary					
Health benefits	25,743	(21,602)	4,141	4,141	-
Total	<u>25,743</u>	<u>(21,602)</u>	<u>4,141</u>	<u>4,141</u>	<u>-</u>
Other supp services - child study teams					
Health benefits	5,742	2,000	7,742	6,670	1,072
Total	<u>5,742</u>	<u>2,000</u>	<u>7,742</u>	<u>6,670</u>	<u>1,072</u>
Improvement of instruction services					
Health benefits	5,742	(1,338)	4,404	2,443	1,961
Total	<u>5,742</u>	<u>(1,338)</u>	<u>4,404</u>	<u>2,443</u>	<u>1,961</u>
Support services - general administration					
Health benefits	7,656	(4,399)	3,257	3,257	-
Total	<u>7,656</u>	<u>(4,399)</u>	<u>3,257</u>	<u>3,257</u>	<u>-</u>

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Expenditures (cont'd)					
Support services - central services					
Health benefits	\$ 9,598	\$ 3,722	\$ 13,320	\$ 13,320	\$ -
Total	9,598	3,722	13,320	13,320	-
Custodial services					
Health benefits	36,125	(117)	36,008	29,495	6,513
Total	36,125	(117)	36,008	29,495	6,513
Total allocated benefits - employees	\$ 447,957	\$ (68,747)	\$ 379,210	\$ 358,989	\$ 20,221
Unallocated benefits - employee benefits					
Social Security contributions	\$ 29,665	\$ (7,905)	\$ 21,760	\$ 21,760	\$ -
Other retirement contributions - PERS	20,000	4,978	24,978	24,978	-
Other retirement contributions - regular	2,000	(1,197)	803	803	-
Unemployment compensation	6,000	(575)	5,425	5,422	3
Workmen's compensation	17,500	(2,972)	14,528	14,528	-
Health benefits	8,400	1,750	10,150	10,150	-
Tuition reimbursement	6,842	560	7,402	7,402	-
Other employee benefits	5,000	5,977	10,977	10,860	117
Unused sick payment to terminated/retired staff	-	13,650	13,650	13,650	-
Total	95,407	14,266	109,673	109,553	120
On-behalf TPAF Pension contribution	-	-	-	232,040	(232,040)
On-behalf TPAF Postretirement medical benefits	-	-	-	86,083	(86,083)
On-behalf TPAF Long-term disability insurance	-	-	-	375	(375)
Reimbursed TPAF Social Security contribution	-	-	-	83,205	(83,205)
Total	-	-	-	401,703	(401,703)
Total undistributed expenditures	\$ 2,156,927	\$ (75,324)	\$ 2,081,603	\$ 2,435,801	\$ (354,198)
Total current	\$ 3,124,148	\$ (57,412)	\$ 3,066,736	\$ 3,412,990	\$ (346,254)
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ -	\$ 40,623	\$ 40,623	\$ 40,623	\$ -
Undistributed expenditures - custodial services	10,000	16,789	26,789	8,395	18,394
Total equipment	10,000	57,412	67,412	49,018	18,394
Expenditures (cont'd)					
Total capital outlay	\$ 10,000	\$ 57,412	\$ 67,412	\$ 49,018	\$ 18,394
Total expenditures	\$ 3,134,148	\$ -	\$ 3,134,148	\$ 3,462,008	\$ (327,860)
Excess (deficiency) of revenues over (under) expenditures	\$ (71,152)	\$ -	\$ (71,152)	\$ 6,994	\$ 78,146

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund**  
**Budgetary Comparison Schedule (continued)**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Other financing sources (uses)					
Operating transfer out					
Transfer to enterprise fund - board contribution	\$ (1,555)	\$ -	\$ (1,555)	\$ (1,555)	\$ -
Total other financing sources (uses)	<u>(1,555)</u>	<u>-</u>	<u>(1,555)</u>	<u>(1,555)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(72,707)	-	(72,707)	5,439	78,146
Fund balances, July 1	847,892	-	847,892	847,892	-
Fund balances, June 30	<u>\$ 775,185</u>	<u>\$ -</u>	<u>\$ 775,185</u>	<u>\$ 853,331</u>	<u>\$ 78,146</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (27,183)	\$ -	\$ (27,183)	\$ (27,183)	\$ -
Interest deposit to capital reserve	1,000	-	1,000	1,760	760
Interest earned on emergency reserve	1,000	-	1,000	1,033	33
Increase in tuition reserve	-	46,600	46,600	46,600	-
Withdrawal from tuition reserve	(47,524)	-	(47,524)	(47,524)	-
Budgeted fund balance	-	(46,600)	(46,600)	30,753	77,353
Total	<u>\$ (72,707)</u>	<u>\$ -</u>	<u>\$ (72,707)</u>	<u>\$ 5,439</u>	<u>\$ 78,146</u>
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 220,153	
Emergency reserve				129,195	
Maintenance reserve				76,630	
Tuition reserve					
Year 2020-2021				46,600	
Year 2019-2020				100,000	
Committed fund balance					
Year-end encumbrances				17,695	
Unassigned fund balance				<u>263,058</u>	
Fund balance per budgetary basis				853,331	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(19,955)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 833,376</u>	

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2020**

	Unaudited			Actual	Variance Final to Actual
	Original Budget	Budget Transfers	Final Budget		
Revenues					
Local sources	\$ 3,001	\$ -	\$ 3,001	\$ -	\$ (3,001)
Federal sources	54,716	-	54,716	54,687	(29)
Total revenues	<u>\$ 57,717</u>	<u>\$ -</u>	<u>\$ 57,717</u>	<u>\$ 54,687</u>	<u>\$ (3,030)</u>
Expenditures					
Instruction					
Other salaries for instruction	\$ 30,449	\$ -	\$ 30,449	\$ 30,448	\$ 1
General supplies	3,001	-	3,001	-	3,001
Total	<u>33,450</u>	<u>-</u>	<u>33,450</u>	<u>30,448</u>	<u>3,002</u>
Support services					
Purchased professional and technical services	1,822	-	1,822	1,794	28
General supplies	22,445	-	22,445	22,445	-
Total	<u>24,267</u>	<u>-</u>	<u>24,267</u>	<u>24,239</u>	<u>28</u>
Total expenditures	<u>\$ 57,717</u>	<u>\$ -</u>	<u>\$ 57,717</u>	<u>\$ 54,687</u>	<u>\$ 3,030</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to Required Supplementary Information**  
**Budget-to-GAAP Reconciliation**  
**For the Fiscal Year Ended June 30, 2020**

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 3,469,002	\$ 54,687
Difference - Budget to GAAP		
The last state aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	20,165	-
State aid receivable current year	(19,955)	-
Total revenues (GAAP basis)	\$ 3,469,212	\$ 54,687
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 3,463,563	\$ 54,687
Total expenditures (GAAP basis)	\$ 3,463,563	\$ 54,687

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System**  
**Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset) - percentage	N/A	0.0025583285%	0.001920020%	0.00193697%	0.00301356%	0.00248496%	0.00258544%	0.00198373%	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 460,972	\$ 378,042	\$ 450,897	\$ 892,529	\$ 557,824	\$ 484,065	\$ 379,130	\$ -	\$ -
District's covered employee payroll	110,890	193,945	147,237	136,334	133,654	203,156	159,982	142,170	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	237.68%	256.76%	330.73%	667.79%	274.58%	302.57%	266.67%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%	N/A	N/A

N/A = Information Not Available

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of District's Contributions - Public Employees Retirement System**  
**Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 24,885	\$ 19,080	\$ 17,944	\$ 27,174	\$ 21,364	\$ 21,314	\$ 14,947	\$ 14,882	\$ 17,708	\$ 14,888
Contributions in relation to the contractually required contribution	(24,885)	(19,080)	(17,944)	(27,174)	(21,364)	(21,314)	(14,947)	(14,882)	(17,708)	(14,888)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 110,890	\$ 193,945	\$ 147,237	\$ 136,334	\$ 133,654	\$ 203,156	\$ 159,982	\$ 142,170	\$ 121,026	\$ 128,909
Contributions as a percentage of covered employee payroll	22.44%	9.84%	12.19%	19.93%	15.98%	10.49%	9.34%	10.47%	14.63%	11.55%

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund**  
**Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	-	5,357,745	6,590,250	5,920,127	6,196,691	5,125,559	4,006,348	4,743,236	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 5,357,745</b>	<b>\$ 6,590,250</b>	<b>\$ 5,920,127</b>	<b>\$ 6,196,691</b>	<b>\$ 5,125,559</b>	<b>\$ 4,006,348</b>	<b>\$ 4,743,236</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	\$ 1,147,820	\$ 1,169,573	\$ 1,014,499	\$ 948,699	\$ 970,105	\$ 886,676	\$ 764,613	\$ 669,552	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%	N/A	N/A

N/A = Information Not Available

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of District's Contributions - Teacher's Pension and Annuity Fund**  
**Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 175,531	\$ 175,294	\$ 156,255	\$ 98,763	\$ 63,068	\$ 43,843	\$ 31,711	\$ 60,643	\$ 28,773	\$ 2,620
Contributions in relation to the contractually required contribution	(175,531)	(175,294)	(156,255)	(98,763)	(63,068)	(43,843)	(31,711)	(60,643)	(28,773)	(2,620)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 1,147,820	\$ 1,169,573	\$ 1,014,499	\$ 948,699	\$ 970,105	\$ 886,676	\$ 764,613	\$ 669,552	\$ 867,393	\$ 885,333
Contributions as a percentage of covered employee payroll	15.29%	14.99%	15.40%	10.41%	6.50%	4.94%	4.15%	9.06%	3.32%	0.30%

See independent auditors' report.

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR  
OTHER POST-EMPLOYMENT EMPLOYEE BENEFITS (GASB 75) (UNAUDITED)**

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Other**  
**Postemployment Employee Benefits Liability**  
**Last Ten Fiscal Years**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportionate share of the other postemployment employee benefits liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the other postemployment employee benefits liability (asset) - value	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the other postemployment employee benefits liability (asset) associated with the District	N/A	3,808,033	3,957,720	4,896,131	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,808,033</b>	<b>\$ 3,957,720</b>	<b>\$ 4,896,131</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
District's covered employee payroll	N/A	\$ 1,363,518	\$ 1,161,736	\$ 1,085,033	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A

N/A = Information Not Available

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information - Part III**  
**(Unaudited)**  
**June 30, 2020**

- Note 1 - Special funding situation - TPAF and other postretirement benefits  
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense and other postretirement benefits (OPEB) expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability and OPEB liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund and for OPEB allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF  
The discount rate was 4.86% in State fiscal year 2018 and 5.60% in State fiscal year 2019. The inflation rate was 2.25% for State fiscal years 2018 and 2.75% in State fiscal year 2019.
- Note 3 - Changes in assumptions - PERS  
The discount rate was 5.66% in State fiscal year 2018 and 6.28% in State fiscal year 2019. The inflation rate was 2.25% for State fiscal year 2018 and 2.75% for State fiscal year 2019.
- Note 4 - Changes in assumptions - other postretirement employee benefits  
The other postretirement employee benefits discount rate decreased from 3.87% in State fiscal year 2018 to 3.50% in State fiscal year 2019. The inflation rate was 2.50% for State fiscal year 2018 and 2019.
- Note 5 - Changes in healthcare trend assumptions - other postretirement employee benefits  
For Pre-Medicare medical benefits, the trend rate is initially 5.7% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully insured Medicare Advantage trend rate for fiscal year 2020 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%.
- Note 6 - Changes in benefit term assumptions - other postretirement employee benefits  
There were no changes of the benefit terms from June 30, 2018 to June 30, 2019.

## **SPECIAL REVENUE FUND**

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Special Revenue Fund**  
**Combining Schedule of Program Revenues and Expenditures - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2020**

	Small, Rural School Achievement	ESSA Title IIA	IDEA Basic	IDEA Preschool	Total
Revenues					
Federal sources	\$ 22,445	\$ 1,794	\$ 28,559	\$ 1,889	\$ 54,687
Total revenues	<u>\$ 22,445</u>	<u>\$ 1,794</u>	<u>\$ 28,559</u>	<u>\$ 1,889</u>	<u>\$ 54,687</u>
Expenditures					
Instruction					
Salaries	\$ -	\$ -	\$ 28,559	\$ 1,889	\$ 30,448
Total	<u>-</u>	<u>-</u>	<u>28,559</u>	<u>1,889</u>	<u>30,448</u>
Support services					
Purchased professional and technical services	-	1,794	-	-	1,794
Supplies and materials	22,445	-	-	-	22,445
Total	<u>22,445</u>	<u>1,794</u>	<u>-</u>	<u>-</u>	<u>24,239</u>
Total expenditures	<u>\$ 22,445</u>	<u>\$ 1,794</u>	<u>\$ 28,559</u>	<u>\$ 1,889</u>	<u>\$ 54,687</u>

See independent auditors' report.



## **CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by Proprietary Funds.

(NOT APPLICABLE TO THIS REPORT)

## **PROPRIETARY FUND**

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the District's Board is that the costs of providing goods or services be financed through user charges.

**See Statement B-4, B-5, and B-6.**

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Statement of Net Position**  
**June 30, 2020**

	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,230	\$ 8,914	\$ 10,144
<b>Total assets</b>	<b>\$ 1,230</b>	<b>\$ 8,914</b>	<b>\$ 10,144</b>
<b>Liabilities</b>			
Due to other funds	\$ -	\$ 4,273	\$ 4,273
Due to students groups	1,230	-	1,230
Payroll deductions and withholdings	-	4,641	4,641
<b>Total liabilities</b>	<b>\$ 1,230</b>	<b>\$ 8,914</b>	<b>\$ 10,144</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Student Activity Agency Fund Schedule of Receipts and Disbursements**  
**June 30, 2020**

	<u>Balance</u> 07/01/19	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 06/30/20
Assets				
Cash and cash equivalents	\$ 809	\$ 981	\$ 560	\$ 1,230
Total assets	<u>\$ 809</u>	<u>\$ 981</u>	<u>\$ 560</u>	<u>\$ 1,230</u>
Liabilities				
Due to student groups	\$ 809	\$ 981	\$ 560	\$ 1,230
Total liabilities	<u>\$ 809</u>	<u>\$ 981</u>	<u>\$ 560</u>	<u>\$ 1,230</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Payroll Agency Fund Schedule of Receipts and Disbursements**  
**June 30, 2020**

	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 5,739	\$ 1,578,237	\$ 1,575,062	\$ 8,914
<b>Total assets</b>	<u>\$ 5,739</u>	<u>\$ 1,578,237</u>	<u>\$ 1,575,062</u>	<u>\$ 8,914</u>
<b>Liabilities</b>				
Due to other funds	\$ 3,628	\$ 6,500	\$ 5,855	\$ 4,273
Payroll deductions and withholdings	1,065	699,000	696,692	3,373
Net payroll	<u>1,046</u>	<u>872,737</u>	<u>872,515</u>	<u>1,268</u>
<b>Total liabilities</b>	<u>\$ 5,739</u>	<u>\$ 1,578,237</u>	<u>\$ 1,575,062</u>	<u>\$ 8,914</u>

See independent auditors' report.

## **LONG-TERM DEBT SCHEDULES**

The Long-Term Debt Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

(NOT APPLICABLE TO THIS REPORT)

**STATISTICAL SECTION**



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Statistical Section J Series**

Contents	Page
<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 to J-5
<b>REVENUE CAPACITY</b>	
These schedules contain trend information to help the reader assess the District's most significant local revenue Sources, the Property Tax.	J-6 to J-9
<b>DEBT CAPACITY</b>	
These schedules contain trend 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 to 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.	J-14 to J-15
<b>OPERATING INFORMATION</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Net Position by Component**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental activities										
Net investment in capital assets	\$ 1,908,092	\$ 1,943,739	\$ 1,875,601	\$ 1,840,060	\$ 1,976,950	\$ 1,951,718	\$ 1,895,219	\$ 1,916,125	\$ 1,831,305	\$ 1,788,479
Restricted	314,995	353,164	597,951	599,825	445,130	469,860	609,275	562,016	570,709	572,578
Unrestricted	433,839	400,427	314,718	(145,116)	(184,173)	(226,499)	(273,276)	(306,479)	(331,127)	(325,531)
Total governmental activities	<u>\$ 2,656,926</u>	<u>\$ 2,697,330</u>	<u>\$ 2,788,270</u>	<u>\$ 2,294,769</u>	<u>\$ 2,237,907</u>	<u>\$ 2,195,079</u>	<u>\$ 2,231,218</u>	<u>\$ 2,171,662</u>	<u>\$ 2,070,887</u>	<u>\$ 2,035,526</u>
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ 2,987	\$ 2,727	\$ 2,468	\$ 2,208	\$ 1,948	\$ 1,688
Unrestricted	6,761	7,407	7,756	5,323	1,569	1,234	1,179	1,220	1,444	1,672
Total business-type activities	<u>\$ 6,761</u>	<u>\$ 7,407</u>	<u>\$ 7,756</u>	<u>\$ 5,323</u>	<u>\$ 4,556</u>	<u>\$ 3,961</u>	<u>\$ 3,647</u>	<u>\$ 3,428</u>	<u>\$ 3,392</u>	<u>\$ 3,360</u>
District-wide										
Net investment in capital assets	\$ 1,908,092	\$ 1,943,739	\$ 1,875,601	\$ 1,840,060	\$ 1,979,937	\$ 1,954,445	\$ 1,897,687	\$ 1,918,333	\$ 1,833,253	\$ 1,790,167
Restricted	314,995	353,164	597,951	599,825	445,130	469,860	609,275	562,016	570,709	572,578
Unrestricted	440,600	407,834	322,474	(139,793)	(182,604)	(225,265)	(272,097)	(305,259)	(329,683)	(323,859)
Total district-wide	<u>\$ 2,663,687</u>	<u>\$ 2,704,737</u>	<u>\$ 2,796,026</u>	<u>\$ 2,300,092</u>	<u>\$ 2,242,463</u>	<u>\$ 2,199,040</u>	<u>\$ 2,234,865</u>	<u>\$ 2,175,090</u>	<u>\$ 2,074,279</u>	<u>\$ 2,038,886</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Net Position**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Expenses										
Governmental activities										
Instruction										
Regular	\$ 758,752	\$ 825,775	\$ 965,736	\$ 1,027,792	\$ 1,123,180	\$ 1,171,939	\$ 1,501,930	\$ 1,668,388	\$ 1,431,256	\$ 1,402,236
Special education	237,907	212,626	115,613	64,029	128,670	146,752	168,419	192,037	355,791	378,123
Other special education	40,512	42,184	31,277	36,665	87,030	97,009	114,841	135,713	131,899	158,477
Other instruction	4,685	4,578	2,681	3,395	2,761	6,134	7,431	27,383	2,400	2,607
Support services										
Tuition	506,009	438,574	377,117	330,470	394,890	490,732	633,971	660,986	671,384	594,490
Student and instruction related services	536,546	631,812	359,387	565,805	639,257	643,825	598,406	687,912	675,535	631,302
General and business administrative services	106,795	198,834	398,048	433,000	401,782	386,294	269,930	307,044	348,496	363,637
School administration	63,474	77,951	122,059	27,149	1,242	1,271	1,277	1,296	1,299	4,814
Plant operations and maintenance	181,853	167,672	188,054	199,797	203,325	220,065	241,928	234,232	224,892	229,716
Pupil transportation	43,927	44,141	51,416	47,439	55,140	58,341	69,933	98,789	118,529	161,831
Interest on long-term debt	9,392	1,648	-	-	-	-	-	-	-	-
Total governmental activities expenses	2,489,852	2,645,795	2,611,388	2,735,541	3,037,277	3,222,362	3,608,066	4,013,780	3,961,481	3,927,233
Business-type activities										
Milk service	860	769	670	3,534	1,684	980	731	855	608	358
Child care program	-	-	-	-	-	-	-	18,789	27,980	1,555
Total business-type activities	860	769	670	3,534	1,684	980	731	19,644	28,588	1,913
Total district expenses	\$ 2,490,712	\$ 2,646,564	\$ 2,612,058	\$ 2,739,075	\$ 3,038,961	\$ 3,223,342	\$ 3,608,797	\$ 4,033,424	\$ 3,990,069	\$ 3,929,146

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years (Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program revenues										
Governmental activities										
Charges for services										
Regular instruction	\$ 936	\$ 9,202	\$ 10,600	\$ 18,800	\$ 14,490	\$ 15,595	\$ 56,204	\$ 35,569	\$ 35,750	\$ 16,325
Special education instruction	-	10,455	-	-	-	-	-	-	-	-
Student and instruction related services	-	-	-	-	20	17	22	-	-	-
General and business administrative services	-	-	-	-	1	1	-	-	-	-
Plant operations and maintenance	208	360	120	120	711	120	120	130	130	120
Operating grants and contributions	56,423	64,285	53,511	55,951	44,241	51,283	56,977	54,550	55,667	54,687
Capital grants and contributions	-	-	-	-	81,206	14,315	5,533	-	-	-
Total governmental activities program revenues	<u>57,567</u>	<u>84,302</u>	<u>64,231</u>	<u>74,871</u>	<u>140,669</u>	<u>81,331</u>	<u>118,856</u>	<u>90,249</u>	<u>91,547</u>	<u>71,132</u>
Business-type activities										
Charges for services										
Milk service	1,218	1,366	992	1,076	897	380	411	622	554	310
Childcare program	-	-	-	-	-	-	-	6,200	16,405	-
Total business-type activities program revenues	<u>1,218</u>	<u>1,366</u>	<u>992</u>	<u>1,076</u>	<u>897</u>	<u>380</u>	<u>411</u>	<u>6,822</u>	<u>16,959</u>	<u>310</u>
Total district-program revenues	<u>\$ 58,785</u>	<u>\$ 85,668</u>	<u>\$ 65,223</u>	<u>\$ 75,947</u>	<u>\$ 141,566</u>	<u>\$ 81,711</u>	<u>\$ 119,267</u>	<u>\$ 97,071</u>	<u>\$ 108,506</u>	<u>\$ 71,442</u>
Net (expense) revenues										
Governmental activities	\$ (2,432,285)	\$ (2,561,493)	\$ (2,547,157)	\$ (2,660,670)	\$ (2,896,608)	\$ (3,141,031)	\$ (3,489,210)	\$ (3,923,531)	\$ (3,869,934)	\$ (3,856,101)
Business-type activities	358	597	322	(2,458)	(787)	(600)	(320)	(12,822)	(11,629)	(1,603)
Total district-wide net expenses	<u>\$ (2,431,927)</u>	<u>\$ (2,560,896)</u>	<u>\$ (2,546,835)</u>	<u>\$ (2,663,128)</u>	<u>\$ (2,897,395)</u>	<u>\$ (3,141,631)</u>	<u>\$ (3,489,530)</u>	<u>\$ (3,936,353)</u>	<u>\$ (3,881,563)</u>	<u>\$ (3,857,704)</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
**(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General revenues and other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 2,190,311	\$ 2,224,117	\$ 2,268,599	\$ 2,172,561	\$ 2,237,738	\$ 2,381,237	\$ 2,602,777	\$ 2,654,833	\$ 2,707,930	\$ 2,828,942
Taxes levied for debt service	187,192	106,296	-	-	-	-	-	-	-	-
Unrestricted grants and contributions	174,406	261,390	364,796	354,521	593,769	711,997	917,479	1,205,207	1,060,063	984,396
Investment earnings	915	6,636	4,028	4,270	3,159	1,203	4,404	10,371	11,733	7,968
Miscellaneous income	5,222	3,458	674	-	4,780	3,766	689	6,086	905	989
Special item-proceeds on disposition of assets	-	-	-	-	300	-	-	-	-	-
Transfer	-	-	-	-	-	-	(12,522)	(11,472)	(1,555)	-
Total governmental activities	<u>2,558,046</u>	<u>2,601,897</u>	<u>2,638,097</u>	<u>2,531,352</u>	<u>2,839,746</u>	<u>3,098,203</u>	<u>3,525,349</u>	<u>3,863,975</u>	<u>3,769,159</u>	<u>3,820,740</u>
Business-type activities										
Investment earnings	8	49	27	25	8	5	6	51	121	16
Miscellaneous income	-	-	-	-	12	-	-	30	-	-
Transfer	-	-	-	-	-	-	-	12,522	11,472	1,555
Total business-type activities	<u>8</u>	<u>49</u>	<u>27</u>	<u>25</u>	<u>20</u>	<u>5</u>	<u>6</u>	<u>12,603</u>	<u>11,593</u>	<u>1,571</u>
Total district-wide	<u>\$ 2,558,054</u>	<u>\$ 2,601,946</u>	<u>\$ 2,638,124</u>	<u>\$ 2,531,377</u>	<u>\$ 2,839,766</u>	<u>\$ 3,098,208</u>	<u>\$ 3,525,355</u>	<u>\$ 3,876,578</u>	<u>\$ 3,780,752</u>	<u>\$ 3,822,311</u>
Change in net position										
Governmental activities	\$ 125,761	\$ 40,404	\$ 90,940	\$ (129,318)	\$ (56,862)	\$ (42,828)	\$ 36,139	\$ (59,556)	\$ (100,775)	\$ (35,361)
Business-type activities	366	646	349	(2,433)	(767)	(595)	(314)	(219)	(36)	(32)
Total district	<u>\$ 126,127</u>	<u>\$ 41,050</u>	<u>\$ 91,289</u>	<u>\$ (131,751)</u>	<u>\$ (57,629)</u>	<u>\$ (43,423)</u>	<u>\$ 35,825</u>	<u>\$ (59,775)</u>	<u>\$ (100,811)</u>	<u>\$ (35,393)</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General fund										
Restricted	\$ 318,976	\$ 474,517	\$ 715,411	\$ 616,878	\$ 334,238	\$ 363,388	\$ 609,275	\$ 562,016	\$ 570,709	\$ 572,578
Committed	5,360	13,684	1,741	16,600	3,490	13,112	33,014	21,661	27,183	17,695
Assigned	252,770	99,864	-	1,600	-	-	-	23,263	-	-
Unassigned	246,753	237,094	234,231	234,587	231,514	229,553	240,607	230,813	229,835	243,103
Total general fund	<u>\$ 823,859</u>	<u>\$ 825,159</u>	<u>\$ 951,383</u>	<u>\$ 869,665</u>	<u>\$ 569,242</u>	<u>\$ 606,053</u>	<u>\$ 882,896</u>	<u>\$ 837,753</u>	<u>\$ 827,727</u>	<u>\$ 833,376</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ 127,945	\$ 106,472	\$ -	\$ -	\$ -	\$ -
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,945</u>	<u>\$ 106,472</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Fund Balances - Governmental Funds**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Revenues</b>										
Tax levy	\$ 2,377,503	\$ 2,330,413	\$ 2,268,599	\$ 2,172,561	\$ 2,237,738	\$ 2,381,237	\$ 2,602,777	\$ 2,654,833	\$ 2,707,930	\$ 2,828,942
Tuition charges	-	19,555	10,600	18,800	14,330	15,355	21,500	35,569	35,750	16,325
Interest earnings	915	6,636	4,028	4,270	3,159	1,203	4,404	10,371	11,733	7,968
Miscellaneous	6,020	5,556	794	8,216	5,791	4,886	8,190	8,784	2,635	1,109
State sources	175,349	257,198	364,796	354,521	378,190	399,035	451,884	536,708	555,131	614,868
State sources - capital projects	-	-	-	-	81,206	14,315	5,533	-	-	-
Federal sources	54,890	66,739	53,511	47,855	44,241	50,283	49,596	51,982	54,067	54,687
<b>Total revenues</b>	<b>2,614,677</b>	<b>2,686,097</b>	<b>2,702,328</b>	<b>2,606,223</b>	<b>2,764,655</b>	<b>2,866,314</b>	<b>3,143,884</b>	<b>3,298,247</b>	<b>3,367,246</b>	<b>3,523,899</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	540,854	594,992	666,093	706,976	656,588	657,657	707,209	736,896	680,514	738,479
Special education instruction	131,031	116,730	58,446	31,270	48,981	50,210	52,933	53,700	151,501	145,406
Other special instruction	26,502	27,546	24,919	30,335	59,730	63,010	63,796	64,460	66,726	90,804
School sponsored/other instructional	3,742	3,675	2,150	2,675	2,100	4,500	4,700	2,200	2,300	2,500
<b>Support services</b>										
Tuition	504,091	436,674	375,224	330,470	394,890	490,732	633,971	660,986	669,481	594,490
Student and inst related services	380,719	444,062	242,715	395,480	382,248	351,775	317,664	366,467	373,525	388,276
General administration	48,108	133,530	309,412	284,790	191,434	179,310	84,854	87,350	136,770	145,343
School administration services	45,024	57,337	98,138	20,813	984	1,008	1,008	1,032	1,032	4,402
Central services	47,507	50,907	54,271	101,612	104,478	87,169	87,340	92,504	94,366	97,457
Plant operations and maintenance	150,362	137,968	153,800	162,341	158,844	169,115	170,433	173,711	175,650	173,757
Pupil transportation	43,927	44,141	51,416	47,439	55,140	58,341	69,933	98,789	118,529	161,831
Employee benefits	298,398	314,522	304,111	343,540	449,769	424,530	447,275	498,688	499,626	468,542
On-behalf TPAF Pension and Social Security contribution	126,491	152,132	181,898	145,199	182,193	212,698	249,526	334,789	338,583	401,703
Capital outlay	-	-	-	29,050	2,499	13,850	25,894	104,746	1,530	49,018
Special revenue funds	56,423	64,285	53,511	55,951	44,241	51,283	56,977	54,550	55,667	54,687
Capital projects	-	-	-	-	203,014	35,788	-	-	-	-
Debt service										
Principal	175,000	103,000	-	-	-	-	-	-	-	-
Interest and other charges	12,192	3,296	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,590,371</b>	<b>2,684,797</b>	<b>2,576,104</b>	<b>2,687,941</b>	<b>2,937,133</b>	<b>2,850,976</b>	<b>2,973,513</b>	<b>3,330,868</b>	<b>3,365,800</b>	<b>3,516,695</b>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Changes in Fund Balances - Governmental Funds (continued)**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Excess (deficiency) of revenues over (under) expenditures	\$ 24,306	\$ 1,300	\$ 126,224	\$ (81,718)	\$ (172,478)	\$ 15,338	\$ 170,371	\$ (32,621)	\$ 1,446	\$ 7,204
Other financing uses										
Transfers out	-	-	-	-	-	-	-	(12,522)	(11,472)	(1,555)
Net change in fund balances	<u>\$ 24,306</u>	<u>\$ 1,300</u>	<u>\$ 126,224</u>	<u>\$ (81,718)</u>	<u>\$ (172,478)</u>	<u>\$ 15,338</u>	<u>\$ 170,371</u>	<u>\$ (45,143)</u>	<u>\$ (10,026)</u>	<u>\$ 5,649</u>
Debt service as a percentage of non-capital expenditures	7.79%	4.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**General Fund - Other Local Revenues by Source**  
**Last Ten Fiscal Years**  
**(Modified Accrual Basis of Accounting)**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Interest income	\$ 915	\$ 6,636	\$ 4,028	\$ 4,028	\$ 3,159	\$ 1,203	\$ 4,404	\$ 10,371	\$ 11,733	\$ 7,968
Tuition	-	19,555	10,600	10,600	14,330	15,595	21,500	35,569	35,750	16,325
Refunds	-	236	-	-	-	-	-	-	-	-
Rental	-	-	-	-	591	120	120	120	120	120
Prior year										
Refunds	352	857	-	-	-	-	75	1,944	843	987
Outstanding checks canceled	150	-	-	-	-	-	20	-	-	-
Accounts payable canceled	527	-	-	-	3,632	-	-	-	-	-
Excess payroll balance canceled	22	-	-	-	1,000	-	-	-	-	-
I-Pad sales	-	-	-	-	-	-	-	3,520	50	-
E-Rate telephone reimbursements	4,100	2,275	674	-	-	-	-	-	-	-
Miscellaneous	279	450	120	120	568	4,526	594	632	22	2
<b>Annual totals</b>	<b>\$ 6,345</b>	<b>\$ 30,009</b>	<b>\$ 15,422</b>	<b>\$ 14,748</b>	<b>\$ 23,280</b>	<b>\$ 21,444</b>	<b>\$ 26,713</b>	<b>\$ 52,156</b>	<b>\$ 48,518</b>	<b>\$ 25,402</b>

Source: District Records

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Vacant land	\$ 3,071,000	\$ 3,378,200	\$ 3,382,200	\$ 1,541,600	\$ 1,529,600	\$ 1,420,900	\$ 1,418,900	\$ 1,418,900	\$ 1,418,900	\$ 1,418,900
Residential	152,497,700	152,203,500	152,148,400	154,328,000	154,414,600	154,290,900	154,509,500	154,498,600	154,487,900	154,588,700
Farm regular	681,000	681,000	681,000	681,000	681,000	681,000	681,000	681,000	681,000	681,000
Q Farm	30,279	30,279	29,923	29,923	29,923	29,923	29,923	29,923	29,923	29,923
Commercial	100,201,000	89,249,100	88,706,900	88,137,700	88,252,700	80,913,300	80,837,600	80,581,700	85,648,200	84,265,800
Industrial	9,668,000	8,748,080	8,172,380	8,172,380	8,713,980	8,713,980	8,713,980	8,713,980	8,713,980	8,713,980
Apartment	10,678,400	17,275,800	19,915,800	21,079,800	26,106,800	26,106,800	28,141,000	28,141,000	29,141,000	29,141,000
<b>Total assessed value</b>	<b>276,827,379</b>	<b>271,565,959</b>	<b>273,036,603</b>	<b>273,970,403</b>	<b>279,728,603</b>	<b>272,156,803</b>	<b>274,331,903</b>	<b>274,065,103</b>	<b>280,120,903</b>	<b>278,839,303</b>
Public utilities (a)	1,194,467	780,720	659,123	-	-	-	-	-	-	-
<b>Net valuation taxable</b>	<b>\$ 278,021,846</b>	<b>\$ 272,346,679</b>	<b>\$ 273,695,726</b>	<b>\$ 273,970,403</b>	<b>\$ 279,728,603</b>	<b>\$ 272,156,803</b>	<b>\$ 274,331,903</b>	<b>\$ 274,065,103</b>	<b>\$ 280,120,903</b>	<b>\$ 278,839,303</b>
Estimated actual county equalized value	\$ 300,015,040	\$ 284,970,889	\$ 277,132,165	\$ 262,423,758	\$ 280,317,269	\$ 269,916,496	\$ 281,020,183	\$ 277,169,400	\$ 296,926,969	\$ 282,827,166
Percentage of net valuation to estimated actual equalized value	92.67%	95.57%	98.76%	104.40%	99.79%	100.83%	97.62%	98.88%	94.34%	98.59%
<b>Total direct school tax rate (b)</b>	<b>\$ 0.84</b>	<b>\$ 0.83</b>	<b>\$ 0.79</b>	<b>\$ 0.82</b>	<b>\$ 0.85</b>	<b>\$ 0.96</b>	<b>\$ 0.97</b>	<b>\$ 0.99</b>	<b>\$ 1.01</b>	<b>\$ 1.04</b>

Source: Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value ( fair to market value) established by each County Board of Taxation.

- (a) Taxable value of machinery, implements and equipment's of telephone and messenger system companies
- (b) Tax rates are per \$100

- \* Revalued/Reassessed
- \* Limited exemptions and abatements

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Direct and Overlapping Property Tax Rates**  
**Last Ten Fiscal Years**  
**(Rate Per \$100 of Assessed Value)**

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality		County		
2011	* \$ 0.80	\$ 0.04	\$ 0.84	\$ 0.58	\$ 0.25	\$ 0.36	\$ 2.03	
2012	0.83	-	0.83	0.57	0.28	0.37	2.05	
2013	0.79	-	0.79	0.61	0.30	0.36	2.06	
2014	0.82	-	0.82	0.63	0.33	0.35	2.13	
2015	0.85	-	0.85	0.59	0.36	0.37	2.17	
2016	0.96	-	0.96	0.57	0.39	0.34	2.26	
2017	0.97	-	0.97	0.50	0.40	0.38	2.25	
2018	0.99	-	0.99	0.48	0.44	0.39	2.30	
2019	1.01	-	1.01	0.55	0.45	0.41	2.42	
2020	1.04	-	1.04	0.61	0.47	0.38	2.50	

Sources: Municipal Tax Collector

Note: N.J.S.A. 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 pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (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.

\* Revalued/Reassessed

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**

	2020			2011		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	Presidential Place at Lebanon LLC	\$ 27,000,000	1	9.68%	\$ 9,701,400	3
Wells Operating Part LP c/o Thomson	15,000,000	2	5.38%	17,500,000	2	6.29%
Camelot Ridge, LLC	14,881,900	3	5.34%	-	-	-
IHP Lebanon	12,500,000	4	4.48%	-	-	-
Architectural Holdings LLC	5,700,000	5	2.04%	6,299,300	5	2.27%
Cokesbury Road Industrial Park LLC	5,500,000	6	1.97%	6,145,600	6	2.21%
Hunterdon Plaza Associates LLC	5,050,000	7	1.81%	5,050,000	7	1.82%
Hunterdon Executive Center	5,000,000	8	1.79%	-	-	-
Joseph P Moglia & Daughters LLC	4,990,500	9	1.79%	4,989,600	8	1.79%
111 Cokesbury LLC	3,885,380	10	1.39%	-	-	-
JC 2002-C3 100-200 Corp C/O ING	-	-	-	22,000,000	1	7.91%
IA Orchard Hotels Lebanon LLC	-	-	-	7,500,000	4	2.70%
KBT NJ LLC Wrigtwood Capital Serve	-	-	-	4,798,800	9	1.73%
Stow Away Self Storage	-	-	-	3,408,800	10	1.23%
	<u>\$ 99,507,780</u>		<u>35.67%</u>	<u>\$ 87,393,500</u>		<u>31.44%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2011	\$ 2,377,503	\$ 2,377,503	100.00%
2012	2,330,413	2,330,413	100.00%
2013	2,268,599	2,268,599	100.00%
2014	2,172,561	2,172,561	100.00%
2015	2,237,738	2,237,738	100.00%
2016	2,381,237	2,381,237	100.00%
2017	2,602,777	2,602,777	100.00%
2018	2,654,833	2,654,833	100.00%
2019	2,707,930	2,707,930	100.00%
2020	2,828,942	2,828,942	100.00%

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

- (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.

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases			
2011	\$ 103,000	\$ -	\$ -	\$ -	\$ -	\$ 103,000	0.11%	\$ 73
2012	-	-	-	-	-	-	N/A	N/A
2013	-	-	-	-	-	-	N/A	N/A
2014	-	-	-	-	-	-	N/A	N/A
2015	-	-	-	-	-	-	N/A	N/A
2016	-	-	-	-	-	-	N/A	N/A
2017	-	-	-	-	-	-	N/A	N/A
2018	-	-	-	-	-	-	N/A	N/A
2019	-	-	-	-	-	-	N/A	N/A
2020	-	-	-	-	-	-	N/A	N/A

- Notes: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.  
(2) The Lebanon Borough School District had no bonded debt as of June 30, 2020 and the previous eight fiscal years.

- (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.

N/A - Not Applicable

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2011	\$ 103,000	\$ -	\$ 103,000	0.04%	\$ 73
2012	-	-	-	N/A	N/A
2013	-	-	-	N/A	N/A
2014	-	-	-	N/A	N/A
2015	-	-	-	N/A	N/A
2016	-	-	-	N/A	N/A
2017	-	-	-	N/A	N/A
2018	-	-	-	N/A	N/A
2019	-	-	-	N/A	N/A
2020	-	-	-	N/A	N/A

Notes: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

(2) The District had no bonded debt as of June 30, 2020 and the previous eight fiscal years.

(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.

N/A - Not Applicable

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2019**

Governmental Unit	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Debt
Debt repaid with property taxes			
Municipality	\$ 5,312,500	100.00%	\$ 5,312,500
Regional High School	8,665,000	3.42%	296,651
County general obligation debt	85,870,478	1.31%	<u>1,127,398</u>
Subtotal, overlapping debt			6,736,549
School district direct debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 6,736,549</u></u>

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

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 the residents and businesses of the municipality. This process recognizes that when considering the District's ability to issue and repay long-term debt, 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 payment.

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

See independent auditors' report.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2020

	Equalized Valuation Basis
	2019      \$ 284,127,095
	2018      290,507,847
	2017      277,439,222
	\$ 852,074,164
Average equalized valuation of taxable property	\$ 284,024,721
Debt limit (3.0% of average equalization value)	\$ 8,520,742
Total net debt applicable to limit	-
Legal debt margin	\$ 8,520,742

	Fiscal Year				
	2016	2017	2018	2019	2020
Debt limit	\$ 8,135,022	\$ 8,306,449	\$ 8,335,372	\$ 8,466,191	\$ 8,520,742
Total net debt applicable	-	-	-	-	-
Legal debt margin	\$ 8,135,022	\$ 8,306,449	\$ 8,335,372	\$ 8,466,191	\$ 8,520,742
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year				
	2011	2012	2013	2014	2015
Debt limit	\$ 9,541,180	\$ 9,189,075	\$ 8,695,624	\$ 8,261,643	\$ 8,110,519
Total net debt applicable	103,000	-	-	-	-
Legal debt margin	\$ 9,438,180	\$ 9,189,075	\$ 8,695,624	\$ 8,261,643	\$ 8,110,519
Total net debt applicable to the limit as a percentage of debt limit	1.08%	0.00%	0.00%	0.00%	0.00%

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

(a) Limit Set by N.J.S.A. 18A:24-19

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2011	1,607	\$ 115,615,615	\$ 71,945	12.0%
2012	1,697	127,678,886	75,238	12.3%
2013	1,691	126,938,297	75,067	6.3%
2014	1,684	132,449,968	78,652	5.3%
2015	1,670	135,365,190	81,057	4.6%
2016	1,664	139,185,280	83,645	3.8%
2017	1,666	141,540,028	84,958	3.5%
2018	1,656	148,394,160	89,610	3.7%
2019	1,644	N/A	N/A	3.3%
2020	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept. of Labor and Workforce.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce.

N/A Information is not available

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Principal Employers**  
**Current Year and Nine Years Ago**

2020

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2011

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Full Time Equivalent District Employees by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	<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>	<u>2020</u>
Instruction										
Regular	8.9	9.2	10.7	9.6	9.4	9.4	11.5	13.3	10.5	10.5
Special education	4.2	2.7	2.0	1.0	1.0	2.0	2.0	1.6	3.0	3.0
Support services										
Student and instruction related services	3.1	3.7	3.8	4.0	4.4	4.4	4.0	3.5	4.0	4.0
General administration	0.2	0.2	0.6	3.0	3.0	3.0	3.0	2.0	2.0	2.0
School administration services	0.4	0.4	0.6	-	-	-	-	1.0	1.0	1.8
Plant operations and maintenance	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.0</u>	<u>1.5</u>
<b>Total</b>	<u><u>17.8</u></u>	<u><u>17.2</u></u>	<u><u>18.7</u></u>	<u><u>18.6</u></u>	<u><u>18.8</u></u>	<u><u>20.3</u></u>	<u><u>22.0</u></u>	<u><u>22.9</u></u>	<u><u>21.5</u></u>	<u><u>22.8</u></u>

Source: District Personnel Records

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Operating Statistics**  
**Last Ten Fiscal Years**

Fiscal Year	June 30 Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff ( b )	Teacher Ratio	Average Daily Enrollment (ADE) ( c )	Average Daily Attendance (ADA) ( c )	% Change in Average Daily Enrollment	Student Attendance Percentage
2011	73	\$ 2,403,179	\$ 32,920	19.45%	12	1 to 6.08	75.0	72.3	-11.76%	96.40%
2012	89	2,578,501	28,972	-11.99%	12	1 to 7.42	82.1	79.4	9.47%	96.71%
2013	79	2,576,104	32,609	12.55%	13	1 to 6.08	76.0	74.1	-7.43%	97.50%
2014	91	2,658,891	29,219	-10.40%	14	1 to 6.50	91.0	87.2	19.74%	95.82%
2015	90	2,731,620	30,351	3.88%	14	1 to 6.43	92.4	88.7	1.56%	95.99%
2016	102	2,801,338	27,464	-9.51%	15	1 to 6.80	97.8	94.7	5.82%	96.87%
2017	102	2,947,619	28,898	5.22%	12	1 to 8.50	102.7	99.9	5.01%	97.27%
2018	109	3,226,122	29,597	2.42%	13	1 to 8.20	109.8	106.7	6.92%	97.13%
2019	105	3,364,270	32,041	8.25%	14	1 to 7.78	106.4	102.3	-3.11%	96.15%
2020	105	3,467,677	33,025	3.07%	14	1 to 7.78	105.2	101.9	-1.12%	96.87%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average daily enrollment and average daily attendance are obtained from the School Register Summary.

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

<u>District Building</u>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<u>Lebanon Borough School (1989)</u>										
Square feet	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369
Capacity (students)	143	143	143	143	143	143	143	143	143	143
Enrollment	73	89	79	91	90	102	99	104	105	105

Number of Schools at June 30, 2020  
 Elementary and Middle = 1

Source: District Facilities Office

N/A = Not Available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Required Maintenance Expenditures by School Facility**  
**Last Ten Fiscal Years**

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year</u>	<u>Amount</u>	<u>Total</u>
2011	\$ 26,762	\$ 26,762
2012	16,645	16,645
2013	27,229	27,229
2014	13,374	13,374
2015	18,541	18,541
2016	17,050	17,050
2017	19,393	19,393
2018	14,631	14,631
2019	22,002	22,002
2020	21,461	21,461
Total school facilities	<u>\$ 197,088</u>	<u>\$ 197,088</u>

Note: School Facilities as Defined Under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2020**  
**(Unaudited)**

	Coverage	Deductible
School Commercial Package Policy - NJ School Boards Assoc. Insurance Group (NJSBAIG)		
Property - Building Blanket and Contents (Fund Limit)	\$ 500,000	\$ 1,000
General Liability	6,000,000	-
Equipment Breakdown	100,000,000	1,000
Crime Public Employee Dishonesty	100,000	500
Auto Liability	6,000,000	-
Auto Physical Damage	Actual Cash Value	1,000
School Board Legal Liability - NJSBAIG		
Errors and Omissions	6,000,000	5,000
Workers Compensation - NJSBAIG		
Employers Liability	3,000,000	-
Disease Each Employee	3,000,000	-
Disease Policy Limit	3,000,000	-
Public Employees' Faithful Performance - NJSBAIG		
Treasurer of School Monies	145,000	1,000
School Board Secretary	50,000	500
Student Accident Insurance - BMI Benefits Through Berkeley		
Base Limit	1,000,000	-
Catastrophic Limit	1,000,000	-
Voluntary Limit	500,000	-
Pollution Policy - Ironshore through NJSIG		
Claim Limit	1,000,000	50,000
Aggregate Limit	11,000,000	-

Source: District Records

See independent auditors' report.



**SINGLE AUDIT SECTION**



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**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***

Honorable President and  
Members of the Board of Education  
Lebanon Borough School District  
County of Hunterdon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Lebanon Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lebanon Borough School 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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



BKC, CPAs, PC



Michael A. Holk, CPA, PSA  
NO. 20CS00265600

January 11, 2021  
Flemington, New Jersey

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of Federal Awards, Schedule A**  
**For the Fiscal Year Ended June 30, 2020**

Grantor/Program Title	Federal			Program	Grant		Balance 06/30/19	Carryover Amount	Cash Received	Budgetary Expenditure	Adjust- ment	Repayment	Balance June 30, 2020		
	CFDA Number	FAIN Number	Project Number	or Award Amount	Period From	To						of Prior Year Balance	Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education Special Revenue Fund															
Title II A	84.367A	S367A180029	ESSA-2590-19	2,153	07/01/18	06/30/19	\$ (2,125)	\$ -	\$ 2,153	\$ 28	\$ -	\$ -	\$ -	\$ -	\$ -
Title II A	84.367A	S367A190029	ESSA-2590-20	1,794	07/01/19	06/30/20	-	-	-	1,766	-	-	(1,766)	-	-
Rural Education Achievement Program	84.358A	S358B190030	S358A190984	22,445	07/01/19	09/30/20	-	-	22,445	22,445	-	-	-	-	-
IDEA Basic	84.027	H027A180100	IDEA-2590-19	30,215	07/01/18	06/30/19	(6,424)	-	6,424	-	-	-	-	-	-
IDEA Basic	84.027	H027A190100	IDEA-2590-20	28,560	07/01/19	06/30/20	-	-	25,514	28,559	-	-	(3,045)	-	-
IDEA Preschool	84.173	H173A190114	IDEA-2590-20	1,889	07/01/19	06/30/20	-	-	1,889	1,889	-	-	-	-	-
Total Special Revenue Fund							<u>(8,549)</u>	<u>-</u>	<u>58,425</u>	<u>54,687</u>	<u>-</u>	<u>-</u>	<u>(4,811)</u>	<u>-</u>	<u>-</u>
Total Federal Awards							<u>\$ (8,549)</u>	<u>\$ -</u>	<u>\$ 58,425</u>	<u>\$ 54,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,811)</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance, Schedule B**  
**For the Fiscal Year Ended June 30, 2020**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2019		Cash Received	Budgetary Expenditure	Repayment of Prior Year Balance	Balance June 30, 2020			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General Fund														
Special Education Categorical Aid	20-495-034-5120-089	\$ 111,417	07/01/19	06/30/20	\$ -	\$ -	\$ 100,276	\$ 111,417	\$ -	\$ -	\$ -	\$ -	\$ 11,141	\$ 111,417
Security Aid	20-495-034-5120-084	11,798	07/01/19	06/30/20	-	-	10,618	11,798	-	-	-	-	1,180	11,798
Transportation Aid	20-495-034-5120-014	24,207	07/01/19	06/30/20	-	-	21,786	24,207	-	-	-	-	2,421	24,207
School Choice Aid	20-495-034-5120-068	52,132	07/01/19	06/30/20	-	-	46,919	52,132	-	-	-	-	5,213	52,132
Extraordinary Special Education Costs Aid	19-495-034-5120-044	13,543	07/01/18	06/30/19	(13,543)	-	13,543	-	-	-	-	-	-	13,543
Extraordinary Special Education Costs Aid	20-495-034-5120-044	13,401	07/01/19	06/30/20	-	-	-	13,401	-	(13,401)	-	-	-	13,401
Non-Public Transportation Aid	19-495-034-5120-014	2,320	07/01/18	06/30/19	(2,320)	-	2,320	-	-	-	-	-	-	2,320
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	20-495-034-5094-002	227,954	07/01/19	06/30/20	-	-	227,954	227,954	-	-	-	-	-	227,954
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	20-495-034-5094-004	4,086	07/01/19	06/30/20	-	-	4,086	4,086	-	-	-	-	-	4,086
On-Behalf TPAF Pension Contribution - Post Retirement Medical	20-495-034-5094-001	86,083	07/01/19	06/30/20	-	-	86,083	86,083	-	-	-	-	-	86,083
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-004	375	07/01/19	06/30/20	-	-	375	375	-	-	-	-	-	375
Reimbursed TPAF Social Security Contribution	19-495-034-5094-003	83,382	07/01/18	06/30/19	(8,256)	-	8,256	-	-	-	-	-	-	83,382
Reimbursed TPAF Social Security Contribution	20-495-034-5094-003	83,205	07/01/19	06/30/20	-	-	83,205	83,205	-	-	-	-	-	83,205
Total General Fund					(24,119)	-	605,421	614,658	-	(13,401)	-	-	19,955	713,903
Special Revenue Fund														
Nonpublic Handicapped Services Aid														
Examination and Classification	19-100-034-5120-066	1,638	07/01/18	06/30/19	1,638	-	-	-	1,638	-	-	-	-	-
Corrective Speech	19-100-034-5120-066	893	07/01/18	06/30/19	893	-	-	-	893	-	-	-	-	-
Supplemental Instruction	19-100-034-5120-066	793	07/01/18	06/30/19	793	-	-	-	793	-	-	-	-	-
Nonpublic Auxiliary Services Aid														
Compensatory Education	19-100-034-5120-067	1,692	07/01/18	06/30/19	1,692	-	-	-	1,692	-	-	-	-	-
English as a Second Language	19-100-034-5120-067	863	07/01/18	06/30/19	863	-	-	-	863	-	-	-	-	-
Total Special Revenue Fund					5,879	-	-	-	5,879	-	-	-	-	-

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Expenditures of State Financial Assistance, Schedule B**  
**For the Fiscal Year Ended June 30, 2020**

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2019		Cash Received	Budgetary Expenditure	Repayment of Prior Year Balance	Balance June 30, 2020			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
Total State Financial Assistance					\$ (18,240)	\$ -	\$ 605,421	\$ 614,658	\$ 5,879	\$ (13,401)	\$ -	\$ -	\$ 19,955	\$ 713,903
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf TPAF Pension Contribution - Teachers' Pension & Annuity Fund	20-495-034-5094-002							227,954						
On-Behalf TPAF Pension Contribution - Non-Contributory Insurance	20-495-034-5094-004							4,086						
On-Behalf TPAF Pension Contribution - Postretirement Medical	20-495-034-5094-001							86,083						
On-Behalf TPAF Pension Contribution - Long-Term Disability Insurance	20-495-034-5094-004							375						
Total for State Financial Assistance - Major Program Determination								\$ 296,160						

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2020**

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all federal awards and state financial assistance programs of the Lebanon Borough School District. The District is defined in Note 1 (A) to the District's basic financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting. This basis of accounting is described in Notes 1 (C) and 1 (D) to the District's basic financial statements.

Note 3 - Relationship of financial statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying Schedules on the Budgetary Basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$210 for the general fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Financial assistance revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General fund	\$ -	\$ 614,868	\$ 614,868
Special revenue fund	54,687	-	54,687
Total awards and financial assistance	<u>\$ 54,687</u>	<u>\$ 614,868</u>	<u>\$ 669,555</u>

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended June 30, 2020**

- Note 4 - Relationship to federal and state financial reports  
Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.
- Note 5 - Other  
The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2020. TPAF Social Security Contribution represents the amount reimbursed by the state for the employer's share of Social Security Contributions for TPAF members for the fiscal year ended June 30, 2020.
- Note 6 - Indirect costs  
The District has elected not to utilize the 10% de minimis indirect cost rate.



**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified?       Yes       No
2. Were significant deficiencies identified?       Yes       None reported

Noncompliance material to basic financial statements noted?

Yes       No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified?       Yes       No
2. Were significant deficiencies identified?       Yes       None reported

What was the type of auditor's report issued on compliance for major programs?

\_\_\_\_\_

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a)?

Yes       No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs?

\_\_\_\_\_

Did the auditee qualify as a low-risk auditee?

Yes       No

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section I**  
**For the Fiscal Year Ended June 30, 2020**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? Not Applicable

Did the auditee qualify as a low-risk auditee?  Yes  No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified?  Yes  No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses?  Yes  None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable?  Yes  No

Identification of Major Programs:

State Grant/Project Numbers	Name of State Program
<i>Not applicable</i>	

**LEBANON BOROUGH SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section II and III**  
**For the Fiscal Year Ended June 30, 2020**

Section II - Financial Statement Findings

There were no findings or questioned costs for the fiscal year ended June 30, 2020.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs for the fiscal year ended June 30, 2020.

**LEBANON BOROUGH SCHOOL DISTRICT  
Summary Schedule of Prior Year Audit Findings  
And Questioned Costs as Prepared by Management  
For the Fiscal Year Ended June 30, 2020**

Status of Prior Year Findings

There were no prior year findings or questioned costs.