

SCHOOL DISTRICT
OF
CALIFON BOROUGH

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

Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2016

Comprehensive Annual

Financial Report

of the

Califon Borough School District

Board of Education

Califon, New Jersey

For the Fiscal Year Ending June 30, 2016

Prepared by

Califon Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

INTRODUCTORY SECTION

	<u>Page</u>
Letter of Transmittal	1
Organizational Chart	2
Roster of Officials	3
Consultants and Advisors	4

FINANCIAL SECTION

Independent Auditor's Report	7-9
------------------------------	-----

Required Supplementary Information – Part I

Management's Discussion and Analysis	11-18
--------------------------------------	-------

Basic Financial Statements

A.	District-Wide Financial Statements:		
	A-1	Statement of Net Position	21
	A-2	Statement of Activities	22
B.	Fund Financial Statements:		
	Governmental Funds:		
	B-1	Balance Sheet	24
	B-2	Statement of Revenues, Expenditures and Changes in Fund Balance	25
	B-3	Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
	Proprietary Funds:		
	B-4	Statement of Net Position	27
	B-5	Statement of Revenues, Expenses and Changes in Fund Net Position	28
	B-6	Statement of Cash Flows	29
	Fiduciary Funds:		
	B-7	Statement of Fiduciary Net Position	30
	B-8	Statement of Changes in Fiduciary Net Position	31
	Notes to the Financial Statements		33-54

Required Supplementary Information – Part II

C.	Budgetary Comparison Schedules:		
	C-1	Budgetary Comparison Schedule - General Fund	57-65
	C1a	Combining Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	N/A
	C-1b	Community Block Development Grant (CDBG) – Budget and Actual	N/A
	C-2	Budgetary Comparison Schedule - Special Revenue Fund	66
	Notes to Required Supplementary Information		
	C-3	Budget-to-GAAP Reconciliation	67

OUTLINE OF CAFR

Required Supplementary Information – Part III		<u>Page</u>
L.	Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1/L-3	Schedule of the District's Proportionate Share of the Net Pension Liability	68
L-2	Schedule of District Contributions	69
	Notes to Required Supplementary Information - Part III	70
Other Supplementary Information		
D.	School Level Schedules:	
D-1	Combining Balance Sheet	N/A
D-2	Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3	Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E.	Special Revenue Fund:	
E-1	Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund – Budgetary Basis	73
E-2	Schedule(s) of Preschool Education Aid Expenditures – Preschool-All Programs- Budgetary Basis	N/A
F.	Capital Projects Fund:	
F-1	Summary Schedule of Project Expenditures	75
F-2	Summary Schedule of Revenues and Expenditures	76
F-2a	Schedule of Project Revenues and Expenditures - New Construction and Renovation of Califon School	77
G.	Proprietary Funds	
	Enterprise Fund:	
G-1	Combining Statement of Net Position	See B-4
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	See B-5
G-3	Combining Statement of Cash Flows	See B-6
	Internal Service Fund:	
G-4	Combining Statement of Net Position	N/A
G-5	Combining Statement of Revenues, Expenses and Changes in Fund Net Position	N/A
G-6	Combining Statement of Cash Flows	N/A

OUTLINE OF CAFR

		<u>Page</u>
H.	Fiduciary Funds:	
	H-1 Combining Statement of Fiduciary Net Position	80
	H-2 Combining Statement of Changes in Fiduciary Net Position	81
	H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	82
	H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	83
I.	Long-Term Debt:	
	I-1 Schedule of Serial Bonds	85
	I-2 Schedule of Obligations Under Capital Leases	N/A
	I-3 Budgetary Comparison Schedule Debt Service Fund	86

STATISTICAL SECTION (Unaudited)

	Introduction to the Statistical Section	87
	Financial Trends	
	J-1 Net Position by Component	88
	J-2 Changes in Net Position	89-90
	J-3 Fund Balances - Governmental Funds	91
	J-4 Changes in Fund Balances - Governmental Funds	92
	J-5 General Fund Other Local Revenue by Source	93
	Revenue Capacity	
	J-6 Assessed Value and Estimated Actual Value of Taxable Property	94
	J-7 Direct and Overlapping Property Tax Rates	95
	J-8 Principal Property Taxpayers	96
	J-9 Property Tax Levies and Collections	97
	Debt Capacity	
	J-10 Ratios of Outstanding Debt by Type	98
	J-11 Ratios of General Bonded Debt Outstanding	99
	J-12 Direct and Overlapping Governmental Activities Debt	100
	J-13 Legal Debt Margin Information	101
	Demographic and Economic Information	
	J-14 Demographic and Economic Statistics	102
	J-15 Principal Employers	103
	Operating Information	
	J-16 Full-time Equivalent District Employees by Function/Program	104
	J-17 Operating Statistics	105
	J-18 School Building Information	106
	J-19 Schedule of Required Maintenance Expenditures by School Facility	107
	J-20 Insurance Schedule	108

OUTLINE OF CAFR

SINGLE AUDIT SECTION		<u>Page</u>
K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	110-111
K-2	Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB's circular 15-08	N/A
K-3	Schedule of Expenditures of Federal Awards, Schedule A	N/A
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	112
K-5	Notes to the Schedules of Awards and Financial Assistance	113-114
K-6	Schedule of Findings and Questioned Costs	115-117
K-7	Summary Schedule of Prior Audit Findings	118

Introductory Section



Califon Public School



"Making Their Lives Extraordinary"

Mr. Jason Kornegay
Superintendent

Mr. Daniel Patton
Principal

Mr. Thomas Johnston
Asst BA/Board Secretary

November 18, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Califon School District for the fiscal year, which ended June 30, 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 this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for

Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES Califon School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Califon Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular and special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 108 students, which is 1 student less than the previous year's enrollment. The following details the changes in the student enrollment of the district over the last ten years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2015-2016	108	-0.9
2014-2015	109	-6.0
2013-2014	116	4.5
2012-2013	111	-23.4
2011-2012	145	-6.8
2010-2011	155	-0.06
2009-2010	156	2.6
2008-2009	152	6.3
2007-2008	143	0.7
2006-2007	142	-0.7
2005-2006	143	2.1

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

3. **MAJOR INITIATIVES** The Califon Public School is implementing brain-compatible reading interventions to help our struggling readers and those students diagnosed with dyslexia. The interventions are Fast ForWord and The Reading Assistant. Both programs are authored by Scientific Learning. Both programs are web-based and research-based. A before-school "Reading Lab" has been established to help deliver the programs to the identified students. Professional development is tailored to our school's needs. This onsite professional development will include:

1. Instructional Strategies Using the Language Arts Common Core Standards
2. Writing with Common Core
3. Differentiated Instruction with Small Groups: Addressing Skill Deficits Using the Common Core
4. Reading Workshop: New Texts and New Tasks

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

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

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

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

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

6. **ACCOUNTING SYSTEM AND REPORTS** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.
7. **FINANCIAL INFORMATION AT FISCAL YEAR-END** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund revenues for the fiscal year ended June 30, 2016 and the amount and percentage of increases in relation to prior year revenues.

Revenue	Amount	Increase/ (Decrease) from 2015	Percent of Increase Decrease
Local Sources	\$ 2,169,209	\$ 19,250	0.90%
State Sources	531,403	4,828	0.92%
Federal Sources	41,986	(9,522)	-18.49%
TOTAL	\$ 2,742,598	\$ 14,556	0.53%

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2016 and the percentage of increases and decreases in relation to prior year amounts.

Expenditures	Amount	Increase (Decrease) from 2015	Percent of Increase (Decrease)
Current Expense:			
Instruction	\$ 1,001,780	\$ (54,691)	-5.18%
Undistributed Expenditures	1,434,535	(13,101)	-0.90%
Total	\$ 2,436,315	\$ (67,792)	-2.71%
Capital Outlay	-	-	-
Debt Service	170,185	300	0.18%
Special Revenue	41,986	(9,522)	-18.49%
TOTAL	\$ 2,648,486	\$ (77,014)	-2.83%

8. **DEBT ADMINISTRATION** On September 7, 2006, the District issued \$1,935,000 Par Amount of School Bonds, Series 2006, maturing in varying amounts on August 15 of each year from 2007 through 2021. Consequently, at June 30, 2016, the District's

outstanding debt was \$925,000. The net interest rate for this issue is 4.0503%. The proceeds of the Bonds were used to undertake the construction of an addition to and the renovation of the Califon Public School, as approved by the affirmative vote of the majority of the legal voters present and voting at a special School District held on September 27, 2005.

9. **CASH MANAGEMENT** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 2. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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


11. **OTHER INFORMATION**

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


12. **ACKNOWLEDGMENTS**

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

Respectfully Submitted,



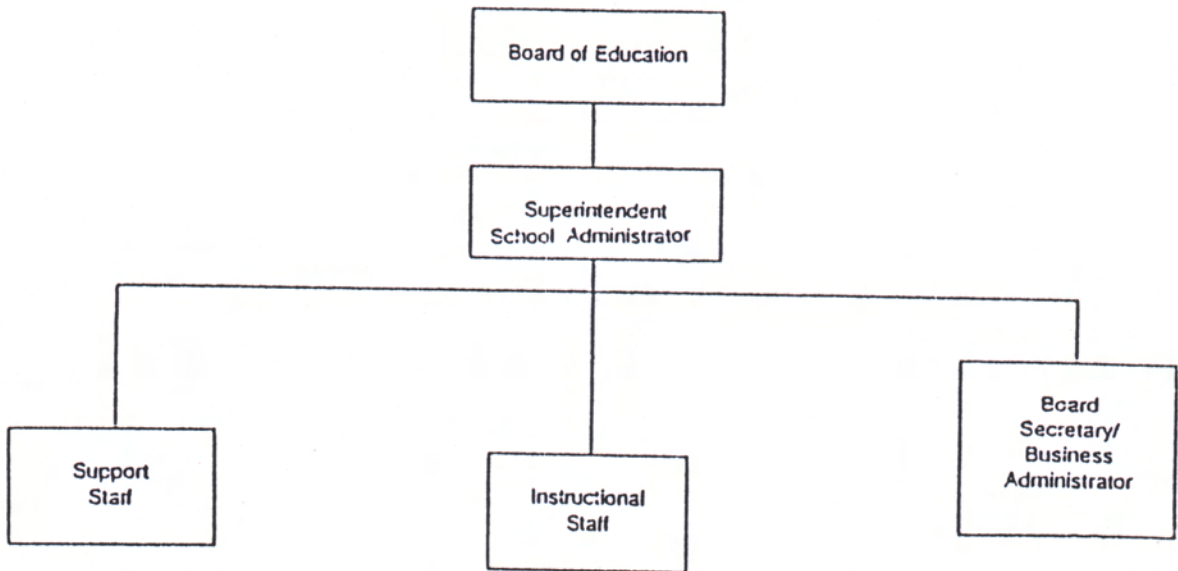
Jason Kornegay
Superintendent



Thomas Johnston
Assistant BA/Board Secretary

CALIFON PUBLIC SCHOOL
6 SCHOOL STREET
CALIFON, NEW JERSEY 07830
PHONE (908) 832-2828
FAX (908) 832-6719

**Organizational Chart
(Unit Control)**



**CALIFON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2016

Members of the Board of Education

Term Expires

Claudia Gangemi, <i>President</i>	2017
Jevan Furmanski, <i>Vice-President</i>	2018
Nina DeCoster	2016
Mark Cantagallo	2017
Terren Suydum	2018

Other Officials

Dr. Jason Kornegay, *Superintendent*

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

Steffi-Jo DeCasas, *Treasurer*

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

**CALIFON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

BOND COUNCIL

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

ARCHITECT

Feitlowitz and Kosten Architects
Livingston, New Jersey 07039

AUDIT FIRM

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

BOARD ATTORNEY

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

OFFICIAL DEPOSITORIES

PNC Bank
413 County Road 513
Califon, New Jersey 07830

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

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

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

Independent Auditor's Report

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

Report on the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

-Continued-

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Califon Borough School District Board of Education, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Califon Borough School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, schedule of expenditures of federal awards, and schedule of state financial assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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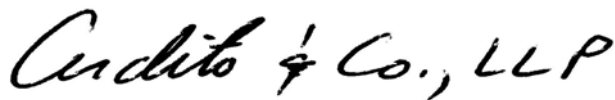
The combining and individual fund financial statement information, and long-term debt schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information and long-term debt schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

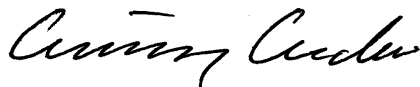
The introductory, statistical sections, schedule of expenditures of federal awards, and schedule of state financial assistance have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance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

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated October 31, 2016, on our consideration of the Califon Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
October 31, 2016



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

The discussion and analysis of Califon Borough School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- ◆ In total, Net Position increased \$111,546 which represents a 34.6% increase from 2015.
- ◆ General revenues accounted for \$2,236,027 in revenue or 72.1% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$866,925 or 27.9% of total revenues of \$3,102,952.
- ◆ Total assets of governmental activities decreased by \$45,466, as cash and cash equivalents decreased by \$62,495, receivables increased by \$60,466, and capital assets decreased by \$43,437.
- ◆ The School District had \$2,991,406 in expenses; only \$866,925 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,236,027 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$2,669,100 in revenues and \$2,680,052 in expenditures. The General Fund's surplus balance decreased \$10,952 over 2015, which compares favorably to the budgeted decrease of \$65,581.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Califon Borough School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Califon Borough School District, the General Fund is by far the most significant fund.

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 24. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Governmental Funds

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

The School District as a Whole

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

Table 1 provides a summary of the School District's Net Position for 2016 compared to 2015.

	<u>2016</u>	<u>2015</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 530,921	\$ 532,950
Capital Assets	<u>1,423,747</u>	<u>1,467,184</u>
Total Assets	<u>1,954,668</u>	<u>2,000,134</u>
Deferred Outflows of Resources	<u>63,188</u>	<u>38,153</u>
Liabilities		
Long-Term Liabilities	1,377,316	1,584,029
Other Liabilities	<u>73,259</u>	<u>66,110</u>
Total Liabilities	<u>1,450,575</u>	<u>1,650,139</u>
Deferred Inflows of Resources	<u>133,070</u>	<u>65,483</u>
Net Position		
Invested in Capital Assets, Net of Debt	498,747	412,184
Restricted	163,917	182,437
Unrestricted	<u>(228,453)</u>	<u>(271,956)</u>
Total Net Position	<u>\$ 434,211</u>	<u>\$ 322,665</u>

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Total assets of governmental activities decreased by \$45,466, as cash and cash equivalents decreased by \$62,495, receivables increased by \$60,466, and capital assets decreased by \$43,437.

The cash decrease was mainly due to a tax levy receivable for Debt Service which also affected the receivable increase. The decrease in capital assets was due entirely to depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2015.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 24,500	\$ 29,680
Operating Grants and Contributions	842,425	815,368
General Revenues:		
Property Taxes	2,235,873	2,194,588
Federal & State Aid on Capital Asset Projects		
Investment Earnings	152	259
Other	<u>2</u>	<u>1,164</u>
Total Revenues	<u>3,102,952</u>	<u>3,041,059</u>
 Program Expenses		
Instruction	1,843,459	1,566,549
Support Services:		
Tuition	76,139	79,697
Pupils and Instructional Staff	557,415	625,078
General Administration, School Administration, Business	170,402	179,499
Operations and Maintenance of Facilities	238,729	280,677
Pupil Transportation	57,809	91,498
Business-Type Activities	2,731	3,050
Interest and Fiscal Charges	<u>44,722</u>	<u>49,467</u>
Total Expenses	<u>2,991,406</u>	<u>2,875,515</u>
 Increase in Net Position	 <u>\$ 111,546</u>	 <u>\$ 165,544</u>

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 72.1% percent of revenues for governmental activities for the Califon Borough School District for the fiscal year 2016.

Instruction comprises 61.6% of district expenses. Support services expenses make up 36.8% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 1,843,459	\$ 1,303,352	\$ 1,566,549	\$ 1,091,634
Support Services:				
Tuition	76,139	56,722	79,697	59,211
Pupils and Instructional Staff	557,415	415,265	625,078	464,402
General Admin., School Admin., Business	170,402	126,947	179,499	133,358
Operation and Maintenance of Facilities	238,729	177,849	280,677	208,529
Pupil Transportation	57,809	43,067	91,498	67,979
Business-Type Activities	2,731	176	3,050	(468)
Interest and Fiscal Charges	<u>44,722</u>	<u>1,103</u>	<u>49,467</u>	<u>5,822</u>
Total Expenses	<u>\$ 2,991,406</u>	<u>\$ 2,124,481</u>	<u>\$ 2,875,515</u>	<u>\$ 2,030,467</u>

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

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 70.7% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 74.5%. The community, as a whole, is the primary support for the Califon Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$2,886,187 and expenditures of \$2,897,139. The General Fund's surplus balance decreased \$10,952 over 2015, which compares favorably to the budgeted decrease of \$65,581.

General Fund Budgeting Highlights

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

During the course of the fiscal 2016 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$2,445,607, \$16,354 over original budgeted estimates of \$2,429,253. This difference was due primarily to an increases in tuition based programs.

General fund revenues fell short of expenditures by \$10,952. Again this deficit compares to a budgeted deficit of \$65,581, which was due to the budgeting of excess surplus needed to balance the 2015-2016 budget. The budgeted deficit was increased due to revenue increases and cost savings in the areas of plant operations and transportation.

Overall general fund balance (budget basis) was \$446,731, and amounts ear-marked and reserved for future purposes were \$180,583, creating a surplus in unreserved fund balance of \$266,148. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Capital Assets

At the end of the fiscal year 2016, the School District had \$1,423,747 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

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

	<u>2016</u>	<u>2015</u>
Land	\$ 83,800	\$ 83,800
Land Improvements		
Buildings and Improvements	1,315,821	1,372,083
Machinery and Equipment	<u>24,126</u>	<u>11,301</u>
 Totals	 <u>\$ 1,423,747</u>	 <u>\$ 1,467,184</u>

Overall capital assets decreased \$43,437 from fiscal year 2015 to fiscal year 2016. The decrease in capital assets was due to depreciation expense for the year.

\$21,431 in capital improvements were purchased during fiscal year 2016 in the form of a sidewalk improvements and technology purchases.

Debt Administration

At June 30, 2016, the School District had \$1,034,120 as outstanding long term debt. Of this amount, \$109,120 is for compensated absences and \$925,000 is for bonds outstanding.

At June 30, 2016, the School District's overall legal debt margin was \$3,148,476 and the unvoted debt margin was the same.

CALIFON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

For the Future

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Thomas Johnston, Assistant School Business Administrator/ Board Secretary at Califon Borough School District, 6 School Street, Califon, NJ 07830, or E-mail at ba@califonschool.org.

Basic Financial Statements

DISTRICT-WIDE FINANCIAL STATEMENTS

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Cash Equivalents	\$ 373,161	\$ 428	\$ 373,589
Receivables, Net	130,376	51	130,427
Interfund Receivables		1,802	1,802
Restricted Assets:			
Capital Reserve Account - Cash	25,103		25,103
Capital Assets, Net (Note 4):	1,423,747		1,423,747
Total Assets	<u>1,952,387</u>	<u>2,281</u>	<u>1,954,668</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>63,188</u>		<u>63,188</u>
LIABILITIES			
Accounts Payable	210		210
Interfund Payables	1,859		1,859
Accrued Interest	14,094		14,094
Unearned Revenue	57,096		57,096
Net Pension Liability (Note 6)	343,196		343,196
Noncurrent Liabilities (Note 5):			
Due Within One Year	140,000		140,000
Due Beyond One Year	894,120		894,120
Total Liabilities	<u>1,450,575</u>		<u>1,450,575</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>133,070</u>		<u>133,070</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	498,747		498,747
Restricted for:			
Other Purposes	163,917		163,917
Unrestricted	<u>(230,734)</u>	<u>2,281</u>	<u>(228,453)</u>
Total Net Position	<u>\$ 431,930</u>	<u>\$ 2,281</u>	<u>\$ 434,211</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Functions/Programs							
Governmental Activities:							
Instruction:							
Regular	\$ 1,429,254	\$ 23,092	\$ 411,386		\$ (994,776)		\$ (994,776)
Special Education	365,412		93,186		(272,226)		(272,226)
Other Special Instruction	48,793		12,443		(36,350)		(36,350)
Support Services:							
Tuition	76,139		19,417		(56,722)		(56,722)
Student & Instruction Related Serv.	557,415		142,150		(415,265)		(415,265)
School Administrative Services	42,807		10,916		(31,891)		(31,891)
General and Business Admin. Serv.	127,595		32,539		(95,056)		(95,056)
Plant Operations and Maintenance	238,729		60,880		(177,849)		(177,849)
Pupil Transportation	57,809		14,742		(43,067)		(43,067)
Interest Expense	38,235		43,619		5,384		5,384
Unallocated Depreciation	6,487				(6,487)		(6,487)
Total Governmental Activities	2,988,675	23,092	841,278		(2,124,305)		(2,124,305)
Business-Type Activities:							
Food Service	2,731	1,408	1,147			\$ (176)	(176)
Total Business-Type Activities	2,731	1,408	1,147			(176)	(176)
Total Primary Government	\$ 2,991,406	\$ 24,500	\$ 842,425	-	\$ (2,124,305)	\$ (176)	\$ (2,124,481)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes,Net				\$ 2,109,307			\$ 2,109,307
Property Taxes, Levied for Debt Service Purposes,Net				126,566			126,566
Investment Earnings				152			152
Miscellaneous Income				2			2
Total General Revenues, Special Items, Extraor. Items and Transfers				2,236,027			2,236,027
Change in Net Position				111,722	\$ (176)		111,546
Net Position—Beginning				320,208		2,457	322,665
Net Position—Ending				\$ 431,930	\$ 2,281	\$	\$ 434,211

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

FUND FINANCIAL STATEMENTS

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 345,895		\$ 52,369		\$ 398,264
Receivables from Other Governments	19,944	\$ 45,874		\$ 63,283	129,101
Other Receivables		1,275			1,275
Interfund Receivable	136,055	40,630		43,645	220,330
TOTAL ASSETS	\$ 503,169	\$ 86,504	\$ 52,369	\$ 106,928	\$ 748,970
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable		\$ 210			\$ 210
Interfund Payable	\$ 86,134	29,198		\$ 106,857	222,189
Deferred Revenue		57,096			57,096
Total Liabilities	86,134	86,504	-	106,857	279,495
Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	25,103				25,103
Excess Surplus	47,161				47,161
Excess Surplus-Designated for Subsequent Year's Expend.	91,653				91,653
<u>Assigned to:</u>					
Year-End Encumbrances	16,666				16,666
General Fund-Designated for Subsequent Year's Expend.	-				-
Capital Fund			\$ 52,369		52,369
Debt Service Fund				\$ 71	71
<u>Unassigned:</u>					
General Fund	236,452				236,452
Total Fund Balances	417,035		52,369	71	469,475
TOTAL LIABILITIES AND FUND BALANCE	\$ 503,169	\$ 86,504	\$ 52,369	\$ 106,928	\$ 748,970

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$2,585,170 and the accumulated depreciation is \$1,161,423.	\$ 1,423,747
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not report in the fund statements. (See Note 6)	63,188
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 6)	(133,070)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6)	(343,196)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)	(14,094)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 5)	(1,034,120)
Net Position of governmental activities	<u>\$ 431,930</u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
REVENUES					
Local sources:					
Local Tax Levy	\$ 2,109,307			\$ 126,566	\$ 2,235,873
Tuition	23,092				23,092
Miscellaneous	154				154
Total - Local Sources	2,132,553			126,566	2,259,119
State Sources	536,547			43,619	580,166
Federal Sources		\$ 46,902			46,902
Total Revenues	2,669,100	46,902		170,185	2,886,187
EXPENDITURES					
Current:					
Regular Instruction	1,136,768	46,902			1,183,670
Special Education Instruction	315,323				315,323
Other Special Instruction	42,105				42,105
Support services and undistributed costs:					
Tuition	65,702				65,702
Student and Instruction Related Services	481,007				481,007
School Administrative Services	36,939				36,939
Other Administrative Services	110,105				110,105
Plant Operations and Maintenance	206,005				206,005
Pupil Transportation	49,885				49,885
Unallocated Benefits	223,493				223,493
Debt Service:					
Principal				130,000	130,000
Interest and Other Charges				40,185	40,185
Capital Outlay	12,720		-		12,720
Total Expenditures	2,680,052	46,902		170,185	2,897,139
Excess (Deficiency) of Revenues Over Expenditures					(10,952)
Net Change in Fund Balances					(10,952)
Fund Balance—July 1	427,987		\$ 52,369	71	480,427
Fund Balance—June 30	\$ 417,035		\$ 52,369	\$ 71	\$ 469,475

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-3

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

FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ (10,952)

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

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

Depreciation Expense	\$ (64,868)	
Capital Outlays	<u>21,431</u>	(43,437)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption.

This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. 10,561

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 130,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 23,600

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount. 1,950

Change in Net Position of Governmental Activities \$ 111,722

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

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2016

		Business-Type Activities- Enterprise Funds	
		Food Service	Totals
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 428	\$ 428
Accounts Receivable		51	51
Interfund Receivables		1,802	1,802
Total Current Assets		<u>2,281</u>	<u>2,281</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment		600	600
Less Accumulated Depreciation		(600)	(600)
Total Noncurrent Assets		<u> </u>	<u> </u>
Total Assets		<u>2,281</u>	<u>2,281</u>
LIABILITIES			
Current liabilities:			
Accounts Payable		<u> </u>	<u> </u>
Total Current Liabilities		<u> </u>	<u> </u>
Total Liabilities		<u> </u>	<u> </u>
NET POSITION			
Unrestricted		2,281	2,281
Total Net Position		<u>\$ 2,281</u>	<u>\$ 2,281</u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

	Business-type Activities - Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 1,408	\$ 1,408
Total Operating Revenues	1,408	1,408
 Operating Expenses:		
Cost of Sales	1,731	1,731
Salaries	1,000	1,000
Other Purchased Professional Services		
Total Operating Expenses	2,731	2,731
Operating Income (Loss)	(1,323)	(1,323)
 Nonoperating Revenues (Expenses):		
Federal Sources:		
Special Milk Program	1,147	1,147
Total Nonoperating Revenues (Expenses)	1,147	1,147
Income (Loss) Before Contributions and Transfers	(176)	(176)
Total Net Position—Beginning	2,457	2,457
Total Net Position—Ending	\$ 2,281	\$ 2,281

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 193	\$ 193
Payments to Employees and Suppliers	(2,332)	(2,332)
Net Cash Provided by (used for) Operating Activities	<u>(2,139)</u>	<u>(2,139)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Sources	1,215	1,215
Operating Subsidies and Transfers to Other Funds		
Net Cash Provided by (used for) Non-Capital Financing Activities	<u>1,215</u>	<u>1,215</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(924)	(924)
Balances—Beginning of Year	1,352	1,352
Balances—End of Year	<u>\$ 428</u>	<u>\$ 428</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (1,323)	\$ (1,323)
Provided by (used for) Operating Activities:		
(Increase) Decrease in Accounts Receivable	(816)	(816)
Increase (Decrease) in Accounts Payable		
Total Adjustments	<u>(816)</u>	<u>(816)</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (2,139)</u>	<u>\$ (2,139)</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2016

	Unemployment Compensation <u>Trust Fund</u>	NOFA <u>Trust Fund</u>	Scholarship <u>Trust Fund</u>	Agency <u>Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 2,597	\$ 104	\$ 78,330	\$ 2,608
Interfund Receivable				
Total Assets	<u>\$ 2,597</u>	<u>\$ 104</u>	<u>\$ 78,330</u>	<u>\$ 2,608</u>
LIABILITIES				
Accounts Payable				\$ (3,319)
Payable to Student Groups				<u>5,927</u>
Total Liabilities				<u>\$ 2,608</u>
NET POSITION				
Held in Trust for Scholarship Purposes			<u>\$ 78,330</u>	
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 2,597</u>	<u>\$ 459</u>		<u>_____</u>

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit B-8

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

For the Year Ended June 30, 2016

	Unemployment Compensation <u>Trust</u>	NOFA Trust <u>Fund</u>	Apgar Scholarship <u>Trust</u>
ADDITIONS			
Contributions:			
Plan Member	\$ 7,046	-	-
Total Contributions	<u>7,046</u>	-	-
Investment Earnings:			
Interest	-	-	\$ 8
Net Investment Earnings	<u>-</u>	-	<u>8</u>
Total Additions	<u>7,046</u>	-	<u>8</u>
DEDUCTIONS			
Scholarship Awards		-	-
Unemployment Claims	<u>12,519</u>	-	-
Total Deductions	<u>12,519</u>	-	-
Change in Net Position	(5,473)	-	8
Net Position—Beginning of the Year	<u>8,070</u>	\$ 459	<u>78,322</u>
Net Position—End of the Year	<u>\$ 2,597</u>	<u>\$ 459</u>	<u>\$ 78,330</u>

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

Notes to Financial Statements

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2015.

A. Reporting Entity:

The Califon Borough School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Califon Borough School District had an approximate enrollment at June 30, 2016, of 108 students.

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

CALIFON BOROUGH SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

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

Basis of Accounting

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

C. Budgets/Budgetary Control:

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Encumbrance Accounting:

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

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

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

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

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

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

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2016, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents(A-1)</u>	<u>Cash and Cash Equivalents(B-7)</u>	<u>Total</u>
Checking Accounts	<u>\$398,692</u>	<u>\$83,639</u>	<u>\$482,331</u>
	<u>\$398,692</u>	<u>\$83,639</u>	<u>\$482,331</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$482,331 and the bank balance was \$541,824. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$258,824 was covered by federal depository insurances and \$283,300 was covered by collateral pool.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 3: RECEIVABLES

Receivables at June 30, 2016, consisted of accounts and intergovernmental. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$19,944	\$19,944
Federal Aid	45,874	45,925
Debt Service Tax Levy	63,283	63,283
Other-Tuition	1,275	1,275
Gross Receivable	<u>\$130,376</u>	<u>\$130,427</u>
Less: Allowance for Uncollectibles	-	-
Total Receivables, Net	<u><u>\$130,376</u></u>	<u><u>\$130,427</u></u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 83,800			\$ 83,800
Total Capital Assets Not Being Depreciated	<u>83,800</u>	-	-	<u>83,800</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Building Improvements	2,190,458	\$ 5,400		2,195,858
Machinery and Equipment	289,481	16,031		305,512
Total at Historical Cost	<u>2,479,939</u>	<u>21,431</u>	-	<u>2,501,370</u>
Less Accumulated Depreciation for:				
Building and Improvements	(818,375)	(61,662)		(880,037)
Equipment	(278,180)	(3,206)		(281,386)
Total Accumulated Depreciation	<u>(1,096,555)</u>	<u>(64,868)</u>		<u>(1,161,423)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>(1,096,555)</u>	<u>(43,437)</u>	-	<u>(1,139,992)</u>
Government Activity Capital Assets, Net	<u>\$ 1,467,184</u>	<u>\$ (43,437)</u>	-	<u>\$ 1,423,747</u>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 58,381
Unallocated	<u>6,487</u>
Total	<u><u>\$ 64,868</u></u>

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2016, are as follows:

	Balance <u>7/1/15</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/16</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$ 1,055,000		\$ 130,000	\$ 925,000	\$ 140,000
Other Liabilities:					
Compensated Absences Payable	132,720	-	23,600	109,120	-
Total Other Liabilities	\$ 1,187,720	-	\$ 153,600	\$ 1,034,120	\$ 140,000

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

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

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

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

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

For the year ended June 30, 2016, it is not necessary for the Board to establish a liability for arbitrage rebate.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5: LONG-TERM OBLIGATIONS (Continued)

	Government Activities			Balance 6/30/16
	Issue Dates	Interest Rates	Date of Maturity	
Bonds Payable	8/15/06	4%-4.25%	8/15/2021	\$ 925,000
Total Bonds				\$ 925,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2016, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 140,000	\$ 34,784	\$ 174,784
2018	145,000	29,085	174,085
2019	150,000	23,186	173,186
2020	155,000	17,047	172,047
2021	165,000	10,567	175,567
Thereafter	170,000	3,613	173,613
	<u>\$ 925,000</u>	<u>\$ 118,282</u>	<u>\$ 1,043,282</u>

As of June 30, 2016, the District had no authorized but not issued bonds.

NOTE 6: PENSION PLANS

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$4,602,166 as measured on June 30, 2015 and \$5,3763,504 as measured on June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$281,004 and revenue of \$281,004 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

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

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the district	\$5,373,504	\$4,602,166
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.010054%	0.007281%

Actuarial assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in 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 Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Markets Equity	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 State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, 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 (State of New Jersey) will be made based on the average of the last five years. 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.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

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

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

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

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

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

At June 30, 2016, the District reported a liability of \$343,196 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 to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015, the District's proportion was 0.00153 which was a decrease of 0.00059% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense/(revenue) of (\$4,189). At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 8,187	-
Changes of assumptions	36,857	
Net difference between projected and actual earnings on pension plan investments		\$ 5,518
Changes in proportion and differences between District contributions and proportionate share of contributions	-	127,552
District contributions subsequent to the measurement date	18,144	
Total	<u>\$ 63,188</u>	<u>\$ 133,070</u>

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

\$18,144 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>	
	2016	(\$16,025)
	2017	(16,025)
	2017	(16,025)
	2018	(25,523)
	2019	<u>(14,428)</u>
	Total	<u>(\$88,026)</u>
	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	1,479,224,662	993,410,455
Collective net pension liability (Non State - Local Group)	\$18,722,735,003	\$22,447,996,119
District's portion of net pension liability	\$396,309	\$343,196
District's proportion %	0.00211673%	0.00152885%

Actuarial assumptions. The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation:	3.04%
Salary Increases:	
2012-2021	2.15%-4.40% based on age
Therafter	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 females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

<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 I Absolute	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 total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, 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 contributions made in relation to the last five years of recommended 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.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(3.90%)</u>	<u>(4.90%)</u>	<u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 426,551	\$ 343,196	\$ 273,312

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

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

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

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

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

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: PENSION PLANS (Continued)

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

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$18,144	100 %	-0-
6/30/2015	\$25,691	100	-0-
6/30/2014	\$11,467	100	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2016	\$66,794	100 %	-0-
6/30/2015	\$39,366	100	-0-
6/30/2014	\$42,534	100	-0-

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$146,327 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$77,166 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 7: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical 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 changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7: POST-RETIREMENT BENEFITS - (Continued)

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

NOTE 8: DEFERRED COMPENSATION

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

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

NOTE 9: COMPENSATED ABSENCES

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

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

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the proprietary fund types.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 10: RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	-	\$7,046	\$12,519	\$2,597
2014-2015	-	\$2,895	\$898	\$8,070
2013-2014	-	\$3,395	\$3,120	\$9,974

NOTE 11: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 12: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$417,035 General Fund fund balance at June 30, 2016, \$16,666 is reserved for encumbrances; \$25,103 has been reserved in the Capital Reserve Account; and, \$138,814 is reserved for excess surplus in accordance with N.J.S.A.18A:7F-7 (\$91,653 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2017); and \$236,452 is unreserved and undesignated.

CALIFON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 13: CAPITAL RESERVE ACCOUNT

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

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

The Capital Reserve had no activity for the July 1, 2015 to June 30, 2016 fiscal year.

Beginning Balance, July 1, 2015	\$	25,103
Ending Balance, June 30, 2016	\$	<u>25,103</u>

NOTE 14: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016 (Exhibit B-1):

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 136,055	\$ 86,134
Special Revenue Fund	40,630	29,198
Debt Service Fund	43,645	106,857
Agency Fund	57	
Enterprise Fund	1,802	
	<u>\$ 222,189</u>	<u>\$ 222,189</u>

The Special Revenue Fund owes the general fund for cash advances in anticipation of federal grant receipts. The general fund owes the Special Revenue fund for grant reimbursements received but not yet paid over to the Special Revenue fund. The Debt Service fund owes the General Fund for a debt service payment made in June which funding was not received until July.

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$47,161.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,109,307		\$ 2,109,307	\$ 2,109,307	
Tuition	22,440		22,440	23,092	\$ 652
Miscellaneous	600		600	154	(446)
Total - Local Sources	2,132,347		2,132,347	2,132,553	206
State Sources:					
Equalization Aid	149,438		149,438	149,438	
School Choice Aid	22,938		22,938	22,938	
Transportation Aid	3,762		3,762	3,762	
Special Education Aid	93,822		93,822	93,822	
Security Aid	2,028		2,028	2,028	
Adjustment Aid	22,938		22,938	22,938	
PARCC Readiness Aid	990		990	990	
Per Pupil Growth Aidd	990		990	990	
Other State Aid			-	16,148	16,148
TPAF Pension (On-Behalf - Non-Budgeted)				63,625	63,625
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				79,533	79,533
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				3,169	3,169
TPAF Social Security (Reimbursed - Non-Budgeted)				77,166	77,166
Total State Sources	296,906	-	296,906	536,547	239,641
TOTAL REVENUES	2,429,253	-	2,429,253	2,669,100	239,847

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	66,121	1,214	67,335	67,055	280
Grades 1-5 - Salaries of Teachers	351,803	4,213	356,016	356,016	
Grades 6-8 - Salaries of Teachers	258,102	(12,148)	245,954	245,954	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	6,000	40	6,040	5,680	360
Purchased Professional-Educational Services	13,850	76	13,926	13,148	778
Other Purchased Services (400-500 series)	12,025	660	12,685	12,500	185
General Supplies	25,248	531	25,779	25,549	230
Textbooks	20,000	(2,975)	17,025	16,968	57
Other Objects	1,750	(101)	1,649	1,640	9
TOTAL REGULAR PROGRAMS - INSTRUCTION	754,899	(8,490)	746,409	744,510	1,899
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	170,196	29,871	200,067	200,067	
Other Salaries for Instruction	88,633	(19,485)	69,148	69,148	
Other Purchased Services (400-500 series)	300	(300)	-	-	
General Supplies	800	-	800	675	125
Textbooks	100	(100)	-	-	
Total Resource Room/Resource Center	260,029	9,986	270,015	269,890	125

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Pre-School Disabilities - Part Time:					
Salaries of Teachers	36,258	59	36,317	36,317	
Other Salaries for Instruction	8,669	160	8,829	8,829	
Other Purchased Services (400-500 series)	100	(100)	-	-	
General Supplies	500	(213)	287	287	
Total Pre-School Disabilities - Part Time	45,527	(94)	45,433	45,433	-
TOTAL SPECIAL EDUCATION - INSTRUCTION	305,556	9,892	315,448	315,323	125
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	17,670	461	18,131	18,131	
General Supplies	250	-	250	222	28
Total Basic Skills/Remedial - Instruction	17,920	461	18,381	18,353	28
School Sponsored Co/Extra Curricular Activities-Inst.:					
Salaries	9,600	580	10,180	10,180	-
Supplies and Materials	3,500	(855)	2,645	2,645	
Total School Sponsored Co/Extra Curricular Activities-Inst.	13,100	(275)	12,825	12,825	-
School Sponsored Athletics-Instruction:					
Salaries	9,500	(2,100)	7,400	7,400	
Purchased Services (300-500 series)	2,500	(1,400)	1,100	1,100	
Other Objects	3,250	202	3,452	2,427	1,025
Total School Sponsored Athletics-Instruction	15,250	(3,298)	11,952	10,927	1,025
TOTAL INSTRUCTION	1,106,725	(1,710)	1,105,015	1,101,938	3,077

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Special	54,700	19,375	74,075	65,702	8,373
Total Instruction	54,700	19,375	74,075	65,702	8,373
Health Services:					
Salaries	59,474	1,575	61,049	61,049	-
Purchased Professional and Technical Services	600	-	600	500	100
Other Purchased Services (400-500 series)	500	90	590	325	265
Supplies and Materials	2,500	-	2,500	1,254	1,246
Total Health Services	63,074	1,665	64,739	63,128	1,611
Other Supp. Services Students-Related Services:					
Salaries	24,082	(24,082)	-	-	-
Purchased Professional - Educational Services	33,740	24,082	57,822	57,735	87
Supplies and Materials	2,500	-	2,500	2,434	66
Total Other Supp. Services Students-Related Services	60,322	-	60,322	60,169	153
Undist. Expend. - Other Supp. Serv. Students-Extra. Serv.					
Purchased Professional - Educational Services	43,000	-	43,000	41,963	1,037
Total Undist. Expend. - Other Supp. Serv. Students-Extra. Serv.	43,000	-	43,000	41,963	1,037
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	78,843	-	78,843	77,885	958
Salaries of Secretarial and Clerical Assistants	22,963	510	23,473	23,473	-
Purchased Professional - Educational Services	63,000	-	63,000	63,000	-
Misc Purch Serv (Series 400-500 Other Than Residual Costs)	1,200	260	1,460	1,460	-
Supplies and Materials	2,000	-	2,000	1,001	999
Other Objects	150	-	150	-	150
Total Other Supp. Services Students-Regular	168,156	770	168,926	166,819	2,107
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of Supervisor of Instruction	30,000	-	30,000	30,000	-
Salaries of Secretarial and Clerical Assistants	3,280	-	3,280	3,264	16
Total Undist. Expend. - Improvement of Inst. Serv.	33,280	-	33,280	33,264	16

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Educational Media Services/School Library:					
Salaries	50,484	3,145	53,629	53,629	
Purchased Professional - Technical Services	10,000	3,282	13,282	13,281	1
Other Purchased Services (400-500 series)	26,543	3,979	30,522	30,438	84
Supplies and Materials	11,500	(4,551)	6,949	6,354	595
Total Educational Media Services/School Library	98,527	5,855	104,382	103,702	680
Instructional Staff Training Services:					
Purchased Professional - Educational Services	9,500	1,360	10,860	9,802	1,058
Other Purchased Services (400-500 series)	1,965	195	2,160	2,160	-
Total Instructional Staff Training Services	11,465	1,555	13,020	11,962	1,058
Supp. Services - General Administration:					
Salaries	30,000	-	30,000	30,000	
Legal Services	3,000	(962)	2,038	560	1,478
Audit Fees	10,744	962	11,706	11,706	
Other Purchased Professional Services	250	-	250	220	30
Other Purchased Services (400-500 series)	705	-	705	705	
Miscellaneous Expenditures	1,150	205	1,355	1,228	127
BOE Membership Dues and Fees	3,500	(205)	3,295	3,295	
Total Supp. Services - General Administration	49,349	-	49,349	47,714	1,635
Support Services - School Administration:					
Salaries of Principals/Asst Principals/Prog. Dir.	31,973	-	31,973	31,973	-
Salaries of Secretarial and Clerical Assistants	3,280	547	3,827	3,827	-
Other Purchased Services (400-500 series)	500	(135)	365	357	8
Supplies and Materials	800	-	800	782	18
Total Support Services - School Administration	36,553	412	36,965	36,939	26

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Central Services:					
Salaries	46,000	(5,640)	40,360	40,360	
Purchased Professional Services	1,622	-	1,622	1,622	-
Purchased Technical Services	3,450	-	3,450	3,450	-
Misc Purch Serv (Series 400-500 Other Than Residual Costs)	5,700	544	6,244	6,244	-
Supplies and Materials	300	-	300	286	14
Other Objects	800	-	800	745	55
Total Central Services	57,872	(5,096)	52,776	52,707	69
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	15,000	1,960	16,960	16,960	-
Total Required Maintenance for School Facilities	15,000	1,960	16,960	16,960	-
Other Operations and Maintenance of Plant:					
Salaries	64,602	(632)	63,970	63,970	
Purchased Professional Services		1,633	1,633	1,633	-
Cleaning, Repair and Maintenance Services	3,100	19,079	22,179	22,178	1
Other Purchased Property Services	10,850	18,104	28,954	12,492	16,462
Insurance	36,440	(1,960)	34,480	34,480	-
Miscellaneous Purchased Services	1,100	-	1,100	1,098	2
General Supplies	9,500	919	10,419	10,419	-
Energy (Natural Gas)	18,000	(5,014)	12,986	12,069	917
Energy (Electricity)	17,000	(1,642)	15,358	14,726	632
Total Other Operations and Maintenance of Plant	160,592	30,487	191,079	173,065	18,014
Care and Upkeep of Grounds:					
Salaries	10,000	-	10,000	10,000	-
Purchased Professional and Technical Services	6,000	-	6,000	5,980	20
Total Care and Upkeep of Grounds	16,000	-	16,000	15,980	20

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Student Transportation Services					
Sal for Pupil Trans(Bet Home & Sch)-Sp Ed	9,500	-	9,500	9,500	
Sal for Pupil Trans(Bet Home & Sch)-Non Public Sch	3,280	1	3,281	3,281	
Contracted.Services-Aid in Lieu of Payments-Non Public Sch.	20,398	(5,097)	15,301	7,246	8,055
Contracted Services(Oth.than Bet.Home & Sch.)-Vendors	3,530	333	3,863	3,863	-
Contracted Services(Spl.Ed.Students)-Joint Agrmnts	34,500	-	34,500	25,995	8,505
Total Student Transportation Services	71,208	(4,763)	66,445	49,885	16,560
ALLOCATED BENEFITS					
Supp. Services - General Administration:					
Group Insurance	5,000	4,684	9,684	9,684	
Total Supp. Services - General Administration	5,000	4,684	9,684	9,684	
Regular Programs - Instruction:					
Social Security Contributions	21,122	6,315	27,437	27,436	1
Other Retirement Contributions - PERS	18,729	(585)	18,144	18,144	
Other Retirement Contributions - ERIP	3,000	(672)	2,328	2,328	
Unemployment Compensation		3,000	3,000	3,000	
Workmen's Compensation	25,900	(410)	25,490	25,490	
Health Benefits	357,260	(51,149)	306,111	305,252	859
Tuition Reimbursement	6,000	4,608	10,608	10,608	
Total Regular Programs - Instruction	432,011	(38,893)	393,118	392,258	860
TOTAL ALLOCATED BENEFITS	437,011	(34,209)	402,802	401,942	860
On-behalf TPAF pension Contrib. (non-budgeted)				63,625	(63,625)
On-behalf TPAF PRM Contrib. (non-budgeted)				79,533	(79,533)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				3,169	(3,169)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				77,166	(77,166)
TOTAL ON-BEHALF CONTRIBUTIONS				223,493	(223,493)

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	437,011	(34,209)	402,802	625,435	(222,633)
TOTAL UNDISTRIBUTED EXPENDITURES	1,376,109	18,011	1,394,120	1,565,394	(171,274)
TOTAL GENERAL CURRENT EXPENSE	2,482,834	16,301	2,499,135	2,667,332	(168,197)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures - Non Instr Serv.	12,000	720	12,720	12,720	
Total Equipment	12,000	720	12,720	12,720	-
TOTAL CAPITAL OUTLAY					
TOTAL EXPENDITURES	2,494,834	17,021	2,511,855	2,680,052	(168,197)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,581)	(17,021)	(82,602)	(10,952)	71,650
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(65,581)	(17,021)	(82,602)	(10,952)	71,650
Fund Balance, July 1	457,683		457,683	457,683	
Fund Balance, June 30	\$ 392,102	\$ (17,021)	\$ 375,081	\$ 446,731	\$ 71,650

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 25,103	
Excess Surplus				47,161	
Excess Surplus-Designated for Subsequent Year's Expenditures				91,653	
Assigned to:					
Year-End Encumbrances				16,666	
Designated for Subsequent Year's Expenditures				-	
Unassigned:					
Unrestricted Fund Balance				<u>266,148</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				446,731	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(29,696)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 417,035</u>	

CALIFON BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND

Exhibit C-2

For the Fiscal Year Ended June 30, 2016

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

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

For the Fiscal Year Ended June 30, 2016

**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 (Exhibits C-1 and C-2, respectively)	\$ 2,669,100	\$ 46,902
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	29,696	N/A
Adjustment for: Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(29,696)</u>	<u>N/A</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 2,669,100</u>	<u>\$ 46,902</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 2,680,052	\$ 46,902
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	N/A
Current Year Encumbrances	N/A	N/A
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 2,680,052</u>	<u>\$ 46,902</u>

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

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A							
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A							
State's proportionate share of the net pension liability (asset) associated with the District	\$ 4,602,166	\$ 5,373,504	\$ 5,279,947							
Total	\$ 4,602,166	\$ 5,373,504	\$ 5,279,947							
District's covered employee payroll	\$ 1,063,242	\$ 870,493	\$ 813,409							
District's proportionate share of the of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A							
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%							

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

Exhibit L-1

Public Employees' Retirement System (PERS)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.0015288%	0.0021167%	0.0023760%							
District's proportionate share of the net pension liability (asset)	\$ 343,196	\$ 396,309	\$ 454,109							
District's covered employee payroll	\$ 330,187	\$ 538,989	\$ 663,584							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.94%	73.53%	68.43%							
Plan fiduciary net position as a percentage of the total pension liability (Local)	47.92%	52.08%	48.72%							

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

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

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution **	N/A	N/A	N/A							
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A							
Contribution deficiency (excess)	N/A	N/A	N/A							
District's covered employee payroll	\$ 1,063,342	\$ 870,493	\$ 813,409							
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A							

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

Public Employees' Retirement System (PERS)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 18,144	\$ 25,691	\$ 11,467							
Contributions in relation to the contractually required contribution	(18,144)	(25,691)	(11,467)							
Contribution deficiency (excess)	-	-	-							
District's covered employee payroll	\$ 330,187	\$ 538,989	\$ 663,584							
Contributions as a percentage of covered-employee payroll	5.50%	4.77%	1.73%							

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2016

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2016

	Title IIa	IDEA Basic	IDEA PS	REAP	Totals
REVENUES					
Federal Sources	\$ 1,535	\$ 27,500	\$ 1,560	\$ 16,307	\$ 46,902
TOTAL REVENUES	1,535	27,500	1,560	16,307	46,902
EXPENDITURES:					
Instruction:					
Purchased Prof. and Tech. Services	1,535				1,535
Tuition		27,500	1,560		29,060
General Supplies				16,307	16,307
Total Instruction	1,535	27,500	1,560	16,307	46,902
TOTAL EXPENDITURES	\$ 1,535	\$ 27,500	\$ 1,560	\$ 16,307	\$ 46,902
Total Outflows	\$ 1,535	\$ 27,500	\$ 1,560	\$ 16,307	\$ 46,902
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-1

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

For the Fiscal Year Ended June 30, 2016

<u>Issue/Project Title</u>	<u>Approval</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2016</u>
				<u>Prior Years</u>	<u>Current Year</u>	
Addition Construction & Renovations to Califon School	Voters	9/27/05	\$ 1,935,000	\$ 1,887,397		\$ 47,603
Totals			\$ 1,935,000	\$ 1,887,397	-	\$ 47,603
				Accrued Interest on Bond Proceeds		4,766
					Fund Balance	\$ 52,369

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2

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

For the Fiscal Year Ended June 30, 2016

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit F-2a

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

From Inception and for the Fiscal Year Ended June 30, 2016

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

Additional project information:

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

Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	94%
Original Target Completion Date	6/30/07
Revised Target Completion Date	9/30/07

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

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

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

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

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

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

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

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

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016

	<u>UNEMPLOYMENT COMPENSATION INSURANCE TRUST</u>	<u>NOFA TRUST FUNDS</u>	<u>SCHOLARSHIP FUNDS</u>	<u>AGENCY FUNDS</u>		<u>TOTALS</u>
				<u>STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>	
ASSETS:						
Cash and Cash Equivalents	\$2,597	\$104	\$78,330	\$5,927	(\$3,319)	\$83,639
TOTAL ASSETS	<u>\$2,597</u>	<u>\$104</u>	<u>\$78,330</u>	<u>\$5,927</u>	<u>(\$3,319)</u>	<u>\$83,639</u>
LIABILITIES:						
Liabilities:						
Payroll Deductions					(\$3,319)	(\$3,319)
Payable to Student Groups				\$5,927		5,927
Total Liabilities				<u>5,927</u>	<u>(3,319)</u>	<u>2,608</u>
NET POSITION						
Held in Trust for Scholarship Purposes			\$78,330			78,330
Held in Trust for Unemployment Claims and Other Purposes	\$2,597	\$104				2,701
TOTAL LIABILITIES AND NET POSITION	<u>\$2,597</u>	<u>\$104</u>	<u>\$78,330</u>	<u>\$5,927</u>	<u>(\$3,319)</u>	<u>\$83,639</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30, 2016**

	UNEMPLOYMENT COMPENSATION INSURANCE TRUST	NOFA TRUST FUND	HELEN APGAR TRUST SCHOLARSHIP FUND	TOTALS
ADDITIONS				
Contributions:				
Plan Member	\$ 7,046	-	-	\$ 7,046
Total Contributions	<u>7,046</u>	<u>-</u>	<u>-</u>	<u>7,046</u>
Investment Earnings:				
Interest	-	-	\$ 8	8
Net Investment Earnings	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
Total Additions	<u>7,046</u>	<u>-</u>	<u>8</u>	<u>7,054</u>
DEDUCTIONS				
Administrative Costs		\$ 355		355
Unemployment Claims	12,519	-	-	12,519
Total Deductions	<u>12,519</u>	<u>355</u>	<u>-</u>	<u>12,874</u>
Change in Net Position	(5,473)	(355)	8	(5,820)
Net Position—Beginning of the Year	<u>8,070</u>	<u>459</u>	<u>78,322</u>	<u>86,851</u>
Net Position—End of the Year	<u>\$ 2,597</u>	<u>\$ 104</u>	<u>\$ 78,330</u>	<u>\$ 81,031</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>ACTIVITY</u>	<u>BALANCE JUNE 30, 2015</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2016</u>
School Activity Funds	\$ 12,433	\$ 19,055	\$ 25,561	\$ 5,927
	<u>\$ 12,433</u>	<u>\$ 19,055</u>	<u>\$ 25,561</u>	<u>\$ 5,927</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u>			<u>BALANCE</u>
	<u>JUNE 30, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>JUNE 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,346	\$ 993,918	\$ 998,583	\$ (3,319)
Total Assets	<u>\$ 1,346</u>	<u>\$ 993,918</u>	<u>\$ 998,583</u>	<u>\$ (3,319)</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 1,559	\$ 66,153	\$ 70,818	\$ (3,106)
Accrued Salaries and Wages	(213)	927,765	927,765	(213)
Total Liabilities	<u>\$ 1,346</u>	<u>\$ 993,918</u>	<u>\$ 998,583</u>	<u>\$ (3,319)</u>

LONG-TERM DEBT SCHEDULES

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

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2016**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2015</u>	<u>RETIRE</u>	<u>BALANCE JUNE 30, 2016</u>
School Construction Bonds - Series 2006	08/15/06	\$ 1,935,000	08/15/17	\$ 140,000	4.00%	\$ 1,055,000	\$ 130,000	\$ 925,000
			08/15/17	145,000	4.00%			
			08/15/18	150,000	4.00%			
			08/15/19	155,000	4.05%			
			08/15/20	165,000	4.05%			
			08/15/21	170,000	4.25%			
Total						<u>\$ 1,055,000</u>	<u>\$ 130,000</u>	<u>\$ 925,000</u>

CALIFON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Positive/ (Negative) <u>Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 126,566	-	\$ 126,566	\$ 126,566	-
State Sources:					
Debt Service Aid Type II	<u>43,619</u>	<u>-</u>	<u>43,619</u>	<u>43,619</u>	<u>-</u>
Total - State Sources	43,619	-	43,619	43,619	-
TOTAL REVENUES	<u>170,185</u>	<u>-</u>	<u>170,185</u>	<u>170,185</u>	<u>-</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	40,185	-	40,185	40,185	-
Redemption of Principal	<u>130,000</u>	<u>-</u>	<u>130,000</u>	<u>130,000</u>	<u>-</u>
Total Regular Debt Service	<u>170,185</u>	<u>-</u>	<u>170,185</u>	<u>170,185</u>	<u>-</u>
TOTAL EXPENDITURES	<u>170,185</u>	<u>-</u>	<u>170,185</u>	<u>170,185</u>	<u>-</u>
Fund Balance, July 1	<u>71</u>		<u>71</u>	<u>71</u>	
Fund Balance, June 30	<u>\$ 71</u>	<u>\$ -</u>	<u>\$ 71</u>	<u>\$ 71</u>	<u>\$ -</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Califon Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	88-93
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	97-97
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	98-101
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	102-103
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	104-108

Sources:

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

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

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	\$ 121,837	\$ 173,477	\$ 90,676	\$ 135,094	\$ 135,094	\$ 233,930	\$ 233,930	\$ 347,766	\$ 412,184	\$ 498,747
Restricted	72,766	103	103	39,952	10,103	38,209	25,103	71,503	182,437	163,917
Unrestricted	147,339	114,122	59,369	61,130	89,615	61,488	133,279	172,514	(274,413)	(230,734)
Total governmental activities net position	<u>\$ 341,942</u>	<u>\$ 287,702</u>	<u>\$ 150,148</u>	<u>\$ 236,176</u>	<u>\$ 234,812</u>	<u>\$ 333,627</u>	<u>\$ 392,312</u>	<u>\$ 591,783</u>	<u>\$ 320,208</u>	<u>\$ 431,930</u>
Business-type activities										
Invested in capital assets, net of related debt										
Restricted										
Unrestricted	\$ 2,489	\$ 996	\$ 3,023	\$ 3,188	\$ 686	\$ 1,346	\$ 1,727	\$ 1,989	\$ 2,457	\$ 2,281
Total business-type activities net position	<u>\$ 2,489</u>	<u>\$ 996</u>	<u>\$ 3,023</u>	<u>\$ 3,188</u>	<u>\$ 686</u>	<u>\$ 1,346</u>	<u>\$ 1,727</u>	<u>\$ 1,989</u>	<u>\$ 2,457</u>	<u>\$ 2,281</u>
District-wide										
Invested in capital assets, net of related debt	\$ 121,837	\$ 173,477	\$ 90,676	\$ 135,094	\$ 135,094	\$ 233,930	\$ 233,930	\$ 347,766	\$ 412,184	\$ 498,747
Restricted	72,766	103	103	39,952	10,103	38,209	25,103	71,503	182,437	163,917
Unrestricted	149,828	115,118	62,392	64,318	90,301	62,834	135,006	174,503	(271,956)	(228,453)
Total district net position	<u>\$ 344,431</u>	<u>\$ 288,698</u>	<u>\$ 153,171</u>	<u>\$ 239,364</u>	<u>\$ 235,498</u>	<u>\$ 334,973</u>	<u>\$ 394,039</u>	<u>\$ 593,772</u>	<u>\$ 322,665</u>	<u>\$ 434,211</u>

Source: CAFR Schedule A-1

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

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2014	2015	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,056,288	\$ 1,142,196	\$ 1,116,540	\$ 1,186,911	\$ 1,065,952	\$ 1,106,180	\$ 1,030,859	\$ 1,092,213	\$ 1,151,023	\$ 1,429,254
Special education	241,871	280,822	286,664	300,879	328,712	354,446	411,870	229,212	363,927	365,412
Other special education	56,229	46,607	63,302	56,722	36,593	19,916	23,841	45,271	51,599	48,793
Support Services:										
Tuition	112,474	6,507	82,662	59,117	134,435	65,013	57,362	62,966	79,697	76,139
Student & instruction related services	246,496	423,618	286,426	284,161	341,102	384,386	520,883	484,221	625,078	557,415
General administrative services	326,514	319,230	309,256	297,385	176,378	189,155	196,264	137,090	133,533	127,595
School administrative services	5,957	6,457	6,842	5,756	59,854	62,864	81,299	79,555	45,966	42,807
Business administrative services										
Plant operations and maintenance	221,467	254,329	217,890	226,545	215,888	235,411	230,814	250,025	280,677	238,729
Pupil transportation	17,666	91,924	76,907	57,766	103,765	74,699	56,947	108,131	91,498	57,809
Interest Expense	68,236	74,660	70,686	66,510	62,065	57,735	53,160	48,385	43,409	38,235
Unallocated depreciation	3,537	11,308	6,058	6,058	6,058	6,058	6,058	6,058	6,058	6,487
Total governmental activities expenses	<u>2,356,735</u>	<u>2,657,658</u>	<u>2,523,233</u>	<u>2,547,810</u>	<u>2,530,802</u>	<u>2,555,863</u>	<u>2,669,357</u>	<u>2,543,127</u>	<u>2,872,465</u>	<u>2,988,675</u>
Business-type activities:										
Food service	6,873	8,722	5,181	7,450	8,766	5,377	5,346	3,488	3,050	2,731
Total business-type activities expense	<u>6,873</u>	<u>8,722</u>	<u>5,181</u>	<u>7,450</u>	<u>8,766</u>	<u>5,377</u>	<u>5,346</u>	<u>3,488</u>	<u>3,050</u>	<u>2,731</u>
Total district expenses	<u>\$ 2,363,608</u>	<u>\$ 2,666,380</u>	<u>\$ 2,528,414</u>	<u>\$ 2,555,260</u>	<u>\$ 2,539,568</u>	<u>\$ 2,561,240</u>	<u>\$ 2,674,703</u>	<u>\$ 2,546,615</u>	<u>\$ 2,875,515</u>	<u>\$ 2,991,406</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Tuition	\$ 7,200	\$ 14,400	\$ 7,200	\$ 14,500	\$ -	\$ 18,387	\$ 17,600	\$ 20,952	\$ 27,913	\$ 23,092
Operating grants and contributions	567,979	743,714	580,693	610,838	470,596	542,436	578,083	573,389	813,617	841,278
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>575,179</u>	<u>758,114</u>	<u>587,893</u>	<u>625,338</u>	<u>470,596</u>	<u>560,823</u>	<u>595,683</u>	<u>594,341</u>	<u>841,530</u>	<u>864,370</u>
Business-type activities:										
Charges for services										
Food service	3,883	3,979	3,748	4,466	3,357	2,968	2,989	1,822	1,767	1,408
Operating grants and contributions	2,831	3,250	3,460	3,149	2,907	3,069	2,738	1,928	1,751	1,147
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>6,714</u>	<u>7,229</u>	<u>7,208</u>	<u>7,615</u>	<u>6,264</u>	<u>6,037</u>	<u>5,727</u>	<u>3,750</u>	<u>3,518</u>	<u>2,555</u>
Total district program revenues	<u>\$ 581,893</u>	<u>\$ 765,343</u>	<u>\$ 595,101</u>	<u>\$ 632,953</u>	<u>\$ 476,860</u>	<u>\$ 566,860</u>	<u>\$ 601,410</u>	<u>\$ 598,091</u>	<u>\$ 845,048</u>	<u>\$ 866,925</u>
Net (Expense)/Revenue										
Governmental activities	\$ (1,781,556)	\$ (1,899,544)	\$ (1,935,340)	\$ (1,922,472)	\$ (2,060,206)	\$ (1,995,040)	\$ (2,073,674)	\$ (1,948,786)	\$ (2,030,935)	\$ (2,124,305)
Business-type activities	(159)	(1,493)	2,027	165	(2,502)	660	381	262	468	(176)
Total district-wide net expense	<u>\$ (1,781,715)</u>	<u>\$ (1,901,037)</u>	<u>\$ (1,933,313)</u>	<u>\$ (1,922,307)</u>	<u>\$ (2,062,708)</u>	<u>\$ (1,994,380)</u>	<u>\$ (2,073,293)</u>	<u>\$ (1,948,524)</u>	<u>\$ (2,030,467)</u>	<u>\$ (2,124,481)</u>

Continued

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

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2014	2015	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 1,735,044	\$ 1,733,093	\$ 1,861,084	\$ 1,878,376	\$ 1,928,764	\$ 1,967,339	\$ 2,004,785	\$ 2,017,876	\$ 2,067,948	\$ 2,109,307
Taxes levied for debt service	48,500	98,231	120,266	120,894	129,243	125,971	126,343	126,566	126,640	126,566
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	-
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	45,342	13,749	4,922	1,014	462	255	255	265	259	152
Miscellaneous income	785	231	17,773	8,216	373	290	976	3,550	1,164	2
Total governmental activities	<u>1,829,671</u>	<u>1,845,304</u>	<u>2,004,045</u>	<u>2,008,500</u>	<u>2,058,842</u>	<u>2,093,855</u>	<u>2,132,359</u>	<u>2,148,257</u>	<u>2,196,011</u>	<u>2,236,027</u>
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 1,829,671</u>	<u>\$ 1,845,304</u>	<u>\$ 2,004,045</u>	<u>\$ 2,008,500</u>	<u>\$ 2,058,842</u>	<u>\$ 2,093,855</u>	<u>\$ 2,132,359</u>	<u>\$ 2,148,257</u>	<u>\$ 2,196,011</u>	<u>\$ 2,236,027</u>
Change in Net Position										
Governmental activities	\$ 48,115	\$ (54,240)	\$ 68,705	\$ 86,028	\$ (1,364)	\$ 98,815	\$ 58,685	\$ 199,471	\$ 165,076	\$ 111,722
Business-type activities	(159)	(1,493)	2,027	165	(2,502)	660	381	262	468	(176)
Total district	<u>\$ 47,956</u>	<u>\$ (55,733)</u>	<u>\$ 70,732</u>	<u>\$ 86,193</u>	<u>\$ (3,866)</u>	<u>\$ 99,475</u>	<u>\$ 59,066</u>	<u>\$ 199,733</u>	<u>\$ 165,544</u>	<u>\$ 111,546</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 99,093	\$ 20,078	\$ 37,565	\$ 102,074	\$ 39,519	\$ 62,725	\$ 54,459	\$ 88,554	\$ 207,683	\$ 180,583
Unreserved	144,193	202,369	129,022	135,170	145,223	169,904	179,766	239,783	220,304	236,452
Total general fund	<u>\$ 243,286</u>	<u>\$ 222,447</u>	<u>\$ 166,587</u>	<u>\$ 237,244</u>	<u>\$ 184,742</u>	<u>\$ 232,629</u>	<u>\$ 234,225</u>	<u>\$ 328,337</u>	<u>\$ 427,987</u>	<u>\$ 417,035</u>
All Other Governmental Funds										
Reserved							-	-	-	-
Unreserved, reported in:										
Special revenue fund							-	-	-	-
Capital projects fund	\$ 108,531	\$ 51,475	\$ 51,563	\$ 51,563	\$ 51,563	\$ 51,423	\$ 52,369	\$ 52,369	\$ 52,369	\$ 52,369
Debt service fund	9,508	-	-	-	70	70	70	70	71	71
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 118,039</u>	<u>\$ 51,475</u>	<u>\$ 51,563</u>	<u>\$ 51,563</u>	<u>\$ 51,633</u>	<u>\$ 51,493</u>	<u>\$ 52,439</u>	<u>\$ 52,439</u>	<u>\$ 52,440</u>	<u>\$ 52,440</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Tax levy	\$ 1,783,544	\$ 1,831,324	\$ 1,981,350	\$ 1,999,270	\$ 2,058,007	\$ 2,093,310	\$ 2,131,128	\$ 2,144,442	\$ 2,194,588	\$ 2,235,873
Tuition charges	7,200	14,400	7,200	14,500	-	18,387	17,600	20,952	27,913	23,092
Interest earnings										
Miscellaneous	46,127	13,980	22,695	9,230	835	545	1,231	3,815	1,423	154
State sources	542,146	621,951	517,028	485,651	401,037	469,655	526,575	531,403	519,516	580,166
Federal sources	25,833	121,763	63,665	125,187	69,559	76,028	51,508	41,986	44,322	46,902
Total revenue	2,404,850	2,603,418	2,591,938	2,633,838	2,529,438	2,657,925	2,728,042	2,742,598	2,787,762	2,886,187
Expenditures										
Instruction										
Regular Instruction	766,697	780,577	855,033	891,544	807,403	821,746	757,099	823,189	764,232	1,183,670
Special education instruction	182,849	216,937	234,802	239,826	265,796	280,822	324,276	184,197	261,744	315,323
Other special instruction	42,508	36,004	51,850	45,212	29,589	15,779	18,771	36,380	37,111	42,105
Vocational education	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	85,028	5,027	67,707	47,121	108,704	51,509	45,163	50,600	57,320	65,702
Student & instruction related services	186,345	327,248	234,607	226,500	275,815	307,790	410,105	389,124	449,569	481,007
General administrative services										
School Administrative services	4,503	4,988	5,604	4,588	48,398	49,806	64,009	63,931	33,060	36,939
Business administrative services	246,837	246,607	253,307	237,041	142,619	149,865	154,524	110,167	96,040	110,105
Plant operations and maintenance	170,633	199,745	181,248	180,575	174,567	186,513	181,726	200,922	201,869	206,005
Pupil transportation	13,355	71,012	62,993	46,044	83,904	59,183	44,836	86,895	65,807	49,885
Unallocated employee benefits	575,954	561,867	439,350	471,645	471,360	517,640	555,106	532,896	541,991	223,493
Special Revenue	-	-	-	-	-	-	-	-	-	-
Capital outlay	1,624,647	69,724	89,023	-	-	140	-	-	9,084	12,720
Debt service	38,992	171,085	172,186	173,085	173,715	169,385	169,885	170,185	170,284	170,185
Total expenditures	3,938,348	2,690,821	2,647,710	2,563,181	2,581,870	2,610,178	2,725,500	2,648,486	2,688,111	2,897,139
Excess (Deficiency) of revenues over (under) expenditures	(1,533,498)	(87,403)	(55,772)	70,657	(52,432)	47,747	2,542	94,112	99,651	(10,952)
Other Financing Sources (uses)										
Bond Proceeds	1,935,000									
Transfers out							-	-	-	-
Total other financing sources (uses)	1,935,000	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 401,502	\$ (87,403)	\$ (55,772)	\$ 70,657	\$ (52,432)	\$ 47,747	\$ 2,542	\$ 94,112	\$ 99,651	\$ (10,952)
Debt service as a percentage of noncapital expenditures	1.7%	6.5%	6.7%	6.8%	6.7%	6.5%	6.2%	6.4%	6.4%	5.9%

Source: CAFR Schedule B-2

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

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30.</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Transpor.</u> <u>Reimburse.</u>	<u>Tuition</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	\$ 40,576			\$ 7,200	\$ 785	\$ 48,561
2008	13,749			14,400	231	28,380
2009	4,492			7,200	1,090	12,782
2010	1,014	\$ 4,955		14,500	9,467	29,936
2011	462				373	835
2012	255			18,387	290	18,932
2013	269			17,600	16	17,885
2014	265			20,952	3,550	24,767
2015	259			27,913	1,164	29,336
2016	152			23,092	2	23,246

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax- Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2007	\$2,924,500	\$140,218,500	\$2,521,300	\$31,208	\$14,603,700	396,100	\$475,700	171,600,647	\$9,088,000	\$1,341,639	\$162,512,647	\$1.083	\$154,287,774
2008	3,199,100	140,743,600	1,957,500	27,508	14,999,300	\$396,100	475,700	172,597,980	9,575,100	1,224,072	163,022,880	1.109	163,369,149
2009	3,024,300	141,995,300	1,957,500	27,508	16,220,700	396,100	475,700	174,986,362	9,575,100	1,314,154	165,411,262	1.153	164,844,456
2010	2,788,300	142,390,600	1,959,800	25,408	16,221,700	396,100	475,700	175,120,300	9,575,100	1,287,592	165,545,200	1.203	154,096,021
2011	2,366,500	143,408,000	1,959,800	25,408	16,167,100	396,100	475,700	175,400,433	9,575,100	1,026,725	165,825,333	1.223	156,748,253
2012	1,806,700	127,307,700	1,788,500	25,408	15,917,800	397,900	417,600	159,798,457	11,263,400	873,449	148,535,057	1.398	153,958,918
2013	1,800,700	126,560,900	1,454,700	23,608	15,917,800	397,900	417,600	159,538,325	12,220,800	744,317	147,317,525	1.434	147,497,347
2014	1,432,100	126,313,500	1,454,700	23,608	15,917,800	397,900	417,600	158,077,308	12,120,100	-	145,957,208	1.465	138,404,733
2015	1,367,200	126,010,200	1,454,700	23,608	15,917,800	397,900	382,100	157,673,608	12,120,100	-	145,553,508	1.491	135,622,331
2016	1,249,800	126,102,000	1,454,700	23,608	15,917,800	397,900	382,100	157,648,108	12,120,100	100	145,528,008	1.522	134,179,869

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Califon Borough Board of Education			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	North	Califon Borough	Library	Hunterdon County	
				Hunterdon Reg. High School				
2007	\$1.053	\$0.030	\$1.083	\$0.499	\$0.381	\$0.025	\$0.312	\$2.300
2008	\$1.049	\$0.060	\$1.109	\$0.451	\$0.393	\$0.026	\$0.311	\$2.290
2009	\$1.080	\$0.073	\$1.153	\$0.458	\$0.384	\$0.025	\$0.308	\$2.328
2010	\$1.130	\$0.073	\$1.203	\$0.456	\$0.390	\$0.023	\$0.297	\$2.369
2011	\$1.145	\$0.078	\$1.223	\$0.475	\$0.396	\$0.023	\$0.301	\$2.418
2012	\$1.313	\$0.085	\$1.398	\$0.582	\$0.450	\$0.026	\$0.331	\$2.787
2013	\$1.348	\$0.086	\$1.434	\$0.585	\$0.470	\$0.029	\$0.323	\$2.841
2014	\$1.347	\$0.087	\$1.465	\$0.545	\$0.487	\$0.029	\$0.343	\$2.869
2015	\$1.404	\$0.087	\$1.491	\$0.611	\$0.528	\$0.029	\$0.315	\$2.974
2016	\$1.435	\$0.087	\$1.522	\$0.610	\$0.547	\$0.029	\$0.312	\$3.020

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

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

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

Exhibit J-8

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

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$1,735,044	\$1,735,044	100.00%	-
2008	\$1,733,093	\$1,733,093	100.00%	-
2009	\$1,861,084	\$1,861,084	100.00%	-
2010	\$1,878,376	\$1,878,376	100.00%	-
2011	\$1,928,764	\$1,928,764	100.00%	-
2012	\$1,967,339	\$1,967,339	100.00%	-
2013	\$2,004,785	\$2,004,785	100.00%	-
2014	\$2,017,876	\$2,017,876	100.00%	-
2015	\$2,067,948	\$2,067,948	100.00%	-
2016	\$2,109,307	\$2,109,307	100.00%	-

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

Note:

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

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	\$ 1,935,000	-0-	-0-	-0-	-0-	\$ 1,935,000	2.73%	\$1,858.79
2008	\$ 1,840,000	-0-	-0-	-0-	-0-	\$ 1,840,000	2.57%	\$1,774.35
2009	\$ 1,740,000	-0-	-0-	-0-	-0-	\$ 1,740,000	2.54%	\$1,677.92
2010	\$ 1,635,000	-0-	-0-	-0-	-0-	\$ 1,635,000	2.37%	\$1,575.14
2011	\$ 1,525,000	-0-	-0-	-0-	-0-	\$ 1,525,000	2.02%	\$1,417.29
2012	\$ 1,415,000	-0-	-0-	-0-	-0-	\$ 1,415,000	1.73%	\$1,289.88
2014	\$ 1,300,000	-0-	-0-	-0-	-0-	\$ 1,300,000	1.61%	\$1,194.85
2015	\$ 1,180,000	-0-	-0-	-0-	-0-	\$ 1,180,000	1.40%	\$1,087.56
2015	\$ 1,055,000	-0-	-0-	-0-	-0-	\$ 1,055,000	1.25%	\$970.56
2016	\$ 925,000	-0-	-0-	-0-	-0-	\$ 925,000	1.10%	\$856.48

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 1,935,000	-0-	\$ 1,935,000	1.19%	\$1,866
2008	\$ 1,840,000	-0-	\$ 1,840,000	1.13%	\$1,774
2009	\$ 1,740,000	-0-	\$ 1,740,000	1.05%	\$1,676
2010	\$ 1,635,000	-0-	\$ 1,635,000	0.99%	\$1,520
2011	\$ 1,525,000	-0-	\$ 1,525,000	0.92%	\$1,386
2012	\$ 1,415,000	-0-	\$ 1,415,000	0.95%	\$1,293
2013	\$ 1,300,000	-0-	\$ 1,300,000	0.88%	\$1,190
2014	\$ 1,180,000	-0-	\$ 1,180,000	0.81%	\$1,086
2015	\$ 1,055,000	-0-	\$ 1,055,000	0.72%	\$971
2016	\$ 925,000	-0-	\$ 925,000	0.64%	\$856

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

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

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

**Califon Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2016**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Califon Borough	\$ 1,548,400	100.0%	\$ 1,548,400
Other debt			
North Hunterdon Regional School District	1,475,000	1.688%	24,898
Hunterdon County	62,494,492	0.642%	<u>401,326</u>
Subtotal, overlapping debt			1,974,624
Califon Borough School District Direct Debt *			<u>925,000</u>
Total direct and overlapping debt			<u><u>\$ 2,899,624</u></u>

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2015 \$ 138,019,640
	2014 \$ 133,780,798
	2013 \$ 135,547,184
	[A] <u>\$ 407,347,622</u>
Average equalized valuation of taxable prope	[A/3] \$ 135,782,541
Debt limit (3 % of average equalization value)	[B] 4,073,476
Net bonded school debt *	[C] 925,000
Legal debt margin	[B-C] <u>\$ 3,148,476</u>

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2015</u>	<u>2015</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$ 4,379,476	\$ 4,650,456	\$ 4,787,203	\$ 4,767,286	\$ 4,668,268	\$ 4,545,833	\$ 4,384,123	\$ 4,096,062	\$ 4,078,398	\$ 4,073,476
Total net debt applicable to limit	<u>1,935,000</u>	<u>1,840,000</u>	<u>1,740,000</u>	<u>1,635,000</u>	<u>1,525,000</u>	<u>1,415,000</u>	<u>1,300,000</u>	<u>1,180,000</u>	<u>1,055,000</u>	<u>925,000</u>
Legal debt margin	<u>\$2,444,476</u>	<u>\$2,810,456</u>	<u>\$3,047,203</u>	<u>\$3,132,286</u>	<u>\$3,143,268</u>	<u>\$3,130,833</u>	<u>\$3,084,123</u>	<u>\$2,916,062</u>	<u>\$3,023,398</u>	<u>\$3,148,476</u>
Total net debt applicable to the limit as a percentage of debt limit	44.18%	39.57%	36.35%	34.30%	32.67%	31.13%	29.65%	28.81%	25.87%	22.71%

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

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

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

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	1,041	\$70,993,077	\$68,197 R	0.0%
2008	1,037	\$71,611,072	\$69,056 R	0.0%
2009	1,037	\$68,369,410	\$65,930 R	0.0%
2010	1,038	\$68,940,846	\$66,417 R	0.0%
2011	1,076	\$75,635,268	\$70,293 R	0.0%
2012	1,097	\$81,860,334	\$74,622 R	0.0%
2013	1,088	\$80,901,504	\$74,358 R	4.1%
2014	1,085	\$76,458,860	\$77,944 R	4.9%
2015	1,079	\$82,093,501	\$77,944 *	4.1%
2016	1,080	\$84,179,520	\$77,944 *	0.0% *

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* =Current data unavailable

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

Exhibit J-15

N/A

Employer	2016			2007		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
	-			-		
	-		0.00%	-		0.00%

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

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

Exhibit J-16

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	13.0	13.1	11.7	11.7	13.0	13.0	12.6	12.9	13.3	13.3
Special education	6.5	6.2	7.2	7.2	8.0	10.0	8.0	8.0	7.4	7.4
Support Services:										
Student & instruction related services	3.1	2.9	3.2	3.2	3.2	3.6	3.6	3.5	4.5	4.5
General administrative services	1.0	1.0	1.0	1.0	1.0	0.3	1.0	1.0	1.0	1.0
School administrative services	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4	0.4
Business administrative services	1.0	1.0	1.0	1.0	1.0	0.8	1.0	1.0	0.8	0.8
Plant operations and maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Pupil transportation	-	-	-	-	-	0.2	0.3	0.3	0.3	0.3
Total	<u>26.7</u>	<u>26.3</u>	<u>26.2</u>	<u>26.2</u>	<u>28.3</u>	<u>30.3</u>	<u>28.9</u>	<u>29.1</u>	<u>29.7</u>	<u>29.7</u>

Source: District Personnel Records

Califon Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Teacher/Pupil Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2007	143	2,277,609	15,927	1.23%	18	1:7.9	142.2	137.2	(0.56)	96.5%
2008	143	2,462,680	17,222	8.13%	18	1:7.9	144.8	139.7	1.83	96.5%
2009	152	2,458,499	16,174	-6.08%	18	1:8.4	150.3	141.3	3.80	94.0%
2010	156	2,390,096	15,321	-5.28%	18	1:8.7	157.0	152.0	4.46	96.8%
2011	155	2,408,155	15,536	1.41%	19	1:8.2	147.6	141.6	(5.99)	95.9%
2012	145	2,440,653	16,832	8.34%	19	1:7.6	143.7	139.7	(2.64)	97.2%
2013	111	2,555,615	23,024	36.78%	15	1:7.4	109.0	107.0	(24.15)	98.2%
2014	116	2,478,301	21,365	-7.21%	15	1:7.7	112.1	107.1	2.84	95.5%
2015	109	2,517,827	23,099	8.12%	15	1:7.3	108.8	104.7	(2.93)	96.2%
2016	108	2,726,954	25,250	9.31%	15	0:01	105.6	101.6	(2.96)	96.2%

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

Note: Enrollment based on annual October district count.

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

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

Exhibit J-18

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
<u>Califon Public School</u>										
Square Feet	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404	21,404
Capacity (students)	155	155	155	155	155	155	155	155	155	155
Enrollment	143	143	152	156	155	145	111	116	109	108

Number of Schools at June 30, 2016

Source: District records, ASSA

Elementary/Middle = 1

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

CALIFON BOROUGH SCHOOL DISTRICT
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 Last Ten Fiscal Years Ending June 30, 2016

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Elementary School	N/A	\$ 16,098	\$ 34,394	\$ 14,683	\$ 15,537	\$ 11,890	\$ 22,550	\$ 19,575	\$ 27,543	\$ 17,602	\$ 16,960	\$ 196,832
Total School Facilities		<u>16,098</u>	<u>34,394</u>	<u>14,683</u>	<u>15,537</u>	<u>11,890</u>	<u>22,550</u>	<u>19,575</u>	<u>27,543</u>	<u>17,602</u>	<u>16,960</u>	<u>196,832</u>
Other Facilities		-	-	-	-	-	-	-	-	-	-	-
Grand Total		<u>\$ 16,098</u>	<u>\$ 34,394</u>	<u>\$ 14,683</u>	<u>\$ 15,537</u>	<u>\$ 11,890</u>	<u>\$ 22,550</u>	<u>\$ 19,575</u>	<u>\$ 27,543</u>	<u>\$ 17,602</u>	<u>\$ 16,960</u>	<u>\$ 196,832</u>

CALIFON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE

June 30, 2016

UNAUDITED

Exhibit J-20

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

SOURCE: District Records

Single Audit Section



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

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Califon Borough School District Board of Education in the County of Hunterdon, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Califon Borough School District Board of Education's basic financial statements, and have issued our report thereon dated October 31, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

-Continued-

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

Compliance and Other Matters

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

Purpose of this Report

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

ARDITO & Co., LLP

ARDITO & CO., LLP
October 31, 2016

Anthony Ardito

Licensed Public School Accountant No.2369

CALIFON BOROUGH SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2015	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2016			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
STATE DEPARTMENT OF EDUCATION															
General Fund:															
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 149,438			\$ 149,438	\$ (149,438)							* \$ 14,947	\$ 149,438
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	22,938			22,938	(22,938)							* 2,294	22,938
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	3,762			3,762	(3,762)							* 376	3,762
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	93,822			93,822	(93,822)							* 9,384	93,822
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	2,028			2,028	(2,028)							* 203	2,028
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	22,938			22,938	(22,938)							* 2,294	22,938
PARCC Readiness Aid	16-495-034-5120-084	7/1/15-6/30/16	990			990	(990)							* 99	990
Per Pupil Growth Aid	16-495-034-5120-084	7/1/15-6/30/16	990			990	(990)							* 99	990
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	15,452				(15,452)			\$ (15,452)				* 15,452	15,452
Non-Public Transportation Aid	16-495-034-5120-044	7/1/15-6/30/16	696				(696)			(696)				* 696	696
Extraordinary Special Ed.Costs Aid	15-495-034-5120-044	7/1/14-6/30/15		\$ (19,281)		19,281								* -	-
On Behalf TPAF Pension	16-495-034-5094-002	7/1/15-6/30/16	63,625			63,625	(63,625)							* 63,625	63,625
On Behalf TPAF Pension PMR	16-495-034-5094-001	7/1/15-6/30/16	79,533			79,533	(79,533)							* 79,533	79,533
On Behalf TPAF Pension Non-Contrib Ins	16-495-034-5094-004	7/1/15-6/30/16	3,169			3,169	(3,169)							* 3,169	3,169
Reimbursed TPAF Soc.Sec.Contrib.	16-495-034-5094-003	7/1/15-6/30/16	77,166			77,166	(77,166)				(3,796)			* 77,166	77,166
Total General Fund				(23,076)		539,679	(536,547)				(19,944)	-		29,696	536,547
Special Revenue Fund:															
Character Education	06-495-034-5120-053	7/1/05-6/30/06	4,000			1,738	-					\$ 1,738		* -	-
Total Special Revenue Fund				1,738		-	-	-			-	1,738		* -	-
Debt Service Fund															
Debt Service Aid Type 2	16-100-034-5120-124	7/1/15-6/30/16	43,619			43,619	(43,619)							* 43,619	43,619
Total State Financial Assistance				\$ (21,338)		\$ 583,298	\$ (580,166)				\$ (19,944)	\$ 1,738		\$ 29,696	\$ 580,166

Less: On-behalf TPAF Pension Amounts 146,327

Total State Expenditures Subject to Major Program Determination \$ (433,839)

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

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is -0- for the general fund and -0-for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2016

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 536,547	\$ 536,547
Special Revenue Fund	\$ 46,902	-	46,902
Debt Service Fund		43,619	43,619
Food Service Fund	<u>1,147</u>	<u>-</u>	<u>1,147</u>
Total Financial Assistance	<u>\$ 48,049</u>	<u>\$ 580,166</u>	<u>\$ 628,215</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Reported

Noncompliance material to financial statements noted? Yes x No

Federal Awards

N/A

Internal control over major programs:

1) Material weakness(es) identified? Yes No

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

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

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

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? yes no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Financial Assistance Section

N/A

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

N/A

Auditee qualified as low-risk auditee?

__yes__no

Internal Control over major programs:

1) Material weakness(es) identified?

__yes__no

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

__yes__none

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

N/A

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable?

__yes__no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II-Financial Statement Findings

N/A

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

Section III - State Financial Assistance Findings and Questioned Costs

N/A

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND RESPONSES AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

STATUS OF PRIOR YEAR FINDINGS

In accordance with *government auditing standards* , our procedures included a review of all prior year recommendations. All prior year findings were corrected in the current year.