

**SCHOOL DISTRICT**  
**OF**  
**CALIFON BOROUGH**

**Califon Borough School District**  
**Board of Education**  
**Califon, Hunterdon County**  
**New Jersey**

**Comprehensive Annual Financial Report**  
**For The Fiscal Year Ended June 30, 2017**

# **Comprehensive Annual**

## **Financial Report**

**of the**

**Califon Borough School District**

**Board of Education**

**Califon, New Jersey**

**For the Fiscal Year Ending June 30, 2017**

**Prepared by**

**Califon Borough School District**

**Board of Education**

**Finance Department**

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# Introductory Section







# Califon Public School



*"Making Their Lives Extraordinary"*

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**Mr. Jason Kornegay**  
*Superintendent*

**Mr. Daniel Patton**  
*Principal*

**Mr. Thomas Johnston**  
*SBA/Board Secretary*

November 6, 2017

Honorable President and Members of the Board of Education  
Califon School District  
Hunterdon, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Califon School District for the fiscal year, which ended June 30, 2017, 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. 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 the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". 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** Califon School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Califon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular and special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 94 students, which is 14 students less than the previous year's enrollment. The following details the changes in the student enrollment of the district over the last ten years.

**Average Daily Enrollment**

<b>Fiscal Year</b>	<b>Student Enrollment</b>	<b>Percent Change</b>
2016-2017	94	-12.9
2015-2016	108	-0.9
2014-2015	109	-6.0
2013-2014	116	4.5
2012-2013	111	--23.4
2011-2012	145	-6.8
2010-2011	155	-0.06
2009-2010	156	2.6
2008-2009	152	6.3
2007-2008	143	0.7
2006-2007	142	-0.7

2. **ECONOMIC CONDITION AND OUTLOOK** The Califon area is experiencing a period of limited development and expansion which is expected to continue. The limiting factor here is the relatively small size of Califon Borough and the impact of the Highlands Act which was enacted to prevent overdevelopment in the area. Consequently, enrollment is expected to remain relatively stable.

3. **MAJOR INITIATIVES** The Califon Public School will be updating science and mathematics materials to coincide with our updates to curriculum in those areas. We will continue to invest in professional relationships to enhance instructional practice in the areas of literacy and mathematics. Our staff will devote professional development time to goal setting and enhancing professional practice for all students.

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 and the special revenue 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 reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2017.

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. The following schedule presents a summary of the general fund and special revenue fund revenues for the fiscal year ended June 30, 2017 and the amount and percentage of increases in relation to prior year revenues.

Revenue	Amount	Increase/ (Decrease) from 2016	Percent of Increase Decrease
Local Sources	\$2,302,266	\$ 41,985	1.86%
State Sources	412,215	32,390	8.53%
Federal Sources	<u>35,632</u>	<u>(6,354)</u>	<u>-15.14%</u>
TOTAL	\$ 2,750,113	\$ 68,021	2.54%

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2017 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Increase (Decrease) from 2016	Percent of Increase (Decrease)
Current Expense:			
Instruction	\$ 1,037,664	\$ 35,884	3.59%
Undistributed Expenditures	<u>1,471,036</u>	<u>36,501</u>	<u>2.55%</u>
Total	\$ 2,508,700	\$ 72,385	2.97%
Capital Outlay	-	-	-
Debt Service	174,185	4,000	2.35%
Special Revenue	<u>33,930</u>	<u>(8,056)</u>	<u>-19.19%</u>
TOTAL	\$ 2,716,815	\$ 68,329	2.52%

8. **DEBT ADMINISTRATION** On September 7, 2006, the District issued \$1,935,000 Par Amount of School Bonds, Series 2006, maturing in varying amounts on August 15 of each year from 2007 through 2021. Consequently, at June 30, 2017, the District's outstanding debt was \$785,000. The net interest rate for this issue is 4.0503%. The proceeds of the Bonds were used to undertake the construction of an addition to and the renovation of the Califon Public School, as approved by the affirmative vote of the majority of the legal voters present and voting at a special School District held on September 27, 2005.
9. **CASH MANAGEMENT** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

10. **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.

11. **OTHER INFORMATION**

A) Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Ardito & Co., LLP CPA/RMA. In addition to meeting the requirements set forth in the state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB Circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. **ACKNOWLEDGMENTS**

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

Respectfully Submitted,

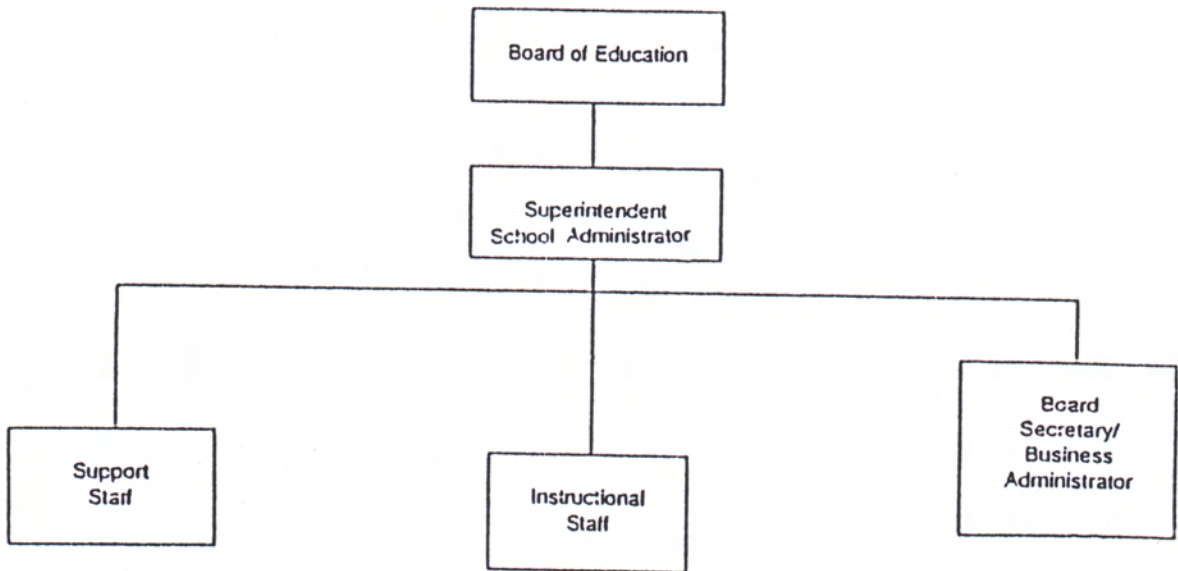


Jason Kornegay  
Superintendent

  
Thomas Johnston  
Business Administrator/Board Secretary

**CALIFON PUBLIC SCHOOL**  
6 SCHOOL STREET  
CALIFON, NEW JERSEY 07830  
PHONE (908) 832-2828  
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**Organizational Chart  
(Unit Control)**



**CALIFON BOROUGH SCHOOL DISTRICT  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**JUNE 30, 2017**

**Members of the Board of Education**

**Term Expires**

Mark Cantagallo, <i>President</i>	2017
Jevan Furmanski, <i>Vice-President</i>	2018
Nina DeCoster	2019
Jeffrey Dahl	2018
Christopher Keiser	2017

**Other Officials**

Dr. Jason Kornegay, *Superintendent*

Thomas Johnston, *Assistant School Business Administrator/Board Secretary*

Steffi-Jo DeCasas, *Treasurer*

Marc Zitomer, Schenck, Price, Smith & King LLP, *Attorneys at Law*

**CALIFON BOROUGH SCHOOL DISTRICT  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**BOND COUNCIL**

**Wilentz Goldman & Spitzer P.A.**  
Woodbridge, New Jersey 07095

**ARCHITECT**

**Feitlowitz and Kosten Architects**  
Livingston, New Jersey 07039

**AUDIT FIRM**

**Ardito & Co., LLP**  
1110 Harrison Street, Suite C  
Frenchtown, New Jersey 08825

**BOARD ATTORNEY**

**Schenck, Price, Smith & King LLP**  
220 Park Avenue, PO Box 991  
Florham Park, NJ 07932-0991

**OFFICIAL DEPOSITORIES**

**PNC Bank**  
413 County Road 513  
Califon, New Jersey 07830

**Peapack-Gladstone Bank**  
P.O. Box 178  
Gladstone, New Jersey 07934



# Financial Section

# Independent Auditor's Report



## **ARDITO & Co., LLP**

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Frenchtown, New Jersey 08825-1192  
908-996-4711 Fax: 908-996-4688  
e-mail: [anthony@arditoandcompany.com](mailto:anthony@arditoandcompany.com)

Anthony Ardito, CPA, RMA, CMFO, PSA  
Douglas R. Williams, CPA, RMA, PSA

### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Califon Borough School District  
County of Hunterdon  
Califon Borough, New Jersey 07830

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Califon Borough School District Board of Education, as of and for the year ended June 30, 2017, 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.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of 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.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Califon Borough School District Board of Education, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity 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 information, and pension trend information as identified 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 opinions on the financial statements that collectively comprise the Califon Borough School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, schedule of expenditures of federal awards, and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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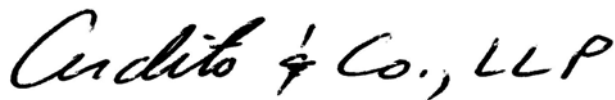
The combining and individual fund financial statement information, and long-term debt schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected 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 statement information and long-term debt schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

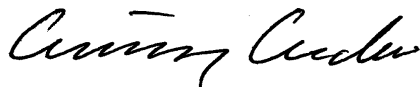
The introductory, statistical sections, schedule of expenditures of federal awards, and schedule of state financial assistance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 31, 2017, on our consideration of the Califon Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



ARDITO & CO., LLP  
October 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**

CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

The discussion and analysis of Califon Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. 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 statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position increased \$52,009 which represents a 12.0% increase from 2016.
- ◆ General revenues accounted for \$2,313,035 in revenue or 66.8% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,103,117 or 33.2% of total revenues of \$3,416,152.
- ◆ Total assets of governmental activities decreased by \$6, as cash and cash equivalents increased by \$36,128, receivables decreased by \$38,050, and capital assets increased by \$1,916.
- ◆ The School District had \$3,364,143 in expenses; only \$1,103,117 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,313,035 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$2,789,415 in revenues and \$2,789,789 in expenditures. The General Fund's surplus balance decreased \$374 over 2016, which compares favorably to the budgeted decrease of \$91,554.

**Using this Generally Accepted Accounting Principals 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 Califon 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 with all other non-major funds presented in total in one column. In the case of Califon Borough School District, the General Fund is by far the most significant fund.

CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**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 2017?" 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 of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's Net Position and changes in those assets. This change in Net Position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Nonfinancial 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 is divided into two distinct kinds of activities:

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

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

**Fund Financial Statements**

The analysis of the School District's major funds begins on page 24. 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.



CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**Governmental Funds**

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

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District’s Net Position for 2017 compared to 2016.

	<u>2017</u>	<u>2016</u>
<b>Table 1 Net Position</b>		
<b>Assets</b>		
Current and Other Assets	\$ 528,999	\$ 530,921
Capital Assets	<u>1,425,663</u>	<u>1,423,747</u>
<b>Total Assets</b>	<u>1,954,662</u>	<u>1,954,668</u>
<b>Deferred Outflows of Resources</b>	<u>468,902</u>	<u>63,188</u>
<b>Liabilities</b>		
Long-Term Liabilities	1,745,224	1,377,316
Other Liabilities	<u>92,048</u>	<u>73,259</u>
<b>Total Liabilities</b>	<u>1,837,272</u>	<u>1,450,575</u>
<b>Deferred Inflows of Resources</b>	<u>100,072</u>	<u>133,070</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	640,663	498,747
Restricted	172,404	163,917
Unrestricted	<u>(326,847)</u>	<u>(228,453)</u>
<b>Total Net Position</b>	<u>\$ 486,220</u>	<u>\$ 434,211</u>

CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

Total assets of governmental activities decreased by \$6, as cash and cash equivalents increased by \$36,128, receivables decreased by \$38,050, and capital assets increased by \$1,916. The cash increase was mainly due to collections of a tax levy receivable for debt service for the prior year, which also affected the receivable decrease. The increase in capital assets was due to septic system upgrades, net of annual depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2016.

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

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 21,826	\$ 24,500
Operating Grants and Contributions	1,081,291	842,425
General Revenues:		
Property Taxes	2,281,480	2,235,873
Federal & State Aid on Capital Asset Projects	31,211	
Investment Earnings	344	152
Other	<u>-</u>	<u>2</u>
<b>Total Revenues</b>	<u>3,416,152</u>	<u>3,102,952</u>
<b>Program Expenses</b>		
Instruction	2,132,575	1,843,459
Support Services:		
Tuition	122,224	76,139
Pupils and Instructional Staff	553,920	557,415
General Administration, School Administration, Business	200,755	170,402
Operations and Maintenance of Facilities	251,076	238,729
Pupil Transportation	61,723	57,809
Business-Type Activities	2,346	2,731
Interest and Fiscal Charges	<u>39,524</u>	<u>44,722</u>
<b>Total Expenses</b>	<u>3,364,143</u>	<u>2,991,406</u>
Increase in Net Position	<u>\$ 52,009</u>	<u>\$ 111,546</u>

CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
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**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 66.8% percent of revenues for governmental activities for the Califon Borough School District for the fiscal year 2017.

Instruction comprises 63.4% of district expenses. Support services expenses make up 35.4% of the expenses.

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 compared to 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 2,132,575	\$ 1,435,394	\$ 1,843,459	\$ 1,303,352
Support Services:				
Tuition	122,224	85,383	76,139	56,722
Pupils and Instructional Staff	553,920	386,956	557,415	415,265
General Admin., School Admin., Business	200,755	140,243	170,402	126,947
Operation and Maintenance of Facilities	251,076	175,396	238,729	177,849
Pupil Transportation	61,723	43,118	57,809	43,067
Business-Type Activities	2,346	(190)	2,731	176
Interest and Fiscal Charges	<u>39,524</u>	<u>(5,274)</u>	<u>44,722</u>	<u>1,103</u>
<b>Total Expenses</b>	<u>\$ 3,364,143</u>	<u>\$ 2,261,026</u>	<u>\$ 2,991,406</u>	<u>\$ 2,124,481</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student.

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

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

Operation and maintenance of facilities activities involve keeping the school grounds, 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.

CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

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

The dependence upon tax revenues is apparent. Over 67.3% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 69.9%. The community, as a whole, is the primary support for the Califon Borough School District.

**The School District's Funds**

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$3,029,341 and expenditures of \$3,052,342. The General Fund's surplus balance decreased \$374 over 2016, which compares favorably to the budgeted decrease of \$91,554.

**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 2017 year, 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 and other financing sources, excluding on-behalf payments, was \$2,510,700, \$14,727 over original budgeted estimates of \$2,495,973. This difference was due primarily to an increases in extraordinary aid.

General fund revenues exceeded expenditures by \$2,000. Again this surplus compares to a budgeted deficit of \$91,554, which was due to the budgeting of excess surplus needed to balance the 2016-2017 budget. The budgeted deficit was increased due to revenue increases and cost savings in the areas of instruction and tuition.

Overall general fund balance (budget basis) was \$448,731, and amounts ear-marked and reserved for future purposes were \$181,065, creating a surplus in unreserved fund balance of \$267,666. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

CALIFON BOROUGH SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 UNAUDITED

**Capital Assets**

At the end of the fiscal year 2017, the School District had \$1,425,663 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

**Table 4  
 Capital Assets (Net of Depreciation) at June 30,**

	<u>2017</u>	<u>2016</u>
Land	\$ 83,800	\$ 83,800
Land Improvements		
Buildings and Improvements	1,320,943	1,315,821
Machinery and Equipment	<u>20,920</u>	<u>24,126</u>
 Totals	 <u>\$ 1,425,663</u>	 <u>\$ 1,423,747</u>

Overall capital assets increased \$1,916 from fiscal year 2016 to fiscal year 2017. The increase in capital assets was due to septic system improvements, net of depreciation expense for the year.

\$70,300 in capital improvements were purchased during fiscal year 2017 in the form of a septic system improvements.

**Debt Administration**

At June 30, 2017, the School District had \$885,600 as outstanding long term debt. Of this amount, \$100,600 is for compensated absences and \$785,000 is for bonds outstanding.

At June 30, 2017, the School District's overall legal debt margin was \$4,139,894 and the unvoted debt margin was \$3,354,894.

CALIFON BOROUGH SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
UNAUDITED

**For the Future**

The Califon Borough School District is in very good financial condition presently. A major concern is the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

In conclusion, the Califon 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 questions about this report or need additional information contact Thomas Johnston, Assistant School Business Administrator/ Board Secretary at Califon Borough School District, 6 School Street, Califon, NJ 07830, or E-mail at [ba@califonschool.org](mailto:ba@califonschool.org).

# Basic Financial Statements

## **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.



CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 409,295	\$ 422	\$ 409,717
Receivables, Net	92,130	67	92,197
Interfund Receivables		1,982	1,982
Restricted Assets:			
Capital Reserve Account - Cash	25,103		25,103
Capital Assets, Net (Note 4):	1,425,663		1,425,663
<b>Total Assets</b>	<u>1,952,191</u>	<u>2,471</u>	<u>1,954,662</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Deferred Outflows	<u>468,902</u>		<u>468,902</u>
<b>LIABILITIES</b>			
Accounts Payable	210		210
Interfund Payables	2,039		2,039
Accrued Interest	11,994		11,994
Unearned Revenue	77,805		77,805
Net Pension Liability (Note 6)	859,624		859,624
Noncurrent Liabilities (Note 5):			
Due Within One Year	145,000		145,000
Due Beyond One Year	740,600		740,600
<b>Total Liabilities</b>	<u>1,837,272</u>		<u>1,837,272</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Deferred Inflows	<u>100,072</u>		<u>100,072</u>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	640,663		640,663
Restricted for:			
Other Purposes	172,404		172,404
Unrestricted	(329,318)	2,471	(326,847)
<b>Total Net Position</b>	<u>\$ 483,749</u>	<u>\$ 2,471</u>	<u>\$ 486,220</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-2

**STATEMENT OF ACTIVITIES**  
FOR THE YEAR ENDED JUNE 30, 2017

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
<b>Functions/Programs</b>						
Governmental Activities:						
Instruction:						
Regular	\$ 1,708,269	\$ 20,442	\$ 548,844		\$ (1,138,983)	\$ (1,138,983)
Special Education	366,506		110,473		(256,033)	(256,033)
Other Special Instruction	57,800		17,422		(40,378)	(40,378)
Support Services:						
Tuition	122,224		36,841		(85,383)	(85,383)
Student & Instruction Related Serv.	553,920		166,964		(386,956)	(386,956)
School Administrative Services	50,630		15,261		(35,369)	(35,369)
General and Business Admin. Serv.	150,125		45,251		(104,874)	(104,874)
Plant Operations and Maintenance	251,076		75,680		(175,396)	(175,396)
Pupil Transportation	61,723		18,605		(43,118)	(43,118)
Interest Expense	32,686		44,798		12,112	12,112
Unallocated Depreciation	6,838				(6,838)	(6,838)
Total Governmental Activities	3,361,797	20,442	1,080,139		(2,261,216)	(2,261,216)
Business-Type Activities:						
Food Service	2,346	1,384	1,152		\$ 190	190
Total Business-Type Activities	2,346	1,384	1,152		190	190
Total Primary Government	\$ 3,364,143	\$ 21,826	\$ 1,081,291	-	\$ (2,261,216)	\$ 190
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes,Net				\$ 2,151,493		\$ 2,151,493
Property Taxes, Levied for Debt Service Purposes,Net				129,987		129,987
Federal & State Aid on Capital Asset Projects				31,211		31,211
Investment Earnings				344		344
Miscellaneous Income				-		-
Total General Revenues, Special Items, Extraor. Items and Transfers				2,313,035		2,313,035
Change in Net Position				51,819	\$ 190	52,009
Net Position—Beginning				431,930	2,281	434,211
Net Position—Ending				\$ 483,749	\$ 2,471	\$ 486,220

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

## **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.

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 404,656		\$ 29,742		\$ 434,398
Receivables from Other Governments	25,903	\$ 64,881		\$ 71	90,855
Other Receivables	1,275				1,275
Interfund Receivable	27,496	40,630			68,126
<b>TOTAL ASSETS</b>	<b>\$ 459,330</b>	<b>\$ 105,511</b>	<b>\$ 29,742</b>	<b>\$ 71</b>	<b>\$ 594,654</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable		\$ 210			\$ 210
Interfund Payable	\$ 42,669	27,496			70,165
Deferred Revenue		77,805			77,805
<b>Total Liabilities</b>	<b>42,669</b>	<b>105,511</b>	<b>-</b>	<b>-</b>	<b>148,180</b>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Capital Reserve Account	25,103				25,103
Excess Surplus	83,992				83,992
Excess Surplus-Designated for Subsequent Year's Expend.	47,161				47,161
<u>Assigned to:</u>					
Year-End Encumbrances	8,661				8,661
General Fund-Designated for Subsequent Year's Expend.	16,148				16,148
Capital Fund			\$ 29,742		29,742
Debt Service Fund			\$ 71		71
<u>Unassigned:</u>					
General Fund	235,596				235,596
<b>Total Fund Balances</b>	<b>416,661</b>		<b>29,742</b>	<b>71</b>	<b>446,474</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 459,330</b>	<b>\$ 105,511</b>	<b>\$ 29,742</b>	<b>\$ 71</b>	<b>\$ 594,654</b>

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,655,470 and the accumulated depreciation is \$1,229,807.	\$ 1,425,663
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 6)	468,902
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 6)	(100,072)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6)	(859,624)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)	(11,994)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)	(885,600)
Net Position of governmental activities	<u>\$ 483,749</u>

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 2,151,493			\$ 129,987	\$ 2,281,480
Tuition	20,442				20,442
Miscellaneous	345				345
<b>Total - Local Sources</b>	2,172,280			129,987	2,302,267
<b>State Sources</b>	617,135		\$ 31,211	44,798	693,144
<b>Federal Sources</b>		\$ 33,930			33,930
<b>Total Revenues</b>	2,789,415	33,930	31,211	174,785	3,029,341
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	1,235,093	33,930			1,269,023
Special Education Instruction	285,471				285,471
Other Special Instruction	45,020				45,020
Support services and undistributed costs:					
Tuition	95,200				95,200
Student and Instruction Related Services	431,447				431,447
School Administrative Services	39,436				39,436
Other Administrative Services	116,932				116,932
Plant Operations and Maintenance	212,025				212,025
Pupil Transportation	48,076				48,076
Unallocated Benefits	281,089				281,089
<b>Debt Service:</b>					
Principal				140,000	140,000
Interest and Other Charges				34,785	34,785
<b>Capital Outlay</b>			53,838		53,838
<b>Total Expenditures</b>	2,789,789	33,930	53,838	174,785	3,052,342
Excess (Deficiency) of Revenues Over Expenditures	(374)		(22,627)		(23,001)
Net Change in Fund Balances	(374)		(22,627)		(23,001)
Fund Balance—July 1	417,035		52,369	71	469,475
<b>Fund Balance—June 30</b>	\$ 416,661		\$ 29,742	\$ 71	\$ 446,474

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2017

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (23,001)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation Expense	\$ (68,383)	
Capital Outlays	<u>70,300</u>	1,917

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (77,716)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 140,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 8,520

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 2,099

**Change in Net Position of Governmental Activities** \$ 51,819

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

STATEMENT OF PROPRIETARY NET POSITION  
 PROPRIETARY FUNDS

JUNE 30, 2017

		<b>Business-Type Activities- Enterprise Funds</b>	
		<b>Food Service</b>	<b>Totals</b>
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash Equivalents		\$ 422	\$ 422
Accounts Receivable		67	67
Interfund Receivables		1,982	1,982
<b>Total Current Assets</b>		<u>2,471</u>	<u>2,471</u>
<b>Noncurrent Assets:</b>			
Furniture, Machinery and Equipment		600	600
Less Accumulated Depreciation		(600)	(600)
<b>Total Noncurrent Assets</b>		<u>        </u>	<u>        </u>
	<b>Total Assets</b>	<u>2,471</u>	<u>2,471</u>
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Accounts Payable		<u>        </u>	<u>        </u>
<b>Total Current Liabilities</b>		<u>        </u>	<u>        </u>
	<b>Total Liabilities</b>	<u>        </u>	<u>        </u>
<b>NET POSITION</b>			
Unrestricted		2,471	2,471
<b>Total Net Position</b>		<u>\$ 2,471</u>	<u>\$ 2,471</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
 FOR THE YEAR ENDED JUNE 30, 2017

	<b>Business-type Activities - Enterprise Fund</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 1,384	\$ 1,384
<b>Total Operating Revenues</b>	1,384	1,384
 <b>Operating Expenses:</b>		
Cost of Sales - Reimbursable Programs	1,346	1,346
Salaries	1,000	1,000
Other Purchased Professional Services		
<b>Total Operating Expenses</b>	2,346	2,346
 Operating Income (Loss)	(962)	(962)
 <b>Nonoperating Revenues (Expenses):</b>		
Federal Sources:		
Special Milk Program	1,152	1,152
<b>Total Nonoperating Revenues (Expenses)</b>	1,152	1,152
 Income (Loss) Before Contributions and Transfers	190	190
 Total Net Position—Beginning	2,281	2,281
<b>Total Net Position—Ending</b>	\$ 2,471	\$ 2,471

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



CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	<b>Business-Type Activities- Enterprise Funds</b>	
	<b>Food Service</b>	<b>Total Enterprise</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Customers	\$ 1,384	\$ 1,384
Payments to Employees and Suppliers	(2,346)	(2,346)
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>(962)</u>	<u>(962)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Federal Sources	1,136	1,136
Operating Subsidies and Transfers to Other Funds	(180)	(180)
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>956</u>	<u>956</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6)	(6)
Balances—Beginning of Year	428	428
<b>Balances—End of Year</b>	<u>\$ 422</u>	<u>\$ 422</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>		
Operating Income (Loss)	\$ (962)	\$ (962)
Provided by (used for) Operating Activities:		
(Increase) Decrease in Accounts Receivable		
Increase (Decrease) in Accounts Payable		
Total Adjustments		
Net Cash Provided by (used for) Operating Activities	<u>\$ (962)</u>	<u>\$ (962)</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

JUNE 30, 2017

	<b>Unemployment Compensation <u>Trust Fund</u></b>	<b>NOFA <u>Trust Fund</u></b>	<b>Scholarship <u>Trust Fund</u></b>	<b>Agency <u>Fund</u></b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 3,087	\$ 67	\$ 76,347	\$ 18,573
Interfund Receivable				
<b>Total Assets</b>	<u>\$ 3,087</u>	<u>\$ 67</u>	<u>\$ 76,347</u>	<u>\$ 18,573</u>
<b>LIABILITIES</b>				
Accounts Payable				\$ 10,935
Payable to Student Groups				<u>7,638</u>
<b>Total Liabilities</b>				<u>\$ 18,573</u>
<b>NET POSITION</b>				
Held in Trust for Scholarship Purposes			<u>\$ 76,347</u>	
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 3,087</u>	<u>\$ 67</u>		<u>                    </u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the Year Ended June 30, 2017

	<b>Unemployment Compensation <u>Trust</u></b>	<b>NOFA Trust <u>Fund</u></b>	<b>Apgar Scholarship <u>Trust</u></b>
<b>ADDITIONS</b>			
Contributions:			
Plan Member	\$ 2,896	-	-
Total Contributions	<u>2,896</u>	-	-
Investment Earnings:			
Interest	-	-	\$ 37
Net Investment Earnings	-	-	<u>37</u>
<b>Total Additions</b>	<b><u>2,896</u></b>	<b>-</b>	<b><u>37</u></b>
<b>DEDUCTIONS</b>			
Administrative Costs		\$ 37	20
Scholarship Awards			2,000
Unemployment Claims	2,406	-	-
<b>Total Deductions</b>	<b><u>2,406</u></b>	<b><u>37</u></b>	<b><u>2,020</u></b>
Change in Net Position	490	(37)	(1,983)
Net Position—Beginning of the Year	<u>2,597</u>	\$ <u>104</u>	<u>78,330</u>
<b>Net Position—End of the Year</b>	<b><u>\$ 3,087</u></b>	<b><u>\$ 67</u></b>	<b><u>\$ 76,347</u></b>

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

# Notes to Financial Statements

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided for the most significant change in financial reporting in over twenty years and was phased-in (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2016.

**A. Reporting Entity:**

The Califon Borough School 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-8. The Califon Borough School District had an approximate enrollment at June 30, 2017, of 94 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:

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**B. Basis of Presentation, Basis of Accounting:**

The School District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Basis of Presentation**

*District-wide Statements:* The statement of net position and the statement of activities display information about the District as a whole. 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 activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's

governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

**General Fund** - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

CALIFON BOROUGH SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**GOVERNMENTAL FUNDS (Continued)**

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. 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 Special Revenue Fund is used to account for the proceeds of specific revenue 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.

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

**Fiduciary Funds** - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund, Payroll Agency Fund and Unemployment Compensation Trust Fund.

**B. Basis of Presentation, Basis of Accounting (Continued):**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

*District-wide, Proprietary, and Fiduciary Fund Financial Statements* : The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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 monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**C. 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 for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal 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.



CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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.

**D. Encumbrance Accounting:**

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

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

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

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

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

**Inventories:**

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

**Allowance for Uncollectible Accounts:**

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**Capital Assets:**

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. 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. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Class</u>	<u>Estimated Useful Lives</u>
School	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. Accumulated vacation time must be used within the fiscal period and does not accrue. Sick leave benefits provide for ordinary sick pay that has been accumulated during employment by the board.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Balance Reserves:**

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**Revenues—Exchange and Nonexchange Transactions**

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

**Extraordinary and Special Items:**

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**Management Estimates:**

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2017, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	<u>\$434,820</u>	<u>\$98,074</u>	<u>\$532,894</u>
	<u>\$434,820</u>	<u>\$98,074</u>	<u>\$532,894</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$532,894 and the bank balance was \$570,434. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$261,205 was covered by federal depository insurances and \$309,229 was covered by collateral pool.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2017, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$25,903	\$25,903
Federal Aid	64,881	64,948
Debt Service Tax Levy	71	71
Other-Tuition	1,275	1,275
Gross Receivable	<u>\$92,130</u>	<u>\$92,197</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$92,130</u></u>	<u><u>\$92,197</u></u>

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 83,800			\$ 83,800
Total Capital Assets Not Being Depreciated	<u>83,800</u>	-	-	<u>83,800</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Building Improvements	2,195,858	\$ 70,300		2,266,158
Machinery and Equipment	305,512			305,512
Total at Historical Cost	<u>2,501,370</u>	70,300	-	<u>2,571,670</u>
Less Accumulated Depreciation for:				
Building and Improvements	(880,037)	(65,178)		(945,215)
Equipment	(281,386)	(3,206)		(284,592)
Total Accumulated Depreciation	<u>(1,161,423)</u>	(68,384)		<u>(1,229,807)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>(1,161,423)</u>	1,916	-	<u>(1,159,507)</u>
<b>Government Activity Capital Assets, Net</b>	<b><u>\$ 1,423,747</u></b>	<b><u>\$ 1,916</u></b>	<b>-</b>	<b><u>\$ 1,425,663</u></b>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 61,546
Unallocated	<u>6,838</u>
Total	<u><u>\$ 68,384</u></u>

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 5: LONG-TERM OBLIGATIONS**

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds.

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Balance <u>7/1/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/17</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$ 925,000		\$ 140,000	\$ 785,000	\$ 145,000
Other Liabilities:					
Compensated Absences Payable	109,120	1,787	10,307	100,600	-
<b>Total Other Liabilities</b>	<b>\$ 1,034,120</b>	<b>1,787</b>	<b>\$ 150,307</b>	<b>\$ 885,600</b>	<b>\$ 145,000</b>

On July 24, 2006, \$1,935,000 in Bonds were authorized pursuant to: (i) Title 18A, Chapter 24 of the New Jersey Statutes, as amended and supplemented, (ii) a proposal adopted by the Board on August 8, 2005 and approved by the affirmative vote of a majority of the legal voters present and voting at a special School District election held on September 27, 2005 and (iii) a resolution duly adopted by the Board on July 24, 2006, which sets forth the terms and sale of the Bonds.

On August 15, 2006 bonds were issued in the amount of \$1,935,000. Bond Proceeds and accrued interest were received on September 7, 2009 in the amount of \$1,939,766, of which \$4,766 was for accrued interest.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

For the year ended June 30, 2017, it is not necessary for the Board to establish a liability for arbitrage rebate.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 5: LONG-TERM OBLIGATIONS (Continued)**

	Government Activities			Balance <u>6/30/17</u>
	<u>Issue Dates</u>	<u>Interest Rates</u>	<u>Date of Maturity</u>	
Bonds Payable	8/15/06	4%-4.25%	8/15/2021	\$ 785,000
Total Bonds				<u>\$ 785,000</u>

**B. Debt Service Requirements:**

Debt Service requirements on serial bonds payable at June 30, 2017, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 145,000	\$ 29,085	\$ 174,085
2019	150,000	23,186	173,186
2020	155,000	17,047	172,047
2021	165,000	10,567	175,567
2022	<u>170,000</u>	<u>3,613</u>	<u>173,613</u>
	<u>\$ 785,000</u>	<u>\$ 83,498</u>	<u>\$ 868,498</u>

As of June 30, 2017, the District had no authorized but not issued bonds.

**NOTE 6: PENSION PLANS**

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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



CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does 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 district. However, the state's portion of the net pension liability that was associated with the district was \$6,562,825 as measured on June 30, 2016 and \$4,602,166 as measured on June 30, 2015.

*For the year ended June 30, 2017, the District recognized pension expense of \$493,105 and revenue of \$493,105 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.*

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$4,602,166	\$6,562,825
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.007281%	0.008343%

*Actuarial assumptions* - The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.50%
Salary Increases:	
Through 2021	Varies based on experience
Therafter	Varies based on experience
Investment Rate of Return:	7.65%

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

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

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

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) 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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

*Discount rate* - The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate* - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

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

*Summary of Significant Accounting Policies* - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2017, the District reported a liability of \$859,624 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.00290% which was an increase of 0.00137% from its proportion measured as of June 30, 2015.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

For the year ended June 30, 2017, the District recognized pension expense of \$103,573. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 15,986	-
Changes of assumptions	178,068	
Net difference between projected and actual earnings on pension plan investments	32,778	
Changes in proportion and differences between District contributions and proportionate share of contributions	223,852	\$ 100,072
District contributions subsequent to the measurement date	18,218	
Total	<u>\$ 468,902</u>	<u>\$ 100,072</u>

\$18,218 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 ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2017	\$78,937
2018	78,937
2019	91,451
2020	76,832
2021	<u>24,454</u>
Total	<u>\$350,612</u>

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
District's portion of net pension liability	\$343,196	\$859,624
District's proportion %	0.00152885%	0.00290246%

*Actuarial assumptions.* The collective total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions:

Inflation:	3.08%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Therafter	2.65%-5.15% based on age
Investment Rate of Return:	7.65%

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds I Absolute	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

*Discount rate.* The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on contribution rate in the most recent fiscal year.

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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

*Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ 1,053,369	\$859,624	\$ 699,671

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

**Defined Contribution Retirement Plan (DCRP)** - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

**Significant Legislation** - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

**Contribution Requirements** - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2017	\$18,218	100 %	-0-
6/30/2016	\$18,144	100	-0-
6/30/2015	\$25,691	100	-0-

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2017	\$108,830	100 %	-0-
6/30/2016	\$66,794	100	-0-
6/30/2015	\$39,366	100	-0-

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 6: PENSION PLANS (Continued)**

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$199,100 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$81,989 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

**NOTE 7: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

**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, permits 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:

The Penn Mutual Life Insurance Company  
American Funds - The Capital Group Companies  
First Investors Corporation



CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 9: COMPENSATED ABSENCES**

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

All teachers employed shall be entitled to ten (10) sick leave days each school year, as per Title 18A:30-2. Unused sick leave days shall be accumulated from year-to-year with no maximum limit. Upon retirement, or proper request, a teacher may receive compensation for unused sick leave which has been accumulated during employment by the Board. Compensation for unused sick leave is calculated at the rate of \$80.00 per day or the prevailing substitute teacher rate of pay per diem whichever is higher, for each accumulated day.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the proprietary fund types.

**NOTE 10: RISK MANAGEMENT**

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	-	\$2,896	\$2,406	\$3,087
2015-2016	-	\$7,046	\$12,519	\$2,597
2014-2015	-	\$2,895	\$898	\$8,070

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 11: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**LITIGATION**

The Board is not currently involved in any claims and lawsuits incidental to its operations.

**NOTE 12: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$416,661 General Fund fund balance at June 30, 2017, \$8,661 is reserved for encumbrances; \$25,103 has been reserved in the Capital Reserve Account; and, \$131,153 is reserved for excess surplus in accordance with N.J.S.A.18A:7F-7 (\$47,161 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2018); \$16,148 has been appropriated and included as anticipated revenue for the year ending June 30, 2018; and \$235,596 is unreserved and undesignated.

**NOTE 13: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Califon Borough School District Board of Education by inclusion in prior budgets, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The Capital Reserve had no activity for the July 1, 2016 to June 30, 2017 fiscal year.

Beginning Balance, July 1, 2016	\$ 25,103
Ending Balance, June 30, 2017	<u>\$ 25,103</u>

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**NOTE 14: INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2017 (Exhibit B-1):

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 27,496	\$ 42,669
Special Revenue Fund	40,630	27,496
Agency Fund	57	
Enterprise Fund	1,982	
	<u>\$ 70,165</u>	<u>\$ 70,165</u>

The special revenue fund owes the general fund for cash advances in anticipation of federal grant receipts. The general fund owes the special revenue fund for grant reimbursements received but not yet paid over to the Special Revenue fund. The general fund owes the enterprise fund for federal milk subsidies not yet paid over to the enterprise fund.

**NOTE 15: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$83,992.

**NOTE 16: TAX ABATEMENTS**

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 2,151,493		\$ 2,151,493	\$ 2,151,493	
Tuition	23,126		23,126	20,442	\$ (2,684)
Miscellaneous	600		600	345	(255)
<b>Total - Local Sources</b>	<u>2,175,219</u>		<u>2,175,219</u>	<u>2,172,280</u>	<u>(2,939)</u>
<b>State Sources:</b>					
Equalization Aid	149,438		149,438	149,438	
School Choice Aid	45,876		45,876	45,876	
Transportation Aid	3,762		3,762	3,762	
Special Education Aid	93,822		93,822	93,822	
Security Aid	2,028		2,028	2,028	
Adjustment Aid	22,938		22,938	22,938	
PARCC Readiness Aid	990		990	990	
Per Pupil Growth Aidd	990		990	990	
Prof. Learning Comm. Aid	910		910	910	
Other State Aid		\$ 15,452	15,452	17,666	2,214
TPAF Pension (On-Behalf - Non-Budgeted)				108,338	108,338
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				90,270	90,270
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				492	492
TPAF Social Security (Reimbursed - Non-Budgeted)				81,989	81,989
<b>Total State Sources</b>	<u>320,754</u>	<u>15,452</u>	<u>336,206</u>	<u>619,509</u>	<u>283,303</u>
<b>TOTAL REVENUES</b>	<u><b>2,495,973</b></u>	<u><b>15,452</b></u>	<u><b>2,511,425</b></u>	<u><b>2,791,789</b></u>	<u><b>280,364</b></u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction:</b>					
Kindergarten - Salaries of Teachers	65,452	-	65,452	64,932	520
Grades 1-5 - Salaries of Teachers	348,214	4,481	352,695	352,695	
Grades 6-8 - Salaries of Teachers	240,713	38,527	279,240	279,240	
<b>Regular Programs - Undistributed Instruction:</b>					
Other Salaries for Instruction	44,875	(10,000)	34,875	34,628	247
Purchased Professional-Educational Services	13,000	(62)	12,938	12,077	861
Other Purchased Services (400-500 series)	11,200	61	11,261	10,401	860
General Supplies	25,400	109	25,509	20,377	5,132
Textbooks	10,000	-	10,000	5,776	4,224
Other Objects	1,850	(913)	937	-	937
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>760,704</b>	<b>32,203</b>	<b>792,907</b>	<b>780,126</b>	<b>12,781</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	195,371	(10,955)	184,416	184,416	
Other Salaries for Instruction	89,000	(32,053)	56,947	54,230	2,717
General Supplies	800	-	800	499	301
Textbooks	100	-	100	-	100
<b>Total Resource Room/Resource Center</b>	<b>285,271</b>	<b>(43,008)</b>	<b>242,263</b>	<b>239,145</b>	<b>3,118</b>



CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>Pre-School Disabilities - Part Time:</b>					
Salaries of Teachers	36,652	(320)	36,332	36,332	
Other Salaries for Instruction	8,900	600	9,500	9,500	
General Supplies	500	-	500	494	6
<b>Total Pre-School Disabilities - Part Time</b>	<b>46,052</b>	<b>280</b>	<b>46,332</b>	<b>46,326</b>	<b>6</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>331,323</b>	<b>(42,728)</b>	<b>288,595</b>	<b>285,471</b>	<b>3,124</b>
<b>Basic Skills/Remedial - Instruction:</b>					
Salaries of Teachers	18,513	187	18,700	18,700	
General Supplies	250	-	250	238	12
<b>Total Basic Skills/Remedial - Instruction</b>	<b>18,763</b>	<b>187</b>	<b>18,950</b>	<b>18,938</b>	<b>12</b>
<b>School Sponsored Co/Extra Curricular Activities-Inst.:</b>					
Salaries	9,600	2,100	11,700	11,700	-
Supplies and Materials	3,300	-	3,300	3,160	140
<b>Total School Sponsored Co/Extra Curricular Activities-Inst.</b>	<b>12,900</b>	<b>2,100</b>	<b>15,000</b>	<b>14,860</b>	<b>140</b>
<b>School Sponsored Athletics-Instruction:</b>					
Salaries	9,500	(400)	9,100	9,100	
Purchased Services (300-500 series)	1,000	-	1,000	297	703
Other Objects	3,124	(600)	2,524	1,825	699
<b>Total School Sponsored Athletics-Instruction</b>	<b>13,624</b>	<b>(1,000)</b>	<b>12,624</b>	<b>11,222</b>	<b>1,402</b>
<b>TOTAL INSTRUCTION</b>	<b>1,137,314</b>	<b>(9,238)</b>	<b>1,128,076</b>	<b>1,110,617</b>	<b>17,459</b>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State-Special	116,001	12,829	128,830	95,200	33,630
<b>Total Instruction</b>	<b>116,001</b>	<b>12,829</b>	<b>128,830</b>	<b>95,200</b>	<b>33,630</b>
<b>Health Services:</b>					
Salaries	62,634	300	62,934	62,934	-
Purchased Professional and Technical Services	600	-	600	500	100
Other Purchased Services (400-500 series)	500	-	500	-	500
Supplies and Materials	3,200	1,020	4,220	1,485	2,735
<b>Total Health Services</b>	<b>66,934</b>	<b>1,320</b>	<b>68,254</b>	<b>64,919</b>	<b>3,335</b>
<b>Other Supp. Services Students-Related Services:</b>					
Purchased Professional - Educational Services	63,500	-	63,500	54,803	8,697
Supplies and Materials	2,500	-	2,500	706	1,794
<b>Total Other Supp. Services Students-Related Services</b>	<b>66,000</b>	<b>-</b>	<b>66,000</b>	<b>55,509</b>	<b>10,491</b>
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	80,515	(322)	80,193	77,804	2,389
Salaries of Secretarial and Clerical Assistants	23,574	760	24,334	24,334	-
Purchased Professional - Educational Services	64,206	54	64,260	64,260	-
Misc Purch Serv (Series 400-500 Other Than Residual Costs)	1,000	-	1,000	-	1,000
Supplies and Materials	1,400	(54)	1,346	259	1,087
Other Objects	150	-	150	-	150
<b>Total Other Supp. Services Students-Regular</b>	<b>170,845</b>	<b>438</b>	<b>171,283</b>	<b>166,657</b>	<b>4,626</b>
<b>Undist. Expend. - Improvement of Inst. Serv.</b>					
Salaries of Supervisor of Instruction	45,846	(30,000)	15,846	13,207	2,639
Salaries of Secretarial and Clerical Assistants	3,368	-	3,368	3,368	-
Other Objects	-	30,000	30,000	30,000	-
<b>Total Undist. Expend. - Improvement of Inst. Serv.</b>	<b>49,214</b>	<b>-</b>	<b>49,214</b>	<b>46,575</b>	<b>2,639</b>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Educational Media Services/School Library:</b>					
Salaries	55,739	1,600	57,339	57,339	
Purchased Professional - Technical Services	5,000	27	5,027	4,014	1,013
Other Purchased Services (400-500 series)	26,893	(107)	26,786	26,744	42
Supplies and Materials	7,000	80	7,080	4,971	2,109
<b>Total Educational Media Services/School Library</b>	<b>94,632</b>	<b>1,600</b>	<b>96,232</b>	<b>93,068</b>	<b>3,164</b>
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	15,000	-	15,000	4,719	10,281
<b>Total Instructional Staff Training Services</b>	<b>15,000</b>	<b>-</b>	<b>15,000</b>	<b>4,719</b>	<b>10,281</b>
<b>Supp. Services - General Administration:</b>					
Salaries	30,000	(30,000)	-	-	
Legal Services	3,000	-	3,000	36	2,964
Audit Fees	12,000	-	12,000	11,185	815
Other Purchased Professional Services	250	30,000	30,250	30,120	130
Other Purchased Services (400-500 series)	827	6	833	833	
General Supplies		500	500	443	57
Miscellaneous Expenditures	2,000	(506)	1,494	1,318	176
BOE Membership Dues and Fees	3,500	-	3,500	2,630	870
<b>Total Supp. Services - General Administration</b>	<b>51,577</b>	<b>-</b>	<b>51,577</b>	<b>46,565</b>	<b>5,012</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Asst Principals/Prog. Dir.	32,824	1,689	34,513	34,513	-
Salaries of Secretarial and Clerical Assistants	3,368	520	3,888	3,888	-
Other Purchased Services (400-500 series)	500	-	500	311	189
Supplies and Materials	800	-	800	724	76
<b>Total Support Services - School Administration</b>	<b>37,492</b>	<b>2,209</b>	<b>39,701</b>	<b>39,436</b>	<b>265</b>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>Central Services:</b>					
Salaries	40,000		40,000	38,756	1,244
Purchased Professional Services	1,622	10,178	11,800	11,800	-
Purchased Technical Services	3,520	-	3,520	3,519	1
Misc Purch Serv (Series 400-500 Other Than Residual Costs)	6,000	-	6,000	5,926	74
Supplies and Materials	800	-	800	478	322
<b>Total Central Services</b>	<b>51,942</b>	<b>10,178</b>	<b>62,120</b>	<b>60,479</b>	<b>1,641</b>
<b>Required Maintenance for School Facilities:</b>					
Cleaning, Repair and Maintenance Services	15,300	-	15,300	15,159	141
<b>Total Required Maintenance for School Facilities</b>	<b>15,300</b>	<b>-</b>	<b>15,300</b>	<b>15,159</b>	<b>141</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	69,502	(1,990)	67,512	64,472	3,040
Purchased Professional Services		6,904	6,904	6,904	-
Cleaning, Repair and Maintenance Services	4,500	4,733	9,233	9,226	7
Other Purchased Property Services	9,700	25,953	35,653	35,653	-
Insurance	38,700	(13,828)	24,872	24,872	-
Miscellaneous Purchased Services	1,100	-	1,100	1,098	2
General Supplies	9,500	(1,057)	8,443	8,326	117
Energy (Natural Gas)	18,000	(5,290)	12,710	12,400	310
Energy (Electricity)	17,000	(1,873)	15,127	14,764	363
<b>Total Other Operations and Maintenance of Plant</b>	<b>168,002</b>	<b>13,552</b>	<b>181,554</b>	<b>177,715</b>	<b>3,839</b>
<b>Care and Upkeep of Grounds:</b>					
Salaries	10,266	-	10,266	10,241	25
Purchased Professional and Technical Services	6,000	2,910	8,910	8,910	-
<b>Total Care and Upkeep of Grounds</b>	<b>16,266</b>	<b>2,910</b>	<b>19,176</b>	<b>19,151</b>	<b>25</b>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Sal for Pupil Trans(Bet Home & Sch)-Sp Ed	9,950	-	9,950	9,519	431
Sal for Pupil Trans(Bet Home & Sch)-Non Public Sch	3,368	80	3,448	3,448	
Contracted.Services-Aid in Lieu of Payments-Non Public Sch.	950	-	950	950	
Contracted.Services-Aid in Lieu of Payments-Choice Sch.	8,840	(1,768)	7,072	6,262	810
Contracted Services(Oth.than Bet.Home & Sch.)-Vendors	3,000	278	3,278	3,278	-
Contracted Services(Spl.Ed.Students)-Joint Agrmnts	27,500	(362)	27,138	24,619	2,519
<b>Total Student Transportation Services</b>	<b>53,608</b>	<b>(1,772)</b>	<b>51,836</b>	<b>48,076</b>	<b>3,760</b>
<b>ALLOCATED BENEFITS</b>					
<b>Supp. Services - General Administration:</b>					
Health Benefits	10,000	-	10,000	9,888	112
<b>Total Supp. Services - General Administration</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>9,888</b>	<b>112</b>
<b>Regular Programs - Instruction:</b>					
Social Security Contributions	33,700	(6,371)	27,329	26,434	895
Other Retirement Contributions - PERS	15,000	3,359	18,359	18,359	
Other Retirement Contributions - ERIP	10,100	(7,100)	3,000	1,591	1,409
Unemployment Compensation		9,569	9,569	9,569	
Workmen's Compensation	28,600	(5,158)	23,442	23,442	
Health Benefits	372,000	(13,098)	358,902	350,682	8,220
Tuition Reimbursement	8,000	6,583	14,583	14,583	
Unused Vacation Payment to Terminated/Retired Staff		10,307	10,307	10,307	
<b>Total Regular Programs - Instruction</b>	<b>467,400</b>	<b>(1,909)</b>	<b>465,491</b>	<b>454,967</b>	<b>10,524</b>
<b>TOTAL ALLOCATED BENEFITS</b>	<b>477,400</b>	<b>(1,909)</b>	<b>475,491</b>	<b>464,855</b>	<b>10,636</b>
On-behalf TPAF pension Contrib. (non-budgeted)				108,338	(108,338)
On-behalf TPAF PRM Contrib. (non-budgeted)				90,270	(90,270)
On-behalf TPAF pension LTD Ins. (non-budgeted)				492	(492)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				81,989	(81,989)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>281,089</b>	<b>(281,089)</b>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	477,400	(1,909)	475,491	745,944	(270,453)
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>1,450,213</b>	<b>41,355</b>	<b>1,491,568</b>	<b>1,679,172</b>	<b>(187,604)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>2,587,527</b>	<b>32,117</b>	<b>2,619,644</b>	<b>2,789,789</b>	<b>(170,145)</b>
<b>TOTAL EXPENDITURES</b>	<b>2,587,527</b>	<b>32,117</b>	<b>2,619,644</b>	<b>2,789,789</b>	<b>(170,145)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(91,554)	(16,665)	(108,219)	2,000	110,219
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	(91,554)	(16,665)	(108,219)	2,000	110,219
<b>Fund Balance, July 1</b>	446,731		446,731	446,731	
<b>Fund Balance, June 30</b>	<b>\$ 355,177</b>	<b>\$ (16,665)</b>	<b>\$ 338,512</b>	<b>\$ 448,731</b>	<b>\$ 110,219</b>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 25,103	
Excess Surplus				83,992	
Excess Surplus-Designated for Subsequent Year's Expenditures				47,161	
<b>Assigned to:</b>					
Year-End Encumbrances				8,661	
Designated for Subsequent Year's Expenditures				16,148	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>267,666</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				448,731	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				<u>(32,070)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 416,661</u>	

CALIFON BOROUGH SCHOOL DISTRICT  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**

Exhibit C-2

For the Fiscal Year Ended June 30, 2017

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Federal Sources	\$ 46,902	\$ 7,887	\$ 54,789	\$ 33,930	\$ (20,859)
<b>Total Revenues</b>	<b>46,902</b>	<b>7,887</b>	<b>54,789</b>	<b>33,930</b>	<b>(20,859)</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Purchased Prof. and Tech. Services	1,535	256	1,791	1,289	502
Tuition	29,060	5,689	34,749	16,334	18,415
General Supplies	16,307	1,942	18,249	16,307	1,942
<b>Total Instruction</b>	<b>46,902</b>	<b>7,887</b>	<b>54,789</b>	<b>33,930</b>	<b>20,859</b>
Total Expenditures	46,902	7,887	54,789	33,930	20,859
<b>Total Outflows</b>	<b>\$ 46,902</b>	<b>\$ 7,887</b>	<b>\$ 54,789</b>	<b>\$ 33,930</b>	<b>\$ 20,859</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				None	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Last State Aid Payment not recognized on GAAP basis				None	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				None	



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2017

**Explanation of Differences between Budgetary Inflows and Outflows and  
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 2,791,789	\$ 33,930
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	29,696	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(32,070)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 2,789,415</u>	<u>\$ 33,930</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 2,789,789	\$ 33,930
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 2,789,789</u>	<u>\$ 33,930</u>

**Califon School District  
 Required Supplementary Information - Part III  
 Schedule of the District's Proportionate Share of the Net Pension Liability  
 Last Ten Fiscal Years \***

**Exhibit L-3**

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 6,562,825</u>	<u>\$ 4,602,166</u>	<u>\$ 5,373,504</u>	<u>\$ 5,279,947</u>						
Total	<u>\$ 6,562,825</u>	<u>\$ 4,602,166</u>	<u>\$ 5,373,504</u>	<u>\$ 5,279,947</u>						
District's covered employee payroll	\$ 1,048,748	\$ 1,063,242	\$ 870,493	\$ 813,409						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

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

**Exhibit L-1**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.0029025%	0.0015288%	0.0021167%	0.0023760%						
District's proportionate share of the net pension liability (asset)	<u>\$ 859,624</u>	<u>\$ 343,196</u>	<u>\$ 396,309</u>	<u>\$ 454,109</u>						
District's covered employee payroll	\$ 139,336	\$ 330,187	\$ 538,989	\$ 663,584						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	616.94%	103.94%	73.53%	68.43%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	40.14%	47.92%	52.08%	48.72%						

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

Califon School District  
 Required Supplementary Information - Part III  
 Schedule of District Contributions  
 Last Ten Fiscal Years \*

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 1,048,748	\$ 1,063,342	\$ 870,493	\$ 813,409						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

\*\* Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 18,218	\$ 18,144	\$ 25,691	\$ 11,467						
Contributions in relation to the contractually required contribution	(18,218)	(18,144)	(25,691)	(11,467)						
Contribution deficiency (excess)	-	-	-	-						
District's covered employee payroll	\$ 139,336	\$ 330,187	\$ 538,989	\$ 663,584						
Contributions as a percentage of covered-employee payroll	13.07%	5.50%	4.77%	1.73%						

\* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III**  
**Pension Schedules**

For the Fiscal Year Ended June 30, 2017

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

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

*Changes of assumptions.* Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

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

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

*Changes of assumptions.* Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

**OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND  
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2017

	Title Ia	IDEA Basic	REAP	Totals
<b>REVENUES</b>				
Federal Sources	\$ 1,289	\$ 16,334	\$ 16,307	\$ 33,930
<b>TOTAL REVENUES</b>	<b>1,289</b>	<b>16,334</b>	<b>16,307</b>	<b>33,930</b>
<b>EXPENDITURES:</b>				
<b>Instruction:</b>				
Purchased Prof. and Tech. Services	1,289			1,289
Tuition		16,334		16,334
General Supplies			16,307	16,307
<b>Total Instruction</b>	<b>1,289</b>	<b>16,334</b>	<b>16,307</b>	<b>33,930</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,289</b>	<b>\$ 16,334</b>	<b>\$ 16,307</b>	<b>\$ 33,930</b>
<b>Total Outflows</b>	<b>\$ 1,289</b>	<b>\$ 16,334</b>	<b>\$ 16,307</b>	<b>\$ 33,930</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>				

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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.



CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND  
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2017

<u>Issue/Project Title</u>	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2017</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Addition Construction & Renovations to Califon School	Voters	9/27/05	\$ 1,935,000	\$ 1,887,397	\$ 22,627	\$ 24,976
Upgrade of Septic System	State of New Jersey - SDA	4/11/17	31,211		31,211	
Totals			<u>\$ 1,966,211</u>	<u>\$ 1,887,397</u>	<u>53,838</u>	<u>\$ 24,976</u>
				Accrued Interest on Bond Proceeds		4,766
					Fund Balance	<u>\$ 29,742</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2017

**Revenues and Other Financing**

**Sources**

SDA Grant	\$ 31,211
Total Revenues	<u>31,211</u>

**Expenditures and Other Financing**

**Uses:**

Construction services	53,838
Total Expenditures	<u>53,838</u>

Excess(deficiency) of revenues over(under) expenditures	(22,627)
------------------------------------------------------------	----------

Fund Balance - Beginning	<u>\$ 52,369</u>
--------------------------	------------------

Fund Balance - Ending	<u><u>\$ 29,742</u></u>
-----------------------	-------------------------

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,**  
**AND PROJECT STATUS-BUDGETARY BASIS**  
**NEW CONSTRUCTION & RENOVATIONS OF CALIFON SCHOOL**

From Inception and for the Fiscal Year Ended June 30, 2017

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
<b>Revenues and Other Financing</b>				
<b>Sources</b>				
Bond Proceeds	\$ 1,935,000		\$ 1,935,000	\$ 1,935,000
Refund of Prior Year Expenditures	18,059		18,059	
Total Revenues	<u>1,953,059</u>	-	<u>1,953,059</u>	<u>1,935,000</u>
<b>Expenditures and Other Financing</b>				
<b>Sources</b>				
Purchased professional and technical serv.	\$ 259,649		259,649	292,600
Construction services	1,645,807	\$ 22,627	1,668,434	1,642,400
Total Expenditures	<u>1,905,456</u>	<u>22,627</u>	<u>1,928,083</u>	<u>1,935,000</u>
Excess(deficiency)of revenues over(under) expenditures	<u>\$ 47,603</u>	<u>\$ (22,627)</u>	<u>\$ 24,976</u>	

**Additional project information:**

Project number	N/A
Grant Date	N/A
Bond Authorization Date	9/27/2005
Bonds Authorized	\$1,935,000
Bonds Issued	\$1,935,000
Original Authorized Cost	\$1,935,000
Additional Authorized Cost	N/A
Revised Authorized Cost	\$1,935,000

Percentage Increase over Original

Authorized Cost	N/A
Percentage Completion	99.7%
Original Target Completion Date	6/30/07
Revised Target Completion Date	9/30/07

**CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,  
AND PROJECT STATUS-BUDGETARY BASIS  
UPGRADE OF SEPTIC SYSTEM**

From Inception and for the Fiscal Year Ended June 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Costs</u>
<b>Revenues and Other Financing</b>				
<b>Sources</b>				
SDA Grant		\$ 31,211	\$ 31,211	\$ 31,211
Total Revenues	-	31,211	31,211	31,211
<b>Expenditures and Other Financing</b>				
<b>Sources</b>				
Purchased professional and technical serv.			-	
Construction services		31,211	31,211	31,211
Total Expenditures	-	\$ 31,211	\$ 31,211	\$ 31,211
Excess(deficiency)of revenues over(under) expenditures	-	-	-	

**Additional project information:**

Project number	0670-030-13-001 (G1RD)
Grant Date	4/11/2017
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$31,211
Additional Authorized Cost	N/A
Revised Authorized Cost	\$31,211
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100%
Original Target Completion Date	6/30/17
Revised Target Completion Date	6/30/17

<p style="text-align: center;"><b>PROPRIETARY FUND DETAIL STATEMENTS</b></p>
----------------------------------------------------------------------------------

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.

**Food Services Fund** - This fund provides for the operation of food services in all schools within the school district.

**THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.**

<p style="text-align: center;"><b>FIDUCIARY FUND DETAIL STATEMENTS</b></p>
--------------------------------------------------------------------------------

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

**Student Activity Fund** - This agency fund is used to account for student funds held at the schools.

**Payroll Fund** - This agency fund is used to account for the payroll transactions of the school district.

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>UNEMPLOYMENT COMPENSATION INSURANCE TRUST</u>	<u>NOFA TRUST FUNDS</u>	<u>SCHOLARSHIP FUNDS</u>	<u>AGENCY FUNDS</u>		<u>TOTALS</u>
				<u>STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>	
<b>ASSETS:</b>						
Cash and Cash Equivalents	\$3,087	\$67	\$76,347	\$7,638	\$10,935	\$98,074
<b>TOTAL ASSETS</b>	<u>\$3,087</u>	<u>\$67</u>	<u>\$76,347</u>	<u>\$7,638</u>	<u>\$10,935</u>	<u>\$98,074</u>
<b>LIABILITIES:</b>						
Liabilities:						
Payroll Deductions					\$10,935	\$10,935
Payable to Student Groups				\$7,638		7,638
<b>Total Liabilities</b>				<u>7,638</u>	<u>10,935</u>	<u>18,573</u>
<b>NET POSITION</b>						
Held in Trust for Scholarship Purposes			\$76,347			76,347
Held in Trust for Unemployment Claims and Other Purposes	\$3,087	\$67				3,154
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$3,087</u>	<u>\$67</u>	<u>\$76,347</u>	<u>\$7,638</u>	<u>\$10,935</u>	<u>\$98,074</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2017**

	<b>UNEMPLOYMENT COMPENSATION INSURANCE TRUST</b>	<b>NOFA TRUST FUND</b>	<b>HELEN APGAR TRUST SCHOLARSHIP FUND</b>	<b>TOTALS</b>
<b>ADDITIONS</b>				
Contributions:				
Plan Member	\$ 2,896	-	-	\$ 2,896
Total Contributions	<u>2,896</u>	<u>-</u>	<u>-</u>	<u>2,896</u>
Investment Earnings:				
Interest	-	-	\$ 37	37
Net Investment Earnings	<u>-</u>	<u>-</u>	<u>37</u>	<u>37</u>
<b>Total Additions</b>	<u>2,896</u>	<u>-</u>	<u>37</u>	<u>2,933</u>
<b>DEDUCTIONS</b>				
Administrative Costs		\$ 37	20	57
Scholarships			2,000	2,000
Unemployment Claims	2,406	-	-	2,406
<b>Total Deductions</b>	<u>2,406</u>	<u>37</u>	<u>2,020</u>	<u>4,463</u>
Change in Net Position	490	(37)	(1,983)	(1,530)
Net Position—Beginning of the Year	<u>2,597</u>	<u>104</u>	<u>78,330</u>	<u>81,031</u>
<b>Net Position—End of the Year</b>	<u>\$ 3,087</u>	<u>\$ 67</u>	<u>\$ 76,347</u>	<u>\$ 79,501</u>



CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>ACTIVITY</u>	<u>BALANCE JUNE 30, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
School Activity Funds	\$ 5,927	\$ 27,622	\$ 25,911	\$ 7,638
	<u>\$ 5,927</u>	<u>\$ 27,622</u>	<u>\$ 25,911</u>	<u>\$ 7,638</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BALANCE</u> <u>JUNE 30, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ (3,319)	\$ 1,603,972	\$ 1,589,718	\$ 10,935
<b>Total Assets</b>	<u>\$ (3,319)</u>	<u>\$ 1,603,972</u>	<u>\$ 1,589,718</u>	<u>\$ 10,935</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ (3,106)	\$ 646,826	\$ 643,370	\$ 350
Accrued Salaries and Wages	(213)	957,146	946,348	10,585
<b>Total Liabilities</b>	<u>\$ (3,319)</u>	<u>\$ 1,603,972</u>	<u>\$ 1,589,718</u>	<u>\$ 10,935</u>

## **LONG-TERM DEBT SCHEDULES**

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS  
AS OF ENDED JUNE 30, 2017**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2016</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2017</u>
			<u>DATE</u>	<u>AMOUNT</u>				
School Construction Bonds - Series 2006	08/15/06	\$ 1,935,000	08/15/17	\$ 145,000	4.00%	\$ 925,000	\$ 140,000	\$ 785,000
			08/15/18	150,000	4.00%			
			08/15/19	155,000	4.05%			
			08/15/20	165,000	4.05%			
			08/15/21	170,000	4.25%			
Total						<u>\$ 925,000</u>	<u>\$ 140,000</u>	<u>\$ 785,000</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Positive/ (Negative) <u>Final to Actual</u></b>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 129,987	-	\$ 129,987	\$ 129,987	-
State Sources:					
Debt Service Aid Type II	<u>44,798</u>	-	<u>44,798</u>	<u>44,798</u>	-
Total - State Sources	44,798		44,798	44,798	
<b>TOTAL REVENUES</b>	<b><u>174,785</u></b>	<b>-</b>	<b><u>174,785</u></b>	<b><u>174,785</u></b>	<b>-</b>
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	34,785	-	34,785	34,785	-
Redemption of Principal	<u>140,000</u>	-	<u>140,000</u>	<u>140,000</u>	-
Total Regular Debt Service	<u>174,785</u>	-	<u>174,785</u>	<u>174,785</u>	-
<b>TOTAL EXPENDITURES</b>	<b><u>174,785</u></b>	<b>-</b>	<b><u>174,785</u></b>	<b><u>174,785</u></b>	<b>-</b>
Fund Balance, July 1	<u>71</u>		<u>71</u>	<u>71</u>	
Fund Balance, June 30	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ -</u>
<b>Recapitulation of Excess (Deficiency) of <u>Revenues Over (Under) Expenditures</u></b>					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Califon Borough School District  
**Statistical Section**

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**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Califon Borough School District  
Net Position by Component,  
Last Ten Fiscal Years**

*(accrual basis of accounting)*

**Exhibit J-1**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 173,477	\$ 90,676	\$ 135,094	\$ 135,094	\$ 233,930	\$ 233,930	\$ 347,766	\$ 412,184	\$ 498,747	\$ 640,663
Restricted	103	103	39,952	10,103	38,209	25,103	71,503	182,437	163,917	172,404
Unrestricted	114,122	59,369	61,130	89,615	61,488	133,279	172,514	(274,413)	(230,734)	(329,318)
<b>Total governmental activities net position</b>	<u>\$ 287,702</u>	<u>\$ 150,148</u>	<u>\$ 236,176</u>	<u>\$ 234,812</u>	<u>\$ 333,627</u>	<u>\$ 392,312</u>	<u>\$ 591,783</u>	<u>\$ 320,208</u>	<u>\$ 431,930</u>	<u>\$ 483,749</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt										
Restricted										
Unrestricted	\$ 996	\$ 3,023	\$ 3,188	\$ 686	\$ 1,346	\$ 1,727	\$ 1,989	\$ 2,457	\$ 2,281	\$ 2,471
<b>Total business-type activities net position</b>	<u>\$ 996</u>	<u>\$ 3,023</u>	<u>\$ 3,188</u>	<u>\$ 686</u>	<u>\$ 1,346</u>	<u>\$ 1,727</u>	<u>\$ 1,989</u>	<u>\$ 2,457</u>	<u>\$ 2,281</u>	<u>\$ 2,471</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ 90,676	\$ 135,094	\$ 135,094	\$ 233,930	\$ 233,930	\$ 347,766	\$ 347,766	\$ 412,184	\$ 498,747	\$ 640,663
Restricted	103	39,952	10,103	38,209	25,103	71,503	182,437	163,917	172,404	
Unrestricted	62,392	64,318	90,301	62,834	135,006	174,503	174,503	(271,956)	(228,453)	(326,847)
<b>Total district net position</b>	<u>\$ 153,171</u>	<u>\$ 239,364</u>	<u>\$ 235,498</u>	<u>\$ 334,973</u>	<u>\$ 394,039</u>	<u>\$ 593,772</u>	<u>\$ 593,772</u>	<u>\$ 322,665</u>	<u>\$ 434,211</u>	<u>\$ 486,220</u>

Source: CAFR Schedule A-1

**Califon Borough School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental activities										
Instruction										
Regular	\$ 1,142,196	\$ 1,116,540	\$ 1,186,911	\$ 1,065,952	\$ 1,106,180	\$ 1,030,859	\$ 1,092,213	\$ 1,151,023	\$ 1,429,254	\$ 1,708,269
Special education	280,822	286,664	300,879	328,712	354,446	411,870	229,212	363,927	365,412	366,506
Other special education	46,607	63,302	56,722	36,593	19,916	23,841	45,271	51,599	48,793	57,800
Support Services:										
Tuition	6,507	82,662	59,117	134,435	65,013	57,362	62,966	79,697	76,139	122,224
Student & instruction related services	423,618	286,426	284,161	341,102	384,386	520,883	484,221	625,078	557,415	553,920
General administrative services	319,230	309,256	297,385	176,378	189,155	196,264	137,090	133,533	127,595	150,125
School administrative services	6,457	6,842	5,756	59,854	62,864	81,299	79,555	45,966	42,807	50,630
Business administrative services										
Plant operations and maintenance	254,329	217,890	226,545	215,888	235,411	230,814	250,025	280,677	238,729	251,076
Pupil transportation	91,924	76,907	57,766	103,765	74,699	56,947	108,131	91,498	57,809	61,723
Interest Expense	74,660	70,686	66,510	62,065	57,735	53,160	48,385	43,409	38,235	32,686
Unallocated depreciation	11,308	6,058	6,058	6,058	6,058	6,058	6,058	6,058	6,487	6,838
Total governmental activities expenses	<u>2,657,658</u>	<u>2,523,233</u>	<u>2,547,810</u>	<u>2,530,802</u>	<u>2,555,863</u>	<u>2,669,357</u>	<u>2,543,127</u>	<u>2,872,465</u>	<u>2,988,675</u>	<u>3,361,797</u>
Business-type activities:										
Food service	8,722	5,181	7,450	8,766	5,377	5,346	3,488	3,050	2,731	2,346
Total business-type activities expense	<u>8,722</u>	<u>5,181</u>	<u>7,450</u>	<u>8,766</u>	<u>5,377</u>	<u>5,346</u>	<u>5,346</u>	<u>3,050</u>	<u>2,731</u>	<u>2,346</u>
Total district expenses	<u>\$ 2,666,380</u>	<u>\$ 2,528,414</u>	<u>\$ 2,555,260</u>	<u>\$ 2,539,568</u>	<u>\$ 2,561,240</u>	<u>\$ 2,674,703</u>	<u>\$ 2,548,473</u>	<u>\$ 2,875,515</u>	<u>\$ 2,991,406</u>	<u>\$ 3,364,143</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Tuition	\$ 14,400	\$ 7,200	\$ 14,500	\$ -	\$ 18,387	\$ 17,600	\$ 20,952	\$ 27,913	\$ 23,092	\$ 20,442
Operating grants and contributions	743,714	580,693	610,838	470,596	542,436	578,083	573,389	813,617	841,278	1,080,139
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>758,114</u>	<u>587,893</u>	<u>625,338</u>	<u>470,596</u>	<u>560,823</u>	<u>595,683</u>	<u>594,341</u>	<u>841,530</u>	<u>864,370</u>	<u>1,100,581</u>
Business-type activities:										
Charges for services										
Food service	3,979	3,748	4,466	3,357	2,968	2,989	1,822	1,767	1,408	1,384
Operating grants and contributions	3,250	3,460	3,149	2,907	3,069	2,738	1,928	1,751	1,147	1,152
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>7,229</u>	<u>7,208</u>	<u>7,615</u>	<u>6,264</u>	<u>6,037</u>	<u>5,727</u>	<u>3,750</u>	<u>3,518</u>	<u>2,555</u>	<u>2,536</u>
Total district program revenues	<u>\$ 765,343</u>	<u>\$ 595,101</u>	<u>\$ 632,953</u>	<u>\$ 476,860</u>	<u>\$ 566,860</u>	<u>\$ 601,410</u>	<u>\$ 598,091</u>	<u>\$ 845,048</u>	<u>\$ 866,925</u>	<u>\$ 1,103,117</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (1,935,340)	\$ (1,922,472)	\$ (2,060,206)	\$ (1,995,040)	\$ (2,073,674)	\$ (2,073,674)	\$ (1,948,786)	\$ (2,030,935)	\$ (2,124,305)	\$ (2,261,216)
Business-type activities	2,027	165	(2,502)	660	381	381	262	468	(176)	190
Total district-wide net expense	<u>\$ (1,933,313)</u>	<u>\$ (1,922,307)</u>	<u>\$ (2,062,708)</u>	<u>\$ (1,994,380)</u>	<u>\$ (2,073,293)</u>	<u>\$ (2,073,293)</u>	<u>\$ (1,948,524)</u>	<u>\$ (2,030,467)</u>	<u>\$ (2,124,481)</u>	<u>\$ (2,261,026)</u>

Continued



**Califon Borough School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 1,733,093	\$ 1,861,084	\$ 1,878,376	\$ 1,928,764	\$ 1,967,339	\$ 2,004,785	\$ 2,017,876	\$ 2,067,948	\$ 2,109,307	\$ 2,151,493
Taxes levied for debt service	98,231	120,266	120,894	129,243	125,971	126,343	126,566	126,640	126,566	129,987
Federal & State Aid on Capital Asset Projects	-	-	-	-	-	-	-	-	-	31,211
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	13,749	4,922	1,014	462	255	255	265	259	152	344
Miscellaneous income	231	17,773	8,216	373	290	976	3,550	1,164	2	-
Total governmental activities	<u>1,845,304</u>	<u>2,004,045</u>	<u>2,008,500</u>	<u>2,058,842</u>	<u>2,093,855</u>	<u>2,132,359</u>	<u>2,148,257</u>	<u>2,196,011</u>	<u>2,236,027</u>	<u>2,313,035</u>
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 1,845,304</u>	<u>\$ 2,004,045</u>	<u>\$ 2,008,500</u>	<u>\$ 2,058,842</u>	<u>\$ 2,093,855</u>	<u>\$ 2,132,359</u>	<u>\$ 2,148,257</u>	<u>\$ 2,196,011</u>	<u>\$ 2,236,027</u>	<u>\$ 2,313,035</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (90,036)	\$ 81,573	\$ (51,706)	\$ 63,802	\$ 20,181	\$ 58,685	\$ 199,471	\$ 165,076	\$ 111,722	\$ 51,819
Business-type activities	2,027	165	(2,502)	660	381	381	262	468	(176)	190
Total district	<u>\$ (88,009)</u>	<u>\$ 81,738</u>	<u>\$ (54,208)</u>	<u>\$ 64,462</u>	<u>\$ 20,562</u>	<u>\$ 59,066</u>	<u>\$ 199,733</u>	<u>\$ 165,544</u>	<u>\$ 111,546</u>	<u>\$ 52,009</u>

Source: CAFR Schedule A-2

**Califon Borough School District**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

**Exhibit J-3**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 20,078	\$ 37,565	\$ 102,074	\$ 39,519	\$ 62,725	\$ 54,459	\$ 88,554	\$ 207,683	\$ 180,583	\$ 181,065
Unreserved	202,369	129,022	135,170	145,223	169,904	179,766	239,783	220,304	236,452	235,596
Total general fund	<u>\$ 222,447</u>	<u>\$ 166,587</u>	<u>\$ 237,244</u>	<u>\$ 184,742</u>	<u>\$ 232,629</u>	<u>\$ 234,225</u>	<u>\$ 328,337</u>	<u>\$ 427,987</u>	<u>\$ 417,035</u>	<u>\$ 416,661</u>
All Other Governmental Funds										
Reserved						\$ -	-	-	-	-
Unreserved, reported in:										
Special revenue fund						-	-	-	-	-
Capital projects fund	\$ 51,475	\$ 51,563	\$ 51,563	\$ 51,563	\$ 51,423	\$ 52,369	\$ 52,369	\$ 52,369	\$ 52,369	\$ 29,742
Debt service fund	-	-	-	70	70	70	70	71	71	71
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 51,475</u>	<u>\$ 51,563</u>	<u>\$ 51,563</u>	<u>\$ 51,633</u>	<u>\$ 51,493</u>	<u>\$ 52,439</u>	<u>\$ 52,439</u>	<u>\$ 52,440</u>	<u>\$ 52,440</u>	<u>\$ 29,813</u>

Source: CAFR Schedule B-1

**Califon Borough School District  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years**

**Exhibit J-4**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Revenues</b>										
Tax levy	\$ 1,831,324	\$ 1,981,350	\$ 1,999,270	\$ 2,058,007	\$ 2,093,310	\$ 2,131,128	\$ 2,144,442	\$ 2,194,588	\$ 2,235,873	\$ 2,281,480
Tuition charges	14,400	7,200	14,500	-	18,387	17,600	20,952	27,913	23,092	20,442
Interest earnings										
Miscellaneous	13,980	22,695	9,230	835	545	1,231	3,815	1,423	154	345
State sources	621,951	517,028	485,651	401,037	469,655	526,575	531,403	519,516	580,166	693,144
Federal sources	121,763	63,665	125,187	69,559	76,028	51,508	41,986	44,322	46,902	33,930
<b>Total revenue</b>	<b>2,603,418</b>	<b>2,591,938</b>	<b>2,633,838</b>	<b>2,529,438</b>	<b>2,657,925</b>	<b>2,728,042</b>	<b>2,742,598</b>	<b>2,787,762</b>	<b>2,886,187</b>	<b>3,029,341</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	780,577	855,033	891,544	807,403	821,746	757,099	823,189	764,232	1,183,670	1,269,023
Special education instruction	216,937	234,802	239,826	265,796	280,822	324,276	184,197	261,744	315,323	285,471
Other special instruction	36,004	51,850	45,212	29,589	15,779	18,771	36,380	37,111	42,105	45,020
Vocational education	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
<b>Support Services:</b>										
Tuition	5,027	67,707	47,121	108,704	51,509	45,163	50,600	57,320	65,702	95,200
Student & instruction related services	327,248	234,607	226,500	275,815	307,790	410,105	389,124	449,569	481,007	431,447
General administrative services										
School Administrative services	4,988	5,604	4,588	48,398	49,806	64,009	63,931	33,060	36,939	39,436
Business administrative services	246,607	253,307	237,041	142,619	149,865	154,524	110,167	96,040	110,105	116,932
Plant operations and maintenance	199,745	181,248	180,575	174,567	186,513	181,726	200,922	201,869	206,005	212,025
Pupil transportation	71,012	62,993	46,044	83,904	59,183	44,836	86,895	65,807	49,885	48,076
Unallocated employee benefits	561,867	439,350	471,645	471,360	517,640	555,106	532,896	541,991	223,493	281,089
Special Revenue	-	-	-	-	-	-	-	-	-	-
Capital outlay	69,724	89,023	-	-	140	-	-	9,084	12,720	53,838
Debt service	171,085	172,186	173,085	173,715	169,385	169,885	170,185	170,284	170,185	174,785
<b>Total expenditures</b>	<b>2,690,821</b>	<b>2,647,710</b>	<b>2,563,181</b>	<b>2,581,870</b>	<b>2,610,178</b>	<b>2,725,500</b>	<b>2,648,486</b>	<b>2,688,111</b>	<b>2,897,139</b>	<b>3,052,342</b>
Excess (Deficiency) of revenues over (under) expenditures	(87,403)	(55,772)	70,657	(52,432)	47,747	2,542	94,112	99,651	(10,952)	(23,001)
<b>Other Financing Sources (uses)</b>										
Bond Proceeds										
Transfers out						-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (87,403)</b>	<b>\$ (55,772)</b>	<b>\$ 70,657</b>	<b>\$ (52,432)</b>	<b>\$ 47,747</b>	<b>\$ 2,542</b>	<b>\$ 94,112</b>	<b>\$ 99,651</b>	<b>\$ (10,952)</b>	<b>\$ (23,001)</b>
Debt service as a percentage of noncapital expenditures	6.5%	6.7%	6.8%	6.7%	6.5%	6.2%	6.4%	6.4%	5.9%	5.8%

Source: CAFR Schedule B-2

CALIFON BOROUGH SCHOOL DISTRICT  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Transpor.</u> <u>Reimburse.</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 13,749			\$ 14,400	\$ 231	\$ 28,380
2009	4,492			7,200	1,090	12,782
2010	1,014	4,955		14,500	9,467	29,936
2011	462				373	835
2012	255			18,387	290	18,932
2013	269			17,600	16	17,885
2014	265			20,952	3,550	24,767
2015	259			27,913	1,164	29,336
2016	152			23,092	2	23,246
2017	344			20,442	1	20,787

SOURCE: District Records

**Califon Borough School District  
Assessed Value and Actual Value of Taxable Property,  
Last Ten Fiscal Years**

**Exhibit J-6**

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$3,199,100	\$140,743,600	\$1,957,500	\$27,508	\$14,999,300	396,100	\$475,700	172,597,980	\$9,575,100	\$1,224,072	\$163,022,880	1.109	\$163,369,149
2009	3,024,300	141,995,300	1,957,500	27,508	16,220,700	\$396,100	475,700	174,986,362	9,575,100	1,314,154	165,411,262	1.153	164,844,456
2010	2,788,300	142,390,600	1,959,800	25,408	16,221,700	396,100	475,700	175,120,300	9,575,100	1,287,592	165,545,200	1.203	154,096,021
2011	2,366,500	143,408,000	1,959,800	25,408	16,167,100	396,100	475,700	175,400,433	9,575,100	1,026,725	165,825,333	1.223	156,748,253
2012	1,806,700	127,307,700	1,788,500	25,408	15,917,800	397,900	417,600	159,798,457	11,263,400	873,449	148,535,057	1.398	153,958,918
2013	1,800,700	126,560,900	1,454,700	23,608	15,917,800	397,900	417,600	159,538,325	12,220,800	744,317	147,317,525	1.434	147,497,347
2014	1,432,100	126,313,500	1,454,700	23,608	15,917,800	397,900	417,600	158,077,308	12,120,100	0	145,957,208	1.465	138,404,733
2015	1,367,200	126,010,200	1,454,700	23,608	15,917,800	397,900	382,100	157,673,608	12,120,100	-	145,553,508	1.491	135,622,331
2016	1,249,800	126,102,000	1,454,700	23,608	15,917,800	397,900	382,100	157,648,108	12,120,100	100	145,528,008	1.522	134,179,869
2017	1,249,800	126,501,500	1,454,700	23,608	15,648,800	397,900	382,100	157,778,608	12,120,100	100	145,658,508	1.551	138,555,153

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

**Califon Borough School District  
Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Years**

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Califon Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct	North	Califon Borough	Library	Hunterdon County	
				Hunterdon Reg. High School				
2008	\$1.049	\$0.060	\$1.109	\$0.451	\$0.393	\$0.026	\$0.311	\$2.290
2009	\$1.080	\$0.073	\$1.153	\$0.458	\$0.384	\$0.025	\$0.308	\$2.328
2010	\$1.130	\$0.073	\$1.203	\$0.456	\$0.390	\$0.023	\$0.297	\$2.369
2011	\$1.145	\$0.078	\$1.223	\$0.475	\$0.396	\$0.023	\$0.301	\$2.418
2012	\$1.313	\$0.085	\$1.398	\$0.582	\$0.450	\$0.026	\$0.331	\$2.787
2013	\$1.348	\$0.086	\$1.434	\$0.585	\$0.470	\$0.029	\$0.323	\$2.841
2014	\$1.347	\$0.087	\$1.465	\$0.545	\$0.487	\$0.029	\$0.343	\$2.869
2015	\$1.404	\$0.087	\$1.491	\$0.611	\$0.528	\$0.029	\$0.315	\$2.974
2016	\$1.435	\$0.087	\$1.522	\$0.610	\$0.547	\$0.029	\$0.312	\$3.020
2017	\$1.462	\$0.089	\$1.551	\$0.597	\$0.540	\$0.029	\$0.352	\$3.069

Source: District Records and Municipal Tax Collector

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

**Califon Borough School District  
Principal Property Tax Payers,  
Current Year and Nine Years Ago**

**Exhibit J-8**

Taxpayer	2010			2000		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Country Square, Inc.	\$ 2,389,700	1	1.44%	\$ 1,350,000	2	1.84%
Wade Family Partnership, LP	1,815,500	2	1.10%			
Columbia Gas Transmission Corp.	1,531,500	3	0.93%	1,103,844	3	1.50%
Staiano Wood Products	1,324,500	4	0.80%	689,000	4	0.94%
United Telephone of NJ/Embarq	1,314,154	5	0.79%			
Individual Taxpayer #1	1,021,000	6	0.62%	1,494,800	1	2.04%
Individual Taxpayer #2	847,400	7	0.51%	551,800	7	0.75%
Individual Taxpayer #3	816,800	8	0.49%	536,900	8	0.73%
Individual Taxpayer #4	774,600	9	0.47%	452,900	9	0.62%
D & B Holding, LLC	753,700	10	0.46%			
Individual Taxpayer #1				362,300	10	0.49%
United National Bank				600,500	5	0.82%
Califon Lumber Company				583,700	6	0.80%
<b>Total</b>	<b>\$ 12,588,854</b>		<b>7.61%</b>	<b>\$ 7,725,744</b>		<b>10.53%</b>

Source: District CAFR & Municipal Tax Assessor

**Califon Borough School District  
Property Tax Levies and Collections,  
Last Ten Fiscal Years**

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$1,733,093	\$1,733,093	100.00%	-
2009	\$1,861,084	\$1,861,084	100.00%	-
2010	\$1,878,376	\$1,878,376	100.00%	-
2011	\$1,928,764	\$1,928,764	100.00%	-
2012	\$1,967,339	\$1,967,339	100.00%	-
2013	\$2,004,785	\$2,004,785	100.00%	-
2014	\$2,018,876	\$2,018,876	100.00%	-
2015	\$2,067,948	\$2,067,948	100.00%	-
2016	\$2,109,307	\$2,109,307	100.00%	-
2017	\$2,151,493	\$2,151,493	100.00%	-

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

**Note:**

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 is the amount voted upon or certified prior to the end of the school year.



**Califon Borough School District  
 Ratios of Outstanding Debt by Type  
 Last Ten Fiscal Years**

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2008	\$ 1,840,000	-0-	-0-	-0-	-0-	\$ 1,840,000	2.57%	\$1,774.35
2009	\$ 1,740,000	-0-	-0-	-0-	-0-	\$ 1,740,000	2.54%	\$1,677.92
2010	\$ 1,635,000	-0-	-0-	-0-	-0-	\$ 1,635,000	2.37%	\$1,575.14
2011	\$ 1,525,000	-0-	-0-	-0-	-0-	\$ 1,525,000	2.02%	\$1,417.29
2012	\$ 1,415,000	-0-	-0-	-0-	-0-	\$ 1,415,000	1.73%	\$1,289.88
2013	\$ 1,300,000	-0-	-0-	-0-	-0-	\$ 1,300,000	1.61%	\$1,194.85
2014	\$ 1,180,000	-0-	-0-	-0-	-0-	\$ 1,180,000	1.40%	\$1,087.56
2015	\$ 1,055,000	-0-	-0-	-0-	-0-	\$ 1,055,000	1.20%	\$970.56
2016	\$ 925,000	-0-	-0-	-0-	-0-	\$ 925,000	1.06%	\$856.48
2017	\$ 785,000	-0-	-0-	-0-	-0-	\$ 785,000	0.92%	\$740.57

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding

**Califon Borough School District  
 Ratios of Net General Bonded Debt Outstanding  
 Last Ten Fiscal Years**

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 1,840,000	-0-	\$ 1,840,000	1.13%	\$1,774
2009	\$ 1,740,000	-0-	\$ 1,740,000	1.05%	\$1,676
2010	\$ 1,635,000	-0-	\$ 1,635,000	0.99%	\$1,520
2011	\$ 1,525,000	-0-	\$ 1,525,000	0.92%	\$1,386
2012	\$ 1,415,000	-0-	\$ 1,415,000	0.95%	\$1,293
2013	\$ 1,300,000	-0-	\$ 1,300,000	0.88%	\$1,190
2014	\$ 1,180,000	-0-	\$ 1,180,000	0.81%	\$1,086
2015	\$ 1,055,000	-0-	\$ 1,055,000	0.72%	\$971
2016	\$ 925,000	-0-	\$ 925,000	0.64%	\$856
2017	\$ 785,000	-0-	\$ 785,000	0.54%	\$741

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

**a** See Exhibit NJ J-6 for property tax data.

**b** Population data can be found in Exhibit NJ J-14.

**Califon Borough School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2017**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Califon Borough	\$ 1,495,919	100.0%	\$ 1,495,919
<b>Other debt</b>			
North Hunterdon Regional School District	755,000	1.703%	12,855
Hunterdon County	75,793,752	0.654%	<u>495,501</u>
Subtotal, overlapping debt			2,004,275
<b>Califon Borough School District Direct Debt *</b>			<u>785,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 2,789,275</u></u>

**Sources:** Califon Borough Finance Officer, Hunterdon County Finance Office and Utility Authorities

**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 district. 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.

Califon Borough School District  
 Legal Debt Margin Information,  
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2016 \$ 142,188,996
	2015 \$ 138,019,640
	2014 \$ 133,780,798
	<b>[A]</b> <u>\$ 413,989,434</u>
Average equalized valuation of taxable prope	<b>[A/3]</b> \$ 137,996,478
Debt limit (3 % of average equalization value)	<b>[B]</b> 4,139,894
Net bonded school debt *	<b>[C]</b> 785,000
Legal debt margin	<b>[B-C]</b> <u>\$ 3,354,894</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 4,650,456	\$ 4,787,203	\$ 4,767,286	\$ 4,668,268	\$ 4,545,833	\$ 4,384,123	\$ 4,096,062	\$ 4,078,398	\$ 4,073,476	\$ 4,139,894
Total net debt applicable to limit	<u>1,840,000</u>	<u>1,740,000</u>	<u>1,635,000</u>	<u>1,525,000</u>	<u>1,415,000</u>	<u>1,300,000</u>	<u>1,180,000</u>	<u>1,055,000</u>	<u>925,000</u>	<u>785,000</u>
Legal debt margin	<u>\$2,810,456</u>	<u>\$3,047,203</u>	<u>\$3,132,286</u>	<u>\$3,143,268</u>	<u>\$3,130,833</u>	<u>\$3,084,123</u>	<u>\$2,916,062</u>	<u>\$3,023,398</u>	<u>\$3,148,476</u>	<u>\$3,354,894</u>
Total net debt applicable to the limit as a percentage of debt limit	39.57%	36.35%	34.30%	32.67%	31.13%	29.65%	28.81%	25.87%	22.71%	18.96%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts  
 \* Includes authorized, but not issued

**Califon Borough School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Exhibit J-14**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income (thousands of dollars) <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2008	1,037	\$71,611,072	\$69,056 R	0.0%
2009	1,037	\$68,369,410	\$65,930 R	0.0%
2010	1,038	\$68,940,846	\$66,417 R	0.0%
2011	1,076	\$75,635,268	\$70,293 R	0.0%
2012	1,097	\$81,860,334	\$74,622 R	0.0%
2013	1,088	\$80,901,504	\$74,358 R	4.1%
2014	1,085	\$76,458,860	\$77,944 R	4.9%
2015	1,079	\$82,093,501	\$80,759 R	4.1%
2016	1,080	\$87,219,720	\$80,759 *	3.8%
2017	1,060	\$85,604,540	\$80,759 *	*

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by US Dept of Commerce

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

P =Projected

R =Revised

\* =Current data unavailable

Califon Borough School District  
Principal Employers,  
Current Year and Nine Years Ago

Exhibit J-15

N/A

Employer	2017			2008		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

**Source:**  
No reliable information is available at the local or county level.

**Califon Borough School District  
Full-time Equivalent District Employees by Function/Program,  
Last Ten Fiscal Years**

**Exhibit J-16**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	13.1	11.7	11.7	13.0	13.0	12.6	12.9	13.3	13.3	13.3
Special education	6.2	7.2	7.2	8.0	10.0	8.0	8.0	7.4	7.4	6.3
Support Services:										
Student & instruction related services	2.9	3.2	3.2	3.2	3.6	3.6	3.5	4.5	4.5	3.5
General administrative services	1.0	1.0	1.0	1.0	0.3	1.0	1.0	1.0	1.0	1.0
School administrative services	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4	0.4
Business administrative services	1.0	1.0	1.0	1.0	0.8	1.0	1.0	0.8	0.8	0.8
Plant operations and maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Pupil transportation	-	-	-	-	0.2	0.3	0.3	0.3	0.3	0.3
Total	<u>26.3</u>	<u>26.2</u>	<u>26.2</u>	<u>28.3</u>	<u>30.3</u>	<u>28.9</u>	<u>29.1</u>	<u>29.7</u>	<u>29.7</u>	<u>27.6</u>

**Source:** District Personnel Records

Califon Borough School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Teacher/Pupil Ratio	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2008	143	2,462,680	17,222	8.13%	18	1:7.9	144.8	139.7	1.83	96.5%
2009	152	2,458,499	16,174	-6.08%	18	1:8.4	150.3	141.3	3.80	94.0%
2010	156	2,390,096	15,321	-5.28%	18	1:8.7	157.0	152.0	4.46	96.8%
2011	155	2,408,155	15,536	1.41%	19	1:8.2	147.6	141.6	(5.99)	95.9%
2012	145	2,440,653	16,832	8.34%	19	1:7.6	143.7	139.7	(2.64)	97.2%
2013	111	2,555,615	23,024	36.78%	15	1:7.4	109.0	107.0	(24.15)	98.2%
2014	116	2,478,301	21,365	-7.21%	15	1:7.7	112.1	107.1	2.84	95.5%
2015	109	2,517,827	23,099	8.12%	15	1:7.3	108.8	104.7	(2.93)	96.2%
2016	108	2,726,954	25,250	9.31%	15	1:7.2	105.6	101.6	(2.96)	96.2%
2017	94	2,823,719	30,040	18.97%	15	1:6.3	91.4	87.1	(13.45)	95.3%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)



**Califon Borough School District  
School Building Information  
Last Ten Fiscal Years**

**Exhibit J-18**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>District Building</u></b>										
<b><u>Califon Public School</u></b>										
Square Feet	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
Capacity (students)	155	155	155	155	155	155	155	155	155	155
Enrollment	143	152	156	155	145	111	116	109	108	94

Number of Schools at June 30, 2017

**Source:** District records, ASSA

Elementary/Middle = 1

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

CALIFON BOROUGH SCHOOL DISTRICT  
GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Ten Fiscal Years Ending June 30, 2017

Exhibit J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED  
 MAINTENANCE FOR SCHOOL FACILITIES  
 11-000-261-xxx

<u>School Facilities</u>	<u>Project #</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Elementary School	N/A	\$ 34,394	\$ 14,683	\$ 15,537	\$ 11,890	\$ 22,550	\$ 19,575	\$ 27,543	\$ 17,602	\$ 16,960	\$ 15,159	\$ 195,893
Total School Facilities		<u>34,394</u>	<u>14,683</u>	<u>15,537</u>	<u>11,890</u>	<u>22,550</u>	<u>19,575</u>	<u>19,575</u>	<u>17,602</u>	<u>16,960</u>	<u>15,159</u>	<u>187,925</u>
Other Facilities		-	-	-	-	-	-	-	-	-	-	-
<b>Grand Total</b>		<u>\$ 34,394</u>	<u>\$ 14,683</u>	<u>\$ 15,537</u>	<u>\$ 11,890</u>	<u>\$ 22,550</u>	<u>\$ 19,575</u>	<u>\$ 19,575</u>	<u>\$ 17,602</u>	<u>\$ 16,960</u>	<u>\$ 15,159</u>	<u>\$ 187,925</u>

CALIFON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2017

UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>SCHOOL PACKAGE POLICY: SAIF</b>		
Property-Blanket Building and Contents	\$ 250,000,000	\$ 1,000
Comprehensive General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	500
Comprehensive Crime Coverage	50,000	
Comprehensive Crime Coverage-Excess Indemnity	-0-	
Data Processing Equipment/AV	38,534	250
<b>WORKER'S COMPENSATION-SAIF</b>	5,000,000	
<b>UMBERLLA POLICY - SAIF</b>	15,000,000	
<b>SCHOOL BOARD LEGAL LIABILITY - SAIF</b>		
Directors and Officers Policy-Limit each Loss	5,000,000	
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET</b>		
<b>POSITION BOND - Selective Insurance Company:</b>		
Business Administrator	129,000	
Treasurer	150,000	

SOURCE: District Records

# Single Audit Section



## **ARDITO & Co., LLP**

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 Douglas R. Williams, CPA, RMA, PSA

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

#### Independent Auditor's Report

The Honorable President and  
 Members of the Board of Education  
 Califon Borough School District  
 County of Hunterdon  
 Califon, New Jersey 08829

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, each major fund, and the aggregate remaining fund information of the Califon Borough School District Board of Education in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Califon Borough School District Board of Education's basic financial statements, and have issued our report thereon dated October 31, 2017.

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

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

Our consideration of internal control was for the limited purpose described in the preceding 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.

-Continued-

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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards*** or 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 for New Jersey Department of Education use, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*ARDITO & Co., LLP*

ARDITO & CO., LLP  
October 31, 2017

*Anthony Ardito*

Licensed Public School Accountant No.2369

CALIFON BOROUGH SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year ended June 30, 2017

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2016	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2017			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
<b>STATE DEPARTMENT OF EDUCATION</b>															
<b>General Fund:</b>															
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 149,438			\$ 149,438	\$ (149,438)							\$ 14,941	\$ 149,438
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	45,876			45,876	(45,876)							4,587	45,876
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	3,762			3,762	(3,762)							376	3,762
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	93,822			93,822	(93,822)							9,381	93,822
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	2,028			2,028	(2,028)							203	2,028
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	22,938			22,938	(22,938)							2,293	22,938
PARCC Readiness Aid	17-495-034-5120-084	7/1/16-6/30/17	990			990	(990)							99	990
Per Pupil Growth Aid	17-495-034-5120-084	7/1/16-6/30/17	990			990	(990)							99	990
Prof. Learning Comm. Aid	17-495-034-5120-101	7/1/16-6/30/17	910			910	(910)							91	910
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	17,144				(17,144)			\$ (17,144)					17,144
Non-Public Transportation Aid	17-100-034-5120-068	7/1/16-6/30/17	522				(522)			(522)					522
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16		\$ (15,452)		15,452									15,452
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16		(696)		696									696
On Behalf TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	108,338			108,338	(108,338)								108,338
On Behalf TPAF Pension PMR	17-495-034-5094-001	7/1/16-6/30/17	90,270			90,270	(90,270)								90,270
On Behalf TPAF Pension LTD Ins	17-495-034-5094-004	7/1/16-6/30/17	492			492	(492)								492
Reimbursed TPAF Soc.Sec.Contrib.	17-495-034-5094-003	7/1/16-6/30/17	81,989	(3,796)		77,548	(81,989)			(8,237)					81,989
<b>Total General Fund</b>				<b>(19,944)</b>		<b>613,550</b>	<b>(619,509)</b>			<b>(25,903)</b>	<b>-</b>			<b>32,070</b>	<b>635,657</b>
<b>Special Revenue Fund:</b>															
Character Education	06-495-034-5120-053	7/1/05-6/30/06	4,000	1,738		-	-				\$ 1,738				-
<b>Total Special Revenue Fund</b>				<b>1,738</b>		<b>-</b>	<b>-</b>			<b>-</b>	<b>1,738</b>				<b>-</b>
<b>Capital Projects Fund:</b>															
SDA Grant - Upgrade Septic System	0670-030-13-1001 (G1RD)	7/1/16-6/30/17	31,211			31,211	(31,211)								31,211
<b>Total Capital Projects Fund</b>				<b>-</b>	<b>-</b>	<b>31,211</b>	<b>(31,211)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>31,211</b>
<b>Debt Service Fund</b>															
Debt Service Aid Type 2	17-100-034-5120-124	7/1/16-6/30/17	44,798			44,798	(44,798)								44,798
<b>Total State Financial Assistance</b>				<b>\$ (18,206)</b>	<b>-</b>	<b>\$ 689,559</b>	<b>\$ (695,518)</b>	<b>-</b>	<b>-</b>	<b>\$ (25,903)</b>	<b>\$ 1,738</b>	<b>-</b>	<b>\$</b>	<b>32,070</b>	<b>\$ 711,666</b>
Less: On-behalf TPAF Pension Amounts 199,100															
Total State Expenditures Subject to Major Program Determination \$ (496,418)															

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

Note: This Schedule was not subject to an audit in accordance with NJOMB circular 15-08.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2017

**NOTE 1. GENERAL**

The accompanying schedule of expenditures of state financial assistance includes state award activity of the Board of Education, Califon Borough School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,374) for the general fund and -0- for the special revenue 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. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:



NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
 JUNE 30, 2017

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 617,135	\$ 617,135
Special Revenue Fund	\$ 33,930	-	33,930
Capital Projects Fund		31,211	31,211
Debt Service Fund		44,798	44,798
Food Service Fund	<u>1,152</u>	<u>-</u>	<u>1,152</u>
Total Financial Assistance	<u>\$ 35,082</u>	<u>\$ 693,144</u>	<u>\$ 728,226</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

**Financial Statement Section**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_ Yes x None

Reported

Noncompliance material to financial statements noted? \_\_ Yes x No

**Federal Awards**

N/A

Internal control over major programs:

1) Material weakness(es) identified? \_\_ Yes \_\_ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_ Yes \_\_ None

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? \_\_ Yes \_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

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

Auditee qualified as low-risk auditee? \_\_ yes \_\_ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**State Financial Assistance Section**

N/A

Dollar threshold used to distinguish between Type A and Type B programs:

N/A

Auditee qualified as low-risk auditee?

\_\_yes\_\_no

Internal Control over major programs:

1) Material weakness(es) identified?

\_\_yes\_\_no

2) Were significant deficiencies identified that were not considered to be material weaknesses?

\_\_yes\_\_none

Type of auditor's report on compliance for major programs:

N/A

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 Number(s)**

**Name of State Program**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**Section II-Financial Statement Findings**

N/A

The following are significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**Section III - State Financial Assistance Findings and Questioned Costs**

N/A

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND RESPONSES AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

**STATUS OF PRIOR YEAR FINDINGS**

In accordance with *government auditing standards*, our procedures included a review of all prior year recommendations. There were no findings in the prior year.