

***SCHOOL DISTRICT
OF
BETHLEHEM TOWNSHIP***

BOARD OF EDUCATION

***COUNTY OF HUNTERDON
ASBURY, NEW JERSEY***

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR
ENDED JUNE 30, 2016***

**BETHLEHEM TOWNSHIP BOARD OF EDUCATION
COUNTY OF HUNTERDON, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2016**

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INTRODUCTORY SECTION

Bethlehem Township Board of Education

940 Iron Bridge Road
Asbury, NJ 08802
Phone: 908-537-4044
Fax: 908-537-4309

Gregory C. Farley, Ed.D.
Chief School Administrator

Lori A. Tirone
School Business Administrator/
Board Secretary

November 18, 2016

Honorable President and
Members of the Board of Education
Bethlehem Township School District
940 Iron Bridge Road
Asbury, NJ 08802

Dear Members of the Board of Education:

The Comprehensive Annual Financial Report (C.A.F.R.) of the Township of Bethlehem Public School District for the fiscal year ended June 30, 2016, 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 the auditor's report are accurate in all material respects and are reported in a manner designed to fairly present 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 C.A.F.R. 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, management's discussion and analysis, and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis. The District is required to undergo an annual single audit in conformity with the provisions of the 1996 Single Audit Act and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations, and findings and recommendations, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Township of Bethlehem Public School District is an independent reporting entity within the criteria adopted by G.A.S.B. (Governmental Accounting Standards Board) established by Statement No. 14. All funds and account groups of the District are included in this report. The Township of Bethlehem 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 K through 8.

These services include general as well as special education (grades K through 8) programs. The District completed the 2014-2015 fiscal year with an in district enrollment of 388 students, which is 14 (-3.5 %) students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over a ten-year period. These figures do not include those students sent out of district for special education placements.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2015-2016	388	-10.8
2014-2015	402	-10.8
2013-2014	451	-2.0
2012-2013	460	-10.1
2011-2012	512	-5.2
2010-2011	540	- 2.7
2009-2010	555	- 5.3
2008-2009	586	- 4.5
2007-2008	606	- 1.1
2006-2007	613	- 3.2

2. ECONOMIC CONDITION AND OUTLOOK:

As evidenced by the enrollment chart above our district has experienced declining enrollment over the past ten school years. This data is consistent with the overall decline in Hunterdon County as noted in a recent report conducted by the North Hunterdon-Voorhees District. To address this we have worked to attract additional students over the past few years through School Choice and the implementation of a full day kindergarten program. Our district has been designated as "high performing" based on PARCC scores and other standardized measures. This year we enrolled five School Choice students and continue with that number for the 2016-17 school year.

3. MAJOR INITIATIVES:

To better reflect a 21st century society our district has implemented a Transformative Learning initiative that provides One-to-One iPads for all of our students in grades K-8. Our 5th-8th graders use the iPads at home and we anticipate our 4th graders having the same privilege beginning in January of 2017. The power of writing, researching, collaborating, organizing, and creating is at our students' fingertips through the use of technology. Our teachers are trained in the contemporary pedagogy of blended learning and will continue to implement best practices and evidence-based strategies that improve student achievement.

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 (G.A.A.P.). An 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 single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

5. BUDGETARY CONTROLS:

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as a re-appropriation of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

6. ACCOUNTING SYSTEM AND REPORTS:

A District's accounting records must reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). 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.

An effective and efficient system of internal controls is essential to accurate, timely reporting of all relevant transactions on an accounting system and the resultant administrative and external reports generated from that system.

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 responsibilities for sound financial management. The following schedule presents a summary of the general fund, special revenue fund, and debt service fund revenues for the fiscal year ended June 30, 2016, and the amount and percentage of increase/(decrease) in relation to the prior year.

Revenue	2015-2016 Amount	Percent of Total	Increase (Decrease) From 2014-15	Percent of Increase (Decrease)
Local Sources	7,528,115	73.5%	176,476	2.40%
State Sources	2,561,051	25.0%	215,372	9.18%
Federal Sources	<u>151,998</u>	<u>1.5%</u>	<u>(9,017)</u>	<u>-5.60%</u>
Totals	<u>\$ 10,241,164</u>	<u>100.0%</u>	<u>\$382,831</u>	<u>3.88%</u>

The following schedule presents a summary of the general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2016, and the amount and percentage of increase/ (decrease) in relation to the prior year.

Expenditures	2014-2015 Amount	Percent of Total	Increase (Decrease) From 2014-15	Percent of Increase (Decrease)
Current Expense	9,236,932	91.4%	250,531	2.79%
Capital Outlays	284,395	2.8%	259,697	1005.15%
Special Revenues	152,334	1.5%	(8,681)	-5.39%
Debt Service	<u>438,258</u>	<u>4.3%</u>	<u>39,833</u>	<u>9.99%</u>
Totals	<u>\$ 10,111,919</u>	<u>100.0%</u>	<u>\$541,380</u>	<u>5.35%</u>

8. DEBT ADMINISTRATION:

During the 2015-2016 school year, the District retired \$210,000.00 of the principal balance on its 2005 Refunding Bonds. In response to favorable market conditions, management initiated an effort to refund these bonds, culminating in a successful refunding which closed on September 23, 2015. This refunding will provide over \$525,000.00 of debt service savings over the life of the bonds, which equals 9.8% of the net present value (NPV) of the refunded debt service requirement. The State of New Jersey requires a minimum of 3% NPV savings, so our transaction produced more than three times the minimum savings benchmark established by the state.

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 1. 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 initially 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. 2009 amendments to the Act established a sliding collateralization scale for public depositories accepting governmental deposits that is based upon the capitalization level of the depository.

10. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to, general liability and comprehensive collision, hazard and theft insurance on property and contents, and fidelity bonds. Exhibit J-20 provides a summary of the coverage amounts and deductibles.

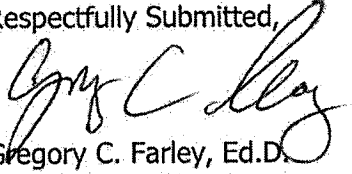
11. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Hodulik & Morrison, P.A. was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act and the related New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.* The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

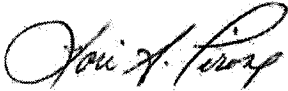
12. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Township of Bethlehem Board of Education for taking initiative to provide fiscal accountability to the taxpayers of the District and thereby contributing their full support to the development and maintenance of our financial operation. Further, the preparation of this report could not have been accomplished without the efficient and dedicated services of our business office staff members.

Respectfully Submitted,

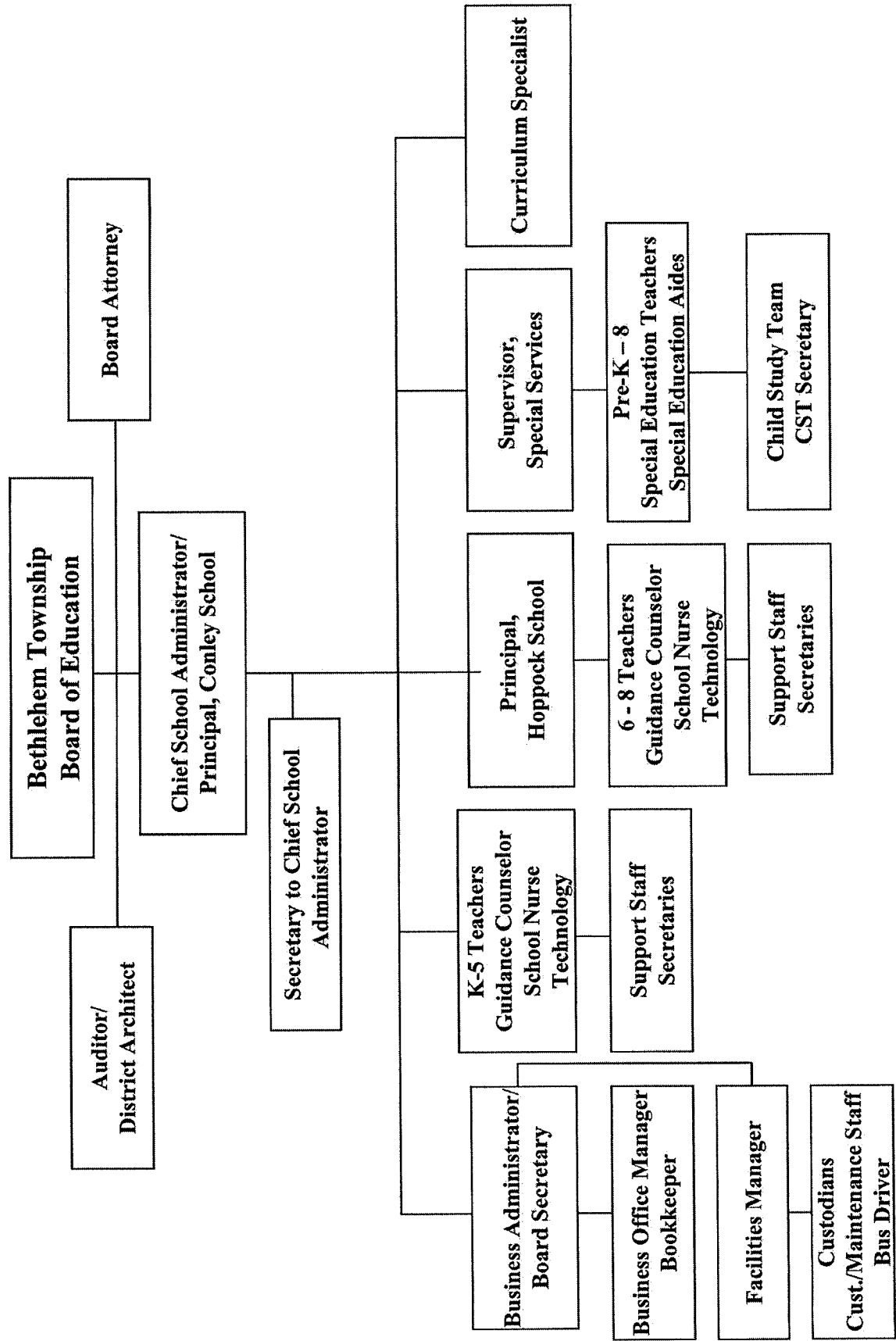


Gregory C. Farley, Ed.D.
Chief School Administrator



Lori A. Tirone
School Business Administrator/Board Secretary

Bethlehem Township School District



TOWNSHIP OF BETHLEHEM BOARD OF EDUCATION
HUNTERDON COUNTY, NEW JERSEY

ROSTER OF OFFICIALS
JUNE 30, 2016

Members of the Board of Education

Term Expires

Glenn Graham, President	2016
John R. Logar, Vice-President	2017
Debra D. Roosen	2018
Jennifer Glaser	2017
Thomas Gregor	2018
Kimberly Solino	2017
Judith Stoll	2016

Other Officials

Dr. Gregory C. Farley, Chief School Administrator
Lori A. Tirone, Board Secretary/School Business Administrator
Brenda Liss, Esq., Board Attorney

**TOWNSHIP OF BETHLEHEM SCHOOL DISTRICT
Consultants and Advisors**

Attorney

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Audit Firm

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P.O. Box 1450
Highland Park, NJ 08904

Bond Counsel

Anthony Pannella, Esq.
Wilentz, Goldman & Spitzer
90 Woodbridge Center Drive
Woodbridge, NJ 07095

Official Depository

Investors Bank
101 JFK Parkway
Short Hills, NJ 07078

Architect/Engineer of Record

Anthony Gianforcaro, AIA, PE
555 East Main Street
Suite One
Chester, NJ 07930

FINANCIAL SECTION

HODULIK & MORRISON, P.A.
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REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
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(732) 393-1000
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ANDREW G. HODULIK, CPA, RMA, PSA
ROBERT S. MORRISON, CPA, RMA, PSA

MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Bethlehem School District
County of Hunterdon, New Jersey

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Township of Bethlehem School District, in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2016, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of 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. In making these 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 our 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 Township of Bethlehem School District, in the County of Hunterdon, State of New Jersey, as of June 30, 2016 and the respective changes in financial position and cash flows, where applicable, 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, including the Notes thereto, and pension plan information, including the Notes thereto, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Bethlehem School District's basic financial statements as a whole. The accompanying other supplementary information, consisting of the combining and individual fund financial statements, and long-term debt schedules, as listed in the table of contents, the schedule of state financial assistance, required by New Jersey OMB Circular 15-08, and the other information, including the introductory section and the statistical section are presented for purpose of additional analysis and are not a required part of the financial statements.

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

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the Township of Bethlehem School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering the Township of Bethlehem School District's internal control over financial reporting and compliance.

Hodulik & Morrison, P.A.

HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Robert S. Morrison

Robert S. Morrison
Public School Accountant
PSA # 871

Highland Park, New Jersey
November 18, 2016

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART I

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Asbury, New Jersey
Hunterdon County

MANAGEMENT DISCUSSION & ANALYSIS (MD&A)
June 30, 2016

The Township of Bethlehem School District (the “District”) discussion and analysis is designed to provide an overview of the District’s financial activities for the year ended June 30, 2016, identify changes in the District’s financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

The focus of the Management Discussion and Analysis (MD&A) is on current year activities, resulting changes and currently known facts. The MD&A should be read in conjunction with the Transmittal Letter and the District’s Financial Statements.

Financial Highlights

The District’s governmental activities net position decreased by \$604,228 as reflected in Table 2, Changes in Net Position. This decrease is primarily attributable to the excess of depreciation over long-term liability reductions and capital equipment acquisitions of \$758,626. This decrease was partially offset by favorable variances (budget v. actual) in current operations of \$168,038. The District’s business-type activity expenses exceeded related revenues by \$7,335. The District entered into a “break-even” contract with its food service management company for the year, and as a result, the reported net loss is comprised of depreciation and equipment repair expenses, which are excluded from the contractual “break-even” formula. The breakdowns of the governmental and business-type activity amounts are reflected in Schedule A-2 of the District-wide Financial Statements. The District’s General Fund reported an increase in Fund Balance of \$167,602 for the year as reflected in Schedule B-2 of the District-wide Financial Statements.

Understanding the Annual Report

New Jersey state law and administrative code require that school districts follow Generally Accepted Accounting Principles (GAAP.) The format focuses on the district as a whole (government-wide financial statements) and refocuses the fund financial statements on major funds. Major funds are defined as those in which total assets and liabilities or revenues and expenditures/expenses are 10% or more of the total assets and liabilities or revenues and expenditures/expenses of all funds of that type (governmental, proprietary, etc.) and at least 5% of the assets and liabilities or revenues and expenditures/expenses for all governmental and enterprise funds combined.

Government-Wide Financial Statements

The government-wide financial statements (see financial statements A-1 and A-2) are designed to be corporate-like in that all government and business-type activities are consolidated into columns, which add to a total for the district. The focus of the Statement of Net Position is designed to be similar to a bottom line for the district and its governmental and business type activities. This statement combines and consolidates governmental fund’s current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities is focused on both the gross and net costs of various activities (including governmental and business-type), which are provided by the government’s general tax and other revenues. This statement is intended to summarize and simplify the user’s analysis of the cost of various governmental services and/or subsidy to various business type activities. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. As required by accounting principles generally accepted in the U.S and New Jersey state law and regulation, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

The governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and balances of spendable resources available at the end of the fiscal year. This is the manner in which the District's financial plan (budget) is typically developed. The flow and availability of current financial resources is a clear and appropriate focus of any analysis of a government. The financial statements include reconciliations of the differences between the fund balance of the governmental funds and the net position of the governmental activities in the government-wide financial statements (Exhibit B-1) and a reconciliation of the differences between the net changes in government fund balances and the change in net position in the government-wide financial statements (Exhibit B-3).

The proprietary funds consist of a major program (food services enterprise fund). Proprietary funds are used to account for activities and programs that are financed primarily through user fees. The activity reported in the proprietary funds utilizes the same basis of accounting as that of the business-type activities reported in the government-wide financial statements. The "Total" column on the business-type fund financial statements is the same as the business-type column on the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the programs of the district. The district's fiduciary funds include the student activities fund, the payroll agency fund, and the employee benefit flexible spending trust fund.

The District as a Whole

Table I reflects the condensed Statement of Net Assets. In this statement the District is divided into two kinds of activities:

Governmental Activities-These activities consist of instruction and those services, which support instruction such as maintenance, transportation and administration.

Business-Type Activities- These activities consist of the District's cafeteria operations, childcare program, summer camp program and summer enrichment program. Each of the aforementioned programs and the cafeteria charge fees for the services provided that are intended to cover most or all of the cost of services provided.

The condensed Statement of Net Position reflects assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District on an accrual basis of accounting. This statement, which reflects the District's net financial position, is a yardstick of measuring the District's net worth. It means that if the District were forced to liquidate on June 30, 2016 and sell all its assets at book value, the District would be unable to pay all known bills and liabilities, including long-term bonds and lease obligations. This condition is the direct result of the implementation of Statement Number 68 of the Governmental Accounting Standards Board (GASB), which was implemented during the 2014-15 fiscal year and required recognition of the District's proportionate share of the net pension liability of the New Jersey Public Employees Retirement System. The recognition of this liability of \$2.2 million at the close of the 2015-16 fiscal year has resulted in a deficit in total net position of \$901,496.21.

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
<u>Assets</u>						
Current and Other Assets	1,949,023	2,439,580	4,119	5,854	1,953,142	2,445,434
Capital Assets	<u>4,004,776</u>	<u>3,074,944</u>	<u>27,798</u>	<u>18,850</u>	<u>4,032,574</u>	<u>3,093,794</u>
Total Assets	<u>5,953,799</u>	<u>5,514,524</u>	<u>31,917</u>	<u>24,704</u>	<u>5,985,716</u>	<u>5,539,228</u>
<u>Deferred Outflows Of Resources</u>						
Deferred Amount on Refunding		60,694				60,694
Change in Pension Assumptions	40,904	232,992			40,904	232,992
Difference in pension Experience		51,758				51,758
Change in Pension Proportion/ Proportionate Share		431,624				431,624
Pension Payment Subsequent to Measurement Date	<u>66,894</u>	<u>87,298</u>			<u>66,894</u>	<u>87,298</u>
Total Deferred Outflows	<u>107,798</u>	<u>864,366</u>			<u>107,798</u>	<u>864,366</u>
<u>Liabilities</u>						
Non-Current Liabilities	6,055,952	6,762,135			6,055,952	6,762,135
Other Liabilities	<u>189,095</u>	<u>507,951</u>		121	<u>189,095</u>	<u>508,072</u>
Total Liabilities	<u>6,245,047</u>	<u>7,270,086</u>		121	<u>6,245,047</u>	<u>7,270,208</u>
<u>Deferred Inflows Of Resources</u>						
Difference in Pension Earnings	77,521	34,882			77,521	34,882
Change in Pension Proportion	<u>60,880</u>	<u>0</u>			<u>60,880</u>	<u>0</u>
Total Deferred Inflows	<u>138,401</u>	<u>34,882</u>			<u>138,401</u>	<u>34,882</u>
<u>Net Position</u>						
Net Investment in Capital Assets	(640,224)	(1,110,156)	27,798	18,850	(612,426)	(1,091,206)
Restricted	1,521,231	1,608,402			1,521,231	1,608,402
Unrestricted	<u>(1,202,858)</u>	<u>(1,424,424)</u>	<u>4,119</u>	<u>5,732</u>	<u>(1,198,739)</u>	<u>(1,418,692)</u>
Total Net Position	<u>(321,851)</u>	<u>(926,079)</u>	<u>31,917</u>	<u>24,583</u>	<u>(289,934)</u>	<u>(901,496)</u>

The results of this year's operations of the District's Governmental Activities and Business-type Activities are reported in the Statement of Activities (Exhibit A-2). Table 2, below, takes the information from that financial statement, rounds off the numbers, and rearranges them slightly so you can see the District's total revenues and expenses for the year.

Table 2
Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
<u>Revenues:</u>						
Charges for Services			76,612	72,715	76,612	72,715
Operating Grants and Contributions	1,370,193	1,594,724	18,332	19,181	1,388,525	1,613,905
<u>General Revenues:</u>						
Property Taxes	7,297,859	7,438,722			7,297,859	7,438,722
State Aid-Unrestricted	1,136,502	1,118,661			1,136,502	1,118,661
Other General Revenues	53,780	89,057	45	35	53,825	89,092
Total Revenues	<u>9,858,334</u>	<u>10,241,164</u>	<u>94,989</u>	<u>91,931</u>	<u>9,953,323</u>	<u>10,333,095</u>
<u>Program Expenses Including</u>						
<u>Indirect Expenses:</u>						
<u>Instruction:</u>						
Regular	2,095,271	2,987,788			2,095,271	2,987,788
Special Education	1,056,010	904,462			1,056,010	904,462
Other Instruction	103,155	65,713			103,155	65,713
<u>Support Services:</u>						
Tuition	275,133	246,456			275,133	246,456
Student & Instruction Related Services	1,305,144	1,313,893			1,305,144	1,313,893
School Administrative Services	317,282	324,371			317,282	324,371
General and Business Admin. Services	440,920	523,004			440,920	523,004
Plant Operations and Maintenance	820,342	684,671			820,342	684,671
Pupil Transportation	398,963	445,733			398,963	445,733
Unallocated Benefits	2,242,219	2,580,456			2,242,219	2,580,456
Interest on Long-Term Debt	217,332	101,794			217,332	101,794
Bond Issue Costs		91,294				91,294
Unallocated Depreciation & Amortization	193,241	575,754			193,241	575,754
<u>Business-Type Activities:</u>						
Food Service			105,558	99,266	105,558	99,266
Total Expenses	<u>9,465,012</u>	<u>10,845,392</u>	<u>105,558</u>	<u>99,266</u>	<u>9,570,570</u>	<u>10,944,658</u>
Increase (Decrease) in Net Position	<u>393,322</u>	<u>(604,228)</u>	<u>(10,569)</u>	<u>(7,335)</u>	<u>382,753</u>	<u>(611,563)</u>

During FY 2016 the net position of the District's governmental activities decreased by \$604,228. Favorable budget variances of \$168,000 the excess of depreciation expenses over debt repayment and capital outlays of \$758,626 and a increase in the value of earned and unused compensated absences of \$13,640 were primarily responsible for the decrease in net position. The net position of the food service (business-type) activities decreased by \$7,335 in the current fiscal period. Although the District's contract with its food management company contains "break even" provisions, the contract does not cover depreciation expense and equipment maintenance and repairs, which are the responsibility of the District. Those costs are responsible for the reported operating deficits. The food service fund has been operating at

a deficit for several years. At June 30, 2016, the unrestricted net position of the food service fund was \$5,732.

The balances generated in current operations were primarily driven by savings throughout the budget. Exhibit C-1 provides a breakdown of the budget line items included in the District's approved 2015-2016 budget and the variances in actual revenues and expenditures. Revenue realization for the 2015-2016 school year increased for governmental activities when compared to the 2014-2015 school year. As shown in Table 3, the Tax needed to support the District's budget increased by 1.93% for the 2015-2016 school year. The tax levy for general operations and required debt service levies increased by \$140,863. Non-tax revenues of the District remain a small percentage of total revenues, however, unrestricted non-tax local revenues decreased by \$17,840 during the current year. Additionally, the District realized \$16,010 more than anticipated for Extraordinary Aid.

Table 3
Governmental Fund Type Revenues and Expenditures

<u>Revenues by Source:</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>% Change</u>
Local Tax Levy	7,297,859	7,438,722	1.93%
Other Local Sources	53,780	89,393	66.22%
Total Local Sources	7,351,639	7,528,115	2.40%
State Sources	2,345,680	2,561,051	9.18%
Federal Sources	161,015	151,998	-5.60%
Total Revenues	9,858,334	10,241,164	3.88%
 <u>Expenditures by Function</u>			
Current:			
Regular Instruction	2,151,468	2,257,366	4.92%
Special Education Instruction	1,056,010	904,462	-14.35%
Other Instruction	103,156	65,713	-36.30%
Support Services and Undistributed Costs:			
Tuition	275,132	246,456	-10.42%
Student & Instruction Related Services	1,305,144	1,313,893	0.67%
School Administrative Services	317,282	324,371	2.23%
Other Administrative Services	440,920	407,853	-7.50%
Plant Operations and Maintenance	818,529	932,714	13.95%
Pupil Transportation	398,963	445,733	11.72%
Unallocated Benefits	2,243,837	2,490,703	11.00%
Debt Service:			
Principal	200,000	210,000	5.00%
Interest and Other Charges	198,425	228,258	15.03%
Capital Outlay	61,673	284,395	361.13%
Total Expenditures	9,570,539	10,111,920	5.66%

The Cost of Governmental Funds Activities (see Table 3) this year was \$10.11 million or a 5.66% increase from the preceding year. The primary drivers for this increase were the facilities repair and replacement costs, pupil transportation costs and fringe benefits. Although reported costs for employee benefits increased by \$246,866 the actual costs funded by the District budget increased by \$109,014 during the 2015-16 school year. An increase in the amount of “on-behalf” benefits payments made by the State of New Jersey for TPAF social security, pension, and post-retirement health care costs, which by statute are the state’s responsibility make up the difference “On-behalf” payments, which are reported as both revenues and expenditures, increased by \$137,852 during the current period.

The District’s Funds

The District’s Balance Sheet for Governmental Funds (statement B-1) reports a combined fund balance of \$2.091 million. The general fund portion of this balance includes an increase of \$168,038 which resulted from current year’s activities. This increase is the result of positive operating variances relative to budgetary anticipations. In the FY 2016-2017 budget, \$689,192 of fund balance has been included as an offset to local taxes. An additional \$568,109 is set-aside for FY 17-18 to stabilize the local tax levy on a GAAP basis.

General Fund Budgetary Highlights

The 2015-2016 revenues of the General fund amounted to \$9.689 million or a 4.19% increase from the prior year. A budgeted increase of \$139,388 was reported in property taxes, and was augmented by increases in miscellaneous revenues of \$35,276 and state aid of \$215,371. As noted above, the increase in reported state aid is entirely attributable to increased “on-behalf” payments.

The 2015-2016 expenditures of the General fund amounted to \$9.521 million, an increase of \$510,228 (5.66%) from the prior year. The increase in the costs of employee fringe benefits of \$246,866 more than offset declines in instructional and administrative costs. Excluding In-Kind costs, which are not budgeted, the District underspent its available operating appropriations by \$871,615 in 2015-2016.

Capital Asset and Debt Administration

Capital Assets

At the end of 2016, the District had \$3,074,944 invested in capital assets as shown on Table 4, Capital Assets Net of Depreciation at June 30, 2015 and 2016. During 2015-2016, the District capitalized the costs of equipment, facilities upgrades and replacements and architectural fees totaling \$509,553 in its governmental activities. Depreciation expense for 2015-2016 totaled \$1,439,385 for governmental activities. During the 2015-2016 school year, the \$210,000 of capital related debt retired was short of depreciation expenses by \$1,229,385, decreasing the District’s financial position at year-end.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Land	139,200	139,200			139,200	139,200
Land Improvements	94,829	439,420			94,829	439,420
Buildings & Improvements	7,475,660	7,751,133			7,475,660	7,751,133
Machinery & Equipment	<u>725,215</u>	<u>690,591</u>	<u>208,303</u>	<u>208,303</u>	<u>933,518</u>	<u>898,894</u>
Subtotal	8,434,904	9,020,344	208,303	208,303	8,643,207	9,228,647
Accumulated Depreciation	<u>(4,430,128)</u>	<u>(5,945,400)</u>	<u>(180,505)</u>	<u>(180,505)</u>	<u>(4,610,633)</u>	<u>(6,125,905)</u>
Totals	<u><u>4,004,776</u></u>	<u><u>3,074,944</u></u>	<u><u>27,798</u></u>	<u><u>27,798</u></u>	<u><u>4,032,574</u></u>	<u><u>3,102,742</u></u>

Debt and Other Non-Current Liabilities

The District's non-current liabilities at June 30, 2015 and 2016 are shown in Table 5, Outstanding Debt and Other Non-Current Liabilities at Year-End. The District's only outstanding bond issue, the 2005 Refunding Bonds, carried a Moody's rating of AAA based upon the procurement of a municipal bond insurance policy issued by Financial Security Assurance Inc. Bonds which are rated AAA, are judged to be of the best quality. They carry the smallest degree of investment risk. The District remains well within the state allowable limit for debt issuance, which is limited to 3% of the average equalized value of taxable property within the District.

During the 2015-16 school year, the District was able to take advantage of an historically low interest rate environment to refinance its outstanding bonds at more favorable interest rates. This transaction produced total savings of \$525,323.77 and net present value savings of \$436,094.07. The net present value savings represents 9.83% of the debt service on the refunded bonds, well above the state mandated minimum NPV savings of 3% required for such transactions.

Debt**Table 5****Outstanding Debt and Other Non-Current
Liabilities at Year-End**

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2016</u>
Serial Bonds Payable	4,645,000	4,185,000
Compensated Absences	110,149	92,091
Bond Premiums/ (Discounts)	0	315,499
Net Pension Liability	<u>1,300,803</u>	<u>2,169,545</u>
	<u><u>6,055,952</u></u>	<u><u>6,762,135</u></u>

Economic Factors and Next Year's Budgets and Rates

The FY 16-17 operating budget was framed in an environment of stagnated state-aid and non-tax revenue and declining enrollments throughout much of Hunterdon County. The Township of Bethlehem Board of Education and District administration framed a budget, which reflected consideration of these factors as well as District educational and financial goals.

We will continue to look for opportunities to save taxpayer money while increasing the financial support to our educational and co-curricular programs.

Contacting The School District's Financial Management

Our financial report is designed to provide our citizens, taxpayers, parents, students, 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 received. If you have any questions about this report or wish to request additional financial information, contact Lori A. Tirone, School Business Administrator/Board Secretary, at the Township of Bethlehem Board of Education, 940 Iron Bridge Road, Asbury, New Jersey, 08802.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

SECTION – A

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 2,129,260.60	\$ 1,287.38	\$ 2,130,547.98
Cash Held by Trustees	293,012.50		293,012.50
Receivables, Net	5,695.43	121.29	5,816.72
Receivables from Other Funds	11,611.35		11,611.35
Inventory	-	4,445.03	4,445.03
Capital Assets, Net (Note 3):	<u>3,074,944.00</u>	<u>18,850.14</u>	<u>3,093,794.14</u>
Total Assets	<u>5,514,523.88</u>	<u>24,703.84</u>	<u>5,539,227.72</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Amount on Refunding	60,693.77		60,693.77
Change in Pension Assumptions	232,992.00		232,992.00
Difference in Pension Experience	51,758.00		51,758.00
Change in Pension Proportion/Proportionate Share	431,624.00		431,624.00
Pension Payment Subsequent to Measurement Date	<u>87,298.00</u>		<u>87,298.00</u>
Total Deferred Outflows of Resources	<u>864,365.77</u>	<u>-</u>	<u>864,365.77</u>
<u>LIABILITIES</u>			
Accounts Payable	432,980.40		432,980.40
Accrued Interest Payable	72,606.88		72,606.88
Interfund Payable	-	121.29	121.29
Unearned Revenue	2,363.68		2,363.68
Noncurrent Liabilities (Note 4):			
Due Within One Year	330,871.48		330,871.48
Due Beyond One Year	4,261,718.97		4,261,718.97
Net Pension Liability	<u>2,169,545.00</u>		<u>2,169,545.00</u>
Total liabilities	<u>7,270,086.41</u>	<u>121.29</u>	<u>7,270,207.70</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Difference in Pension Earnings	<u>34,882.00</u>		<u>34,882.00</u>
Total Deferred Outflows of Resources	<u>34,882.00</u>	<u>-</u>	<u>34,882.00</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	(1,110,056.00)	18,850.14	(1,091,205.86)
Restricted for:	-		
Other Purposes	2,008,401.70		2,008,401.70
Unrestricted (Deficit)	<u>(1,824,424.46)</u>	<u>5,732.41</u>	<u>(1,818,692.05)</u>
Total Net Position	<u>\$ (926,078.76)</u>	<u>\$ 24,582.55</u>	<u>\$ (901,496.21)</u>

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental Activities:						
Instruction:						
Regular	\$2,987,788.43		\$42,289.32	(\$2,945,499.11)		(\$2,945,499.11)
Special Education	904,461.94		380,836.67	(523,625.27)	-	(523,625.27)
Other Instruction	65,713.28			(65,713.28)	-	(65,713.28)
Support Services:						
Tuition	246,456.48		100,000.00	(146,456.48)	-	(146,456.48)
Student & Instruction Related Services	1,313,893.39		3,545.15	(1,310,348.24)	-	(1,310,348.24)
School Administrative Services	324,371.01			(324,371.01)	-	(324,371.01)
General and Business Administrative Services	523,003.75			(523,003.75)	-	(523,003.75)
Plant Operations and Maintenance	684,671.40		37,640.21	(647,031.19)	-	(647,031.19)
Pupil Transportation	445,733.30		85,476.98	(360,256.32)	-	(360,256.32)
Unallocated Benefits	2,580,456.37		944,935.62	(1,635,520.75)	-	(1,635,520.75)
Interest on Long-Term Debt	101,794.09			(101,794.09)	-	(101,794.09)
Bond Issue Costs	91,294.37			(91,294.37)	-	(91,294.37)
Unallocated Depreciation and Amortization	575,754.10			(575,754.10)	-	(575,754.10)
Total Governmental Activities	10,845,391.91		1,594,723.95	(9,250,667.96)	-	(9,250,667.96)
Business-Type Activities:						
Food Service	99,265.65	72,714.65	19,180.74		(7,370.26)	(7,370.26)
Total Business-Type Activities	99,265.65	72,714.65	19,180.74	-	(7,370.26)	(7,370.26)
Total Primary Government	\$10,944,657.56	\$72,714.65	\$1,613,904.69	(\$9,250,667.96)	(\$7,370.26)	(\$9,258,038.22)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$7,038,822.02		\$7,038,822.02
Taxes Levied for Debt Service				399,899.94		399,899.94
Federal and State Aid not Restricted				1,118,661.14		1,118,661.14
Investment Earnings					35.45	35.45
Miscellaneous Income				89,056.96		89,056.96
Total General Revenues				8,646,440.06	35.45	8,646,475.51
Change in Net Position				(604,227.90)	(7,334.81)	(611,562.71)
Net Position—Beginning				(321,850.86)	31,917.36	(289,933.50)
Net Position—Ending				(\$926,078.76)	\$24,582.55	(\$901,496.21)

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

FUND FINANCIAL STATEMENTS

SECTION – B

GOVERNMENTAL FUNDS

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,121,996.64	\$ 6,825.86	\$ 438.10	\$ 2,129,260.60
Cash held by Trustees	293,012.50	-	-	293,012.50
Interfund Accounts Receivable	11,611.35	-	-	11,611.35
Receivables from Other Governments	5,200.28	495.15	-	5,695.43
Total Assets	<u>2,431,820.77</u>	<u>7,321.01</u>	<u>438.10</u>	<u>2,439,579.88</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	340,725.07	4,957.33	-	345,682.40
Unearned Revenue	-	2,363.68	-	2,363.68
Total Liabilities	<u>340,725.07</u>	<u>7,321.01</u>	<u>-</u>	<u>348,046.08</u>
<u>Fund Balances:</u>				
<u>Restricted:</u>				
Reserved Excess Surplus	168,109.37	-	-	168,109.37
Reserved Excess Surplus-Designated for Subsequent Year Expenditures	308,250.53	-	-	308,250.53
Capital Reserve Account	480,598.63	-	-	480,598.63
Maintenance Reserve Account	650,815.17	-	-	650,815.17
Committed:	-	-	-	-
Reserve for Encumbrances	628.00	-	-	628.00
Assigned:	-	-	-	-
Designated for Subsequent Year's Expenditures	380,942.00	-	-	380,942.00
Unassigned:	-	-	-	-
Debt Service Fund	-	-	438.10	438.10
General Fund	101,752.00	-	-	101,752.00
Total Fund Balances	<u>2,091,095.70</u>	<u>-</u>	<u>438.10</u>	<u>2,091,533.80</u>
Total Liabilities and Fund Balances	<u>\$ 2,431,820.77</u>	<u>\$ 7,321.01</u>	<u>\$ 438.10</u>	<u>\$ 2,439,579.88</u>

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:	\$ 2,091,533.80
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The carrying value of the assets is \$8,397,929.2, and the accumulated depreciation is \$4,236,887.06 .	3,074,944.00
Long-term liabilities, including bonds, compensated absences payable and bond premiums and discounts are not payable in the current period and therefore are not reported as liabilities in the funds.	(4,592,590.45)
Short-term Liabilities, including accrued interest on long-term debt, are not due payable in the current period and therefore are not reported as liabilities in the funds.	(72,606.88)
The difference between the face amount of Refunded Bonds and the escrow deposit required to legally defease the Bonds is recorded as a decrease to fund balance in the governmental funds, but is carried on the statement of net assets and amortized over the life of the Bonds. The Deferred Amount from Refunding is \$64,075.28 and accumulated amortization is \$3,381.51	60,693.77
The Net Pension Liability, and associated Deferred Inflows and Outflows of Resources of the District relating to its participation in the PERS system are not recognized in the funds using the current financial resources measurement focus, but are recognized in the statement of net position using the economic resources measurement focus. The decrease in net position is \$5,059,958. The carrying amounts of the individual components are as follows:	
Deferred Outflows of Resources:	
Change in Pension Assumptions	232,992.00
Difference in Pension Experience	51,758.00
Change in Pension Proportion/Proportionate Share	431,624.00
Pension Payment Subsequent to Measurement Date	87,298.00
Accounts Payable for Pension Expense	(87,298.00)
Net Pension Liability	(2,169,545.00)
Deferred Inflows of Resources:	
Difference in Pension Earnings	(34,882.00)
Change in Pension Proportion	
Net position of governmental activities	<u>\$ (926,078.76)</u>

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<u>REVENUES</u>				
Local Tax Levy	\$ 7,038,822.02	\$ -	\$ 399,899.94	\$ 7,438,721.96
Other Local Sources	89,056.96	336.32	-	89,393.28
State Sources	2,561,050.62	151,998.15	-	2,561,050.62
Federal Sources	-	-	-	151,998.15
Total Revenues	9,688,929.60	152,334.47	399,899.94	10,241,164.01
<u>EXPENDITURES</u>				
Current:				
Regular Instruction	2,215,076.87	42,289.32	-	2,257,366.19
Special Education Instruction	904,461.94	-	-	904,461.94
Other Instruction	65,713.28	-	-	65,713.28
Support Services and Undistributed Costs:				
Tuition	146,456.48	100,000.00	-	246,456.48
Student & Instruction Related Services	1,310,348.24	3,545.15	-	1,313,893.39
School Administrative Services	324,371.01	-	-	324,371.01
Other Administrative Services	407,852.93	-	-	407,852.93
Plant Operations and Maintenance	932,714.37	-	-	932,714.37
Pupil Transportation	445,733.30	-	-	445,733.30
Unallocated Benefits	2,484,203.37	6,500.00	-	2,490,703.37
Debt Service:				
Principal	-	-	210,000.00	210,000.00
Interest Charges	-	-	136,963.75	136,963.75
Other Charges	-	-	91,294.37	91,294.37
Capital Outlay	284,395.41	-	-	284,395.41
Total Expenditures	9,521,327.20	152,334.47	438,258.12	10,111,919.79
Excess (Deficiency) of Revenues over Expenditures	167,602.40	-	(38,358.18)	129,244.22
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds-Sale of Refunding Bonds	-	-	4,537,869.65	4,537,869.65
Payment to Refunded Bond Escrow Agent	-	-	(4,499,075.28)	(4,499,075.28)
Total Other Financing Sources and Uses	-	-	38,794.37	38,794.37
Net Change in Fund Balances	167,602.40	-	436.19	168,038.59
Fund Balance—Beginning	1,923,493.30	-	1.91	1,923,495.21
Fund Balance—Ending	\$ 2,091,095.70	\$ -	\$ 438.10	\$ 2,091,533.80

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 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, 2016

Total net change in fund balances - governmental funds (from B-2)	\$	168,038.59
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 depreciation exceeded capital outlays in the period.		
	Depreciation expense	(1,439,385.24)
	Capital Outlays	<u>509,553.38</u>
		(929,831.86)
Repayment of bond and lease obligation (long-term debt) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.		210,000.00
In the statement of activities, the value of earned but unused compensated absences are accrued when it becomes, likely that these costs will be includable in employee termination payments, regardless of when due. In the governmental funds, compensated absence costs are reported in the accounting period in which they become due and payable. The net decrease in accrued compensated absences is an addition in the reconciliation. (+)		18,058.08
Proceeds from refunding debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term liabilities in the statement of net position.		
Proceeds from Sale of Refunding Bonds - Face Value		(4,185,000.00)
Premium Received		<u>(352,869.65)</u>
		(4,537,869.65)
Amounts transferred to an irrevocable trust to defease refunded bonds are a financing use in the governmental funds . They are not expenses in the statement of activities; debt defeasance decreases long-term liabilities in the statement of net assets.		
Defeased Amount on Refunding		4,435,000.00
Deferred Amount on Refunding		<u>64,075.28</u>
		4,499,075.28
In the statement of activities, the long-term portion of a judgment payable is accrued in the year of settlement, but is not recognized in the fund financial statements		
Interest on long-term debt in the statement of activities is accrued, In the governmental funds, interest is reported when due. The difference between interest accrued and interest paid is as follows:		
	Interest Paid	136,963.79
	Interest Accrued	<u>(112,898.20)</u>
		24,065.59
The difference between the face amount of the Refunded Bonds and the escrow deposit required to legally defease the bonds is recorded as decrease to fund balance in the governmental funds in the year of issuance, but is carried on the statement of net position and amortized over the life of the Bonds		
Amortization of Deferred Amount from Refunding		(3,381.51)
The premium received on the sale of bonds is recorded in the governmental funds as an addition to fund balance in the year of issuance, but is carried on the statement of net position and amortized in the statement of activities over the life of the bonds		
Amortization of Bond Premiums		37,370.58
Pension expenditures in the governmental funds are recognized when paid or payable from expendable available financial resources. In the statement of activities, pension costs are recognized on a full accrual basis utilizing actuarial valuations. The amount by which actuarially calculated pension expense is more than the expenditure reported in the funds is a subtraction.		(89,753.00)
		<u>(89,753.00)</u>
Change in net assets of governmental activities	\$	<u><u>(604,227.90)</u></u>

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

PROPRIETARY FUNDS

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPPRIETARY FUNDS
JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>	<u>TOTAL</u>
<u>ASSETS</u>		
Current assets:		
Cash and Cash Equivalents	\$ 1,287.38	\$ 1,287.38
Accounts Receivable (Net)	121.29	121.29
Inventory	4,445.03	4,445.03
Total Current Assets	<u>5,853.70</u>	<u>5,853.70</u>
Noncurrent Assets:		
Furniture, Machinery & Equipment	208,303.38	208,303.38
Less Accumulated Depreciation	<u>(189,453.24)</u>	<u>(189,453.24)</u>
Total Noncurrent Assets	<u>18,850.14</u>	<u>18,850.14</u>
Total Assets	<u>24,703.84</u>	<u>24,703.84</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Interfunds payable	<u>121.29</u>	<u>121.29</u>
Total liabilities	<u>121.29</u>	<u>121.29</u>
<u>NET POSITION</u>		
Invested in Capital Assets Net of Related Debt	18,850.14	18,850.14
Unrestricted (Deficit)	<u>5,732.41</u>	<u>5,732.41</u>
Total Net Position	<u>\$ 24,582.55</u>	<u>\$ 24,582.55</u>

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>	
Operating Revenues:		
Charges for Services:		
Daily Sales - Non-reimbursable Programs	\$ 72,714.65	\$ 72,714.65
Total Operating Revenues	<u>72,714.65</u>	<u>72,714.65</u>
Operating Expenses:		
Cost of Sales	42,650.68	42,650.68
Salaries	28,970.08	28,970.08
Employee benefits	4,446.32	4,446.32
Repair and Maintenance Services	-	-
Administrative Expenses	3,967.88	3,967.88
Miscellaneous Expenses	668.02	668.02
Transportation	1,232.10	1,232.10
Management Fee	8,382.49	8,382.49
Depreciation	8,948.08	8,948.08
Total Operating Expenses	<u>99,265.65</u>	<u>99,265.65</u>
Operating Income (Loss)	<u>(26,551.00)</u>	<u>(26,551.00)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	913.99	913.99
Federal Sources:		
USDA Commodities	7,768.65	7,768.65
National School Lunch Program	10,498.10	10,498.10
Interest and Investment Revenue	35.45	35.45
Total Nonoperating Revenues (Expenses)	<u>19,216.19</u>	<u>19,216.19</u>
Income (Loss) Before Transfers	(7,334.81)	(7,334.81)
Change in Net Position	(7,334.81)	(7,334.81)
Total Net Position—Beginning	<u>31,917.36</u>	<u>31,917.36</u>
Total Net Position—Ending	<u>\$ 24,582.55</u>	<u>\$ 24,582.55</u>

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u>	<u>TOTAL ENTERPRISE FUND</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers	\$ 72,714.42	\$ 72,714.42
Payments to Suppliers	<u>(85,149.43)</u>	<u>(85,149.43)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(12,435.01)</u>	<u>(12,435.01)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Federal and State Sources	11,693.33	11,693.33
Operating Subsidies and Transfers (to) from Other Funds	<u>121.29</u>	<u>121.29</u>
Net Cash Provided by (Used for) Non-capital Financing Activities	<u>11,814.62</u>	<u>11,814.62</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	<u>35.45</u>	<u>35.45</u>
Net cash provided by (used for) investing activities	<u>35.45</u>	<u>35.45</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(584.94)	(584.94)
Balances—Beginning of Year	<u>1,872.32</u>	<u>1,872.32</u>
Balances—End of Year	<u>\$ 1,287.38</u>	<u>\$ 1,287.38</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	<u>\$ (26,521.66)</u>	<u>(26,521.66)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		
Depreciation and Net Amortization	8,948.08	8,948.08
USDA Commodities	7,768.65	7,768.65
(Increase) Decrease in Accounts Receivable	(29.37)	(29.37)
(Increase) Decrease in Inventory	<u>(2,600.71)</u>	<u>(2,600.71)</u>
Total Adjustments	<u>14,086.65</u>	<u>14,086.65</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (12,435.01)</u>	<u>(12,435.01)</u>

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

FIDUCIARY FUNDS

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>Agency Funds</u>	<u>Expendable Trust Funds Employee Benefit Trust Fund</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 203,510.35	\$ 2,946.06	\$ 206,456.41
Total Assets	\$ <u>203,510.35</u>	\$ <u>2,946.06</u>	\$ <u>206,456.41</u>
<u>LIABILITIES</u>			
Liabilities:			
Interfund Accounts Payable	\$ 9,850.76	\$ 1,639.30	\$ 11,490.06
Payroll Deductions and Withholdings	168,892.46		168,892.46
Student Activity Reserves	<u>24,767.13</u>		<u>24,767.13</u>
Total Liabilities	\$ <u>203,510.35</u>	<u>1,639.30</u>	<u>205,149.65</u>
<u>NET POSITION</u>			
Reserved for:			
Unemployment Compensation Insurance		<u>1,306.76</u>	<u>1,306.76</u>
Total Net Position		\$ <u>1,306.76</u>	\$ <u>1,306.76</u>

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expendable Trust Funds</u>		<u>Totals</u>
	<u>Employee Benefit Trust Fund</u>		
<u>ADDITIONS:</u>			
Deductions from Employees' Salaries	\$ 8,875.00	\$	8,875.00
Interest	6.73		6.73
Refunds	507.22		507.22
Total Additions	<u>9,388.95</u>		<u>9,388.95</u>
<u>DEDUCTIONS:</u>			
Eligible Benefits	<u>9,939.58</u>		<u>9,939.58</u>
Total Deductions	<u>9,939.58</u>		<u>9,939.58</u>
Change in Net Position	<u>(550.63)</u>		<u>(550.63)</u>
Net Position - Beginning	<u>1,857.39</u>		<u>1,857.39</u>
Net Position - Ending	<u>\$ 1,306.76</u>	\$	<u>1,306.76</u>

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

TOWNSHIP OF BETHLEHEM SCHOOL DISTRICT
COUNTY OF HUNTERDON, NEW JERSEY

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) of the Board of Education (Board) of the Township of Bethlehem School District (District) report information on all of the nonfiduciary activities of the primary government only. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. The District is not financially accountable for any legally separate component units, and no component units have been included in the government-wide financial statements.

B. Reporting Entity:

The Township of Bethlehem 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 seven members elected to three-year terms. The purpose of the district is to educate students in grades K-8. High school students (grades 9-12) are enrolled in the North Hunterdon-Vorhees Regional High School District. The Township of Bethlehem School District had an enrollment of 388 students in grades K through 8 at the close of the 2015-16 school year.

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. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

C. Basis of Presentation – Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. Any remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

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.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. State Aid in the form of Economic Development Authority Grants under EFCFA are also financial resources of this fund

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

Permanent Fund – The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the District's programs.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Basis of Presentation - Fund Financial Statements (Cont'd.)

The District reports the following major enterprise funds:

Food Service Fund – The Food Service Fund is used to account fore the activities of the cafeteria operations of the District.

The District also reports the following fiduciary fund types:

Agency Fund – The Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

Employee Benefit Trust (Flexible Spending) – Employee Benefit Trust should be used to report resources that are required to be held in trust for members and beneficiaries of employee benefit plans.

Private Purpose Scholarship Trust – The Private Purpose Scholarship Trust should be used to report all trust arrangements under which principal and/or income benefit individuals, private organizations or other governments.

During the course of its normal operations, the District will have activity between funds (interfund activity) for various purposes. Any residual interfund balances at year end are reported as interfund accounts receivable/payable. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included within governmental activities (the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, any interfund balances between business-type (enterprise) funds are eliminated so that only the net amount is included as internal balances in the business-type activities columns.

Further, interfund activity may occur during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. In the preparation of the government-wide financial statements, transfers between funds included as governmental activities are eliminated so that only net amounts of resources transferred ferom or to the governmental activities are reported. A similar treatment is afforded transfers of resources between enterprise funds for the preparation of business-type activity financial statements.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting refers to the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal period that the taxes are levied by the municipality(s) within which the District is domiciled. Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District recognizes the entire approved tax levy as

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

E. Measurement Focus and Basis of Accounting (Cont'd.)

revenue in the fiscal period for which they were levied. The District is entitled to receive moneys under an established payment schedule and any unpaid amount is considered to be an "accounts receivable". Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State categorical aid revenues are recognized as District revenue during the fiscal period in which they are appropriated.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes 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. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual basis accounting. Exceptions to this general rule include debt service, for which interest and principal expenditures in the Debt Service Fund are recognized on their due dates, and expenditures relating to compensated absences, claims and judgments, which are recorded in the period when payment becomes due. General capital asset acquisitions are recorded as expenditures in the governmental funds and are not capitalized. The issuance of long-term debt for capital purposes and capital lease obligations incurred to acquire general capital assets are reported as "other financing sources".

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. Entitlements are recorded as revenue when all eligibility requirements, including timing of funding appropriations, are met, subject to the 60-day availability requirement for collection. Interest and tuition revenues are considered susceptible to accrual and have been recognized as revenues of the current fiscal period, subject to availability. Expenditure driven grant revenues are recorded as qualifying expenditures are incurred and all other eligibility requirements have been met, subject to availability requirements. All other revenue items are considered measurable and available only when cash is received by the District.

The District's proprietary funds, employee benefit trust fund and private purpose scholarship trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

F. Budgets/Budgetary Control:

Annual budgets are adopted for the general, special revenue and debt service funds using a regulatory basis of accounting which differs from generally accepted accounting principles in one material respect; Budgetary revenues for certain nonexchange state aid transactions are recognized for budgetary purposes in the fiscal period prior to the period in which the state recognizes expenditures/expenses. The amounts of the adjustments needed to reconcile the budgetary basis to the GAAP based fund financial statements is set forth in the explanation of differences schedules which follow.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Budgets/Budgetary Control: (Cont'd.)

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. Pursuant to changes in the Local District School Budget Law, statutorily conforming base budgets of Districts with annual school elections held in November (The District has chosen this option) are no longer required to be presented to the voters for approval on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. 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. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. New Jersey statutes place limits on the Board's ability to increase budgeted expenditures through the appropriation of previously undesignated fund balance and requires the District to obtain additional approvals when budgetary transfers, measured using the advertised budgetary account totals rather than line-item totals, exceed certain thresholds. The Board of Education did not make any supplemental budgetary appropriations during the fiscal year that required additional approvals from oversight agencies.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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.

Appropriations in the general and debt service funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances, for which the contracted performance is expected during the subsequent budget cycle, are legally restricted at year-end and are automatically re-appropriated and become part of the subsequent years' budget pursuant to state regulations.

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 statements.

The following presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedules – General and Special Revenue Funds to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Budgets/Budgetary Control (Cont'd):

Explanation of differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$9,628,191.60	\$152,334.47
Difference- budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and revenues (Net)	0.00	0.00
Certain State Aid payments are recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33).	(167,940.00)	0.00
State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>228,678.00</u>	<u>0.00</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance – governmental funds.	<u>\$9,688,929.60</u>	<u>\$152,334.47</u>

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of resources		
Actual amounts (budgetary basis) "total outflows" From the budgetary comparison schedule	\$9,521,327.20	\$152,334.47
Difference- budget to GAAP:		
Encumbrances for supplies and equipment ordered but not yet are reported in the year the encumbrance is placed for budgetary purposes, but in the year the goods are received for financial reporting purposes (Net)	<u>0.00</u>	<u>0.00</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	<u>\$9,521,327.20</u>	<u>\$152,334.47</u>

G. Cash, Cash Equivalents and Investments:

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value, which are generally based on quoted market prices.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

G. Cash, Cash Equivalents and Investments (Cont'd.):

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. GUDPA was amended, effective July 1, 2010, by P.L. 2009, c. 326. The amendments provide a greater level of security protection for covered deposits by increasing collateralization requirements and revising the enforcement protocol to allow for timely response in the event that a member bank shows signs of stress.

Under the amended law, collateralization of GUDPA deposits up to 75% of New Jersey capital is based on a sliding scale that requires the minimum of 5% collateral for Well Capitalized institutions to a maximum of 120% collateral for Critically Undercapitalized institutions. All uninsured GUDPA deposits in excess of 75% of New Jersey capital require 100% collateral. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

H. Tuition Receivable/Payable

Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined. Adjustments were made to the preliminary rates originally established for the 2016-2017 school year based upon the certification of 2014-2015 rates.

I. Inventories and Prepaid Expenses:

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items in both the government-wide and fund financial statements.

J. Short-Term Interfund Receivables/Payables:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

K. Capital Assets:

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,000.00 or more of initial, individual cost for capitalizing capital assets. The system for accumulation of fixed assets cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated costs.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and may include construction in progress.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

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

Food Service Fund:	
Equipment	15-20 Years

L. Compensated Absences:

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued in the government-wide financial statements as the employees earn the rights to the benefits. Compensated absences that related to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place. The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences".

In the governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as a fund liability and expenditure in the fund that will pay for the compensated absence. The noncurrent portion for governmental funds is maintained separately and is a reconciling item between the fund and government-wide presentations.

Based upon existing personnel policies and collective bargaining agreements, employees are granted varying amounts of annual sick, personal and vacation leave. Sick leave may be accumulated for use in subsequent years and the right to a termination payment begins to vest with the employee after 10 years of service. Generally, terminal pay credit for unused sick leave is capped at 50% of the number of unused

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Compensated Absences Cont'd.):

days earned, and with a maximum termination payment of 85% of the average annual base pay for the last three years of service. Terminal pay is paid in three equal installments in July of the three years following separation from service.

Changes in the value of compensated absences earned and unused is more fully detailed in Note 4.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Jersey Public Employees Retirement System (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.

N. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recorded as an outflow of resources (expenditure/expense) until that time. The District is reporting five items in this category; The Deferred Amount on Refunding, and Pension related items including the Change in Pension Assumptions, Difference in Pension Experience, Change in Pension Proportion/Proportionate Share and the amounts of pension payments made by the District subsequent to the pension measurement date. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is amortized over the shorter of the life of the refunded or refunding bonds. Deferred Outflows for pension related items result from changes in actuarial assumptions which increase the net pension liability, unfavorable economic differences between actual mortality rates and the actuarial tables used to measure the net pension liability, and increases in the District's proportion of the entire pension system and its proportionate share of the net pension liability. Deferred outflows for Subsequent pension payments reflects payments made by the District to the pension system subsequent to the date of the most recent actuarial valuation, which was June 30, 2015.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents the acquisition of net position that applies to a future period(s) and will not be recorded as an inflow of resources (revenue) until that time. The District is reporting one pension related items in this category, the Difference in Pension Earnings. This amount represents the District's proportionate share of plan earnings in excess of assumed amounts,

O. Unearned Revenue/Advances from Grantors:

Unearned revenue represents cash advances received relating to services (expenditures/expenses) that will be provided in a subsequent fiscal period. Similarly, for expenditure-driven grants, amounts advanced to the District in excess of the amounts expended and earned are recorded as advances from grantors.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

P. Net Position Flow Assumption (District-Wide and Proprietary Fund Financial Statements)

Periodically, the District may fund outlays for a particular purpose from both restricted resources, such as bond referendum proceeds and/or grant proceeds, and unrestricted resources. To determine the amounts of net position- restricted and unrestricted that should be reported in the government-wide and proprietary fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the District policy is to utilize all amounts of available restricted net position prior to applying unrestricted net position to fund acquisition costs.

Q. Fund Balance Flow Assumption (Governmental Fund Financial Statements)

Periodically, the District may fund outlays for a particular purpose from both restricted resources and unrestricted resources (the total of the committed, assigned and unassigned fund balance). To determine the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made to establish the order in which resources are considered to be applied. In the absence of specific grant compliance requirements to the contrary, the District policy is to utilize all amounts of available restricted fund balance prior to applying any component of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance, with unassigned fund balance applied last.

R. Fund Balance Policies:

Fund balance of the governmental funds is reported in various categories based upon the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through actions to transfer amounts to legally restricted reserve accounts (capital, maintenance and emergency reserves), or actions to commit or assign fund balance.

The committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the Board of Education. Commitments of fund balance remain in place until the committed fund balance is fully depleted or an amendatory action is taken by the Board of Education.

Assignments of fund balance are made by the Board of Education for specific purposes that do not the criteria to be classified as committed. The Board of education also assigns fund balance when it appropriates unrestricted/unassigned fund balance to bridge a gap between estimated revenue and appropriations in the subsequent year budget. Unlike commitments, assignments are generally temporary in nature, and additional actions of the Board are generally not required to remove an assignment, whereas an action of the Board is essential to the modification or elimination of an unexpended committed fund balance.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

S. District-Wide Financial Statement Classifications

1. Program Revenues – Amounts reported as program revenues include a) charges to customers or applicants who purchase, use or benefit from goods services or privileges provided by a given function or segment and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.
2. General Revenues – all taxes, including those designated for specific purposes such as debt service, are reported as general revenues. All other resources, including internally dedicated resources, unrestricted entitlements, and investment income are reported as general revenues.
3. Capital Assets – In the statement of net position, capital assets are reported, net of accumulated depreciation as assets of the governmental activities and business-type activities.
4. Long-term Debt - In the statement of net position, long-term debt is reported as a component of long-term liabilities of the governmental activities and business-type activities.
5. Net Investment in Fixed Assets – In the statement of Net Position, the net undepreciated value of capital assets, less the value of outstanding debt issued to purchase acquire or build those capital assets, is reported as Net Investment in Fixed assets as a component of net position for the governmental activities and business-type activities.

T. Proprietary Fund Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and products in connection with the primary purpose or function for which the fund was established. The District's Food Service proprietary fund reports operating revenues from the sales of lunches and a la carte items, and operating expenses include the costs of sales (food, supplies and labor), administrative costs and depreciation on capital assets. Revenues earned through the District's participation in the National School Lunch Program are classified as nonoperating revenues, notwithstanding the limitations on the pricing of Type A student lunches that is required for program participation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

U. Reconciliation of District-Wide and Fund Financial Statements

I. Differences between governmental fund balance sheet and District-wide statement of net position:

Total Governmental Fund Balance (B-1)	\$2,091,534
Adjustments to District-Wide Net Position:	
Capital Assets (see Note 3)	3,074,944
Long-Term Liabilities, Excluding Pension related items (see Note 4)	(4,592,590)
Other Items not recognized in Fund Financial Statements:	
Accrued Interest on Long-term Debt	(72,607)
Deferred Amount on Refunding	60,694
Pension Related Items (see Note 5):	
Net Pension Liability	(2,169,545)
Pension Accounts Payable	(87,298)
Deferred Inflows of Financial Resources:	
Difference in Pension Earnings	(34,882)
Deferred Outflows of Financial Resources:	
Change in Pension Assumptions	232,992
Difference in Pension Experience	51,758
Change in Proportion/Proportionate Share	431,624
Payment Subsequent to Measurement Date	<u>87,298</u>
 Net Position of Governmental Activities	 <u><u>\$(926,079)</u></u>

II. Differences between governmental fund statement of revenues, expenditures and changes in fund balances and District-wide statement of activities:

Total Net Change - Governmental Fund Balance (B-2)	\$168,039
Adjustments to District-Wide Net Position:	
Depreciation on Capital Assets (see Note 3)	(1,439,385)
Capitalized Equipment Acquisitions	509,553
Repayment of Long-Term Bonds (see Note 4)	210,000
Net Decrease in Accrued Liability for	
Compensated Absences (see Note 4)	18,058
Proceeds-Sale of Refunding Bonds	(4,537,870)
Escrow Deposit for Legal Defeasance	4,499,075
Other Adjustments to Fund Financial Statements:	
Pension Expense (Accrual Basis for District-Wide)	(89,753)
Amortization of Deferred Amount from Refunding	(3,382)
Amortization of Bond Premium	37,371
Interest on Long-term Debt (Accrual Basis for District-Wide)	<u>24,066</u>
 Net Position of Governmental Activities	 <u><u>\$604,228</u></u>

V. Estimates:

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Township of Bethlehem Board of Education had the following depository accounts. All deposits are carried at cost plus accrued interest. The government does not have a deposit policy.

Depository Account	Bank Balance
Insured - FDIC	\$250,000.00
Insured – NJGUDPA (N.J.S.A.17:94.1)	<u>2,355,459.97</u>
Total Deposits	<u>\$2,605,459.97</u>

Custodial Credit Risk – Deposits- Custodial credit risk is the risk that in the event of a bank failure, the board’s deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015, \$0.00 of the Board’s bank balance of \$2,605,459.97 was exposed to custodial risk . (See Note 1-G. relating to statutory mitigation of custodial risk in the event of a bank failure).

New Jersey Cash Management Fund – All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment’s existence, the Division has never suffered a default of principal or interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the “Other-than-State” participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis.

As of June 30, 2016, the District had \$-0- on deposit with the New Jersey Cash Management Fund.

NOTE 3. CAPITAL ASSETS

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 CAPITAL ASSETS NOTE DISCLOSURE
DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. An addition to the fund balance - total governmental funds is made to reflect the carrying value of the District's capital assets at year-end in the District-wide financial statements, which consisted of:

Total capital assets at cost	9,020,344.00
Less: accumulated depreciation	<u>(5,945,400.00)</u>
Government Activities Capital Assets, Net	<u>3,074,944.00</u>

Capital assets by classification and activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets That Are Not Being Depreciated:				
Land	\$ 139,200.00	\$ -	\$ -	\$ 139,200.00
Total Capital Assets Not Being Depreciated	<u>139,200.00</u>	<u>-</u>	<u>-</u>	<u>139,200.00</u>
Building and Building Improvements	7,475,659.97	275,473.03	-	7,751,133.00
Improvements other than Buildings	403,729.72	35,690.28	-	439,420.00
Machinery, Equipment, Furniture & Vehicles	<u>725,215.38</u>	<u>198,390.07</u>	<u>(233,014.45)</u>	<u>690,591.00</u>
Totals at Historical Cost	<u>8,604,605.07</u>	<u>509,553.38</u>	<u>(233,014.45)</u>	<u>8,881,144.00</u>
Less Accumulated Depreciation For:				
Building and Building Improvements	(3,886,254.11)	(1,170,916.89)	-	(5,057,171.00)
Improvements other than Buildings	(392,283.00)	(7,001.00)	-	(399,284.00)
Equipment, Furniture, and Vehicles	<u>(460,492.10)</u>	<u>(261,467.35)</u>	<u>233,014.45</u>	<u>(488,945.00)</u>
Total Accumulated Depreciation	<u>(4,739,029.21)</u>	<u>(1,439,385.24)</u>	<u>233,014.45</u>	<u>(5,945,400.00)</u>
Total Capital Assets Being Depreciated (Net of Accumulated Depreciation)	<u>3,865,575.86</u>	<u>(929,831.86)</u>	<u>-</u>	<u>2,935,744.00</u>
Government Activities Capital Assets, Net	<u>\$ 4,004,775.86</u>	<u>\$ (929,831.86)</u>	<u>\$ -</u>	<u>\$ 3,074,944.00</u>
Business-type Activities				
Equipment	208,303.38			208,303.38
Less Accumulated Depreciation for:				
Equipment	<u>(180,505.16)</u>			<u>(180,505.16)</u>
Business-type Activities Capital Assets, Net	<u>\$ 27,798.22</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,798.22</u>

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 748,480.32
General & Business Admin. Services	115,150.82
Unallocated	<u>575,754.10</u>
Total depreciation expense	<u>\$ 1,439,385.24</u>

NOTE 4: LONG-TERM LIABILITIES

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 LONG TERM DEBT DISCLOSURE
DISCLOSURE OF INFORMATION ABOUT LONG TERM LIABILITIES

The governmental fund balance sheet includes a reconciliation between fund balance- total governmental funds and net position-governmental activities as reported in the District-wide statement of net position. One item of that reconciliation explains that Long-term liabilities, including bonds and judgments payable, are not due and payable in the current period and therefore are not reported liabilities in the governmental funds. A deduction to the fund balance - total governmental funds is made to reflect the carrying value of the District's long-term liabilities at year-end in the governmental activities of the District-wide financial statements.

Long-term debt liability activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ <u>4,645,000.00</u>	\$ <u>4,185,000.00</u>	\$ <u>4,645,000.00</u>	\$ <u>4,185,000.00</u>	\$ <u>220,000.00</u>
Total Bonds Payable	<u>4,645,000.00</u>	<u>4,185,000.00</u>	<u>4,645,000.00</u>	<u>4,185,000.00</u>	<u>220,000.00</u>
Other Liabilities:					
Compensated Absences	<u>110,149.46</u>	<u> </u>	<u>18,058.08</u>	<u>92,091.38</u>	<u>66,087.76</u>
Total Other Liabilities	<u>110,149.46</u>	<u>-</u>	<u>18,058.08</u>	<u>92,091.38</u>	<u>66,087.76</u>
Bond Premiums/(Discounts)		352,869.65	37,370.58	315,499.07	44,783.72
Net Pension Liability (PERS)	<u>1,300,803.00</u>	<u>868,742.00</u>	<u> </u>	<u>2,169,545.00</u>	<u> </u>
Total Liabilities	\$ <u>6,055,952.46</u>	\$ <u>5,406,611.65</u>	\$ <u>4,700,428.66</u>	\$ <u>6,762,135.45</u>	\$ <u>330,871.48</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. GENERAL LONG-TERM DEBT (CONT'D):

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

Principal and interest due on bonds outstanding as at June 30, 2016 is as follows:

<u>Year ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	220,000.00	146,025.00	366,025.00
2018	225,000.00	141,625.00	366,625.00
2019	230,000.00	137,125.00	367,125.00
2020	235,000.00	132,525.00	367,525.00
2021	240,000.00	125,475.00	365,475.00
2022	250,000.00	118,275.00	368,275.00
2023	265,000.00	108,275.00	373,275.00
2024	275,000.00	97,675.00	372,675.00
2025	285,000.00	86,675.00	371,675.00
2026	295,000.00	75,275.00	370,275.00
2027	305,000.00	63,475.00	368,475.00
2028	320,000.00	52,800.00	372,800.00
2029	335,000.00	41,600.00	376,600.00
2030	345,000.00	28,200.00	373,200.00
2031	<u>360,000.00</u>	<u>14,400.00</u>	<u>374,400.00</u>
	<u>\$ 4,185,000.00</u>	<u>\$1,369,425.00</u>	<u>\$ 5,554,425.00</u>

B. Bonds Authorized But Not Issued -- As of June 30, 2016, the District had no authorized but not issued bonds.

NOTE 5. PENSION PLANS

Description of Plans – The State of New Jersey, Division of Pension and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State). According to the State of New Jersey Administrative Code, all obligations of the Systems will be assumed by the State of New Jersey should the plans terminate. Each defined benefit pension plan’s designated purpose is to provide retirement, death and disability benefits to its members. The authority to amend the provision of plan rests with new legislation passed by the State of New Jersey. Pension reforms enacted pursuant to Chapter 78, P.L. 2011 included provisions creating special Pension Plan Design Committees for the public Employees Retirement System (PERS) and the Teachers Pension and Annuity Fund (TPAF), once a Target Funded Ratio (TFR) is met, that will have the discretionary authority to modify certain plan design features, including member contribution rate; formula for calculation of final compensation or final salary; fraction used to calculate a retirement allowance; age at which a member may be eligible and the benefits for service or early retirement; and benefits provided for disability retirement. The committee will also have the authority to reactivate the cost of living adjustment (COLA) on pensions.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

Description of Plans (Cont'd)

However, modifications can only be made to the extent that the resulting impact does not cause the funded ratio to drop below the TFR in any one year of a projection period. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for each of the plans. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

Plan Membership and Contributing Employers- Substantially all full-time employees of the State of New Jersey or any county, municipality, school district or public agency are enrolled in PERS, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or other jurisdiction's pension fund. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	166,637
Inactive plan members entitled to but not yet receiving benefits	703
Active plan members	<u>259,161</u>
Total	<u>426,501</u>

Contributing Employers – 1,710.

Significant Legislation - Chapter 19, P.L. 2009, effective March 17, 2009, provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State Fiscal Year 2009. Such an employer will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of PERS, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of PERS.

The Public Employee Retirement System is a cost-sharing, multiple employer defined benefit pension plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the PERS Plan are as follows:

For the year ended June 30, 2015 the Board's total payroll for all employees was \$4,870,0853.31. Total PERS covered payroll was \$848,258.64. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

NOTE 5. PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A 43:15 and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 6.92% in State fiscal year 2015 and increased to 7.06% for State fiscal year 2016, commencing July 1, 2015. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers contribution amounts are based on an actuarially determined rate. The annual employer contributions include funding for basic retirement allowances and noncontributory death benefits. The School Board’s cash basis contributions to the Plan for the years ended June 30, 2015 and 2016 were \$57,276 and \$66,894, respectively. School Board Contributions are due and payable in the fiscal period subsequent to plan year for which the contributions requirements were calculated.

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

The following represents the membership tiers for PERS:

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 8, 2008
3	Members who were eligible on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

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

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the School Board reported a liability of \$2,169,545 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board’s proportion of the net pension liability was based on a projection of the Boards long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, the Boards proportion was 0.0096648%, which was an increase of 0.0027171% from its proportion measure as of June 30, 2014.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

For the year ended June 30, 2016, the Board recognized pension expenses of \$147,029 in the statement of activities. At June 30, 2016 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes in assumptions	\$232,992	\$
Net Difference in Pension Experience	51,758	
Net Difference between projected and actual earnings on Plan investments		34,882
Changes in proportion and differences between Board contributions and proportionate share of contributions	431,624	
Board contributions subsequent to the measurement date	<u>87,298</u>	<u>0</u>
Total	\$803,672	\$34,882

The \$66,894 of deferred outflows of resources resulting from the Boards contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2017	\$137,990.76
2018	\$137,990.76
2019	\$137,990.76
2020	\$157,371.01
2021	\$111,764.43
Thereafter	\$0.00

Actuarial Assumptions- The total pension liability in the June 30, 2054 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.04%
Salary Increases (2012-2021)	2.15-4.40% Based on age
Thereafter	3.15-5.40% Based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 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%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate – The discount rate used to measure the pension liabilities of PERS was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 based on the average of the last five years of contributions made in relation to the last five years of 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 2033.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D)

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM (CONT'D.)

Sensitivity of Net Pension Liability to Changes in the Discount Rate – the following presents the net pension liability of PERS participating employers as of June 30, 2015, calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	<u>At 1% Decrease</u> (3.90%)	<u>At current discount rate</u> (4.90%)	<u>At 1% increase</u> (5.90%)
State	\$27,802,122,942	\$23,722,135,537	\$20,314,768,782
Local	<u>27,900,112,533</u>	<u>22,447,996,119</u>	<u>17,876,981,108</u>
PERS Plan Total	<u>\$55,702,235,457</u>	<u>\$46,170,131,656</u>	<u>\$38,191,749,890</u>

Components of Net Pension Liability – The components of the net pension liability for PERS, including the State of New Jersey, at June 30, 2015 is as follows:

	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$31,614,118,524	\$43,109,580,038	\$74,723,698,562
Plan Fiduciary Net Position	<u>7,891,982,987</u>	<u>20,661,583,919</u>	<u>28,553,566,906</u>
Net Pension Liability	<u>\$23,722,135,537</u>	<u>\$22,447,996,119</u>	<u>\$46,170,161,656</u>

B. TEACHERS PENSION AND ANNUITY FUND

The Teachers Pension and Annuity Fund is a cost-sharing, multiple employer defined benefit pension plan with a special funding situation as defined in GASB Statement No. 68, by which the State of New Jersey (State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the TPAF Plan are as follows:

Plan Membership and Contributing Employers- Substantially all teachers or members of the professional staff of Local Education Agencies that are certified by the State Board of Examiners, and Employees of the Department of Education who have titles that are unclassified, professional and certified are enrolled in the TPAF. Membership and contributing employers of the defined benefit pension plans consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	98,230
Inactive plan members entitled to but not yet receiving benefits	210
Active plan members	<u>153,452</u>
Total	<u>251,892</u>

Contributing Employers – 26.

NOTE 5. PENSION PLANS (CONT'D)

B. TEACHERS PENSION AND ANNUITY FUND (CONT'D.)

In addition to the State, who is the sole payer of regular employer contributions to the fund, TPAF's contributing employers include boards of education who elected to participate in the Early Retirement Incentive Program (ERIP) and are legally responsible to continue to pay towards their incurred liability.

Significant Legislation – Pursuant to the provision of Chapter 78, P.L. 2011, COLA increases were suspended for all current and future retirees of TPAF.

For the year ended June 30, 2016 the Board's total payroll for all employees was \$6,424,244. Total TPAF covered payroll was \$4,875,421. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan.

Specific Contribution Requirements and benefit provisions – The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contributions rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State of New Jersey contribution amount is based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – The State of New Jersey is solely responsible for funding the normal pension obligations of the TPAF, including 100% of the obligations of LEAs within the State. Accordingly, the District does not report TPAF pension liabilities or deferred inflows and outflows of financial resources in its financial statements. Payments made by the State to the TPAF “on-behalf” of the LEAs are reported to the LEAs and reported as TPAF pension expenditures/expenses as made.

Three-Year Trend Information for TPAF (Paid on-behalf of the District, excluding post-retirement medical benefits which are reported in Note 6)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Local Pension Obligation</u>
6/30/16	\$ 306,777.00	Unknown %	\$ 0
6/30/15	203,081.00	Unknown %	0
6/30/14	160,933.00	Unknown %	0

At June 30, 2015, the TPAF reported a net pension liability of \$63,204,270,305 for its Non-State Employer Member Group. The proportionate share of the State of New Jersey’s the net pension liability for the Non-State Employer Member Group that is attributable to the District was \$23,741,616, or 0.038%. State non-employer contributions allocated to the District were \$161,597 and \$201,875 for 2014 and 2015.

Actuarial Assumptions- The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases (2012-2021)	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

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.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)

In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. 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, 2015 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%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equities Market	27.25%	5.63%
Foreign-Developed Equities	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds – Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, 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 average of the last five years of employers' 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D):

B. TEACHERS PENSION AND ANNUITY FUND (CONT'D)

Sensitivity of Net Pension Liability to Changes in the Discount Rate – the following presents the net pension liability of TPAF as of June 30, 2015 calculated using the discount rates as disclosed above as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage rate higher than the current rate:

	At 1% <u>Decrease (3.13%)</u>	At current <u>discount rate (4.13%)</u>	At 1% <u>Increase (5.13%)</u>
TPAF	\$75,559,915,440	\$63,577,864,440	\$53,254,610,440

Components of Net Pension Liability – The components of the net pension liability for TPAF, including the State of New Jersey, at June 30, 2015 is as follows:

Total pension liability	\$ 89,182,662,000
Plan fiduciary net position	<u>25,604,797,560</u>
 Net pension liability	 <u>\$ 63,577,864,440</u>
 Plan fiduciary net position as a percentage of the total pension liability	 28.71%

C: DEFINED CONTRIBUTION RETIREMENT PLAN

The Defined Contribution Retirement Plan (DCRP) is a multiple employer defined contribution plan as defined in GASB Statement No. 68. The Plan is administered by The New Jersey Division of Pensions and Benefits (Division). The more significant aspects of the DCRP are as follows:

Plan Membership and Contributing Employers- Enrollment in the DCRP is required for state or local officials, elected or appointed on or after July 1, 2007; employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established “maximum compensation” limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010, who do not work the minimum number of hours per week required for tier 4 or tier 5 enrollment, but who earn salary of at least \$5,000 annually. At June 30, 2015, the membership in the DCRP, based on the information within the Division’s database, was 36,808.

Contribution Requirement and Benefit Provisions - State and local government employers contribute 3% of the employees base salary. Active members contribute 5.5% of base salary.

Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non forfeitable. A participant’s interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. PENSION PLANS (CONT'D):

C: DEFINED CONTRIBUTION RETIREMENT PLAN (CONT'D.)

For the year ended June 30, 2016 the Board's total payroll for all employees was \$4,870,085. Total DCRP covered payroll was \$138,893. Covered payroll refers to all compensation paid by the Board to active employees covered by the Plan, and may include amounts not eligible under the plan. Board and employee contributions to the DCRP for the year ended June 30, 2016 were \$4,167 and \$7,639, respectively.

NOTE 6. POST-RETIREMENT BENEFITS

The State of New Jersey sponsors and administers the post-employment health benefits program for school districts. P.L. 1987, c. 384 and P.L. 1990, c.6 require the TPAF and PERS, respectively, to fund the costs of post-retirement medical benefits for those state employees who retire after accumulating 25 years of credit service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-employment medical benefits through the TPAF and PERS, and instead, created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state and educational employees. The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides free 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 or on a disability retirement if the member's employer does not provide this coverage.

The School Employees Health Benefits Program (SEHBP) Act is codified in the New Jersey Statutes Annotated as Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The Division of Pensions issues a publicly available financial report that includes the financial statements and required supplementary information for the SEHBP. This report may be accessed via the Division of Pensions and Benefits website, at www.state.nj.us/treasury/pensions, or may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

At June 30, 2015, there were approximately 107,314 retirees receiving State paid post retirement health benefits, and the State contributed \$1.25 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 was changed from a pre-funding basis to a pay-as-you-go basis in Fiscal Year 1994.

The State is also responsible for the costs attributable to Chapter 126, P.L. 1992, which provides 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 at no cost to the member. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. POST-RETIREMENT BENEFITS (CONT'D.)

The State's contributions to the Health Benefits Program Fund on-behalf of the District for TPAF retiree health benefits, for the last three years, is as follows:

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

<u>Year Funding</u>	<u>Annual Post Retirement Medical Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/16	\$ 365,286	100 %	\$ 0
6/30/15	322,391	100 %	\$ 0
6/30/14	263,869	100 %	0

NOTE 7. 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, along with other school districts, is a member of the New Jersey School Boards Association Insurance Group (NJSBAIG, or the "Fund"), a governmental joint insurance fund. NJSBAIG has adopted a formal risk management plan that involves a combination of District risk retention (through the use of per claim and aggregate per line deductibles), Fund retention of risk and the procurement of excess insurance and reinsurance through commercial reinsurers and the School Excess Liability Fund. A complete listing of the coverages provided by the Fund can be found in the statistical section of the Comprehensive Annual Financial Report. Surety bond coverage for the School Business Administrator is provided through the Fund. Audited financial information for the Fund relating to the level of claims reserves, estimated amounts of claims incurred but not reported and net assets were not available for inclusion in this report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit the entire employee withholding to the Commissioner of Labor together with an experience-based assessment on employee wages subject to withholding. During the 2015-16 school year, the District recorded expenditures of \$19,480.34 for its assessment from the Department of Labor.

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 11,611.35	\$
Fiduciary Funds	_____	11,611.35
Total	\$ <u>11,611.35</u>	\$ <u>11,611.35</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9: FUND BALANCE APPROPRIATED

General Fund - Of the \$2,259,035.70 General Fund balance at June 30, 2016 (Budgetary Basis), Legally restricted balances include \$280,598.63 of Capital Reserves; \$450,815.17 of Maintenance Reserves; and \$876,359.90 of excess surplus (Note 10), of which \$308,250.33 has been designated for 2016-2017 expenditures and \$568,109.57 which is legally restricted for use in the 2017-18 budget cycle. Of the unrestricted fund balance, \$628.00 is committed to the liquidation of open purchase orders from the 2015-2016 fiscal year, \$380,942.00 has been assigned to fund expenditures in the 2016-17 budget, and \$269,692.00 is unassigned.

The total General Fund balance must be reduced by \$167,940.00 of state aid that was realized as revenue on the budgetary basis but is not permitted to arrive at the amounts reported as components of fund balance in the governmental fund financial statements.

NOTE 10: CALCULATION OF EXCESS SURPLUS

In accordance with *N.J.S.A.* 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year’s budget. Based upon the statutory calculation, there was excess fund balance of \$308,250.33 at June 30, 2016 that was appropriated as part of the 2016-17 school budget. There was \$568,109.57 of excess fund balance at June 30, 2016 that will be required to be appropriated as part of the 2017-18 school budget.

NOTE 11. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District of Township of Bethlehem Board of Education by inclusion of \$1.00 during fiscal year 2003 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district’s approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR), including the payment of debt service on such projects. Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. Pursuant to N.J.A.C. 6:23A-5.1 (d) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted projects in its approved LRFP. During the 2015-16 School Year, \$597.63 of interest income was earned on the reserve balance, and no balances were appropriated in either the 2015-2016 or 2016-2017 school budgets. The capital reserve balance at June 30, 2016 was \$280,598.63.

NOTE 12. OTHER RESERVE ACCOUNTS

Pursuant to enabling legislation and rulemaking, the District established a legally restricted Reserve Fund for Maintenance and Emergencies during the month of June, 2009. During the 2015-2016 school year, the Maintenance Reserve had the following activity:

Balance - June 30, 2015	\$449,889.61
Interest Income	<u>925.56</u>
Balance – June 30, 2016	<u>\$450,815.17</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 13. DEFICIT FUND BALANCES

The District did not report a deficit fund balance at June 30, 2016 or 2015 in its General Fund in the fund statements (modified accrual basis). P.L. 2003 c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, ie., if one government recognizes an asset, the other government recognizes a liability. Since the District is not recording the last two state aid payments, including Extraordinary Aid, on the GAAP financial statements until the year the State records the payable, it is possible that a positive fund balance could be reported on a mandated budgetary basis while a deficit is reported on a GAAP basis based upon nonrecognition of revenue on the GAAP basis for the final state aid payment.

Pursuant to *N.J.S.A.* 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action.

NOTE 14. PENDING LITIGATION AND CONTINGENT LIABILITIES

At June 30, 2016, there was no litigation pending for which an unfavorable outcome with a material adverse impact on the net position of the District was anticipated.

NOTE 15. SUBSEQUENT EVENTS

No events have occurred subsequent to the close of the fiscal year that require disclosure herein.

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART II

BUDGETARY COMPARISON SCHEDULES

SECTION – C

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	7,038,822.00		7,038,822.00	7,038,822.02	0.02
Tuition-Individuals	7,510.00		7,510.00	28,064.37	28,064.37
Other Restricted Miscellaneous Revenue	20,000.00		20,000.00	60,992.59	(7,510.00)
Unrestricted Miscellaneous Revenue					40,992.59
Total - Local Sources	7,066,332.00	-	7,066,332.00	7,127,878.98	61,546.98
State Sources:					
School Choice Aid	56,695.00		56,695.00	56,695.00	-
Transportation Aid	81,797.00		81,797.00	81,797.00	-
Special Ed. Aid	301,829.00		301,829.00	301,829.00	-
Security Aid	37,641.00		37,641.00	37,641.00	-
Equalization Aid	984,263.00		984,263.00	984,263.00	-
Adjustment Aid	71,420.00		71,420.00	71,420.00	-
PARCC Readiness Aid	4,270.00		4,270.00	4,270.00	-
Per Pupil Growth Aid	4,270.00		4,270.00	4,270.00	-
Extraordinary Aid	-		-	16,010.00	16,010.00
Non-Public Transportation Aid				3,682.00	3,682.00
On-behalf TPAF Post-Retirement					
Medical Contrib. (non-budgeted)					
On-behalf TPAF Pension				365,286.00	365,286.00
Payments (non-budgeted)				306,777.00	306,777.00
On-behalf TPAF Employer FICA					
Contrib. (non-budgeted)				266,372.62	266,372.62
Total - State Sources	1,542,185.00	-	1,542,185.00	2,500,312.62	958,127.62
Total Revenues	8,608,517.00	-	8,608,517.00	9,628,191.60	1,019,674.60

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Kindergarten	183,085.00	1,986.70	185,071.70	183,229.20	1,842.50
Grades 1- 5	994,231.00	11,959.26	1,006,190.26	994,948.14	11,242.12
Grades 6- 8	845,191.00	-	845,191.00	835,667.82	9,523.18
Regular Programs - Home Instruction:					
Salaries of Teachers	2,750.00	-	2,750.00	600.00	2,150.00
Regular Programs- Undistributed Instruction:					
Purchased Professional-Educational services	16,000.00	1,925.00	1,925.00	1,717.00	208.00
Purchased Technical Services	22,000.00	(3,625.00)	12,375.00	7,835.40	4,539.60
Other Purchased Services	230,000.00	-	22,000.00	21,600.00	400.00
General Supplies	9,500.00	38,284.00	268,284.00	161,478.50	106,805.50
Textbooks	3,000.00	(1,600.00)	7,900.00	6,117.45	1,782.55
Other Objects		(82.00)	2,918.00	1,883.36	1,034.64
Total Regular Programs	2,305,757.00	48,847.96	2,354,604.96	2,215,076.87	139,528.09
Special Education:					
Resource Room/Resource Center:					
Salaries of Teachers	825,646.00	(101,516.61)	724,129.39	668,381.76	55,747.63
Other Salaries for Instruction	165,023.00	(35,350.45)	129,672.55	128,513.72	1,158.83
General Supplies	6,258.00	-	6,258.00	3,834.69	2,423.31
Total Resource Room/Resource Center	996,927.00	(136,867.06)	860,059.94	800,730.17	59,329.77

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTD):					
Current Expense (Cont'd):					
Instruction-Special Education (Cont'd):					
Preschool, Disabilities - Part-Time:					
Salaries of Teachers	28,129.00	1,068.50	29,197.50	28,447.50	750.00
Other Salaries for Instruction	31,088.00	848.60	31,936.60	31,936.60	-
Supplies	1,500.00	(945.00)	555.00	-	555.00
Total Preschool Disabilities - Part-time	60,717.00	972.10	61,689.10	60,384.10	1,305.00
Total Special Education-Instruction	1,057,644.00	(135,894.96)	921,749.04	861,114.27	60,634.77
Basic Skills/Remedial Instruction					
Salaries of Teachers	138,367.00	(95,180.00)	43,187.00	43,182.00	5.00
Supplies	1,000.00	-	1,000.00	165.67	834.33
Total Basic Skills/Remedial Instruction	139,367.00	(95,180.00)	44,187.00	43,347.67	839.33
Total Special Education	1,197,011.00	(231,074.96)	965,936.04	904,461.94	61,474.10
School Sponsored					
Co-Curricular Activities:					
Salaries	60,546.00	(360.00)	60,186.00	28,897.07	31,288.93
Other Purchased Services	1,500.00	-	1,500.00	-	1,500.00
Supplies	10,000.00	-	10,000.00	5,122.83	4,877.17
Other Objects	900.00	-	900.00	281.74	618.26
Total Co-Curricular Activities:	72,946.00	(360.00)	72,586.00	34,301.64	38,284.36
School Sponsored					
Athletic Activities:					
Salaries	25,750.00	-	25,750.00	22,830.94	2,919.06
Other Purchased Services	10,000.00	(1,760.00)	8,240.00	4,534.69	3,705.31
Supplies	2,000.00	1,800.00	3,800.00	3,636.01	163.99
Other Objects	500.00	-	500.00	410.00	90.00
Total Athletic Activities	38,250.00	40.00	38,290.00	31,411.64	6,878.36
Total Instruction	3,613,964.00	(182,547.00)	3,431,417.00	3,185,252.09	246,164.91

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State- Speical	250,000.00	(88,031.68)	161,968.32	61,964.80	100,003.52
Tuition to Private Schools for the Disabled- Within State	175,000.00	(90,288.32)	84,711.68	84,491.68	220.00
Total Undistrib. Expend. - Instruction:	425,000.00	(178,320.00)	246,680.00	146,456.48	100,223.52
Health Services:					
Salaries	140,596.00	(415.00)	140,181.00	139,492.99	688.01
Purchased Profess. and Tech. Serv.	5,000.00	4,732.00	9,732.00	8,901.25	830.75
Supplies and Materials	4,500.00	(2,085.00)	2,415.00	2,017.51	397.49
Other Objects	200.00	(32.00)	168.00	81.00	87.00
Total Health Services:	150,296.00	2,200.00	152,496.00	150,492.75	2,003.25
Speech, OT, PT & Related Services:					
Salaries	108,366.00	-	108,366.00	107,862.78	503.22
Supplies and Materials	750.00	-	750.00	748.65	1.35
Total Speech, OT, PT & Related Services:	109,116.00	-	109,116.00	108,611.43	504.57
Other Support Services-Student Extra:					
Salaries	23,766.00	-	23,766.00	23,096.20	669.80
Purchased Professional/Educational Services	53,878.00	12,000.00	65,878.00	64,875.00	1,003.00
Supplies and Materials	800.00	-	800.00	692.39	107.61
Total Other Support Services- Student Extra:	78,444.00	12,000.00	90,444.00	88,663.59	1,780.41
Other Support Services-Guidance:					
Salaries of Other Professional Staff	121,857.00	16,030.00	137,887.00	137,184.24	702.76
Purchased Professional/Educational Services	4,500.00	(1,600.40)	2,899.60	2,583.85	315.75
Supplies and Materials	2,000.00	1,600.40	3,600.40	2,930.83	669.57
Other Objects	300.00	-	300.00	259.00	41.00
Total Guidance:	128,657.00	16,030.00	144,687.00	142,957.92	1,729.08

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Other Support Services-Child Study Teams:					
Salaries of Other Professional Staff	207,646.00	4,450.08	212,096.08	211,499.24	596.84
Salaries of Secret. & Clerical Assts.	48,138.00	-	48,138.00	48,138.00	-
Purchased Professional/Educational Services	55,000.00	(17,465.00)	37,535.00	25,712.04	11,822.96
Other Purchased Prof./Tech. Services	5,900.00	564.47	6,464.47	5,627.32	837.15
Misc. Purchased Services	500.00	(500.00)	-	-	-
Supplies and Materials	4,400.00	(63.39)	4,336.61	4,336.61	-
Other Objects	2,000.00	93.92	2,093.92	2,093.92	-
Total Child Study Teams:	323,584.00	(12,919.92)	310,664.08	297,407.13	13,256.95
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	127,500.00	(5,633.86)	121,866.14	85,717.08	36,149.06
Salaries of Other Professional Staff	7,500.00	-	7,500.00	7,089.90	410.10
Purchased Professional/Educational Services	3,000.00	-	3,000.00	-	3,000.00
Other Purchased Services	2,500.00	250.00	2,500.00	125.00	125.00
Supplies and Materials	750.00	-	2,500.00	635.01	1,864.99
Other Objects		295.00	1,045.00	150.00	895.00
Total Improvement of Instructional Services:	141,250.00	(5,088.86)	136,161.14	93,716.99	42,444.15
Educational Media Services/School Library:					
Salaries	112,721.00	(3,400.00)	109,321.00	107,723.24	1,597.76
Salaries of Tech Coordinators	85,943.00	23,000.00	108,943.00	104,830.74	4,112.26
Purchased Professional and Technical Services	147,600.00	38,720.00	186,320.00	148,990.37	37,329.63
Other Purchased Services	11,800.00	-	11,800.00	11,657.80	142.20
Supplies and Materials	72,000.00	(8,000.00)	64,000.00	42,368.70	21,631.30
Other Objects	400.00	-	400.00	-	400.00
Total Educational Media Services/School Library:	430,464.00	50,320.00	480,784.00	415,570.85	65,213.15
Instructional Staff Training Services:					
Other Purchased Services	16,750.00	310.00	17,060.00	10,417.41	6,642.59
Supplies and Materials	4,100.00	(350.00)	3,750.00	1,008.30	2,741.70
Other Objects	2,750.00	(545.00)	2,205.00	1,501.87	703.13
Total Instructional Staff Training Services:	23,600.00	(585.00)	23,015.00	12,927.58	10,087.42

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Support Services- General Administration:					
Salaries	81,073.00	43,747.22	124,820.22	124,819.22	1.00
Legal Services	20,000.00	16,526.46	36,526.46	36,474.48	51.98
Audit Fees	15,000.00	27,440.00	42,440.00	21,720.00	20,720.00
Other Purchased Professional Services	5,000.00	(97.50)	4,902.50	4,902.50	-
Communications/Telephone	35,000.00	(11,200.00)	23,800.00	5,683.97	18,116.03
Misc. Purchased Services	15,347.00	17,748.93	33,095.93	31,534.49	1,561.44
General Supplies	500.00	(107.00)	393.00	272.01	120.99
BOE In-House Training/Meeting Supplies	500.00	(295.46)	204.54	204.54	-
Judgments Against District		1,000.00	1,000.00	1,000.00	-
Misc. Expenditures	1,000.00	107.00	1,107.00	1,106.70	0.30
BOE Membership Dues & Fees	5,000.00	-	5,000.00	5,000.00	-
Total Support Servi. - General Administration:	178,420.00	94,869.65	273,289.65	232,717.91	40,571.74
Support Services- School Administration:					
Salaries of Principals/Asst. Principals	146,410.00	18,590.00	165,000.00	165,000.00	-
Salaries of Secretarial and Clerical Assistants	147,312.00	547.56	147,859.56	147,859.56	-
Purchased Professional & Technical Services	1,000.00	(1,000.00)	-	-	-
Other Purchased Services	6,000.00	-	6,000.00	5,640.00	360.00
Supplies and Materials	4,500.00	-	4,500.00	3,243.78	1,256.22
Other Objects	3,000.00	1,000.00	4,000.00	2,627.67	1,372.33
Total Support Serv. - School Administration:	308,222.00	19,137.56	327,359.56	324,371.01	2,988.55
Central Services:					
Salaries	122,577.00	36,481.28	159,058.28	157,575.18	1,483.10
Purchased Professional Services	3,200.00	3,700.00	6,900.00	6,820.00	80.00
Misc. Purchased Services	6,050.00	(2,579.00)	3,471.00	3,455.92	15.08
Supplies and Materials	3,000.00	779.00	3,779.00	3,614.61	164.39
Misc. Expenditures	250.00	-	250.00	214.51	35.49
Total Central Services:	135,077.00	38,381.28	173,458.28	171,680.22	1,778.06

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd):					
Admin. Information Tech.:					
Purchased Technical Services		3,200.00	3,200.00	3,190.00	10.00
Admin. Info. Tech Supplies		5,000.00	5,000.00	264.80	4,735.20
Total Admin. Info. Tech.	-	8,200.00	8,200.00	3,454.80	4,745.20
Required Maint. For School Facilities:					
Salaries	52,975.00	518.72	53,493.72	53,493.72	-
Purchased Profess. And Tech. Svcs.					
Cleaning, Repair, and Maintenance Services	196,280.00	225,506.00	421,786.00	419,369.38	2,416.62
General Supplies	10,000.00	7,641.00	17,641.00	16,715.36	925.64
Other Objects	500.00	262.00	762.00	762.00	-
Total Required Maint. For School Facilities:	259,755.00	233,927.72	493,682.72	490,340.46	3,342.26
Custodial Services:					
Salaries	149,818.00	3,500.00	153,318.00	151,142.23	2,175.77
Purchased Profess. And Tech. Svcs.	163,522.00	(54,206.00)	109,316.00	53,427.64	55,888.36
Cleaning, Repair, and Maintenance Services	35,000.00	(27,301.00)	7,699.00	2,617.90	5,081.10
Purchased Property Svcs.					
Insurance	35,000.00	(4,356.43)	30,643.57	30,579.53	64.04
Misc. Purchased Services		380.00	380.00	380.00	-
General Supplies	21,000.00	11,803.00	32,803.00	25,885.63	6,917.37
Energy (Electricity)	220,878.00	(16,500.00)	204,378.00	108,418.31	95,959.69
Energy (Oil)	181,720.00	(20,598.00)	161,122.00	54,041.08	107,080.92
Other Objects	2,000.00	(1,520.00)	480.00	333.80	146.20
Total Custodial Services:	808,938.00	(108,798.43)	700,139.57	426,826.12	273,313.45
Care & Upkeep of Grounds					
Cleaning, Repair, and Maintenance Services		10,413.00	10,413.00	10,089.85	323.15
General Supplies		10,198.00	10,198.00	5,457.94	4,740.06
Total Care & Upkeep of Grounds	-	20,611.00	20,611.00	15,547.79	5,063.21

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONTD.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
Student Transportation Services:					
Salaries (Between home & School)	-	-	3,000.00	-	-
Salaries-Other	3,000.00	-	3,000.00	-	3,000.00
Purchased Profess. And Tech. Svcs.	7,000.00	(5,000.00)	2,000.00	-	2,000.00
Contracted Services - Aid in Lieu of Payment	41,000.00	-	41,000.00	20,316.00	20,684.00
Contracted Services (Between Home & School) - Vendors	325,000.00	(33,357.02)	291,642.98	285,641.94	6,001.04
Contracted Services (Other Than Between Home & School) - Vendors	28,146.00	(4,600.00)	23,546.00	22,777.26	768.74
Contracted Services (Between Home & School) - Joint Agreements	3,000.00	-	3,000.00	2,840.00	160.00
Contracted Services (Special Ed.)- Vendors	82,400.00	42,752.02	125,152.02	114,158.10	10,993.92
Misc. Purchased Services	-	-	-	-	-
Total Student Transportation Services:	489,546.00	(205.00)	489,341.00	445,733.30	43,607.70
Unallocated Employee Benefits:					
Social Security Contributions	75,000.00	12,421.65	87,421.65	87,420.71	0.94
Other Retirement Contribs. - PERS	155,000.00	2,833.35	157,833.35	156,718.68	1,114.67
Other Retirement Benefits - DCRP	16,000.00	5,645.00	21,645.00	19,995.65	1,649.35
Unemployment Compensation	51,000.00	(5,526.00)	45,474.00	39,935.37	5,538.63
Workmen's Compensation	1,234,240.00	(17,252.86)	1,216,987.14	1,212,622.94	4,364.20
Health Benefits	27,000.00	205.00	27,205.00	27,204.40	0.60
Tuition Reimbursements	-	2,000.00	2,000.00	1,870.00	130.00
Other Employee Benefits	-	-	-	-	-
Total Unallocated Employee Benefits:	1,558,240.00	326.14	1,558,566.14	1,545,767.75	12,798.39

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (CONT'D.):					
Current Expense (Cont'd.):					
Undistributed Expenditures (Cont'd.):					
On-behalf TPAF Post-Retirement			-	365,286.00	(365,286.00)
Medical Contrib. (non-budgeted)			-	306,777.00	(306,777.00)
On-behalf TPAF Pension			-	266,372.62	(266,372.62)
Payments (non-budgeted)					
On-behalf TPAF Employer FICA					
Contrib. (non-budgeted)					
Total Undistributed Expenditures	5,548,609.00	190,086.14	5,738,695.14	6,051,679.70	(312,984.56)
Total Expenditures - Current Expense	9,162,573.00	7,539.14	9,170,112.14	9,236,931.79	(66,819.65)
CAPITAL OUTLAY:					
Equipment:					
Instruction			-		-
Admin. Info. Technology	32,000.00	234,000.00	234,000.00	218,032.98	15,967.02
Custodial Services		11,622.00	43,622.00	43,477.43	144.57
Total Equipment	32,000.00	245,622.00	277,622.00	261,510.41	16,111.59
Facilities Acquisition and Construction:					
Other Purch. Professional Services					-
Debt Service Assessment-SDA Funding					-
Other Objects	22,885.00		22,885.00	22,885.00	-
Total Facil. Acquis./Const. Svcs.:	22,885.00	-	22,885.00	22,885.00	-
Total Capital Outlay:	54,885.00	245,622.00	300,507.00	284,395.41	16,111.59
Total Expenditures	9,217,458.00	253,161.14	9,470,619.14	9,521,327.20	(50,708.06)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(608,941.00)	(253,161.14)	(862,102.14)	106,864.40	968,966.54

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit - C-1
 Page 10 of 10

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(608,941.00)	(253,161.14)	(862,102.14)	106,864.40	968,966.54
Net Change in Fund Balance	(608,941.00)	(253,161.14)	(862,102.14)	106,864.40	968,966.54
Fund Balances, July 1	2,152,171.30		2,152,171.30	2,152,171.30	
Fund Balances, June 30	<u>1,543,230.30</u>	<u>(253,161.14)</u>	<u>1,290,069.16</u>	<u>2,259,035.70</u>	<u>968,966.54</u>
Recapitulation: Restricted:					
Reserved Excess Surplus-Designated for Subsequent Year Expenditures				308,250.33	
Reserved Excess Surplus				168,109.57	
Capital Reserve				480,598.63	
Maintenance Reserve				650,815.17	
Committed:					
Reserve for Encumbrances				628.00	
Assigned:					
Designated for Subsequent Year Expenditures				380,942.00	
Unrestricted/Unassigned				<u>269,692.00</u>	
Reconciliation to Governmental Funds Statements (GAAP):				2,259,035.70	
State Aid Payments not recognized on GAAP basis				167,940.00	
Fund Balance per Governmental Funds (GAAP)				<u>2,091,095.70</u>	

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE FINAL TO ACTUAL
REVENUES:					
Local Sources					
Revenues from Local Sources	\$ -	\$ 2,700.00	\$ 2,700.00	\$ 336.32	\$ (2,363.68)
Total Local Revenues	-	2,700.00	2,700.00	336.32	(2,363.68)
Federal Sources					
Title I	\$ 5,525.00	\$ 30,144.00	\$ 35,669.00	\$ 35,669.00	\$ -
Title II	7,225.00	1,627.00	8,852.00	8,852.00	-
IDEA Part B	90,761.00	12,097.00	102,858.00	102,858.00	-
IDEA Preschool	1,074.00	-	1,074.00	1,074.00	-
Rural Education Achievement Program		36,487.00	36,487.00	3,545.15	(32,941.85)
Total Federal Revenues	104,585.00	80,355.00	184,940.00	151,998.15	(32,941.85)
Total Revenues	104,585.00	83,055.00	187,640.00	152,334.47	(35,305.53)
EXPENDITURES:					
Instruction					
Salaries of Teachers	5,525.00	19,475.00	25,000.00	25,000.00	-
Purchased Professional and Technical Services		4,169.00	4,169.00	4,169.00	-
Other Purchased Services (400-500 series)	7,225.00	1,627.00	8,852.00	8,852.00	-
General Supplies	1,074.00	5,558.00	6,632.00	4,268.32	2,363.68
Total Instruction	13,824.00	30,829.00	44,653.00	42,289.32	2,363.68
Support Services					
Fringe Benefits		6,500.00	6,500.00	6,500.00	-
Tuition	90,761.00	9,239.00	100,000.00	100,000.00	-
Supplies & Materials		36,487.00	36,487.00	3,545.15	32,941.85
Total Support Services	90,761.00	52,226.00	142,987.00	110,045.15	32,941.85
Total Expenditures	104,585.00	83,055.00	187,640.00	152,334.47	35,305.53
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION – PART II

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE
 NOTE TO RSI
FOR THE YEAR ENDED JUNE 30, 2016

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

		General Fund		Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1)	9,628,191.60	(C-2)	152,334.47
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized (Net)				-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements (Net)		<u>60,738.00</u>		<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and change in fund balances - governmental funds	(B-2)	<u>9,688,929.60</u>	(B-2)	<u>152,334.47</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1)	9,521,327.20	(C-2)	152,334.47
Difference - budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for grant budgetary purposes, but in the year the supplies are received for financial reporting purposes.				-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2)	<u>9,521,327.20</u>	(B-2)	<u>152,334.47</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

PART III

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

SECTION – L

**(Section numbering as per N.J. Department of Education
2014-2015 Audit Program)**

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.000073248	0.000069477	0.000096648
District's Proportionate Share of the Net Pension Liability	\$1,399,918	\$1,300,803	\$2,169,545
District's Covered-Employee Payroll	\$465,430	\$651,632	\$848,259
District's Proportionate Share of the Net Pension Liability as a percentage of the Covered-Employee Payroll	300.78%	199.62%	255.76%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	48.72%	52.08%	47.93%

* Amounts presented for each fiscal year were determined as of June 30.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (Local Group)

Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually Required Contribution	\$ 55,191	\$ 57,276	\$ 66,894
Contribution in Relation to Contractually Required Contribution	<u>\$ (55,191)</u>	<u>\$ (57,276)</u>	<u>\$ (66,894)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's Proportionate Share of the Payroll	\$ 465,430	\$ 651,632	\$ 848,259
Contributions as a percentage of Covered Employee Payroll	11.86%	8.79%	7.89%

* Amounts presented for each fiscal year were determined as of June 30.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
TEACHERS PENSION AND ANNUITY FUND (Non-State Employer Group)

Last 10 Fiscal Years*

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Proportion of the Non-State Employer Group Net Pension Liability attributable to the District	0.00040453	0.00038042	0.000375633
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group	\$20,444,648	\$20,332,072	\$23,741,616
District's Covered-Employee Payroll	\$3,640,258	\$3,662,906	\$3,882,933
Share of the Liability of the State of New Jersey for the Net Pension Liability of the Non-State Employer Group as a percentage of the District's Covered-Employee Payroll	561.63%	555.08%	611.44%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability (See Note Below)	33.76%	33.64%	28.71%

* Amounts presented for each fiscal year were determined as of June 30.

Note: Percentages shown are Plan-wide, and include NPL and PFNP data that include employees of the State of New Jersey.

NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION – PART III

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
COUNTY OF HUNTERDON, NEW JERSEY

NOTES TO REQUIRED SUPPLEMENTARY PENSION INFORMATION
JUNE 30, 2016

NOTE 1. CHANGES IN ASSUMPTIONS

Net pension liabilities for the years ended June 30, 2014 and 2015 were based on RP-2000 mortality tables utilizing actuarial experience studies covering the following periods:

TPAF: July 1, 2009 to June 30, 2012

PERS: July 1, 2008 to June 30, 2011

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES

SECTION – D

SPECIAL REVENUE FUND

SECTION – E

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	TITLE I 2015-2016	I.D.E.A. PART B BASIC 2015-2016	I.D.E.A. PART B PRESCHOOL 2015-2016	TITLE II PART A 2015-2016	RURAL EDUCATION ACHIEVEMENT PROGRAM 2015-2016	WEB DESIGN PROGRAM	TOTALS 2015-2016
Local Sources	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 336.32
Federal Sources	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 151,998.15
Total Revenues	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 152,334.47

REVENUES

Local Sources	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 336.32
Federal Sources	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 151,998.15
Total Revenues	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 152,334.47

EXPENDITURES

Instruction:							
Salaries of Teachers	25,000.00						25,000.00
Purch. Prof. & Tech. Services	4,169.00						4,169.00
Other Purch. Services (400-500 series)				8,852.00			8,852.00
General Supplies		2,858.00	1,074.00			336.32	4,268.32
Total Instruction	29,169.00	2,858.00	1,074.00	8,852.00	-	336.32	42,289.32
Support Services:							
Tuition		100,000.00					100,000.00
Personal Services - Empl. Benefits Supplies and Materials	6,500.00				3,545.15		6,500.00 3,545.15
Total Support Services	6,500.00	100,000.00	-	-	3,545.15	-	110,045.15
Total Expenditures	\$ 35,669.00	\$ 102,858.00	\$ 1,074.00	\$ 8,852.00	\$ 3,545.15	\$ 336.32	\$ 152,334.47

CAPITAL PROJECTS FUND

SECTION – F

PROPRIETARY FUNDS

SECTION – G

ENTERPRISE FUND

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND</u>	<u>TOTAL ENTERPRISE FUND</u>
	<u>FOOD SERVICE</u>	<u>TOTAL</u>
<u>ASSETS</u>		
Current assets:		
Cash and Cash Equivalents	\$ 1,287.38	\$ 1,287.38
Accounts Receivable (Net)	121.29	121.29
Inventory	4,445.03	4,445.03
Total Current Assets	<u>5,853.70</u>	<u>5,853.70</u>
Noncurrent Assets:		
Furniture, Machinery & Equipment	208,303.38	208,303.38
Less Accumulated Depreciation	<u>(189,453.24)</u>	<u>(189,453.24)</u>
Total Noncurrent Assets	<u>18,850.14</u>	<u>18,850.14</u>
Total Assets	<u>24,703.84</u>	<u>24,703.84</u>
<u>LIABILITIES</u>		
Current Liabilities:		
Interfunds payable	<u>121.29</u>	<u>121.29</u>
Total Liabilities	<u>121.29</u>	<u>121.29</u>
<u>NET POSITION</u>		
Invested in Capital Assets Net of Related Debt	18,850.14	18,850.14
Unrestricted (Deficit)	<u>5,732.41</u>	<u>5,732.41</u>
Total Net Position	<u>\$ 24,582.55</u>	<u>\$ 24,582.55</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE</u>	<u>TOTAL ENTERPRISE FUND</u>
Operating Revenues:		
Charges for Services:		
Daily Sales - Non-reimbursable Programs	\$ 72,714.65	\$ 72,714.65
Total Operating Revenues	<u>72,714.65</u>	<u>72,714.65</u>
Operating Expenses:		
Cost of Sales	42,650.68	42,650.68
Salaries	28,970.08	28,970.08
Employee benefits	4,446.32	4,446.32
Administrative Expenses	3,967.88	3,967.88
Miscellaneous Expenses	668.02	668.02
Transportation	1,232.10	1,232.10
Management Fee	8,382.49	8,382.49
Depreciation	<u>8,948.08</u>	<u>8,948.08</u>
Total Operating Expenses	<u>99,265.65</u>	<u>99,265.65</u>
Operating Income (Loss)	<u>(26,551.00)</u>	<u>(26,551.00)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	913.99	913.99
Federal Sources:		
USDA Commodities	7,768.65	7,768.65
National School Lunch Program	10,498.10	10,498.10
Interest and Investment Revenue	<u>35.45</u>	<u>35.45</u>
Total Nonoperating Revenues (Expenses)	<u>19,216.19</u>	<u>19,216.19</u>
Income (Loss) Before Transfers	(7,334.81)	(7,334.81)
Change in Net Position	(7,334.81)	(7,334.81)
Total Net Position—Beginning	<u>31,917.36</u>	<u>31,917.36</u>
Total Net Position—Ending	<u>\$ 24,582.55</u>	<u>\$ 24,582.55</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND FOOD SERVICE	TOTAL ENTERPRISE FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from Customers	\$ 72,714.42	\$ 72,714.42
Payments to Employees	-	-
Payments for Employee Benefits	-	-
Payments to Suppliers	(85,149.43)	(85,149.43)
Net Cash Provided by (Used for) Operating Activities	(12,435.01)	(12,435.01)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Federal and State Sources	11,693.33	11,693.33
Operating Subsidies and Transfers (to) from Other Funds	121.29	121.29
Net Cash Provided by (Used for) Non-capital Financing Activities	11,814.62	11,814.62
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest and dividends	35.45	35.45
Proceeds from sale/maturities of investments	-	-
Net cash provided by (used for) investing activities	35.45	35.45
Net Increase (Decrease) in Cash and Cash Equivalents	(584.94)	(584.94)
Balances—Beginning of Year	1,872.32	1,872.32
Balances—End of Year	\$ 1,287.38	\$ 1,287.38
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (26,521.66)	(26,521.66)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities		-
Depreciation and Net Amortization	8,948.08	8,948.08
USDA Commodities	7,768.65	7,768.65
(Increase) Decrease in Accounts Receivable	(29.37)	(29.37)
(Increase) Decrease in Inventory	(2,600.71)	(2,600.71)
Total Adjustments	14,086.65	14,086.65
Net Cash Provided by (Used for) Operating Activities	\$ (12,435.01)	(12,435.01)

INTERNAL SERVICE FUND

FIDUCIARY FUNDS

SECTION - H

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	<u>AGENCY</u>		<u>Net Payroll</u>	<u>Total Agency Funds</u>	<u>Expendable Trust Fund Employee Benefit Flexible Spending Trust Fund</u>	<u>TOTALS</u>
Student Activity	Payroll Agency	Net Payroll	Total Agency Funds	Expendable Trust Fund Employee Benefit Flexible Spending Trust Fund	TOTALS	
Cash and Cash Equivalents	\$ 24,767.13	\$ 176,120.11	\$ 2,623.11	\$ 203,510.35	2,946.06	\$ 206,456.41
Interfund Accounts Receivable	<u>1,396.00</u>	<u>1,396.00</u>	<u>1,396.00</u>	<u>1,396.00</u>	<u>1,396.00</u>	<u>1,396.00</u>
Total Assets	<u>\$ 24,767.13</u>	<u>\$ 177,516.11</u>	<u>\$ 2,623.11</u>	<u>\$ 204,906.35</u>	<u>2,946.06</u>	<u>\$ 207,852.41</u>
<u>LIABILITIES</u>						
Liabilities:						
Interfund Accounts Payable	\$ 9,076.31	\$ 2,170.45	\$ 11,246.76	1,639.30	12,886.06	
Unidentified Deposits		452.66	452.66	452.66	452.66	
Summer Payment Plan Withholdings	168,439.80		168,439.80	168,439.80	168,439.80	
Student Activity Reserves	<u>24,767.13</u>		<u>24,767.13</u>	<u>24,767.13</u>	<u>24,767.13</u>	
Total Liabilities	<u>\$ 24,767.13</u>	<u>\$ 177,516.11</u>	<u>\$ 2,623.11</u>	<u>\$ 204,906.35</u>	<u>1,639.30</u>	<u>\$ 206,545.65</u>
<u>NET POSITION</u>						
Net Position Restricted for:						
Qualified Employee Benefits				1,306.76	1,306.76	0.00
Total Net Position				<u>1,306.76</u>	<u>1,306.76</u>	<u>1,306.76</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Expendable Trust Fund		Totals
	Employee Benefit Flexible Spending Trust Fund		
<u>ADDITIONS:</u>			
Deductions from Employees' Salaries	\$ 8,875.00	\$	8,875.00
Interest	6.73		6.73
Refunds	507.22		507.22
Total Additions	9,388.95		9,388.95
<u>DEDUCTIONS:</u>			
Eligible Benefits	9,939.58		9,939.58
Total Deductions	9,939.58		9,939.58
Change in Net Position	(550.63)		(550.63)
Net Position - Beginning	1,857.39		1,857.39
Net Position - Ending	\$ 1,306.76	\$	1,306.76

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 STUDENT ACTIVITY AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>BALANCE</u> JUNE 30, 2015	<u>CASH</u> RECEIPTS	<u>CASH</u> DISBURSEMENTS	<u>BALANCE</u> JUNE 30, 2016
<u>Student Activity Funds:</u>				
Hoppock School Fund	\$ 16,122.38	\$ 33,840.12	\$ 30,353.63	\$ 19,608.87
Conley School Fund	5,734.40	8,722.27	12,466.92	1,989.75
Summer Enrichment	<u>22,457.22</u>	<u>1,237.29</u>	<u>20,526.00</u>	<u>3,168.51</u>
 Total Student Activity Funds	 <u>\$ 44,314.00</u>	 <u>\$ 43,799.68</u>	 <u>\$ 63,346.55</u>	 <u>\$ 24,767.13</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 PAYROLL AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2015

	<u>BALANCE</u> JUNE 30, 2014	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> JUNE 30, 2015
 <u>ASSETS</u>				
Cash and Cash Equivalents	\$ 138,298.99	\$ 2,642,526.53	\$ 2,604,705.41	\$ 176,120.11
Interfund Accounts Receivable	<u>1,396.00</u>	<u> </u>	<u> </u>	<u>1,396.00</u>
 Total Assets	 \$ <u><u>139,694.99</u></u>	 \$ <u><u>2,642,526.53</u></u>	 \$ <u><u>2,604,705.41</u></u>	 \$ <u><u>177,516.11</u></u>
 <u>LIABILITIES</u>				
Interfund Accounts Payable	\$ 8,864.35	\$ 211.96	\$	\$ 9,076.31
Summer Payment Plan	124,984.55	168,439.80	124,984.55	168,439.80
Payroll Deductions and Withholdings	<u>5,846.09</u>	<u>2,473,874.77</u>	<u>2,479,720.86</u>	<u> </u>
 Total Liabilities	 \$ <u><u>139,694.99</u></u>	 \$ <u><u>2,642,526.53</u></u>	 \$ <u><u>2,604,705.41</u></u>	 \$ <u><u>177,516.11</u></u>

TOWNSHIP OF BETHLEHEM SCHOOL DISTRICT
 SCHEDULE OF RECEIPTS AND DISBURSEMENTS
 NET PAYROLL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	BALANCE JUNE 30, 2015	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2016
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,170.45	\$ 3,007,176.17	\$ 3,006,723.51	\$ 2,623.11
Total Assets	\$ 2,170.45	\$ 3,007,176.17	\$ 3,006,723.51	\$ 2,623.11
<u>LIABILITIES</u>				
Accrued Salaries and Benefits	\$	\$ 3,006,723.51	\$ 3,006,723.51	\$ -
Unidentified Receipts		452.66		452.66
Interfund Accounts Payable	2,170.45		-	2,170.45
Total Liabilities	\$ 2,170.45	\$ 3,007,176.17	\$ 3,006,723.51	\$ 2,623.11

LONG-TERM DEBT

SECTION - I

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 LONG-TERM DEBT
 SCHEDULE OF SERIAL BONDS
JUNE 30, 2016

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES DATE	AMOUNT	INTEREST RATE	BALANCE JUNE 30, 2015	ISSUED	REDEEMED	BALANCE JUNE 30, 2016
Refunding School Bonds	9/1/2005	\$ 5,550,000				\$ 4,645,000	\$	\$ 4,645,000	\$ -
Refunding School Bonds	9/23/2015	4,185,000	7/1/16	220,000	2.000%				
			7/1/17	225,000	2.000%				
			7/1/18	230,000	2.000%				
			7/1/19	235,000	3.000%				
			7/1/20	240,000	3.000%				
			7/1/2021*	250,000	4.000%				
			7/1/2022*	265,000	4.000%				
			7/1/2023*	275,000	4.000%				
			7/1/2024*	285,000	4.000%				
			7/1/25	295,000	4.000%				
			7/1/26	305,000	3.500%				
			7/1/27	320,000	3.500%				
			7/1/28	335,000	4.000%				
			7/1/29	345,000	4.000%				
			7/1/30	360,000	4.000%		4,185,000		4,185,000
						\$ 4,645,000	\$ 4,185,000	\$ 4,645,000	\$ 4,185,000
								210,000	
								4,435,000	
								\$ 4,645,000	

Redeemed
 Defeased by 2015 Refunding Bonds

*-Mandatory Sinking Fund Redemption of \$1,075,000 Term Bond

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 LONG-TERM DEBT
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 399,901.00	\$ -	\$ 399,901.00	\$ 399,899.94	\$ (1.06)
Total Local Sources:	\$ 399,901.00	\$ -	\$ 399,901.00	\$ 399,899.94	\$ (1.06)
Total Revenues	\$ 399,901.00	\$ -	\$ 399,901.00	\$ 399,899.94	\$ (1.06)
EXPENDITURES:					
Regular Debt Service:					
Redemption of Bond Principal	210,000.00	-	210,000.00	210,000.00	-
Bond Interest	189,904.00	(52,500.00)	137,404.00	136,963.75	(440.25)
Total Regular Debt Service	399,904.00	(52,500.00)	347,404.00	346,963.75	(440.25)
Issuance Costs - 2015 Refunding Bonds			91,294.37	91,294.37	-
Total expenditures	399,904.00	(52,500.00)	438,698.37	438,258.12	(440.25)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (3.00)	\$ 52,500	\$ (38,797.37)	\$ (38,358.18)	\$ 439.19
Other Financing Sources (Uses):					
Refunding Bonds Issued			4,537,869.65	4,537,869.65	-
Payment to Bond Refunding Escrow Agent		(52,500.00)	(4,499,075.28)	(4,499,075.28)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(3.00)	-	(3.00)	436.19	439.19
Fund Balance - Beginning	1.87		1.87	1.91	0.04
Fund Balance - Ending	<u>(1.13)</u>	<u>\$ -</u>	<u>(1.13)</u>	<u>\$ 438.10</u>	<u>\$ 439.23</u>

STATISTICAL SECTION

SECTION – J

Financial Trends

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Net Position/Net Assets by Component,
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Invested in capital assets, net of related debt	\$ (1,110,056)	\$ (640,224)	\$ (683,958)	\$ (740,397)	\$ (1,730,883)	\$ (1,526,056)	\$ (1,216,135)	\$ (886,214)	\$ (551,293)	\$ (211,371)
Restricted	2,008,402	1,521,231	1,535,641	1,296,245	985,822	312,080	559,035	614,862	249,969	432,271
Unrestricted	(1,824,424)	(1,202,858)	(1,566,855)	(227,809)	(154,712)	(19,543)	(12,281)	(33,509)	(171,013)	(113,491)
Total governmental activities net position/net assets	\$ (926,079)	\$ (321,851)	\$ (715,172)	\$ 328,039	\$ (899,773)	\$ (1,233,519)	\$ (669,381)	\$ (304,861)	\$ (472,337)	\$ 107,409
Business-type activities										
Invested in capital assets, net of related debt	\$ 18,850	\$ 27,798	\$ 36,746	\$ 36,714	\$ 43,866	\$ 35,759	\$ 42,911	\$ 50,062	\$ 15,611	\$ 15,840
Unrestricted	5,732	4,119	5,740	17,316	19,059	37,428	36,946	51,729	94,645	130,575
Total business-type activities net position/net assets	\$ 24,583	\$ 31,917	\$ 42,486	\$ 54,030	\$ 62,925	\$ 73,187	\$ 79,857	\$ 101,791	\$ 110,256	\$ 146,415
District-wide										
Invested in capital assets, net of related debt	\$ (1,091,206)	\$ (612,426)	\$ (647,212)	\$ (703,683)	\$ (1,687,017)	\$ (1,490,297)	\$ (1,173,224)	\$ (836,152)	\$ (535,682)	\$ (195,531)
Restricted	2,008,402	1,521,231	1,535,641	1,296,245	985,822	312,080	559,035	614,862	249,969	432,271
Unrestricted	(1,818,692)	(1,198,739)	(1,561,115)	(210,494)	(135,653)	(17,885)	(24,665)	(18,220)	(76,368)	(17,084)
Total district net position/net assets	\$ (901,496)	\$ (289,934)	\$ (672,686)	\$ 382,069	\$ (836,848)	\$ (1,160,332)	\$ (589,524)	\$ (203,070)	\$ (362,081)	\$ 253,824

Note: Reflects Implementation of GASB 68 for 2014 and subsequent years

BETHLEHEM TOWNSHIP SCHOOL DISTRICT

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Fiscal Year Ending June 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities										
Instruction										
Regular										
Special Education	\$ 2,987,788	\$ 2,095,271	\$ 2,233,645	\$ 2,692,768	\$ 3,320,009	\$ 3,552,030	\$ 3,735,609	\$ 3,338,540	\$ 3,660,174	\$ 3,677,265
Other Instruction	904,462	1,056,010	1,083,448	1,047,824	1,107,571	1,158,025	1,073,987	924,442	1,017,780	951,445
Support Services:	65,713	103,156	82,785	88,197	330,733	223,853	54,760	44,989	181,895	155,196
Tuition	246,456	275,132	259,797	356,895	122,604	64,429	31,059	116,723	82,935	160,986
Student & Instruction Related Services	1,313,893	1,305,143	1,292,832	1,032,608	1,104,872	1,275,278	1,332,575	1,002,725	1,228,303	1,258,484
School Administrative Services	324,371	317,282	320,198	216,477	286,042	345,735	352,798	342,261	361,691	371,286
General Administration	523,004	440,920	501,287	571,839	862,483	950,798	974,915	978,232	1,154,270	824,689
Plant Operations and Maintenance	684,671	820,342	846,671	792,657	1,225,246	1,418,783	1,257,599	1,099,987	1,251,235	1,062,597
Pupil Transportation	445,733	398,963	438,127	511,592	545,653	648,306	628,974	667,013	664,112	896,978
Unallocated Benefits	2,580,456	2,242,219	2,017,592	1,971,803	-	-	-	-	-	-
Other Support Services	101,794	217,332	233,499	210,333	231,143	224,635	229,728	226,915	365,176	250,837
Interest on long-term debt	91,294	-	-	-	-	-	-	-	-	-
Bond Issue Costs	575,754	193,241	193,241	181,305	343,653	428,747	428,747	428,747	428,747	-
Unallocated Depreciation and Amortization	10,845,392	9,465,012	9,503,122	9,674,299	9,480,009	10,290,619	10,100,751	9,170,574	10,396,318	9,609,763
Total governmental activities expenses										
Business-type activities:										
Food service	99,266	105,558	112,928	117,527	141,244	134,525	144,747	135,486	141,871	161,810
Total business-type activities expense	99,266	105,558	112,928	117,527	141,244	134,525	144,747	135,486	141,871	161,810
Total district expenses	\$ 10,944,658	\$ 9,570,569	\$ 9,616,050	\$ 9,791,826	\$ 9,621,253	\$ 10,425,144	\$ 10,245,498	\$ 9,306,060	\$ 10,538,189	\$ 9,771,573

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

Fiscal Year Ending June 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Program Revenues										
Governmental activities:										
Operating grants and contributions	1,594,724	1,370,193	1,405,638	1,527,804	2,358,130	2,281,632	2,085,254	1,792,267	2,511,207	779,889
Total governmental activities program revenues	<u>1,594,724</u>	<u>1,370,193</u>	<u>1,405,638</u>	<u>1,527,804</u>	<u>2,358,130</u>	<u>2,281,632</u>	<u>2,085,254</u>	<u>1,792,267</u>	<u>2,511,207</u>	<u>779,889</u>
Business-type activities:										
Charges for services:										
Food service	72,715	76,612	80,627	83,941	101,167	104,100	101,129	103,737	108,918	116,167
Operating grants and contributions	19,181	18,332	20,695	24,647	26,581	23,337	21,536	22,790	20,903	19,371
Total business-type activities program revenues	<u>91,895</u>	<u>94,944</u>	<u>101,322</u>	<u>108,588</u>	<u>127,748</u>	<u>127,437</u>	<u>122,665</u>	<u>126,527</u>	<u>129,821</u>	<u>135,538</u>
Total district program revenues	<u>\$ 1,686,619</u>	<u>\$ 1,465,136</u>	<u>\$ 1,506,959</u>	<u>\$ 1,636,392</u>	<u>\$ 2,485,878</u>	<u>\$ 2,409,069</u>	<u>\$ 2,207,919</u>	<u>\$ 1,918,794</u>	<u>\$ 2,641,028</u>	<u>\$ 915,427</u>
Net (Expense)/Revenue										
Governmental activities	\$ (9,250,668)	\$ (8,094,819)	\$ (8,097,484)	\$ (8,146,495)	\$ (7,121,879)	\$ (8,008,987)	\$ (8,015,497)	\$ (7,378,307)	\$ (7,885,111)	\$ (8,829,874)
Business-type activities	(7,370)	(10,614)	(11,607)	(8,939)	(13,496)	(7,088)	(22,082)	(8,959)	(12,050)	(26,272)
Total district-wide net expense	<u>\$ (9,258,038)</u>	<u>\$ (8,105,433)</u>	<u>\$ (8,109,091)</u>	<u>\$ (8,155,434)</u>	<u>\$ (7,135,375)</u>	<u>\$ (8,016,075)</u>	<u>\$ (8,037,579)</u>	<u>\$ (7,387,266)</u>	<u>\$ (7,897,161)</u>	<u>\$ (8,856,146)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 7,038,822	\$ 6,899,434	\$ 6,934,529	\$ 6,969,379	\$ 6,969,379	\$ 7,057,879	\$ 7,257,186	\$ 6,996,333	\$ 6,833,256	\$ 6,570,438
Taxes levied for debt service	399,900	398,425	396,226	398,725	443,790	334,079	367,669	321,097	370,019	174,281
Federal and State Aid not Restricted	1,118,661	1,136,502	1,097,406	1,073,045	6,778	1,866	11,285	16,868	-	1,659,691
Investment Earnings	89,057	53,780	26,031	102,413	35,678	51,025	14,937	211,485	27,686	42,679
Miscellaneous income				(65,963)					47,739	(6,793)
Cancellations										
Transfers									26,665	
Capital Lease Payments										
Total governmental activities	<u>8,646,440</u>	<u>8,488,141</u>	<u>8,454,192</u>	<u>8,477,599</u>	<u>7,455,625</u>	<u>7,444,849</u>	<u>7,651,077</u>	<u>7,545,783</u>	<u>7,305,365</u>	<u>8,440,296</u>
Business-type activities:										
Investment Earnings	35	45	53	45	3,234	418	148	494	2,555	4,263
Transfers									(26,665)	
Total business-type activities	<u>35</u>	<u>45</u>	<u>53</u>	<u>45</u>	<u>3,234</u>	<u>418</u>	<u>148</u>	<u>494</u>	<u>(24,110)</u>	<u>4,263</u>
Total district-wide	<u>\$ 8,646,476</u>	<u>\$ 8,488,186</u>	<u>\$ 8,454,245</u>	<u>\$ 8,477,644</u>	<u>\$ 7,458,859</u>	<u>\$ 7,445,267</u>	<u>\$ 7,651,225</u>	<u>\$ 7,546,277</u>	<u>\$ 7,281,255</u>	<u>\$ 8,444,559</u>
Change in Net Position/Net Assets										
Governmental activities	\$ (604,228)	\$ 393,322	\$ 356,707	\$ 331,104	\$ 333,746	\$ (564,138)	\$ (364,420)	\$ 167,476	\$ (579,746)	\$ (389,578)
Business-type activities	(7,335)	(10,569)	(11,554)	(8,895)	(10,262)	(6,670)	(21,934)	(8,465)	(36,160)	(22,009)
Total district	<u>\$ (611,563)</u>	<u>\$ 382,753</u>	<u>\$ 345,154</u>	<u>\$ 322,210</u>	<u>\$ 323,484</u>	<u>\$ (570,808)</u>	<u>\$ (386,354)</u>	<u>\$ 159,011</u>	<u>\$ (615,906)</u>	<u>\$ (411,587)</u>

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund	\$ 1,608,402	\$ 1,521,229	\$ 1,535,641	\$ 1,296,243	\$ 996,517	\$ 453,320	\$ 720,627	\$ 734,740	\$ 218,452	\$ 359,481
Reserved/Restricted/Committed	482,694	402,264	100,057	70,057	110,505	166,202	87,177	110,604	182,777	183,919
Unreserved/Assigned/Unassigned	\$ 2,091,096	\$ 1,923,493	\$ 1,635,698	\$ 1,366,300	\$ 1,107,022	\$ 619,522	\$ 807,804	\$ 845,344	\$ 401,229	\$ 543,400
Total general fund										
All Other Governmental Funds										\$ 38,395
Reserved										
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	24,925	24,925	24,925	24,925	24,925	24,925
Debt service fund	438	2	3	2	2	(47,863)	2	-	47,866	9,471
Total all other governmental funds	\$ 438	\$ 2	\$ 3	\$ 2	\$ 24,927	\$ (22,938)	\$ 24,927	\$ 24,925	\$ 72,791	\$ 72,791
Total governmental fund balances	\$ 2,091,534	\$ 1,923,495	\$ 1,635,701	\$ 1,366,302	\$ 1,131,949	\$ 596,584	\$ 832,731	\$ 870,269	\$ 474,020	\$ 616,191

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

Fiscal Year Ending June 30,

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Tax levy	\$ 7,438,722	\$ 7,297,859	\$ 7,330,755	\$ 7,368,104	\$ 7,413,169	\$ 7,391,958	\$ 7,624,855	\$ 7,317,430	\$ 7,203,275	\$ 6,744,719
Other Local Sources	89,393	53,780	26,031	111,013	-	1,866	11,285	16,868	27,686	42,679
Interest earnings	-	-	-	-	6,778	51,025	14,937	211,485	47,739	(6,793)
Miscellaneous	-	-	-	-	35,678	2,147,247	1,757,042	2,195,131	2,344,522	2,294,895
State sources	2,561,051	2,345,679	2,283,875	2,349,836	2,147,247	1,995,440	1,757,042	2,195,131	2,344,522	2,294,895
Federal sources	151,998	161,015	219,169	242,413	210,883	286,192	328,112	173,200	166,685	144,685
Total revenue	10,241,164	9,858,334	9,859,829	10,071,366	9,813,755	9,726,481	9,736,231	9,914,114	9,789,907	9,220,185
Expenditures										
Instruction:										
Regular Instruction	2,257,366	2,151,468	2,268,903	2,692,768	2,533,989	2,732,553	2,919,715	2,798,243	2,759,296	2,765,395
Special Education Instruction	904,462	1,056,010	1,083,448	1,047,824	848,046	905,585	841,740	777,071	769,520	717,633
Other Instruction	65,713	103,156	82,785	88,197	245,913	167,732	35,595	30,494	130,204	148,745
Support Services:										
Tuition	246,456	275,132	259,797	356,895	122,604	64,429	31,059	116,723	82,935	160,986
Student & Instruction Related Services	1,313,893	1,305,143	1,292,832	1,032,608	845,979	997,278	1,044,409	842,874	928,692	890,690
School Administrative Services	324,371	317,282	320,198	216,477	216,704	268,055	274,193	285,386	271,153	625,108
Other Administrative Services	407,853	440,920	501,287	571,839	659,807	742,952	763,512	821,706	888,953	261,259
Plant Operations and Maintenance	932,714	818,529	840,851	769,772	936,135	1,107,488	983,638	922,619	944,018	793,121
Pupil Transportation	445,733	398,963	438,127	511,592	529,785	632,438	613,106	651,145	648,244	530,078
Other Support Services	-	-	-	-	-	-	-	-	-	-
Unallocated Benefits	2,490,703	2,243,837	2,017,592	1,971,384	1,930,077	1,925,087	1,899,139	1,902,641	2,165,709	2,059,387
Capital Outlay	284,395	61,673	88,385	112,969	13,426	37,087	-	-	-	61,434
Debt Service:										
Principal	210,000	200,000	206,225	213,725	220,925	226,944	232,667	238,963	245,019	250,838
Interest	228,258	198,425	190,000	185,000	175,000	155,000	135,000	130,000	125,000	120,000
Total Expenditures	10,111,920	9,570,539	9,590,430	9,771,050	9,278,390	9,962,628	9,773,773	9,517,865	9,958,743	9,354,674
Excess (Deficiency) of revenues over (under) expenditures	129,244	287,795	269,399	300,315	535,365	(236,147)	(37,542)	396,249	(168,836)	(134,489)

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ending June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Other Financing sources (uses)										
Accounts Receivable Cancelled				(65,963)						
Proceeds from refunding	4,537,870									
Payment to Escrow Agent	(4,499,075)								26,665	
Transfers in										
Transfers out				(65,963)					26,665	
Total other financing sources (uses)	38,794	-	-	(65,963)	-	-	-	-	-	-
Net change in fund balances	168,039	287,795	269,399	234,353	535,365	(236,147)	\$ (37,542)	\$ 396,249	\$ (142,171)	\$ (134,489)
Debt service as a percentage of noncapital expenditures	4.46%	4.19%	4.17%	4.13%	4.27%	3.85%	3.76%	3.88%	3.72%	3.99%

Source: District records

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
(Unaudited)

FISCAL YEAR ENDED JUNE 30,	INTEREST ON INVESTMENTS	REFUND PRIOR YEAR EXPENDITURES	RENTALS	SALE OF ASSETS	MISCELL- ANEOUS	INDIVIDUAL TUITION	TOTAL
2016	\$ 9,770.19	\$ 17,134.47	\$ 7,025.00	\$	\$ 24,109.03	\$ 31,017.87	\$ 89,056.56
2015	7,158.51	12,692.65	9,129.71		7,078.56	17,721.00	53,780.43
2014	7,853.24	2,331.37	8,100.00		7,746.22		26,030.83
2013	5,443.05	13,537.09	9,300.00		74,132.68		102,412.82
2012	6,778.00	23,759.00	9,300.00		2,064.00		41,901.00
2011	1,866.00	39,036.00	7,250.00		4,739.00		52,891.00
2010	11,285.00	1,648.00	8,700.00		4,589.00		26,222.00
2009	16,868.00	8,036.00	8,700.00	169,681.00	23,885.00		227,170.00
2008	27,686.00				46,739.00		74,425.00
2007	42,676.00				(6,793.00)		35,883.00

Source: District records.

Revenue Capacity

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2016	6,711,400	452,135,100	40,529,300	1,856,328	20,757,500	6,990,400	-	528,980,028	94	528,980,122	1.400	559,565,542
2015	6,106,000	450,125,100	41,193,900	1,886,428	20,757,500	6,990,400	-	527,059,328	1,028,776	528,088,104	1.409	559,565,542
2014	6,086,400	449,860,400	40,892,300	1,896,628	21,179,700	6,990,400	-	526,905,828	913,069	527,818,897	1.382	554,160,996
2013	6,211,400	449,801,500	41,633,600	1,902,528	21,179,700	6,990,400	-	527,719,128	910,190	528,629,318	1.387	564,269,173
2012	6,963,800	450,591,300	42,459,700	1,919,628	21,179,700	7,290,400	-	530,404,528	803,099	531,207,627	1.396	597,631,725
2011	6,882,100	450,631,500	41,920,800	1,944,428	20,956,200	8,333,000	-	530,668,028	701,087	531,369,115	1.391	630,813,595
2010	7,747,400	450,512,700	41,265,800	1,881,928	20,956,200	8,333,000	-	530,697,028	541,904	531,238,932	1.435	659,966,264
2009	6,976,100	448,389,600	41,525,600	1,946,328	20,956,200	8,333,000	-	528,126,828	651,115	528,777,943	1.384	665,474,583
2008	7,322,000	447,447,700	42,159,128	-	21,090,800	8,333,000	-	526,352,628	711,047	527,063,675	1.367	707,832,219
2007	7,833,000	443,400,600	41,644,428	-	21,090,800	8,333,000	-	522,301,828	795,308	523,097,136	1.290	667,806,370

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 the County Board of Taxation requests Treasury to order a reassessment

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

^b Tax rates are per \$100

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

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

Fiscal Year Ended December 31,	Bethlehem Township Board of Education				Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct School Tax Rate	North Hunterdon Regional High School District		Township	County ^c	
				District	County ^c			
2016	1.325	0.075	1.400	0.713	0.392	0.393	2.898	
2015	1.332	0.077	1.409	0.711	0.387	0.392	2.899	
2014	1.303	0.079	1.382	0.655	0.377	0.390	2.804	
2013	1.312	0.075	1.387	0.676	0.372	0.388	2.823	
2012	1.312	0.084	1.396	0.649	0.081	0.691	2.817	
2011	1.391	-	1.391	0.679	0.353	0.426	2.849	
2010	1.366	0.069	1.435	0.634	0.348	0.431	2.848	
2009	1.323	0.061	1.384	0.642	0.338	0.449	2.813	
2008	1.297	0.070	1.367	0.636	0.330	0.447	2.780	
2007	1.257	0.033	1.290	0.636	0.321	0.453	2.700	

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.

c Municipality - Includes Open Space and Library Tax, County- Includes Open Space Taxes.

**BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year
Unaudited**

	2015		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Transcontinental Gas	\$ 9,759,400.00	1	1.85%
Columbia Gas	4,917,500.00	2	0.93%
Asbury Graphite Mills	2,450,000.00	3	0.46%
Valley View LLC	2,000,000.00	4	0.38%
Taxpayer #1	1,231,800.00	5	0.23%
Mininni & Sons Realty	1,075,000.00	6	0.20%
United Telephone Co. of N.J.	1,028,776.00	7	0.19%
Taxpayer #2	1,013,600.00	8	0.19%
Taxpayer #3	942,200.00	9	0.18%
Taxpayer #4	905,400.00	10	0.17%
Total	<u>\$ 25,323,676</u>		<u>4.80%</u>

Source: District CAFR & Municipal Tax Assessor

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Total Local District School Property Tax Levies and Collections,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Fund Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a	
		Amount	Percentage of Levy
2016	7,038,822.02	7,038,822.02	100.00%
2015	6,899,434.00	6,899,434.00	100.00%
2014	6,934,529.00	6,934,529.00	100.00%
2013	6,969,379.00	6,969,379.00	100.00%
2012	6,969,379.00	6,969,379.00	100.00%
2011	7,057,879.00	7,057,879.00	100.00%
2010	7,257,186.00	7,257,186.00	100.00%
2009	6,996,333.00	6,996,333.00	100.00%
2008	6,833,256.00	6,833,256.00	100.00%
2007	6,570,438.00	6,570,438.00	100.00%

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

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

Debt Capacity

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (unaudited)

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2016	4,185,000	-	-	-	-	-	4,185,000	1.37%	\$1,076.11
2015	4,645,000	-	-	-	-	-	4,645,000	1.52%	\$1,187.07
2014	4,845,000	-	-	-	-	-	4,845,000	1.59%	\$1,234.08
2013	5,035,000	-	-	-	-	-	5,035,000	1.72%	\$1,279.22
2012	5,220,000	-	-	-	-	-	5,220,000	1.96%	\$1,314.86
2011	5,395,000	-	-	-	-	-	5,395,000	2.02%	\$1,356.21
2010	5,550,000	-	-	514,716	-	-	6,064,716	2.29%	\$1,534.59
2009	5,685,000	-	-	514,716	-	-	6,199,716	2.24%	\$1,569.95
2008	5,815,000	-	-	514,716	-	-	6,329,716	2.33%	\$1,598.01
2007	5,940,000	-	16,816.00	514,716	-	-	6,471,532	2.53%	\$1,630.93

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, if available.
 Per Capita calculations utilize population data from prior year.

BETHLEHEM TONWSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable	
	General Obligation Bonds	Deductions		Value ^a of Property	Per Capita ^b
2016	4,185,000		4,185,000	0.79%	1,076.11
2015	4,645,000		4,645,000	0.88%	1,187.07
2014	4,845,000		4,845,000	0.92%	1,234.08
2013	5,035,000		5,035,000	0.95%	1,279.22
2012	5,220,000		5,220,000	0.98%	1,314.86
2011	5,395,000		5,395,000	1.02%	1,356.21
2010	5,550,000		5,550,000	1.04%	1,534.59
2009	5,685,000		5,685,000	1.08%	1,569.95
2008	5,815,000		5,815,000	1.10%	1,598.01
2007	5,940,000		5,940,000	1.14%	1,630.93

Notes: 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.

Per Capita calculations utilize Population data from prior year.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016
Unaudited

	Authorized Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<u>Governmental Unit</u>			
Debt repaid with property Taxes			
Township of Bethlehem	5,664,460	100%	5,664,460
Other Debt			
North Hunterdon Regional School District	755,000	6.924%	52,276
Hunterdon County	62,494,492	2.947%	1,841,941
Subtotal, overlapping debt			<u>7,558,677</u>
Bethlehem Township School District Direct Debt			<u>4,645,000</u>
Total direct and overlapping debt			<u><u>12,203,677</u></u>

Sources: Township Finance Officer, Hunterdon County Finance Office

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 situated within 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.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Legal Debt Margin Calculation for December 31, 2015:

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Equalized Valuation Basis										
2015	\$ 559,214,141									
2014	557,218,515									
2013	552,932,867									
	<u>1,669,365,523</u>									
Average Equalized Valuation of Taxable Property	\$ 556,455,174									
Debt Limit (3% of average equalization value)	16,693,655									
Total Net School Debt Applicable to Limit:	<u>4,185,000</u>									
Legal Debt Margin	<u>12,508,655</u>									
Debt Limit-Dec. 31, Prior Year	\$ 16,693,655	\$ 16,717,232	\$ 17,135,611	\$ 17,896,054	\$ 18,859,768	\$ 19,571,321	\$ 20,209,977	\$ 20,327,580	\$ 19,721,025	\$ 18,395,792
Total Net School Debt Applicable to Limit	<u>4,185,000</u>	<u>4,645,000</u>	<u>4,845,000</u>	<u>5,035,000</u>	<u>5,220,000</u>	<u>5,909,716</u>	<u>6,064,716</u>	<u>6,199,716</u>	<u>6,329,716</u>	<u>6,546,307</u>
Legal Debt Margin	<u>12,508,655</u>	<u>12,072,232</u>	<u>12,290,611</u>	<u>12,861,054</u>	<u>13,639,768</u>	<u>13,661,605</u>	<u>14,145,261</u>	<u>14,127,864</u>	<u>13,391,309</u>	<u>11,849,485</u>
Net Debt as % of Debt Limit	25.07%	27.79%	28.27%	28.13%	27.68%	30.20%	30.01%	30.50%	32.10%	35.59%

Sources: State Equalized Valuations were obtained from the New Jersey Dept. of Treasury, Division of Taxation

Demographic and Economic Information

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2015	3,889	N/A	N/A	3.90%
2014	3,913	304,994,872	77,944	4.60%
2013	3,926	291,929,508	74,358	4.30%
2012	3,936	266,200,410	74,622	4.20%
2011	3,960	266,736,834	70,293	4.20%
2010	3,978	264,993,456	66,417	4.30%
2009	3,952	259,705,985	65,930	4.20%
2008	3,949	276,347,087	69,056	2.30%
2007	3,961	271,363,584	68,197	1.70%
2006	3,968	255,315,642	64,677	2.00%

Source:

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

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income is presented for Hunterdon County, published by the Regional Economic Information System, Bureau of Economic Analysis, November 2015

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 Principal Employers,
 Current Year and Ten Years Ago

	2016		2006			
Employer	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
	-		0.00%	-		0.00%

Information Unavailable

Source: _____

Districts may obtain principal employer information from various sources such as their local Chamber of Commerce, local Economic Development Agency, or other creditable source for their municipality.

Operating Information

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years

<u>Function/Program</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>	<u>2007</u>
Instruction										
Regular	38.0	37.0	39.0	37.0	42.0	43.5	44.5	46.8	47.0	49.0
Special Education	13.0	16.0	15.0	18.0	11.5	13.3	12.5	12.5	9.0	9.0
Other Special Education	7.0	8.0	8.0	8.5	8.5	11.0	11.0	6.6	5.0	3.0
Support Services:										
Student & Instruction Related Services	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.9	6.0	6.0
General Administrative Services	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
School Administrative Services	4.0	6.0	6.0	5.0	3.0	5.0	5.0	5.0	5.0	5.0
Business Administrative Services	3.0	3.0	3.0	3.0	1.0	3.0	3.0	3.0	3.0	3.0
Plant operations and maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Pupil transportation	0.0	0.0	1.0	1.0	1.0	2.0	2.0	2.0	8.0	10.0
Other support services	5.5	4.5	4.5	4.0	4.0	6.0	6.0	6.0	6.0	6.0
Total	84.5	87.5	88.5	88.5	83.0	95.8	96.0	94.8	96.0	98.0

Source: District Personnel Records

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 Operating Statistics,
 Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2016	388	9,673,662	24,932	9.27%	58	6.7:1	386.2	370.7	-3.88%	96.0%	
2015	402	9,172,114	22,816	13.01%	61	6.6:1	401.8	395.5	-10.73%	98.4%	
2014	451	9,105,820	20,190	-0.79%	62	7.3:1	450.1	429.0	-1.75%	95.3%	
2013	455	9,259,356	20,350	17.48%	64	7.2:1	458.1	440.4	-8.07%	96.1%	
2012	512	8,869,039	17,322	-1.99%	62	8.3:1	498.3	479.2	-7.72%	96.2%	
2011	540	9,543,597	17,673	4.85%	68	8.0:1	540.0	525.1	-2.70%	97.2%	
2010	555	9,354,742	16,855	7.96%	68	8.2:1	555.0	540.8	-3.66%	97.4%	
2009	586	9,148,902	15,612	-1.33%	66	8.9:1	576.1	559.0	-3.03%	97.0%	
2008	606	9,588,724	15,823	19.90%	61	9.9:1	594.1	573.2	-3.02%	96.5%	
2007	613	8,089,816	13,197	3.13%	61	10:01	612.6	595.4	-0.18%	97.2%	

Sources: District records

Note: Enrollment based on annual October district count.

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

<u>District Building</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>	<u>2007</u>
Elementary										
Conley School										
Square Feet	59,584	59,584	59,584	59,584	59,584	59,584	59,584	59,584	59,584	59,584
Capacity (students)	393	393	393	393	393	393	393	393	393	393
Enrollment	224	248	248	272	301	359	360	303	318	330
Hoppock School										
Square Feet	48,921	48,921	48,921	48,921	48,921	48,921	48,921	48,921	48,921	48,921
Capacity (students)	352	352	352	352	352	352	352	352	352	352
Enrollment	164	203	203	188	196	189	202	283	288	281

Number of Schools at June 30, 2016
 Elementary = 1
 Middle School = 1

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

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 LAST TEN FISCAL YEARS
(Unaudited)

UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES

School Facilities*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Conley School	\$285,743.32	\$312,535.00	\$181,376.85	\$100,397.01	\$109,886.00	\$179,599.00	\$151,054.00	\$113,018.00	\$104,471.00	\$133,946.00
Hoppock School	\$204,597.14	\$85,099.84	\$103,005.34	\$62,404.42	\$89,907.00	\$146,944.00	\$123,590.00	\$92,470.00	\$85,476.00	\$109,396.00
Total School Facilities	\$490,340.46	\$397,634.84	\$284,382.19	\$162,801.43	\$199,793.00	\$326,543.00	\$274,644.00	\$205,488.00	\$189,947.00	\$243,342.00
Other Facilities	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Grand Total	\$490,340.46	\$397,634.84	\$284,382.19	\$162,801.43	\$199,793.00	\$326,543.00	\$274,644.00	\$205,488.00	\$189,947.00	\$243,342.00

*School facilities as defined under EFCFA. (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Source: District Records

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
COMMERCIAL PACKAGE POLICY- NJSBAIG		
Property – Blanket Building and Contents, Boiler/Machinery and Stated Equipment/Papers	\$16,896,113	\$5,000
Comprehensive General Liability:		
Bodily Injury & Property Damage	6,000,000	
Comprehensive Automobile Liability:		
Bodily Injury & Property Damage	6,000,000	
Uninsured Motorists-Private Auto	1,000,000	
Uninsured Motorists-Other Vehicles:		
Bodily Injury per Person	15,000	
Bodily Injury per Accident	30,000	
Property Damage per Accident	5,000	
Personal Injury Protection	250,000	
 UMBRELLA LIABILITY: NJSBAIG		
Aggregate Limit	5,000,000	
Occurrence Limit	5,000,000	
 SCHOOL LEADERS PROFESSIONAL LIABILITY- NJSBAIG		
Directors and officers Policy:		
Limit Each Period	2,000,000	5,000
Limit Each Claim	100,000	5,000
 WORKER'S COMPENSATION- NJSBAIG		
Statutory Benefits	Included	
Employers Liability:		
Each Accident	2,000,000	5,000
Disease- Each Employee	2,000,000	
Disease- Each Aggregate Limit	2,000,000	
 PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE BLANKET		
Position Bond- Selective Insurance Company		
Blanket Employee Limit	250,000	1,000
Board Secretary Bond	200,000	1,000

Source: School Business Administrator

SINGLE AUDIT SECTION

SECTION - K

HODULIK & MORRISON, P.A.
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MEMBERS OF:
AMERICAN INSTITUTE OF CPA'S
NEW JERSEY SOCIETY OF CPA'S
REGISTERED MUNICIPAL ACCOUNTANTS OF N.J.

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Bethlehem School District
County of Hunterdon, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of 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 Board of Education of the Township of Bethlehem School District, in the County of Hunterdon, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the district's basic financial statements, and have issued our report thereon dated November 18, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Education of the Township of Bethlehem School 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* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

We noted other matters involving compliance and internal control over financial reporting that we have reported to the Board of Education of the Township of Bethlehem School District in a separate *Auditors' Management Report on Administrative Findings* dated November 18, 2016.

Purpose of this Report

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



HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

Highland Park, New Jersey
November 18, 2016

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**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL
ASSISTANCE REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

Honorable President and Members
of the Board of Education
Township of Bethlehem School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major Program

We have audited the compliance of the Township of Bethlehem School District, in the County of Hunterdon, State of New Jersey, with the types of compliance requirements described in the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of Township of Bethlehem School District's major state programs for the year ended June 30, 2016. The Township of Bethlehem School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its state programs.

Auditor's Responsibility

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

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

Opinion on each Major State Program

In our opinion, the Township of Bethlehem School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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



HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NO.	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2015		CASH RECEIVED	BUDGETARY EXPENDITURES	BALANCE AT JUNE 30, 2016		MEMO BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES	
				GAAP (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE			GAAP (ACCOUNTS RECEIVABLE)	BUDGETARY RECEIVABLE			
State Department of Education:												
Governmental Funds												
Equalization Aid	15-495-034-5120-078	984,263	7/1/14-6/30/15	(96,945.10)		96,945.10	(984,263.00)				(984,263.00)	
Special Education Aid	16-495-034-5120-078	301,829	7/1/15-6/30/16			887,297.28	(301,829.00)			(96,965.72)	(984,263.00)	
Special Education Aid	16-495-034-5120-089		7/1/14-6/30/15	(29,728.68)		272,093.99	(301,829.00)			(29,735.01)	(301,829.00)	
Transportation Aid	15-495-034-5120-014	81,787	7/1/14-6/30/15	(8,056.60)		29,728.68	(81,797.00)				(81,797.00)	
Security Aid	16-495-034-5120-014		7/1/15-6/30/16			8,056.60						
Security Aid	15-495-034-5120-084	37,641	7/1/14-6/30/15	(3,707.45)		73,738.68	(37,641.00)			(8,058.32)	(81,797.00)	
School Choice Aid	16-495-034-5120-068	56,695	7/1/15-6/30/16	(3,350.51)		3,707.45	(56,695.00)			(3,708.24)	(37,641.00)	
School Choice Aid	16-495-034-5120-068	71,420	7/1/14-6/30/15	(7,034.52)		33,932.76	(71,420.00)			(5,585.37)	(56,695.00)	
Adjustment Aid	15-495-034-5120-085	4,270	7/1/15-6/30/16	(420.57)		51,109.63	(4,270.00)			(7,036.02)	(71,420.00)	
PARCC Readiness Aid	16-495-034-5120-098	16,010	7/1/14-6/30/15			7,034.52	(16,010.00)				(16,010.00)	
PARCC Readiness Aid	16-495-034-5120-098	16,010	7/1/15-6/30/16			64,383.98	(16,010.00)				(16,010.00)	
Per Pupil Growth Aid	15-495-034-5120-097	4,270	7/1/14-6/30/15	(420.57)		420.57	(4,270.00)			(420.66)	(4,270.00)	
Per Pupil Growth Aid	16-495-034-5120-097	16,010	7/1/15-6/30/16			3,849.34	(16,010.00)			(420.66)	(16,010.00)	
Extraordinary Aid	16-100-034-5120-044	3,682	7/1/14-6/30/15	(79,014.00)		79,014.00	(3,682.00)				(3,682.00)	
Extraordinary Aid	16-495-034-5120-014	266,373	7/1/15-6/30/16			1,928.00	(266,372.62)			(3,682.00)	(266,372.62)	
Nonpublic School Transportation	15-495-034-5120-014	275,111	7/1/14-6/30/15	(1,313.86)		1,313.86	(275,111.00)			(1,518.27)	(275,111.00)	
Nonpublic School Transportation	16-495-034-5095-003	292,220	7/1/15-6/30/16			292,220.00	(292,220.00)				(292,220.00)	
T.P.A.F. Social Security Aid	15-495-034-5095-003	365,286	7/1/15-6/30/16			365,286.00	(365,286.00)				(365,286.00)	
T.P.A.F. Social Security Aid	15-495-034-5095-001	14,557	7/1/15-6/30/16			14,557.00	(14,557.00)				(14,557.00)	
T.P.A.F. Post Retirement Medical	15-495-034-5095-004	914	7/1/15-6/30/16			904.81	(913.99)			(9.18)	(913.99)	
T.P.A.F. Post Retirement Medical	16-100-010-3350-023	955	7/1/14-6/30/15	(34.52)		34.52	(955.00)				(955.00)	
T.P.A.F. Non-Contributory Insurance	15-100-034-5120-044											
Enterprise Funds												
National School Lunch												
Prog. (State Share)												
National School Lunch												
Prog. (State Share)												
Total State Financial Assistance				(3,276.38)	(228,678.00)	2,560,031.54	(2,501,226.61)	(5,209.45)	(167,940.00)		(2,501,226.61)	

Less:
 T.P.A.F. Pension Contributions (292,220.00)
 T.P.A.F. Post Retirement Medical (365,286.00)
 T.P.A.F. Non-Contributory Insurance (14,557.00)
 State Expenditures Subject to Single Audit (1,829,163.61)

Note: See Accompanying Notes to Schedules of Financial Assistance.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1. GENERAL

The accompanying schedules of expenditures of awards and financial assistance include state award activity of the Board of Education of the Bethlehem Township School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements (GASB 34 Model – basic financial statements). All state awards received directly from state agencies, as well as state assistance passed through other government agencies are included on the schedule of expenditures of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of state financial assistance is presented on the budgetary basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of NJOMB Circular 15-08, which requires compliance with the requirements of Title 2, US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) for state financial assistance programs. Therefore, some amounts presented in this schedule may differ from amounts present in, or used in the preparation of, the basic financial statements. The District does not charge any indirect costs to any state financial assistance program.

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 for categorical aid and the payment of extraordinary aid. These payments are required by state statute to be recorded as revenues on the budgetary basis, but do not meet the criteria set forth in GASB Statement No. 33 for revenue recognition in financial statements of the current period. 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 accompanying schedules agree with amounts reported in the Board's general-purpose financial statements. The general-purpose financial statements present the special revenue fund on both a GAAP basis and a budgetary basis. 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.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FINANCIAL ASSISTANCE
JUNE 30, 2016

See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Award and financial assistance revenues are reported in the Board's general-purpose financial statements on a GAAP basis as presented on the following page:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 00.00	\$ 2,561,050.62	\$ 2,561,050.62
Special Revenue Fund	151,998.15	0.00	151,998.15
Food Service Fund	<u>18,267.05</u>	<u>913.99</u>	<u>19,181.04</u>
Total Assistance	\$ <u>170,265.20</u>	\$ <u>2,561,964.61</u>	\$ <u>2,732,229.81</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

TPAF Post-Retirement Medical, Pension and Non-Contributory Insurance Premium Contributions represent the amount paid by the state on behalf of the District for the year ended June 30, 2016. These amounts are published by the State Division of Pensions annually, and the NJDOE has advised that these In-Kind programs are not to be subject to the state single audit mandate, and no audit procedures are required to be applied to these amounts. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2016, and are subject to the state single audit mandate.

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal Control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to basic financial statements noted? _____ Yes X No

Federal Awards-NOT APPLICABLE, FEDERAL SINGLE AUDIT NOT REQUIRED

Internal Control over major programs:

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

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes _____ No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes _____ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
_____	_____
_____	_____
_____	_____
_____	_____

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

Auditee qualified as low-risk auditee? _____ Yes _____ No

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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Section 1 - Summary of Auditor's Results (cont'd)

State Awards

Dollar threshold used to distinguish between Type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee? X Yes No

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

Internal Control over major programs:

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

2) Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08? Yes X No

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	STATE AID-PUBLIC CLUSTER
16-495-034-5120-089	Equalization Aid
16-495-034-5120-084	Special Education Categorical Aid
16-495-034-5120-085	Security Aid
16-495-034-5120-068	Adjustment Aid
16-495-034-5120-098	School Choice Aid
16-495-034-5120-097	PARCC Readiness
	Per Pupil Growth Aid

Section II - Financial Statement Findings

NONE

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

NONE

BETHLEHEM TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Not Applicable- No prior year findings or questioned costs.