

**SCHOOL DISTRICT
OF THE
TOWNSHIP OF DENVILLE**

**Denville Township Board of Education
Denville, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

DENVILLE TOWNSHIP SCHOOL DISTRICT

Denville, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Denville Township Board of Education
Finance Department**

DENVILLE TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION



Denville Township Schools

400 Morris Ave, Suite 279, Denville, New Jersey 07834

Mrs. Damaris Gurowsky
 Business Administrator/Board Secretary
 Ph. 973-983-6530
 Fax: 973-784-4778
 dgurowsky@denville.org

September 9, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Denville Township School District (the "District") for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the various funds 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 Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Denville Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Denville Township School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for classified youngsters with special needs. The District completed the 2015-2016 fiscal year with an average daily enrollment of 1,646 students, which is a decrease of 41 students or 2.43% from the previous year's enrollment.

The Honorable President and Members of
the Board of Education
Denville Township School District
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2) ECONOMIC CONDITION AND OUTLOOK:

Enrollment numbers for the current year continue to decline slightly from prior years, primarily in the elementary schools. Given the economic environment of the country as a whole, these drops may continue into the future. The Denville Township School District will continue to be affected by changes in state aid and regulations as it relates to employee salaries and health benefits.

3) MAJOR INITIATIVES:

English Language Arts- Funding was provided for the employment of a K-8 Literacy Coach to work with individual teachers and grade levels in K-5 to further the implementation of Readers and Writers Workshop. Additional teacher resources and trade books were purchased to support literacy units. The emphasis in grades 6-8 was continued support of the Common Core Standards and preparation for the PARCC assessment. Professional development expenses have increased to support Common Core implementation. Funding was expended for the cost of curricular writing.

Science- The elementary school science program was revised to align with the Next Generation of Science Standards (NGSS) and Science Technology Engineering & Math (STEM) initiatives. To support this change, new grade level science kits and reading materials were purchased.

Technology- Funding was provided to replace computer hardware and software. Purchases for additional document cameras, projectors, FM system installations, and SMART board updates continued. The conversion to Google Classroom and movement towards 1:1 Chromebook implementation required additional spending for necessary staff professional development.

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

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

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

The Honorable President and Members of
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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 a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and/or assignments 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 GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Health benefits are provided to District employees through Horizon Blue Cross/Blue Shield and dental benefits are provided through Delta Dental. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's statistical section.

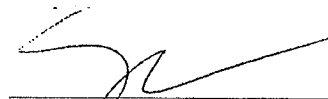
9) OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants. The accounting firm of Nisivoccia LLC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

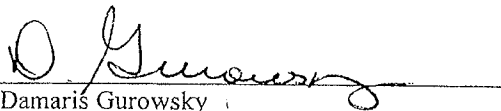
The Honorable President and Members of
the Board of Education
Denville Township School District
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September 9, 2016

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Denville Township 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 the financial and accounting staff.

Respectfully submitted,



Steven Forte
Superintendent

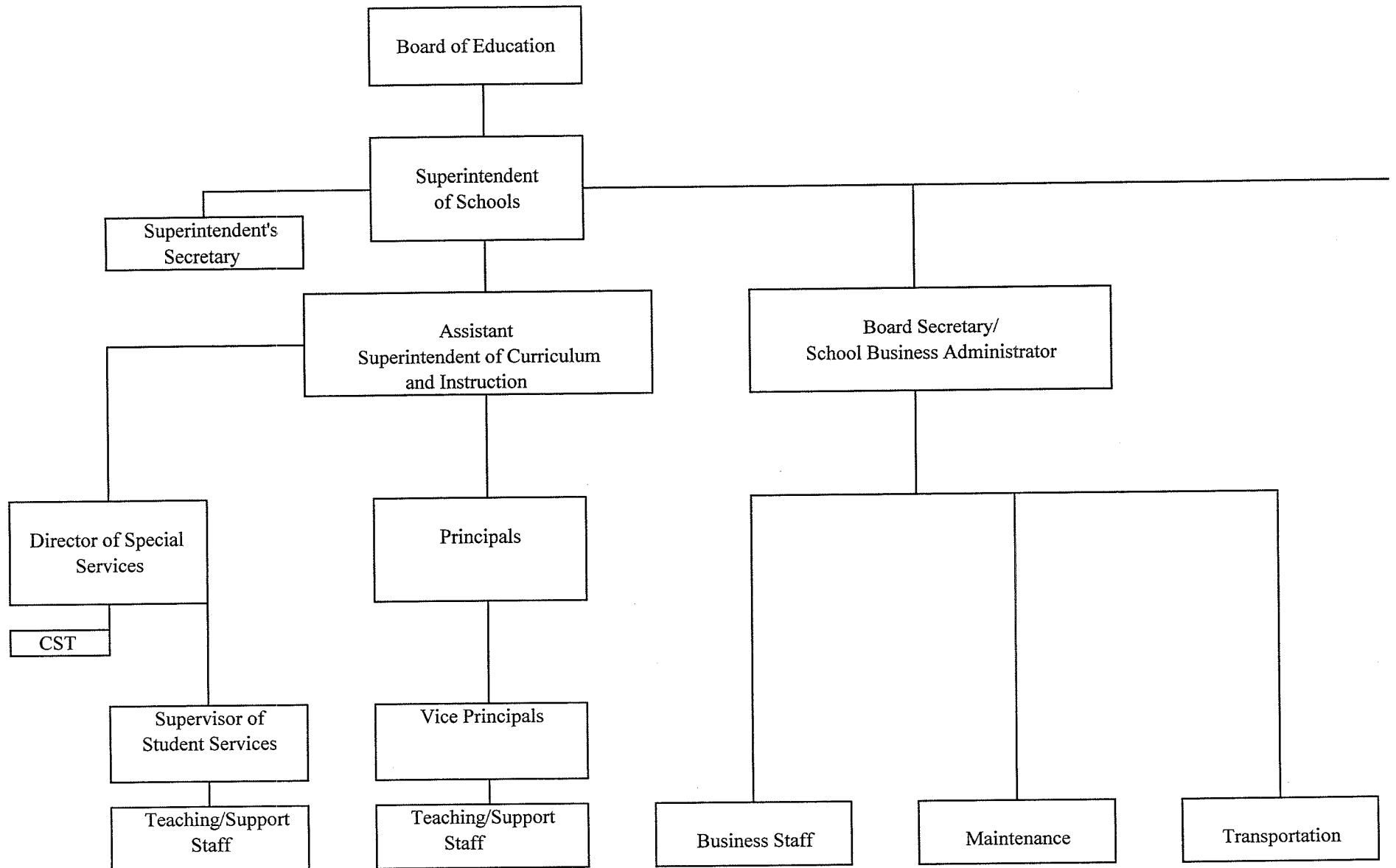


Damaris Gurowsky
Business Administrator/Board Secretary

DENVILLE TOWNSHIP SCHOOL DISTRICT

Organizational Chart

(Unit Control)



**DENVILLE TOWNSHIP SCHOOL DISTRICT
ROSTER OF OFFICIALS
JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dino Cappello, President	2018
Michael Andersen, Vice President	2018
Donald Casse	2017
David Napeloni	2017
Marianna Lindsay	2018
David Luer	2019
Barbara DeLuna	2019

<u>Other Officials</u>	<u>Title</u>
Steven Forte	Superintendent of Schools
Vincent Occhino	Interim Board Secretary/School Business Administrator (from 5/16/2015 to 7/12/2015)
Damaris Gurowsky	Board Secretary/School Business Administrator (from 7/13/2015)
Paula Hatch	Treasurer of School Monies

**DENVILLE TOWNSHIP SCHOOL DISTRICT
Consultants and Advisors**

Attorney

Cleary, Jacobbe, Alfieri, Jacobs, LLC
The Legal Center
1037 Raymond Blvd., Suite 900
Newark, NJ 07102

Sciarrillo, Cornell, Merlino, McKeever & Osborne, LLC
238 St. Paul Street
Westfield, NJ 07090

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Architect

DiCara Rubino Architects
30 Galesi Drive, West Wing
Wayne, NJ 07470

Official Depositories

Provident Bank
41 Broadway
Denville, NJ 07834

Bank of America
1125 Route 22 West
Bridgewater, NJ 08807

State of New Jersey Cash Management Fund
Division of Investment
Department of the Treasury
Trenton, NJ 08625

FINANCIAL SECTION



Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856
973-328-1825 | 973-328-0507 Fax
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860
973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Denville Township School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

The Honorable President and Members
of the Board of Education
Denville Township School District
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Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

The Honorable President and Members
of the Board of Education
Denville Township School District
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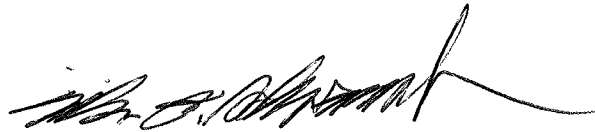
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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 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.

Mount Arlington, New Jersey
September 9, 2016

NISIVOCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**DENVILLE TOWNSHIP SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This section of the Denville Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status has improved significantly, in spite of relatively flat direct state aid for several years.
- Overall revenue was \$37.17 million.
- The District had a reduction in its outstanding serial bonds payable of 27.53 percent due to the retirement of debt.

Overview of the Financial Statements

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

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

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

**Figure A-1
Organization of the Denville Township School District's Financial Report**

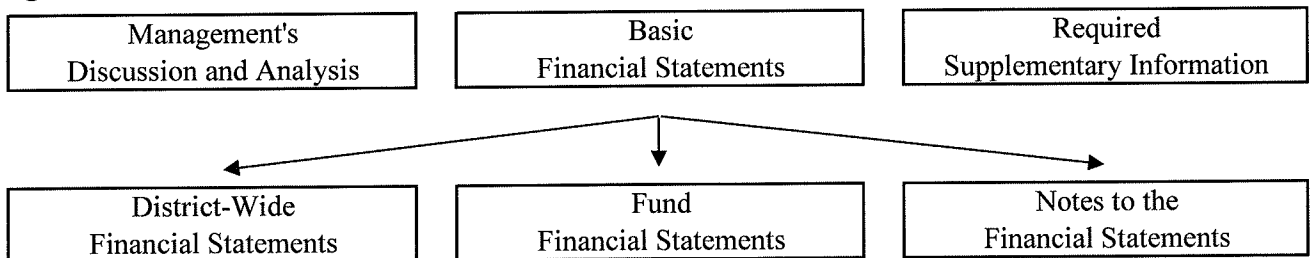


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: The notes provide basic information that is essential to a full understanding of the data provided in the District-wide and Fund financial statements. Those notes to the basic financial statements can be found immediately following the Fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by 18.76%. Net position from governmental activities increased \$1,601,239 while net position from business-type activities increased \$47,485. Net investment in capital assets, decreased \$1,238,690, restricted net position increased by \$933,222 and unrestricted net position increased \$1,954,192.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Current and Other Assets	\$ 6,956,812	\$ 4,423,846	\$ 3,447	\$ 8,270	\$ 6,960,259	\$ 4,432,116	57.04%
Capital Assets, Net	16,860,832	16,964,023	60,064	8,159	16,920,896	16,972,182	-0.30%
Total Assets	23,817,644	21,387,869	63,511	16,429	23,881,155	21,404,298	11.57%
Deferred Outflows of Resources	1,879,164	581,575			1,879,164	581,575	223.12%
Long-Term Liabilities	14,709,819	11,396,109			14,709,819	11,396,109	29.08%
Other Liabilities	435,135	1,265,271	1,742	2,145	436,877	1,267,416	-65.53%
Total Liabilities	15,144,954	12,661,380	1,742	2,145	15,146,696	12,663,525	19.61%
Deferred Inflows of Resources	177,267	534,716			177,267	534,716	-66.85%
Net Position:							
Net Investment in Capital Assets	13,486,059	14,776,654	60,064	8,159	13,546,123	14,784,813	-8.38%
Restricted	3,645,996	2,712,774			3,645,996	2,712,774	34.40%
Unrestricted/(Deficit)	(6,757,468)	(8,716,080)	1,705	6,125	(6,755,763)	(8,709,955)	22.44%
Total Net Position	\$ 10,374,587	\$ 8,773,348	\$ 61,769	\$ 14,284	\$ 10,436,356	\$ 8,787,632	18.76%

Changes in Net Position. The District's combined net position was \$10,436,356 on June 30, 2016, \$1,648,724 or 18.76% more than it was the year before (See Figure A-3). Net investment in capital assets decreased by \$1,238,690 due to the \$136,279 in capital assets additions, \$598,129 in construction in process, the payment of \$490,000 in bond principal, and \$269,236 in capital lease principal payments, less \$1,940,559 in new leases entered into, \$785,694 in depreciation and the \$6,081 in amortized deferred interest. Restricted net position increased by \$933,222 as a result of an increase in excess surplus of \$755,022, a decrease in the capital reserve account of \$446,800 and an increase in maintenance reserve of \$625,000. Unrestricted net position increased by \$1,954,192 as a result of normal operations, changes in accrued interest, changes in pension liability and changes in compensated absences payable (See Figure A-3).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Revenue:							
Program Revenue:							
Charges for Services	\$ 169,181	\$ 237,466	\$ 11,820	\$ 22,219	\$ 181,001	\$ 259,685	-30.30%
Grants and Contributions:							
Operating	8,278,249	6,921,377	19,450	19,260	8,297,699	6,940,637	19.55%
Capital		700,930	59,839		59,839	700,930	-91.46%
General Revenue:							
Property Taxes	27,678,032	26,747,737			27,678,032	26,747,737	3.48%
Federal and State Aid Not Restricted	183,290	189,903			183,290	189,903	-3.48%
Other	757,826	112,954	13,465		771,291	112,954	582.84%
Total Revenue	<u>37,066,578</u>	<u>34,910,367</u>	<u>104,574</u>	<u>41,479</u>	<u>37,171,152</u>	<u>34,951,846</u>	6.35%
Expenses:							
Instruction	21,630,913	20,422,805			21,630,913	20,422,805	5.92%
Pupil and Instruction Services	4,518,148	4,443,333			4,518,148	4,443,333	1.68%
Administrative and Business	3,740,261	3,284,062			3,740,261	3,284,062	13.89%
Maintenance and Operations	2,424,721	2,146,437			2,424,721	2,146,437	12.96%
Transportation	2,412,540	2,299,967			2,412,540	2,299,967	4.89%
Other	738,756	677,285	57,089	45,983	795,845	723,268	10.03%
Total Expenses	<u>35,465,339</u>	<u>33,273,889</u>	<u>57,089</u>	<u>45,983</u>	<u>35,522,428</u>	<u>33,319,872</u>	6.61%
Increase/(Decrease) in Net Position	<u>\$ 1,601,239</u>	<u>\$ 1,636,478</u>	<u>\$ 47,485</u>	<u>\$ (4,504)</u>	<u>\$ 1,648,724</u>	<u>\$ 1,631,974</u>	1.03%

Revenue Sources. The District's total revenue for the 2015/2016 school year was \$37,171,152 (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$27,678,032 of the total, or 74.46 percent (See Figure A-5). State formula aid and categorical grants accounted for 19.18 percent and the remainder was from other miscellaneous sources. The Denville Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

Figure A-5
Sources of Revenue for Fiscal Year 2016

Sources of Income:	Amount	Percentage
State Formula Aid	\$ 1,410,943	3.80%
Property Taxes	27,678,032	74.46%
Federal and State Categorical Grants	7,129,885	19.18%
Charges for Services	181,001	0.49%
Other	771,291	2.07%
	<u>\$ 37,171,152</u>	<u>100.00%</u>

The total cost of all programs and services was \$35,522,428. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (80.41 percent) (See Figure A-6). The District's administrative and maintenance activities accounted for 17.36 percent of total costs. It is important to note that depreciation of \$785,694 is included in expenses for the year.

Figure A-6
Expenses for Fiscal Year 2016

Expense Category:	Amount	Percentage
Instruction	\$ 21,630,913	60.90%
Pupil and Instruction Services	4,518,148	12.72%
Administrative and Business	3,740,261	10.53%
Maintenance and Operations	2,424,721	6.83%
Transportation	2,412,540	6.79%
Other	795,845	2.23%
	\$ 35,522,428	100.00%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved significantly. However, maintaining existing programs with increased enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health benefits costs places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

Because state aid has remained relatively flat over the past few years, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenditures carefully, since any proposed increase to the school district budget will be funded entirely through property taxes.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 21,630,913	\$ 20,422,805	\$ 13,383,959	\$ 13,425,100
Pupil and Instruction Services	4,518,148	4,443,333	4,518,148	4,443,333
Administrative and Business	3,740,261	3,284,062	3,558,229	3,140,498
Maintenance and Operations	2,424,721	2,146,437	2,424,721	2,146,437
Transportation	2,412,540	2,299,967	2,394,096	2,282,393
Other	738,756	677,285	738,756	(23,645)
	\$ 35,465,339	\$ 33,273,889	\$ 27,017,909	\$ 25,414,116

- The cost of all governmental activities this year was \$35.47 million.
- The federal and state governments subsidized certain programs with grants and contributions
- Most of the District's costs, however, were financed by District taxpayers (\$27.68 million).
- A portion of governmental activities was financed with state aid based on the SFRA formula.
- The remainder of governmental activities funding came from charges for services, local grants, investment earnings and miscellaneous revenue.

Business-Type Activities

Net position from the District's business-type activities, food service, increased by \$47,485 due to the purchase of capital assets by the General Fund for the Food Service Fund, however normal expenses exceeded revenues for the year due to an increase in the cost of sales. (Refer to Figure A-4).

Financial Analysis of the District's Funds

The District's financial status improved significantly despite difficult economic times which have had a direct impact upon the District's revenue sources. Interest from investments remained unfavorable as compared to years past. Ratables of the Municipality decreased last year, thus generating concern for the local tax levy in the future.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

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

- Changes made within budgetary line items were in school-based needs for programs, textbooks, and teachers' salaries, increased utilities costs and legal and other professional services.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Land	\$ 105,150	\$ 105,150			\$ 105,150	\$ 105,150	0.00%
Construction in Progress	598,129				598,129		100.00%
Buildings and Building Improvements	14,314,312	14,851,995			14,314,312	14,851,995	-3.62%
Machinery and Equipment	1,843,241	2,006,878	\$ 60,064	\$ 8,159	1,903,305	2,015,037	-5.54%
Total Capital Assets, Net of Depreciation	<u>\$ 16,860,832</u>	<u>\$ 16,964,023</u>	<u>\$ 60,064</u>	<u>\$ 8,159</u>	<u>\$ 16,920,896</u>	<u>\$ 16,972,182</u>	<u>-0.30%</u>

The District's overall capital assets increased from several capital asset additions and project completions. (More detailed information about the District's capital assets is presented in Note 7 to the financial statements.)

Long-term Debt

At year-end, the District had \$1,290,000 in general obligation bonds – a reduction of \$490,000 from last year – as shown in Figure A-9. (More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.)

**Figure A-9
Outstanding Long-Term Liabilities**

	Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016
General Obligation Bonds, (Financed with Property Taxes)	\$ 1,290,000	\$ 1,780,000	-27.53%
Net Pension Liability	11,025,378	8,833,427	24.81%
Other Long-Term Liabilities	2,394,441	782,682	205.93%
	<u>\$ 14,709,819</u>	<u>\$ 11,396,109</u>	<u>29.08%</u>

- The District continued to pay down its debt, retiring \$490,000 of outstanding bonds.
- Net Pension Liability increased by \$2,191,951.
- The District’s other long-term liabilities increased as a result of the repayment of capital leases and the decrease in compensated absence liability, offset by the issuance of capital leases.

Factors Bearing on the District’s Future Revenue/Expense Changes

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

- Changes in regulations by the State of New Jersey, inclusive of limits on revenues and fluctuations in aid, will affect the services offered to the students of the Denville Township School District.
- Maintenance issues within the schools will continue to be a concern for the District. The District will have to dedicate its financial resources towards solving major capital issues within the schools.
- Readiness for Partnership for Assessment of Readiness for College and Careers (PARCC) testing continues to require investment in technology.
- Alignment to the Common Core ELA & Math Standards will require additional professional development expenses and purchase of supporting teacher resources.
- State adoption of the Next Generation of Science Standards will require alignment of curriculum, additional teacher professional development, and purchase of new student science textbooks and/or inquiry kits.
- The Denville Board of Education has adopted a strategic curriculum plan to regularly review and update subject area curriculum. Some funding is needed to compensate staff for participation in curriculum review and writing committees. Social Studies materials will be purchased for the 2016-2017 school year.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 400 Morris Avenue, Suite 279, Denville, New Jersey 07834.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 2,961,733	\$ 218	\$ 2,961,951
Receivables from Other Governments	220,300	3,229	223,529
Receivables - Other	1,499,594		1,499,594
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	932,266		932,266
Maintenance Reserve - Cash and Cash Equivalents	1,342,919		1,342,919
Capital Assets:			
Sites (Land)	105,150		105,150
Construction in Progress	598,129		598,129
Depreciable Buildings and Building Improvements and Machinery and Equipment	16,157,553	60,064	16,217,617
Total Assets	<u>23,817,644</u>	<u>63,511</u>	<u>23,881,155</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on the Refunding	18,246		18,246
Changes in Assumptions - Pensions	1,184,038		1,184,038
Changes in Proportions - Pensions	413,853		413,853
Difference Between Expected and Actual Experience - Pensions	263,027		263,027
Total Deferred Outflows of Resources	<u>1,879,164</u>		<u>1,879,164</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable - Vendors	251,862	1,742	253,604
Accrued Interest Payable	19,350		19,350
Interfund Payable	47,937		47,937
Payable to State Government	47,414		47,414
Unearned Revenue	18,678		18,678
Unamortized Bond Premium	49,894		49,894
Noncurrent Liabilities:			
Due Within One Year	690,565		690,565
Due Beyond one Year	14,019,254		14,019,254
Total Liabilities	<u>15,144,954</u>	<u>1,742</u>	<u>15,146,696</u>
DEFERRED INFLOW OF RESOURCES			
Investment Gains - Pensions	177,267		177,267
NET POSITION			
Net Investment in Capital Assets	13,486,059	60,064	13,546,123
Restricted for:			
Capital Projects	932,266		932,266
Debt Service	1		1
Other Purposes	2,713,729		2,713,729
Unrestricted/(Deficit)	<u>(6,757,468)</u>	<u>1,705</u>	<u>(6,755,763)</u>
Total Net Position	<u>\$ 10,374,587</u>	<u>\$ 61,769</u>	<u>\$ 10,436,356</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 15,496,872	\$ 169,181	\$ 5,959,193		\$ (9,368,498)		\$ (9,368,498)
Special Education	5,251,149		1,998,675		(3,252,474)		(3,252,474)
Other Special Instruction	621,163		85,821		(535,342)		(535,342)
Other Instruction	261,729		34,084		(227,645)		(227,645)
Support Services:							
Tuition	753,046				(753,046)		(753,046)
Student & Instruction Related Services	3,765,102				(3,765,102)		(3,765,102)
General Administrative Services	966,576				(966,576)		(966,576)
School Administrative Services	1,864,563		182,032		(1,682,531)		(1,682,531)
Central Services	450,713				(450,713)		(450,713)
Administration Information Technology	458,409				(458,409)		(458,409)
Plant Operations and Maintenance	2,415,300				(2,415,300)		(2,415,300)
Pupil Transportation	2,421,961		18,444		(2,403,517)		(2,403,517)
Transfer to Charter Schools	124,953				(124,953)		(124,953)
Interest on Long-Term Debt	53,301				(53,301)		(53,301)
Capital Outlay	560,502				(560,502)		(560,502)
Total Governmental Activities	35,465,339	169,181	8,278,249		(27,017,909)		(27,017,909)

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 57,089	\$ 11,820	\$ 19,450	\$ 59,839		\$ 34,020	\$ 34,020
Total Business-Type Activities	57,089	11,820	19,450	59,839		34,020	34,020
Total Primary Government	\$ 35,522,428	\$ 181,001	\$ 8,297,699	\$ 59,839	\$ (27,017,909)	34,020	(26,983,889)
General Revenues:							
Taxes:							
					27,266,482		27,266,482
					411,550		411,550
					185,275		185,275
					732,126		732,126
					37,180		37,180
					(13,465)	13,465	
					28,619,148	13,465	28,632,613
					1,601,239	47,485	1,648,724
					8,773,348	14,284	8,787,632
					\$ 10,374,587	\$ 61,769	\$ 10,436,356

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

FUND FINANCIAL STATEMENTS

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,930,773	\$ 30,959		\$ 1	\$ 2,961,733
Interfund Receivables	2,063				2,063
Receivables from State Government	215,372				215,372
Receivables from Federal Government		4,928			4,928
Lease Purchase Proceeds Receivable			\$ 1,297,299		1,297,299
Other Accounts Receivable	202,295				202,295
Restricted Cash and Cash Equivalents	<u>2,275,185</u>				<u>2,275,185</u>
Total Assets	<u>\$ 5,625,688</u>	<u>\$ 35,887</u>	<u>\$ 1,297,299</u>	<u>\$ 1</u>	<u>\$ 6,958,875</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable - Vendors	\$ 251,862				\$ 251,862
Interfund Payable	50,000				50,000
Payable to State Government	19,430	\$ 27,984			47,414
Unearned Revenue	<u>10,775</u>	<u>7,903</u>			<u>18,678</u>
Total Liabilities	<u>332,067</u>	<u>35,887</u>			<u>367,954</u>
Fund Balances:					
Restricted:					
Capital Reserve Account	932,266				932,266
Maintenance Reserve Account	1,342,919				1,342,919
Excess Surplus	1,070,539				1,070,539
Excess Surplus - Designated for Subsequent Year's Expenditures	300,271				300,271
Debt Service				\$ 1	1

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Fund Balances (Cont'd):					
Assigned:					
Year-End Encumbrances	\$ 1,072,407				\$ 1,072,407
Unassigned:					
General Fund	575,219				575,219
Capital Projects Fund			\$ 1,297,299		1,297,299
Total Fund Balances	<u>5,293,621</u>		<u>1,297,299</u>	<u>\$ 1</u>	6,590,921
Total Liabilities and Fund Balances	<u>\$ 5,625,688</u>	<u>\$ 35,887</u>	<u>\$ 1,297,299</u>	<u>\$ 1</u>	
Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) is 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 \$31,001,479 and the accumulated depreciation is \$14,141,647.					16,860,832
Interest on Long-Term Debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.					(19,350)
Deferred bond interest costs are not reported as expenditures in the governmental funds in the year of the expenditure.					18,246
Bond issuance Premiums are reported as revenue in the governmental funds in the year the bonds are sold.					(49,894)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds					(11,025,378)
Certain amounts related to the Net Pension Liability and Deferred and Amortized in the Statement of Actives are not reported in the Governmental Funds:					
Changes in Assumptions - Pensions					1,184,038
Changes in Proportions - Pensions					413,853
Difference Between Expected and Actual Experience - Pensions					263,027
Investment Gains - Pensions					(177,267)
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 8)					<u>(3,684,441)</u>
Net Position of Governmental Activities					<u>\$ 10,374,587</u>

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 27,266,482			\$ 411,550	\$ 27,678,032
Tuition	169,181				169,181
Interest on Capital Reserve Funds	100				100
Other Restricted Miscellaneous	37,180				37,180
Miscellaneous	732,026	\$ 2,581			734,607
Total - Local Sources	28,204,969	2,581		411,550	28,619,100
State Sources	4,227,792	71,970		149,650	4,449,412
Federal Sources	1,985	532,737			534,722
Total Revenues	32,434,746	607,288		561,200	33,603,234
EXPENDITURES					
Current:					
Regular Instruction	8,220,130	514,028			8,734,158
Special Education Instruction	2,963,595	93,260			3,056,855
Other Special Instruction	321,096				321,096
Other Instruction	142,557				142,557
Support Services and Undistributed Costs:					
Tuition	753,046				753,046
Student & Instruction Related Services	3,068,436				3,068,436
General Administrative Services	767,811				767,811
School Administrative Services	1,057,516				1,057,516
Central Services	308,923				308,923
Administration Information Technology	310,904				310,904
Plant Operations and Maintenance	1,940,526				1,940,526
Pupil Transportation	1,513,595				1,513,595
Allocated and Unallocated Benefits	8,450,982				8,450,982

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Debt Service:					
Principal				\$ 490,000	\$ 490,000
Interest and Other Charges				71,200	71,200
Capital Outlay	\$ 619,650		\$ 598,129		1,217,779
Transfer of Funds to Charter Schools	124,953				124,953
Total Expenditures	30,563,720	\$ 607,288	598,129	561,200	32,330,337
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,871,026	-0-	(598,129)	-0-	1,272,897
OTHER FINANCING SOURCES/(USES)					
Capital Leases (non-budgeted)	45,131				45,131
Capital Lease Purchase Agreement Proceeds			1,895,428		1,895,428
Transfers In/(Out)	(13,465)				(13,465)
Total Other Financing Sources/(Uses)	31,666	-0-	1,895,428	-0-	1,927,094
Net Change in Fund Balances	1,902,692		1,297,299		3,199,991
Fund Balance—July 1	3,390,929			1	3,390,930
Fund Balance—June 30	\$ 5,293,621	\$ -0-	\$ 1,297,299	\$ 1	\$ 6,590,921

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 3,199,991
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation differs from capital outlays in the period.		
	Depreciation expense	\$ (777,760)
	Capital outlays	<u>674,569</u>
		(103,191)
Repayment of debt service 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.		490,000
Also, the governmental funds report the effect of deferred interest costs relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities.		(6,081)
Finally, the governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		16,630
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		7,350
Capital leases are a financing source in the governmental funds. They are not revenue in the statement of activities; capital leases increase long-term liabilities in the statement of net position.		(1,940,559)
Repayment of capital leases 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.		269,236
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		(2,052,820)
Change in Net Pension Liability		901,893
Deferred Outflows:		138,750
Changes in Assumptions		263,027
Changes in Proportion		357,449
Difference Between Expected and Actual Experience - Pensions		357,449
Deferred Inflows:		357,449
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		357,449
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		<u>59,564</u>
Change in Net Position of Governmental Activities (A-2)		<u>\$ 1,601,239</u>

Exhibit B-4

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

	Business-type Activities - Enterprise Funds <u>Food Service</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 218
Accounts Receivable:	
Federal	<u>3,229</u>
Total Current Assets	<u>3,447</u>
Non-Current Assets:	
Capital Assets	74,774
Less: Accumulated Depreciation	<u>(14,710)</u>
Total Non-Current Assets	<u>60,064</u>
Total Assets	<u>63,511</u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	<u>1,742</u>
Total Current Liabilities	<u>1,742</u>
Total Liabilities	<u>1,742</u>
NET POSITION:	
Net Investment in Capital Assets	60,064
Unrestricted	<u>1,705</u>
Total Net Position	<u><u>\$ 61,769</u></u>

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

Exhibit B-5

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Fund <u>Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 11,820
	<u>11,820</u>
Total Operating Revenue	
Operating Expenses:	
Cost of Sales - Reimbursable Programs	49,155
Depreciation	<u>7,934</u>
Total Operating Expenses	<u>57,089</u>
Operating (Loss)	<u>(45,269)</u>
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	19,450
Local Sources:	
Board Contribution	<u>13,465</u>
Net Income/(Loss) Before Special Other Items	<u>32,915</u>
Change in Net Position Before Transfer and Capital Contributions	(12,354)
Capital Contributions	<u>59,839</u>
Change in Net Position After Transfer and Capital Contributions	47,485
Net Position - Beginning of Year	<u>14,284</u>
Net Position - End of Year	<u>\$ 61,769</u>

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

Exhibit B-6

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

	Business-type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 11,820
Payments to Suppliers	(51,595)
Net Cash (Used for) Operating Activities	(39,775)
Cash Flows from Noncapital Financing Activities:	
Federal Sources - Special Milk Program	17,732
Local Sources - Board Contribution	13,465
Net Cash Provided by Noncapital Financing Activities	31,197
Net Decrease in Cash and Cash Equivalents	(8,578)
Cash and Cash Equivalents, July 1	8,796
Cash and Cash Equivalents, June 30	\$ 218
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (45,269)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
Depreciation	7,934
Changes in Assets and Liabilities:	
(Decrease) in Interfund Payable	(2,037)
(Decrease) in Accounts Payable	(403)
Net Cash (Used for) Operating Activities	\$ (39,775)

Noncash Capital and Financing Activities:

The General Fund made a capital contribution of \$59,839 of equipment to the Food Service Fund.

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

Exhibit B-7

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

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>
ASSETS:			
Cash and Cash Equivalents	\$ 40,948	\$ 16,745	\$ 81,569
Interfund Receivable - General Fund			50,000
Total Assets	<u>40,948</u>	<u>16,745</u>	<u>131,569</u>
LIABILITIES:			
Interfund Payable - General Fund	2,063		
Due to Student Groups	<u>38,885</u>		
Total Liabilities	<u>79,833</u>		
NET POSITION:			
Held in Trust for Unemployment Claims			131,569
Held in Trust for Flexible Spending Claims		<u>16,745</u>	
Total Net Position	<u>\$ -0-</u>	<u>\$ 16,745</u>	<u>\$ 131,569</u>

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

Exhibit B-8

DENVILLE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Board Contributions		\$ 55,000	\$ 55,000
Plan Member	\$ 55,695	49,123	104,817
Total Contributions	<u>55,695</u>	<u>104,123</u>	<u>159,817</u>
Total Additions	<u>55,695</u>	<u>104,123</u>	<u>159,817</u>
DEDUCTIONS:			
Unemployment Benefit Claims		82,205	82,205
Flexible Spending Claims	60,670		60,670
Total Deductions	<u>60,670</u>	<u>82,205</u>	<u>142,875</u>
Change in Net Position	(4,975)	21,918	16,943
Net Position - Beginning of the Year	<u>21,720</u>	<u>109,651</u>	<u>131,371</u>
Net Position - End of the Year	<u>\$ 16,745</u>	<u>\$ 131,569</u>	<u>\$ 148,314</u>

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE 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 (the "Board") of Denville Township School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools and a middle school located in the Township of Denville. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund 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, Flexible Spending Trust Fund and Unemployment Compensation Insurance Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2 (m) 1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 32,434,237	\$ 588,862
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, while the GAAP Basis does not.		18,426
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	115,434	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(114,925)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 32,434,746	\$ 607,288
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 30,563,720	\$ 588,862
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		18,426
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 30,563,720	\$ 607,288

E. Cash and Cash Equivalents and Investments:

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

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

E. Cash and Cash Equivalents and Investments: (Cont'd)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year-end.

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

I. Short-term Interfund Receivables/Payables:

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

K. Capital Assets:

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

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

	<u>Estimated Useful Life</u>
Buildings	40 years
Building Improvements	20 years
Machinery and Equipment	10 to 15 years
Vehicles	10 to 12 years
Computer and Related Technology	5 to 7 years

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

L. Long Term Liabilities:

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year; therefore, there are no accrued salaries and wages as of June 30, 2016.

N. 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 varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,293,621 General Fund fund balance at June 30, 2016, \$932,266 is restricted in the capital reserve account; \$1,342,919 is restricted in the maintenance reserve account; \$1,070,539 is restricted as current year excess surplus and will be appropriated and included as anticipated revenue for the fiscal year ended June 30, 2018; \$300,271 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2017; \$1,072,407 is assigned for encumbrances; and \$575,219 is unassigned which is \$114,925 less than the calculated maximum unassigned fund balance, on a Budgetary Basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016.

Debt Service Fund: The Debt Service Fund fund balance at June 30, 2016 of \$1 is restricted for subsequent year's expenditures.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2016 of \$1,297,299 is committed to current projects.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as noted above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$114,925 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$8,054,767 in governmental activities, which is due to accrued interest payable of \$19,350, \$291,422 of compensated absences payable, an unamortized bond premium of \$49,894, investment gains in pensions of \$177,267, and net pension liability of \$11,025,378; net of \$1,072,407 assigned for encumbrances, changes in pension proportions of \$413,853, assigned General Fund fund balance of \$575,219, changes in the difference between expect and actual experience for pensions of \$263,027 and changes in pension assumptions of \$1,184,038. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had a deferred outflow of resources at June 30, 2016 for the deferred amount on the refunding of debt related to the District refunding bonds issued April 29, 2009, for changes in assumptions and proportions in pensions, as well as the difference between expected and actual experience in pensions.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

R. Net Position: (Cont'd)

The District had deferred inflows of resources at June 30, 2016 for investment gains on pensions. Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

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

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for excess surplus, a maintenance reserve, a capital reserve and Debt Service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had no committed resources at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for encumbrances in the General Fund at June 30, 2016.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

T. Operating Revenue and Expenses:

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

U. Revenue - 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.

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

V. Management Estimates:

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

W. Pensions

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

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

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

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

In addition to the above collateral requirement, if 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, the Federal Home Loan Bank Board or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve Account	Maintenance Reserve Account	
Checking Accounts	\$ 3,101,213	\$ 932,266	\$ 1,342,919	\$ 5,376,398
	<u>\$ 3,101,213</u>	<u>\$ 932,266</u>	<u>\$ 1,342,919</u>	<u>\$ 5,376,398</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016 was \$5,376,398 and the bank balance was \$5,743,987.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g) 7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 1,379,066
Interest Earnings	100
Transfer by Board Resolution June 13, 2016	500,000
Budgeted Withdrawal	<u>(946,900)</u>
Ending Balance, June 30, 2016	<u>\$ 932,266</u>

The balance in the capital reserve account did not exceed the balance of local support costs of uncompleted capital projects in the District's LRFP. Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred funds into certain non-equipment capital outlay accounts which required the approval of the County Superintendent of Schools.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$700,000 was established by the Denville Township School District during the fiscal year ended June 30, 2014. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building.

Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan.

Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The activity of the maintenance reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning Balance, July 1, 2015	\$ 815,440
Transfer by Board Resolution June 13, 2016	602,479
Budgeted Withdrawal	<u>(75,000)</u>
Ending Balance, June 30, 2016	<u><u>\$ 1,342,919</u></u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 105,150			\$ 105,150
Construction in Progress		\$ 598,129		598,129
Total Capital Assets Not Being Depreciated	<u>105,150</u>	<u>598,129</u>		<u>703,279</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	26,404,879	43,993		26,448,872
Machinery and Equipment	<u>3,817,881</u>	<u>32,447</u>		<u>3,850,328</u>
Total Capital Assets Being Depreciated	<u>30,222,760</u>	<u>76,440</u>		<u>30,299,200</u>
Governmental Activities Capital Assets	<u>30,327,910</u>	<u>674,569</u>	\$ -0-	<u>31,002,479</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(11,552,884)	(581,676)		(12,134,560)
Machinery and Equipment	<u>(1,811,003)</u>	<u>(196,084)</u>		<u>(2,007,087)</u>
	<u>(13,363,887)</u>	<u>(777,760)</u>		<u>(14,141,647)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 16,964,023</u>	<u>\$ (103,191)</u>	<u>\$ -0-</u>	<u>\$ 16,860,832</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 14,935	\$ 59,839		\$ 74,774
Less Accumulated Depreciation	<u>(6,776)</u>	<u>(7,934)</u>		<u>(14,710)</u>
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 8,159</u>	<u>\$ 51,905</u>	<u>\$ -0-</u>	<u>\$ 60,064</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 12,642
Student and Instructional Support Services	152,533
General Administrative	37,425
School Administrative	11,121
Plant Operations and Maintenance	63,319
Pupil Transportation	<u>500,720</u>
	<u>\$ 777,760</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Accrued	Adjustment/ Retired	Balance 6/30/2016
Serial Bonds Payable	\$ 1,780,000		\$ 490,000	\$ 1,290,000
Compensated Absences Payable	350,986	\$ 87,601	147,165	291,422
Net Pension Liability	8,833,427	2,191,951		11,025,378
Capital Leases Payable	431,696	1,940,559	269,236	2,103,019
	<u>\$ 11,396,109</u>	<u>\$ 4,220,111</u>	<u>\$ 906,401</u>	<u>\$ 14,709,819</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2016 as follows:

Final Maturity	Interest Rate	Amount
02/15/19	4.00%	<u>\$ 1,290,000</u>

The current portion of bonds payable at June 30, 2016 is \$490,000 and the long-term portion is \$800,000.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 490,000	\$ 51,600	\$ 541,600
2018	485,000	32,000	517,000
2019	315,000	12,600	327,600
	<u>\$ 1,290,000</u>	<u>\$ 96,200</u>	<u>\$ 1,386,200</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

B. Bonds Authorized But Not Issued:

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

C. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$291,422. There is no current portion of the compensated absences liability at June 30, 2016. The General Fund will be used to liquidate compensated absences payable.

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

D. Capital Leases Payable:

The District is leasing photocopiers, boilers, computer equipment, maintenance vehicles and school buses under capital leases. A schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2016 is as follows:

Fiscal Year Ending June 30,	<u>Amount</u>
2017	\$ 247,057
2018	268,216
2019	222,412
2020	150,110
2021	144,317
2021	621,819
2021	669,608
2021	<u>150,187</u>
Total Minimum Lease Payments	2,473,726
Less: Amount Representing Interest	<u>(370,707)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 2,103,019</u>

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$11,025,378. See Note 8 for further information on the PERS.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey.

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$422,259 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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 \$11,025,378 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.049%, which was an increase of 0.0012% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$422,259. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 236,008	
Changes in Assumptions - 2015	5.72	948,030	
Changes in Proportion - 2014	6.44	224,533	
Changes in Proportion - 2015	5.72	189,320	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		\$ 411,011
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(233,744)
Difference Between Expected and Actual Experience - 2015	5.72	<u>263,027</u>	
		<u>\$ 1,860,918</u>	<u>\$ 177,267</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 231,167
2017	231,167
2018	231,167
2019	368,171
2020	208,126
	<u>\$ 1,269,798</u>

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. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 13,703,196	\$ 11,025,378	\$ 8,780,315

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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

Contributions

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

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$904,010 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$4,380,819.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$71,747,305. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.114%, which was an increase of 0.002% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>71,747,305</u>
Total	<u><u>\$ 71,747,305</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$4,380,819 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

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

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments - 2015	5		(770,568,242)
		<u><u>\$ 7,521,378,257</u></u>	<u><u>\$ 554,399,005</u></u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	2,196,835,040
	<u>\$ 6,966,979,252</u>

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. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables 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.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected_returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF (Cont'd)

future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension 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.

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

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	At 1% Decrease (3.13%)	At Current Discount Rate (4.13%)	At 1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 85,268,990	\$ 71,747,305	\$ 60,097,564

Pension Plan Fiduciary Net Position

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

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the TPAF and 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 premiums changed from a prefunding 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 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.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 10. POST-RETIREMENT BENEFITS (Cont'd)

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$904,010, \$974,271 and \$776,489 for 2016, 2015 and 2014, respectively.

NOTE 11. RISK MANAGEMENT

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. 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. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. Health benefits are provided to District employees through Horizon Blue Cross/Blue Shield and dental benefits are provided through Delta Dental.

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, interest earned, 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>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 55,000	\$ -0-	\$ 49,123	\$ 82,205	\$ 131,569
2014-2015	86,795	-0-	30,526	62,871	109,651
2013-2014	5	-0-	29,487	30,102	55,201

NOTE 12. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances existed as of June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 2,063	\$ 50,000
Fiduciary Fund	50,000	2,063
	<u>\$ 52,063</u>	<u>\$ 52,063</u>

The interfund between the General Fund and the Payroll Agency Fund represents the unallocated balance in the Net Payroll Account as of June 30, 2016. The interfund between the General Fund and the Unemployment Trust Fund represents board contributions that were not yet turned over as of June 30, 2016.

NOTE 14. DEFERRED COMPENSATION

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

Metropolitan Life Insurance Company	Great American Life Insurance Company
United of Omaha	Lincoln Investment Planning, Inc.
Copeland Companies	Variable Annuity Life Insurance Company (VALIC)
MetLife Investors	The Equitable
Lincoln National Life Insurance Company	Prudential Investments

NOTE 15. TAX CALENDAR

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

Taxes are collected by the constituent municipality and are remitted to the School District on a predetermined, agreed-upon schedule.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES

Litigation:

The Board is periodically involved in claims or lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these cases would have a material adverse effect on the District's financial position.

Grant Programs:

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

Encumbrances:

The following encumbrance balances existed as of June 30, 2016:

	Governmental Activities		
	General Fund	Special Revenue Fund	Total Governmental Funds
Encumbrances	\$1,072,407	\$ 357	\$ 1,072,764

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$0 is assigned for year-end encumbrances in the Special Revenue Fund, which is \$357 less than the actual year-end encumbrances on a budgetary basis. On the GAAP basis, encumbrances are not recognized until paid and this non-recognition of encumbrances on a GAAP basis is also reflected as either a reduction in grants receivable or an increase in unearned revenue in the Special Revenue Fund.

NOTE 17. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2016:

	Governmental Activities		Business-Type Activities
	General Fund	Total Governmental Funds	Proprietary Funds
Vendors	\$ 251,862	\$ 251,862	\$ 1,742

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's proportion of the net pension liability	0.0462193020%	0.0479233275%	0.0491152006%
District's proportionate share of the net pension liability	\$ 8,833,427	\$ 8,972,558	\$ 11,025,378
District's covered employee payroll	\$ 3,348,994	\$ 3,376,954	\$ 3,282,452
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	263.76%	265.70%	335.89%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

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DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually required contribution	\$ 348,253	\$ 395,073	\$ 422,259
Contributions in relation to the contractually required contribution	<u>(348,253)</u>	<u>(395,073)</u>	<u>(422,259)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 3,348,994	\$ 3,376,954	\$ 3,282,452
Contributions as a percentage of covered employee payroll	10.40%	11.70%	12.86%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

L-3

DENVILLE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's proportion of the net pension liability attributable to the District	0.1230326678%	0.1119457853%	0.1135165468%
State's proportionate share of the net pension liability attributable to the District	\$ 62,179,743	\$ 59,831,379	\$ 71,747,305
District's covered employee payroll	\$ 11,200,315	\$ 11,244,788	\$ 11,453,910
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	555.16%	532.08%	626.40%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2016.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

BUDGETARY COMPARISON SCHEDULES

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 27,266,482		\$ 27,266,482	\$ 27,266,482	
Tuition from Other LEAs	118,000		118,000	140,421	\$ 22,421
Tuition from Individuals				28,760	28,760
Interest Earned on Capital Reserve Funds	100		100	100	
Other Restricted Miscellaneous	85,040		85,040	37,180	(47,860)
Unrestricted Miscellaneous	1,500		1,500	732,026	730,526
Total - Local Sources	<u>27,471,122</u>		<u>27,471,122</u>	<u>28,204,969</u>	<u>733,847</u>
State Sources:					
Special Education Categorical Aid	1,026,841		1,026,841	1,026,841	
Categorical Security Aid	25,734		25,734	25,734	
Categorical Transportation Aid	108,847		108,847	108,847	
PARCC Readiness Aid	16,820		16,820	16,820	
Per Pupil Growth Aid	16,820		16,820	16,820	
Extraordinary Aid	79,263		79,263	196,928	117,665
Nonpublic School Transportation Costs				18,444	18,444
On-Behalf TPAF Pension Contributions (Non-Budgeted)				904,010	904,010
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,076,426	1,076,426
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				836,413	836,413
Total State Sources	<u>1,274,325</u>		<u>1,274,325</u>	<u>4,227,283</u>	<u>2,952,958</u>
Federal Sources:					
Medicaid Reimbursement	15,737		15,737	1,985	(13,752)
Total Federal Sources	<u>15,737</u>		<u>15,737</u>	<u>1,985</u>	<u>(13,752)</u>
TOTAL REVENUES	<u>28,761,184</u>		<u>28,761,184</u>	<u>32,434,237</u>	<u>3,673,053</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 566,088	\$ (41,624)	\$ 524,464	\$ 524,464	
Grades 1-5 - Salaries of Teachers	4,170,240	42,813	4,213,053	4,213,053	
Grades 6-8 - Salaries of Teachers	2,582,588	(1,805)	2,580,783	2,580,633	\$ 150
Regular Programs - Home Instruction:					
Salaries of Teachers	15,500		15,500	12,381	3,119
Purchased Professional - Educational Services	10,000	(6,039)	3,961	3,768	193
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services	5,000	708	5,708	5,613	95
Purchased Technical Services	367,625	(50,831)	316,794	272,928	43,866
Other Purchased Services (400-500 series)	162,259		162,259	159,624	2,635
General Supplies	554,600	(118,905)	435,695	389,315	46,380
Textbooks	91,000	(25,977)	65,023	58,351	6,672
Other Objects	221	(221)			
Total Regular Programs - Instruction	8,525,121	(201,881)	8,323,240	8,220,130	103,110
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	639,919	(37,696)	602,223	563,826	38,397
Other Salaries for Instruction	448,619		448,619	423,004	25,615
General Supplies	15,500		15,500	13,719	1,781
Total Learning and/or Language Disabilities	1,104,038	(37,696)	1,066,342	1,000,549	65,793

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 1,214,254	\$ 62,726	\$ 1,276,980	\$ 1,273,452	\$ 3,528
Other Salaries for Instruction	218,352	5,025	223,377	222,588	789
General Supplies	12,489	(1,969)	10,520	10,281	239
Total Resource Room/Resource Center	<u>1,445,095</u>	<u>65,782</u>	<u>1,510,877</u>	<u>1,506,321</u>	<u>4,556</u>
Preschool Disabilities - Part-time:					
Salaries of Teachers	200,890	329	201,219	194,761	6,458
Other Salaries for Instruction	269,316		269,316	254,058	15,258
General Supplies	9,000	(1,049)	7,951	7,906	45
Total Preschool Disabilities - Part-time	<u>479,206</u>	<u>(720)</u>	<u>478,486</u>	<u>456,725</u>	<u>21,761</u>
Total Special Education Instruction	<u>3,028,339</u>	<u>27,366</u>	<u>3,055,705</u>	<u>2,963,595</u>	<u>92,110</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	289,562		289,562	252,821	36,741
General Supplies	4,000	(1,513)	2,487	2,021	466
Total Basic Skills/Remedial - Instruction	<u>293,562</u>	<u>(1,513)</u>	<u>292,049</u>	<u>254,842</u>	<u>37,207</u>
Bilingual Education - Instruction:					
Salaries of Teachers	62,262	5,756	68,018	66,254	1,764
General Supplies	1,000		1,000		1,000
Total Bilingual Education - Instruction	<u>63,262</u>	<u>5,756</u>	<u>69,018</u>	<u>66,254</u>	<u>2,764</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 81,382	\$ 7,114	\$ 88,496	\$ 88,496	
Purchased Services (300-500 series)	22,410	4,699	27,109	9,891	\$ 17,218
Supplies and Materials	4,450	(3,580)	870	870	
Total School-Sponsored Cocurricular Activities - Instruction	<u>108,242</u>	<u>8,233</u>	<u>116,475</u>	<u>99,257</u>	<u>17,218</u>
School-Sponsored Athletics - Instruction:					
Salaries	43,685		43,685	38,225	5,460
Purchased Services (300-500 series)	10,500		10,500	5,075	5,425
Total School-Sponsored Cocurricular Activities - Instruction	<u>54,185</u>		<u>54,185</u>	<u>43,300</u>	<u>10,885</u>
Total Instruction	<u>12,072,711</u>	<u>(162,039)</u>	<u>11,910,672</u>	<u>11,647,378</u>	<u>263,294</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	107,950	53,913	161,863	161,464	399
Tuition to Private Schools for the Disabled - Within the State	695,490	(92,784)	602,706	591,582	11,124
Total Undistributed Expenditures - Instruction:	<u>803,440</u>	<u>(38,871)</u>	<u>764,569</u>	<u>753,046</u>	<u>11,523</u>
Health Services:					
Salaries	298,951	6,284	305,235	300,647	4,588
Purchased Professional and Technical Services	1,500	(1,500)			
Supplies and Materials	9,600		9,600	8,697	903
Total Health Services	<u>310,051</u>	<u>4,784</u>	<u>314,835</u>	<u>309,344</u>	<u>5,491</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Speech, OT, PT, and Related Services:					
Salaries	\$ 338,518	\$ (22,320)	\$ 316,198	\$ 274,753	\$ 41,445
Purchased Professional - Educational Services	225,000	5,150	230,150	213,863	16,287
Supplies and Materials	2,800	419	3,219	3,204	15
	<u>566,318</u>	<u>(16,751)</u>	<u>549,567</u>	<u>491,820</u>	<u>57,747</u>
Total Speech, OT, PT, and Related Services					
Other Support Services - Students - Extraordinary Services:					
Salaries	315,847	624	316,471	316,237	234
Purchased Professional - Educational Services	242,000	(36,000)	206,000	181,297	24,703
Supplies and Materials	10,234	1,500	11,734	11,283	451
	<u>568,081</u>	<u>(33,876)</u>	<u>534,205</u>	<u>508,817</u>	<u>25,388</u>
Total Other Support Services - Students - Extraordinary Services					
Guidance:					
Salaries of Other Professional Staff	467,128	(35,501)	431,627	410,960	20,667
Supplies and Materials	6,550	(3,112)	3,438	3,213	225
	<u>473,678</u>	<u>(38,613)</u>	<u>435,065</u>	<u>414,173</u>	<u>20,892</u>
Total Guidance					
Child Study Teams:					
Salaries of Other Professional Staff	666,705	43,975	710,680	679,680	31,000
Salaries of Secretarial and Clerical Assistants	105,165		105,165	89,313	15,852
Purchased Professional - Educational Services	18,000	2,472	20,472	13,388	7,084
Other Purchased Services	2,000		2,000	1,247	753
Miscellaneous Purchased Services (400-500 Series)	2,000		2,000		2,000
Supplies and Materials	10,000	(4,337)	5,663	5,663	
Other Objects	17,500		17,500	15,979	1,521
	<u>821,370</u>	<u>42,110</u>	<u>863,480</u>	<u>805,270</u>	<u>58,210</u>
Total Child Study Teams					

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 51,535	\$ (29,300)	\$ 22,235	\$ 13,640	\$ 8,595
Purchased Professional - Educational Services	2,000		2,000	350	1,650
Other Purchased Services (400-500 series)	1,500		1,500	628	872
Supplies and Materials	1,000		1,000		1,000
Total Improvement of Instructional Services	56,035	(29,300)	26,735	14,618	12,117
Educational Media Services/School Library:					
Salaries	254,664	1,140	255,804	248,200	7,604
Other Purchased Services (400-500 series)	54,000		54,000	50,405	3,595
Supplies and Materials	32,425	(1,039)	31,386	24,973	6,413
Total Educational Media Services/School Library	341,089	101	341,190	323,578	17,612
CURRENT EXPENSE					
Instructional Staff Training Services:					
Salaries of Other Professional Staff	137,845	13,515	151,360	149,878	1,482
Purchased Professional - Educational Services	51,400	(12,546)	38,854	34,063	4,791
Other Purchased Services (400-500 series)	45,000	4,819	49,819	16,875	32,944
Supplies and Materials	3,000		3,000		3,000
Total Instructional Staff Training Services	237,245	5,788	243,033	200,816	42,217

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Support Services - General Administration:					
Salaries	\$ 404,900	\$ 7,807	\$ 412,707	\$ 412,707	
Legal Services	55,000	68,040	123,040	65,114	\$ 57,926
Audit Fees	28,200	30,000	58,200	29,145	29,055
Architectural/Engineering Services	7,000	4,740	11,740	11,740	
Other Purchased Professional Services	29,400	15,312	44,712	44,712	
Communications/Telephone	31,930	8,830	40,760	37,718	3,042
BOE Other Purchased Services	4,000		4,000	3,013	987
Miscellaneous Purchased Services (400-500 series)	4,400	(600)	3,800	3,037	763
General Supplies	4,700	(2,350)	2,350	1,352	998
BOE In-House Training/Meeting Supplies	75,000	68,050	143,050	143,050	
Miscellaneous Expenditures	16,200	1,272	17,472	16,223	1,249
Total Support Services - General Administration	660,730	201,101	861,831	767,811	94,020
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	635,244	41,536	676,780	676,780	
Salaries of Secretarial and Clerical Assistants	309,210	55,388	364,598	363,972	626
Other Purchased Services (400-500 series)	2,650	(4)	2,646	2,080	566
Supplies and Materials	10,100	1,762	11,862	10,512	1,350
Other Objects	10,300	(4,020)	6,280	4,172	2,108
Total Support Services - School Administration	967,504	94,662	1,062,166	1,057,516	4,650

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services:					
Salaries	\$ 306,934	\$ 5,060	\$ 311,994	\$ 301,032	\$ 10,962
Miscellaneous Purchased Services (400-500 series)	300	2,400	2,700	2,438	262
Supplies and Materials	3,500	3,000	6,500	5,453	1,047
Miscellaneous Expenditures	500	(300)	200		200
Total Central Services	<u>311,234</u>	<u>10,160</u>	<u>321,394</u>	<u>308,923</u>	<u>12,471</u>
Administration Information Technology:					
Salaries	273,935	4,846	278,781	273,752	5,029
Other Purchased Services (400-500 series)	30,450	3,300	33,750	32,625	1,125
Supplies and Materials	7,000	(1,500)	5,500	4,527	973
Total Administration Information Technology	<u>311,385</u>	<u>6,646</u>	<u>318,031</u>	<u>310,904</u>	<u>7,127</u>
Required Maintenance of School Facilities:					
Salaries	134,960	29,109	164,069	163,293	776
Cleaning, Repair and Maintenance Services	261,514	(66,152)	195,362	178,366	16,996
General Supplies	38,000	(3,500)	34,500	29,884	4,616
Other Objects	31,000	(13,063)	17,937	13,640	4,297
Total Required Maintenance of School Facilities	<u>465,474</u>	<u>(53,606)</u>	<u>411,868</u>	<u>385,183</u>	<u>26,685</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries	\$ 682,693	\$ 6,000	\$ 688,693	\$ 682,752	\$ 5,941
Salaries of Non-Instructional Aides	114,378	6,373	120,751	116,881	3,870
Purchased Professional and Technical Services	44,100	(10,500)	33,600	15,310	18,290
Cleaning, Repair and Maintenance Services	19,050	(5,790)	13,260	11,040	2,220
Rental of Land and Building Other Than Lease-Purchase Agreements	57,085		57,085	55,011	2,074
Other Purchased Property Services	15,278		15,278	13,734	1,544
Insurance	121,684	(5,000)	116,684	113,952	2,732
Miscellaneous Purchased Services	42,700	34,000	76,700	74,061	2,639
General Supplies	50,000	500	50,500	50,363	137
Energy (Electricity)	268,000		268,000	203,494	64,506
Energy (Oil)	185,000		185,000	109,927	75,073
Total Custodial Services	<u>1,599,968</u>	<u>25,583</u>	<u>1,625,551</u>	<u>1,446,525</u>	<u>179,026</u>
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	94,595	(12,300)	82,295	78,952	3,343
General Supplies	10,858	6,063	16,921	16,921	
Total Care and Upkeep of Grounds	<u>105,453</u>	<u>(6,237)</u>	<u>99,216</u>	<u>95,873</u>	<u>3,343</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Security:					
Purchased Professional and Technical Services	\$ 35,200	\$ (13,000)	\$ 22,200	\$ 11,984	\$ 10,216
General Supplies		2,000	2,000	961	1,039
Total Security	<u>35,200</u>	<u>(11,000)</u>	<u>24,200</u>	<u>12,945</u>	<u>11,255</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	809,167	40,894	850,061	822,943	27,118
Other Than Between Home and School	165,870	5,559	171,429	171,429	
Cleaning, Repair and Maintenance Services	23,000	(3,000)	20,000	12,963	7,037
Lease Purchase Payments - School Buses	59,843		59,843	59,595	248
Contracted Services:					
Aid in Lieu - Nonpublic Schools	272,500	(56,445)	216,055	152,008	64,047
Special Education Students - ESC's & CTSA's	97,240		97,240	90,519	6,721
Miscellaneous Purchased Services - Transportation	34,800		34,800	32,297	2,503
Transportation Supplies	194,016	29,394	223,410	143,906	79,504
Other Objects	34,020	(5,000)	29,020	27,935	1,085
Total Student Transportation Services	<u>1,690,456</u>	<u>11,402</u>	<u>1,701,858</u>	<u>1,513,595</u>	<u>188,263</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contributions	\$ 454,500		\$ 454,500	\$ 451,321	\$ 3,179
Other Retirement Contributions - PERS	458,155		458,155	429,554	28,601
Other Retirement Contributions - ERIP	12,500	\$ 6,500	19,000	15,610	3,390
Unemployment Compensation	55,000	10,798	65,798	65,798	
Workmen's Compensation	184,000		184,000	125,139	58,861
Health Benefits	4,879,021	(107,570)	4,771,451	4,362,102	409,349
Tuition Reimbursement	53,000	2,733	55,733	54,144	1,589
Other Employee Benefits	70,000	60,495	130,495	130,465	30
Total Unallocated Benefits	<u>6,166,176</u>	<u>(27,044)</u>	<u>6,139,132</u>	<u>5,634,133</u>	<u>504,999</u>
On-Behalf Contributions:					
On-Behalf TPAF Pension Contributions (Non-Budgeted)				904,010	(904,010)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				1,076,426	(1,076,426)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				836,413	(836,413)
Total On-Behalf Contributions				<u>2,816,849</u>	<u>(2,816,849)</u>
Total Personal Services - Employee Benefits	<u>6,166,176</u>	<u>(27,044)</u>	<u>6,139,132</u>	<u>8,450,982</u>	<u>(2,311,850)</u>
Total Undistributed Expenses	<u>16,490,887</u>	<u>147,039</u>	<u>16,637,926</u>	<u>18,171,739</u>	<u>(1,533,813)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>28,563,598</u>	<u>(15,000)</u>	<u>28,548,598</u>	<u>29,819,117</u>	<u>(1,270,519)</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Architectural/Engineering Services	\$ 15,000	\$ 91,400	\$ 106,400	\$ 102,554	\$ 3,846
Construction Services	477,380	855,500	1,332,880	401,201	931,679
Lease Purchase Agreements - Principal	66,838		66,838	66,060	778
Other Objects - Assessment for Debt Service on SDA Funding	4,704		4,704	4,704	
Total Facilities Acquisition and Construction Services	<u>563,922</u>	<u>946,900</u>	<u>1,510,822</u>	<u>574,519</u>	<u>936,303</u>
Assets Acquired Under Capital Leases (non-budgeted)					
Operations and Maintenance of Plant				45,131	(45,131)
Total Assets Acquired Under Capital Leases (non-budgeted)				<u>45,131</u>	<u>(45,131)</u>
TOTAL CAPITAL OUTLAY	<u>563,922</u>	<u>946,900</u>	<u>1,510,822</u>	<u>619,650</u>	<u>891,172</u>
Transfer of Funds to Charter Schools	<u>149,979</u>		<u>149,979</u>	<u>124,953</u>	<u>25,026</u>
TOTAL EXPENDITURES	<u>29,277,499</u>	<u>931,900</u>	<u>30,209,399</u>	<u>30,563,720</u>	<u>(354,321)</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(516,315)</u>	<u>(931,900)</u>	<u>(1,448,215)</u>	<u>1,870,517</u>	<u>3,318,732</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Other Financing Sources:					
Capital Leases (non-budgeted)				\$ 45,131	\$ 45,131
Operating Transfers In:					
Transfer to Cover Deficit - Enterprise Fund		\$ (15,000)	\$ (15,000)	(13,465)	1,535
Total Other Financing Sources		(15,000)	(15,000)	31,666	46,666
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	\$ (516,315)	(946,900)	(1,463,215)	1,902,183	3,365,398
Fund Balance, July 1	3,506,363		3,506,363	3,506,363	
Fund Balance, June 30	<u>\$ 2,990,048</u>	<u>\$ (946,900)</u>	<u>\$ 2,043,148</u>	<u>\$ 5,408,546</u>	<u>\$ 3,365,398</u>
Recapitulation:					
Restricted:					
Excess Surplus				\$ 1,070,539	
Excess Surplus - Designated for Subsequent Year's Expenditures				300,271	
Capital Reserve				932,266	
Maintenance Reserve				1,342,919	
Assigned					
Year-End Encumbrances				1,072,407	
Unassigned				690,144	
				<u>5,408,546</u>	
Reconciliation to Governmental Fund Statement (GAAP):					
Last State Aid Payments not Recognized on GAAP Basis				(114,925)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 5,293,621</u>	

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 523,106	\$ 27,488	\$ 550,594	\$ 515,737	\$ (34,857)
State Sources	106,026	(11,168)	94,858	71,969	(22,889)
Local Sources	12,227	(7,649)	4,578	1,156	(3,422)
Total Revenues	641,359	8,671	650,030	588,862	(61,168)
EXPENDITURES:					
Instruction					
Salaries of Teachers	18,000	3,989	21,989	8,992	12,997
Purchased Professional - Educational Services	10,081	21,567	31,648	30,207	1,441
Tuition	342,000	53,179	395,179	395,179	
Other Purchased Services	15,200	(15,200)			
General Supplies	41,000	39,557	80,557	68,100	12,457
Textbooks	11,598	(977)	10,621	10,482	139
Total Instruction	437,879	102,115	539,994	512,960	27,034
Support Services					
Personal Services - Employee Benefits				2,630	(2,630)
Purchased Professional - Educational Services	51,752	3,140	54,892	52,510	2,382
Other Purchased Services	32,511	(10,113)	22,398	4,608	17,790
Supplies and Materials	12,000	20,746	32,746	16,154	16,592
Total Support Services	96,263	13,773	110,036	75,902	34,134
Total Expenditures	534,142	115,888	650,030	588,862	61,168
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ 107,217	\$ (107,217)	\$ -0-	\$ -0-	\$ -0-

Exhibit C-3

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 32,434,237	\$ 588,862
Difference - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis recognizes Encumbrances as Revenue and Expenditures, while the GAAP Basis does not.		18,426
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	115,434	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(114,925)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	\$ 32,434,746	\$ 607,288
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 30,563,720	\$ 588,862
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but Not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes.		18,426
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 30,563,720	\$ 607,288

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote by the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	No Child Left Behind			Nonpublic Security	Nonpublic Nursing
	Title I	Title II, Part A	Title III		
REVENUE:					
Local Sources					
State Sources				\$ 4,608	\$ 16,740
Federal Sources	\$ 38,757	\$ 29,142	\$ 2,554	\$ 5,456	
Total Revenue	<u>38,757</u>	<u>29,142</u>	<u>2,554</u>	<u>4,608</u>	<u>16,740</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	6,438		2,554		
Purchased Professional Educational Services					
Tuition					
General Supplies	16,585	2,884		2,826	
Textbooks					
Total Instruction	<u>23,023</u>	<u>2,884</u>	<u>2,554</u>	<u>2,826</u>	
Support Services:					
Personal Services - Employee Benefits				2,630	
Purchased Professional Educational Services	7,338	18,500			16,740
Other Purchased Professional Services				4,608	
Supplies and Materials	8,396	7,758			
Total Support Services	<u>15,734</u>	<u>26,258</u>		<u>2,630</u>	<u>16,740</u>
Total Expenditures	<u>\$ 38,757</u>	<u>\$ 29,142</u>	<u>\$ 2,554</u>	<u>\$ 4,608</u>	<u>\$ 16,740</u>

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

	<u>IDEA Part B</u>		<u>Nonpublic Auxiliary Services</u>		<u>Nonpublic Textbooks</u>
	<u>Basic</u>	<u>Preschool</u>	<u>Comprehensive Education</u>	<u>Nonpublic Technology</u>	
REVENUE:					
Local Sources					
State Sources			\$ 8,460	\$ 4,836	\$ 10,482
Federal Sources	\$ 418,283	\$ 21,545			
Total Revenue	<u>418,283</u>	<u>21,545</u>	<u>8,460</u>	<u>4,836</u>	<u>10,482</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Purchased Professional Educational Services			8,460		
Tuition	373,634	21,545			
General Supplies	44,649				
Textbooks					10,482
Total Instruction	<u>418,283</u>	<u>21,545</u>	<u>8,460</u>		<u>10,482</u>
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional Educational Services				4,836	
Other Purchased Professional Services					
Supplies and Materials					
Total Support Services				<u>4,836</u>	
Total Expenditures	<u>\$ 418,283</u>	<u>\$ 21,545</u>	<u>\$ 8,460</u>	<u>\$ 4,836</u>	<u>\$ 10,482</u>

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

	Nonpublic Auxiliary Services	Nonpublic Handicapped Services			Other Local Grants	Totals
	Home Instruction	Supplemental Instruction	Exam and Classification	Corrective Speech		
REVENUE:						
Local Sources					\$ 1,156	\$ 1,156
State Sources	\$ 5,096	\$ 7,277	\$ 9,203	\$ 5,267		71,969
Federal Sources						515,737
Total Revenue	5,096	7,277	9,203	5,267	1,156	588,862
EXPENDITURES:						
Instruction:						
Salaries of Teachers						8,992
Purchased Professional Educational Services		7,277	9,203	5,267		30,207
Tuition						395,179
General Supplies					1,156	68,100
Textbooks						10,482
Total Instruction		7,277	9,203	5,267	1,156	512,960
Support Services:						
Personal Services - Employee Benefits						2,630
Purchased Professional Educational Services	5,096					52,510
Other Purchased Professional Services						4,608
Supplies and Materials						16,154
Total Support Services	5,096					75,902
Total Expenditures	\$ 5,096	\$ 7,277	\$ 9,203	\$ 5,267	\$ 1,156	\$ 588,862

CAPITAL PROJECTS FUND

Exhibit F-1

DENVILLE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenue and Other Financing Sources:	
Capital Lease Purchase Agreement Proceeds	\$ 1,895,428
Total Revenue and Other Financing Sources	<u>1,895,428</u>
Expenditures and Other Financing Uses:	
Architectural Services	\$ 15,000
Legal Services	26,500
Construction Services	<u>556,629</u>
Total Expenditures and Other Financing Uses	<u>598,129</u>
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	1,297,299
Fund Balance - Beginning of Year	<u>-0-</u>
Fund Balance - End of Year	<u>\$ 1,297,299</u>
<u>Recapitulation:</u>	
Committed	<u>\$ 1,297,299</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 1,297,299</u>

F-1A

DENVILLE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
ENERGY CONSERVATION MEASURES PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
Capital Lease Purchase Agreement Proceeds		\$ 1,895,428	\$1,895,428	\$ 1,895,428
Total Revenue and Other Financing Sources	\$ -0-	1,895,428	1,895,428	1,895,428
Expenditures and Other Financing Uses:				
Purchased Professional and Technical Services				
Architectural Services		15,000	15,000	100,000
Legal Services		26,500	26,500	100,000
Construction Services		556,629	556,629	1,695,428
Total Expenditures and Other Financing Uses	-0-	598,129	598,129	1,895,428
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures and Other Financing Uses	\$ -0-	\$ 1,297,299	\$1,297,299	\$ -0-
Additional Project Information:				
Project Number	May 12, 2016			
Lease Authorization Date	Not Applicable			
Lease Authorized	\$ 1,895,428			
Lease Issued	\$ 1,895,428			
Original Authorized Cost	\$ 1,895,428			
Change Orders	\$ -0-			
Revised Authorized Cost	\$ 1,895,428			
Change Order Percentage	0.00%			
Percentage Completion	31.56%			
Original Target Completion Date	September 1, 2018			

PROPRIETARY FUNDS

Exhibit G-1

DENVILLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$	218
Accounts Receivable:		
Federal		3,229
		3,229

Total Current Assets

3,447

Non-Current Assets:

Capital Assets		74,774
Less: Accumulated Depreciation		(14,710)
		60,064

Total Non-Current Assets

60,064

Total Assets

63,511

LIABILITIES:

Current Liabilities:

Accounts Payable - Vendors		1,742
		1,742

Total Current Liabilities

1,742

Total Liabilities

1,742

NET POSITION:

Net Investment in Capital Assets		60,064
Unrestricted		1,705
		61,769

Total Net Position

\$ 61,769

Exhibit G-2

DENVILLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs:	
Special Milk Program	\$ 11,820
	<hr/>
Total Operating Revenue	11,820
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Program	49,155
Depreciation	7,934
	<hr/>
Total Operating Expenses	57,089
	<hr/>
Operating (Loss)	(45,269)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
Special Milk Program	19,450
Local Sources:	
Board Contribution	13,465
	<hr/>
Total Non-Operating Revenue	32,915
	<hr/>
Change in Net Position Before Transfer and Capital Contributions	(12,354)
	<hr/>
Capital Contributions	59,839
	<hr/>
Change in Net Position After Transfer and Capital Contributions	47,485
	<hr/>
Net Position - Beginning of Year	14,284
	<hr/>
Net Positon - End of Year	\$ 61,769
	<hr/> <hr/>

Exhibit G-3

DENVILLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 11,820
Payments to Suppliers	<u>(51,595)</u>
Net Cash (Used for) Operating Activities	<u>(39,775)</u>
Cash Flows from Noncapital Financing Activities:	
Local Sources - Board Contribution	13,465
Federal Sources - Special Milk Program	<u>17,732</u>
Net Cash Provided by Noncapital Financing Activities	<u>31,197</u>
Net Decrease in Cash and Cash Equivalents	(8,578)
Cash and Cash Equivalents, July 1	<u>8,796</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 218</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	\$ (45,269)
Adjustment to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
Depreciation	7,934
Changes in Assets and Liabilities:	
(Decrease) in Interfund Activity Payable	(2,037)
(Decrease) in Accounts Payable	<u>(403)</u>
Net Cash (Used for) Operating Activities	<u><u>\$ (39,775)</u></u>

Noncash Capital and Financing Activities:

The General Fund made a capital contribution of \$59,839 of equipment to the Food Service Fund.

FIDUCIARY FUNDS

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

	<u>Agency</u>		<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>	
	<u>Student Activity</u>	<u>Payroll</u>			<u>Total</u>
ASSETS:					
Cash and Cash Equivalents	\$ 38,885	\$ 2,063	\$ 40,948	\$ 16,745	\$ 81,569
Interfund Receivable - General Fund					50,000
Total Assets	<u>38,885</u>	<u>2,063</u>	<u>40,948</u>	<u>16,745</u>	<u>131,569</u>
LIABILITIES:					
Interfund Payable - General Fund		2,063	2,063		
Due to Student Groups	<u>38,885</u>		<u>38,885</u>		
Total Liabilities	<u>38,885</u>	<u>2,063</u>	<u>40,948</u>		
NET POSITION:					
Held in Trust for Unemployment Claims					131,569
Held in Trust for Flexible Spending Claims				<u>16,745</u>	
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,745</u>	<u>\$ 131,569</u>

Exhibit H-2

DENVILLE TOWNSHIP SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Flexible Spending Trust</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS:			
Contributions:			
Board Contributions		\$ 55,000	\$ 55,000
Plan Member	\$ 55,695	49,123	104,817
Total Contributions	55,695	104,123	159,817
Total Additions	55,695	104,123	159,817
DEDUCTIONS:			
Unemployment Benefit Claims		82,205	82,205
Flexible Spending Claims	60,670		60,670
Total Deductions	60,670	82,205	142,875
Change in Net Position	(4,975)	21,918	16,943
Net Position - Beginning of the Year	21,720	109,651	131,371
Net Position - End of the Year	<u>\$ 16,745</u>	<u>\$ 131,569</u>	<u>\$ 148,314</u>

Exhibit H-3

DENVILLE TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 41,207	\$ 107,650	\$ 109,972	\$ 38,885
Total Assets	<u>\$ 41,207</u>	<u>\$ 107,650</u>	<u>\$ 109,972</u>	<u>\$ 38,885</u>
LIABILITIES:				
Due to Student Groups	\$ 41,207	\$ 107,650	109,972	\$ 38,885
Total Liabilities	<u>\$ 41,207</u>	<u>\$ 107,650</u>	<u>\$ 109,972</u>	<u>\$ 38,885</u>

Exhibit H-4

DENVILLE TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Elementary School:				
Riverview	\$ 193			\$ 193
Middle School:				
Valleyview	<u>41,014</u>	<u>\$ 107,650</u>	<u>\$ 109,972</u>	<u>38,692</u>
Total All Schools	<u>\$ 41,207</u>	<u>\$ 107,650</u>	<u>\$ 109,972</u>	<u>\$ 38,885</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 2,195	\$ 13,611,779	\$ 13,611,911	\$ 2,063
Total Assets	<u>\$ 2,195</u>	<u>\$ 13,611,779</u>	<u>\$ 13,611,911</u>	<u>\$ 2,063</u>
 LIABILITIES:				
Payroll Deductions and Withholdings		\$ 13,611,779	\$ 13,611,779	
Interfund Payable - General Fund	\$ 2,195		132	\$ 2,063
Total Liabilities	<u>\$ 2,195</u>	<u>\$ 13,611,779</u>	<u>\$ 13,611,911</u>	<u>\$ 2,063</u>

LONG-TERM DEBT

DENVILLE TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding		Interest Rate	Balance July 1, 2015	Retired or Matured	Balance June 30, 2016
			Date	Amount				
School Refunding Bonds	4/29/2009	\$ 4,600,000	02/15/17	\$ 490,000	4.00%	<u>\$ 1,780,000</u>	<u>\$ 490,000</u>	<u>\$ 1,290,000</u>
			02/15/18	485,000	4.00%			
			02/15/19	315,000	4.00%			
						<u>\$ 1,780,000</u>	<u>\$ 490,000</u>	<u>\$ 1,290,000</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2016</u>
School Buses	2.75%	219,886	\$ 7,826		\$ 7,826	
Boiler	2.75%	1,026,206	18,284		18,284	
School Bus	2.75%	127,049	5,581		5,581	
Technology Equipment	2.75%	99,400	5,735		5,735	
School Bus	2.75%	46,177	20,006		9,460	\$ 10,546
Laptop Charging Carts	1.85%	216,693	115,684		72,669	43,015
Technology Initiative	1.85%	141,348	63,842		47,734	16,108
Buses	1.85%	94,090	49,933		23,715	26,218
Technology Initiative	1.85%	207,093	144,805		68,811	75,994
2015 Pickup Truck	2.19%	45,131		\$ 45,131	9,421	35,710
Energy Conservation Measures	2.31%	1,895,428		1,895,428		1,895,428
			<u>\$ 431,696</u>	<u>\$ 1,940,559</u>	<u>\$ 269,236</u>	<u>\$ 2,103,019</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
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>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 411,550		\$ 411,550	\$ 411,550	
State Sources:					
Debt Service Aid Type II	149,650		149,650	149,650	
Total Revenues	<u>561,200</u>		<u>561,200</u>	<u>561,200</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	71,200		71,200	71,200	
Redemption of Principal	490,000		490,000	490,000	
Total Regular Debt Service	<u>561,200</u>		<u>561,200</u>	<u>561,200</u>	
Total Expenditures	<u>561,200</u>		<u>561,200</u>	<u>561,200</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	-0-	\$ -0-	-0-	-0-	\$ -0-
Fund Balance, July 1	<u>1</u>	<u>-0-</u>	<u>1</u>	<u>1</u>	<u>-0-</u>
Fund Balance, June 30	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -0-</u>
Recapitulation:					
Restricted for Subsequent Year's Expenditures				<u>\$ 1</u>	

STATISTICAL SECTION
(UNAUDITED)

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

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.

Exhibit

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the School's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the School's current levels of outstanding debt and the School's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the School's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the School's operations and resources to help the reader understand how the School's financial information relates to the services the School provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The School implemented Statement 34 in a previous fiscal year. Schedules presenting government-wide information include information beginning in the fiscal year ended June 30, 2007.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 9,716,703	\$ 11,617,678	\$ 11,126,485	\$ 10,738,033	\$ 10,579,418	\$ 11,035,450	\$ 11,819,214	\$ 13,998,457	\$ 14,776,654	\$ 13,486,059
Restricted	2,982	5,221	320,733	280,436	51,565	1,178,959	2,159,654	1,783,615	2,712,774	3,645,996
Unrestricted/(Deficit)	(507,106)	(422,461)	(857,652)	(574,322)	(288,039)	(75,641)	(284,731)	(8,645,202)	(8,716,080)	(6,757,468)
Total Governmental Activities Net Position	<u>\$ 9,212,579</u>	<u>\$ 11,200,438</u>	<u>\$ 10,589,566</u>	<u>\$ 10,444,147</u>	<u>\$ 10,342,944</u>	<u>\$ 12,138,768</u>	<u>\$ 13,694,137</u>	<u>\$ 7,136,870</u>	<u>\$ 8,773,348</u>	<u>\$ 10,374,587</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 3,193	\$ 22,757	\$ 20,170	\$ 5,977	\$ 5,223	\$ 4,467	\$ 12,022	\$ 10,827	\$ 8,159	\$ 60,064
Unrestricted	15,118	10,020	37	1	4,463	2,791	6,356	7,961	6,125	1,705
Total Business-Type Activities Net Position	<u>\$ 18,311</u>	<u>\$ 32,777</u>	<u>\$ 20,207</u>	<u>\$ 5,978</u>	<u>\$ 9,686</u>	<u>\$ 7,258</u>	<u>\$ 18,378</u>	<u>\$ 18,788</u>	<u>\$ 14,284</u>	<u>\$ 61,769</u>
District-Wide:										
Net Investment in Capital Assets	\$ 9,719,896	\$ 11,640,435	\$ 11,146,655	\$ 10,744,010	\$ 10,584,641	\$ 11,039,917	\$ 11,831,236	\$ 14,009,284	\$ 14,784,813	\$ 13,546,123
Restricted	2,982	5,221	320,733	280,436	51,565	1,178,959	2,159,654	1,783,615	2,712,774	3,645,996
Unrestricted/(Deficit)	(491,988)	(412,441)	(857,615)	(574,321)	(283,576)	(72,850)	(278,375)	(8,637,241)	(8,709,955)	(6,755,763)
Total District Net Position	<u>\$ 9,230,890</u>	<u>\$ 11,233,215</u>	<u>\$ 10,609,773</u>	<u>\$ 10,450,125</u>	<u>\$ 10,352,630</u>	<u>\$ 12,146,026</u>	<u>\$ 13,712,515</u>	<u>\$ 7,155,658</u>	<u>\$ 8,787,632</u>	<u>\$ 10,436,356</u>

DENVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 11,166,567	\$ 11,395,183	\$ 12,772,668	\$ 11,753,144	\$ 11,416,249	\$ 11,123,913	\$ 11,913,180	\$ 12,213,187	\$ 14,515,136	\$ 15,496,872
Special Education	2,605,752	2,797,940	3,754,286	4,143,956	4,222,410	3,891,200	4,171,127	4,165,578	5,050,466	5,251,149
Other Special Instruction	506,413	467,113	491,776	415,583	436,124	1,156,852	198,698	518,460	609,585	621,163
Other Instruction	308,016	243,862	181,667	125,140	185,942	188,287	388,978	186,148	247,618	261,729
Support Services:										
Tuition	1,683,700	1,600,218	1,286,201	1,220,975	877,851	787,721	589,171	576,643	681,191	753,046
Student & Instruction Related Services	3,631,922	4,085,076	4,091,491	4,213,955	4,340,013	3,826,840	4,200,581	3,979,099	3,762,142	3,765,102
General Administrative Services	913,555	873,476	623,736	737,611	719,266	642,441	544,216	587,345	804,991	966,576
School Administrative Services	1,234,615	1,231,178	1,253,926	1,281,289	1,320,786	1,320,456	1,421,966	1,419,211	1,647,044	1,864,563
Central Services	3,783	11,153	354,797	388,864	389,230	398,879	414,829	377,014	430,332	450,713
Administrative Information Technology	198,507	224,671	272,451	252,404	471,177	284,025	245,035	284,024	401,695	458,409
Plant Operations And Maintenance	1,764,767	1,844,975	1,852,182	2,070,866	2,283,187	1,950,087	1,937,597	2,118,264	2,146,437	2,424,721
Pupil Transportation	1,734,203	1,930,699	2,336,162	2,644,256	2,315,131	2,089,554	2,121,798	2,194,261	2,299,967	2,412,540
Business and Other Support Services	882	13,887								
Allocated Benefits	274,020									
Capital Outlay	(1,309,648)						1,014,870	125,361	458,195	560,502
Transfer to Charter School	57,340	60,122	41,710	64,283	110,403	130,412	104,099	104,689	146,064	124,953
Interest On Long-Term Debt	266,588	234,688	184,885	154,133	149,931	136,042	120,566	91,935	73,026	53,301
Total Governmental Activities Expenses	25,040,982	27,014,241	29,497,938	29,466,459	29,237,700	27,926,709	29,386,711	28,941,219	33,273,889	35,465,339

DENVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Business-type activities:										
Food Service	\$ 33,131	\$ 44,699	\$ 54,647	\$ 36,733	\$ 36,539	\$ 51,604	\$ 33,280	\$ 30,936	\$ 44,233	\$ 57,089
Total Business-Type Activities Expense	33,131	44,699	54,647	36,733	36,539	51,604	33,280	30,936	44,233	57,089
Total District Expenses	25,074,113	27,058,940	29,552,585	29,503,192	29,274,239	27,978,313	29,419,991	28,972,155	33,318,122	35,522,428
Program Revenues:										
Governmental Activities:										
Charges For Services:										
Regular Instruction	108,649	86,575	21,923		48,781	66,747	120,205	123,486	237,466	169,181
Operating Grants and Contributions	4,445,172	4,666,790	3,898,363	4,123,752	3,451,081	3,610,827	4,289,464	4,065,218	6,921,377	8,278,249
Capital Grants and Contributions				103,508					700,930	
Total Governmental Activities Program Revenues	4,553,821	4,753,365	3,920,286	4,227,260	3,499,862	3,677,574	4,409,669	4,188,704	7,859,773	8,447,430
Business-Type Activities:										
Charges For Services:										
Food Service	11,020	11,493	12,286	11,883	16,881	22,026	14,526	13,648	22,219	11,820
Operating Grants and Contributions	20,100	25,393	29,791	23,109	23,366	27,150	20,889	17,882	19,260	19,450
Capital Grants and Contributions										59,839
Total Business Type Activities Program Revenues	31,120	36,886	42,077	34,992	40,247	49,176	35,415	31,530	41,479	91,109
Total District Program Revenues	4,584,941	4,790,251	3,962,363	4,262,252	3,540,109	3,726,750	4,445,084	4,220,234	7,901,252	8,538,539

DENVER TOWNSHIP SCHOOL DISTRICT
 CHANGES IN NET POSITION
 LAST TEN FISCAL YEARS
 UNAUDITED
 (accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense)/Revenue Governmental Activities	\$(20,487,161)	\$(22,260,876)	\$(25,577,652)	\$(25,239,199)	\$(25,737,838)	\$(24,249,135)	\$(24,977,042)	\$(24,752,515)	\$(25,414,116)	\$(27,017,909)
Business-Type Activities	(2,011)	(7,813)	(12,570)	(1,741)	3,708	(2,428)	2,135	594	(2,754)	34,020
Total District-Wide Net Expense	<u>(20,489,172)</u>	<u>(22,268,689)</u>	<u>(25,590,222)</u>	<u>(25,240,940)</u>	<u>(25,734,130)</u>	<u>(24,251,563)</u>	<u>(24,974,907)</u>	<u>(24,751,921)</u>	<u>(25,416,870)</u>	<u>(26,983,889)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	21,516,202	23,336,840	24,259,598	24,243,496	24,916,117	25,337,084	25,843,825	26,231,482	26,318,000	27,266,482
Taxes Levied for Debt Service	968,186	491,390	419,798	421,613	426,546	398,616	440,737	439,545	429,737	411,550
Federal and State Aid not Restricted	334,134	343,152	255,355	341,953	165,463	159,825	160,263	159,830	189,903	183,290
Interest and Miscellaneous Income	65,669	77,353	32,029	86,718	128,509	149,434	155,681	197,818	112,954	734,111
Restricted Miscellaneous Revenue										37,180
Total Governmental Activities	<u>22,884,191</u>	<u>24,248,735</u>	<u>24,966,780</u>	<u>25,093,780</u>	<u>25,636,635</u>	<u>26,044,959</u>	<u>26,600,506</u>	<u>27,028,675</u>	<u>27,050,594</u>	<u>28,632,613</u>
Business-Type Activities:										
Interest and Miscellaneous Income	175	49		1,119						
Capital Contributions/(Disposals)	1,971	22,230		(13,607)			8,985	(184)	(1,750)	
Total Business-Type Activities	<u>2,146</u>	<u>22,279</u>		<u>(12,488)</u>			<u>8,985</u>	<u>(184)</u>	<u>(1,750)</u>	
Total District-Wide	<u>22,886,337</u>	<u>24,271,014</u>	<u>24,966,780</u>	<u>25,081,292</u>	<u>25,636,635</u>	<u>26,044,959</u>	<u>26,609,491</u>	<u>27,028,491</u>	<u>27,048,844</u>	<u>28,632,613</u>
Change in Net Position:										
Governmental Activities	2,397,030	1,987,859	(610,872)	(145,419)	(101,203)	1,795,824	1,623,464	2,276,160	1,636,478	1,614,704
Business-Type Activities	135	14,466	(12,570)	(14,229)	3,708	(2,428)	11,120	410	(4,504)	34,020
Total District	<u>\$ 2,397,165</u>	<u>\$ 2,002,325</u>	<u>\$ (623,442)</u>	<u>\$ (159,648)</u>	<u>\$ (97,495)</u>	<u>\$ 1,793,396</u>	<u>\$ 1,634,584</u>	<u>\$ 2,276,570</u>	<u>\$ 1,631,974</u>	<u>\$ 1,648,724</u>

DENVER TOWNSHIP SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 UNAUDITED
 (modified accrual basis of accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 2,969	\$ 5,208	\$ 320,733	\$ 221,210						
Unreserved	249,345	356,708	26,631	371,790						
Restricted					\$ 13,266	\$ 1,178,958	\$ 2,159,653	\$ 1,783,614	\$ 2,712,773	\$ 3,645,995
Assigned					74,638	296,647	163,657	220,854	138,419	1,072,407
Unassigned					594,352	511,400	537,310	574,502	539,737	575,219
Total General Fund	\$ 252,314	\$ 361,916	\$ 347,364	\$ 593,000	\$ 682,256	\$ 1,987,005	\$ 2,860,620	\$ 2,578,970	\$ 3,390,929	\$ 5,293,621
All Other Governmental Funds:										
Unreserved, Reported In:										
Debt Service Fund	\$ 13	\$ 13		\$ 59,226						
Committed								\$ 187,225		\$ 1,297,299
Restricted					\$ 38,299	\$ 1	\$ 1	1	\$ 1	1
Total All Other Governmental Funds	\$ 13	\$ 13	\$ -0-	\$ 59,226	\$ 38,299	\$ 1	\$ 1	\$ 187,226	\$ 1	\$ 1,297,300
Total Governmental Funds:										
Reserved	\$ 2,969	\$ 5,208	\$ 320,733	\$ 221,210						
Unreserved	249,358	356,721	26,631	431,016						
Restricted					\$ 51,565	\$ 1,178,959	\$ 2,159,654	\$ 1,783,615	\$ 2,712,774	\$ 3,645,996
Committed								187,225		1,297,299
Assigned					74,638	296,647	163,657	220,854	138,419	1,072,407
Unassigned					594,352	511,400	537,310	574,502	539,737	575,219
Total Governmental Funds	\$ 252,327	\$ 361,929	\$ 347,364	\$ 652,226	\$ 720,555	\$ 1,987,006	\$ 2,860,621	\$ 2,766,196	\$ 3,390,930	\$ 6,590,921

Source: School District Financial Reports

DENVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tax Levy	\$22,484,388	\$23,828,230	\$24,679,396	\$24,665,109	\$25,342,663	\$25,735,700	\$26,284,562	\$26,671,027	\$26,747,737	\$27,678,032
Tuition	108,649	86,575	21,923		48,781	49,013	117,955	123,486	237,466	169,181
Transportation Fees					80	17,734	2,250			
Miscellaneous	67,366	78,708	32,029	87,837	133,258	149,434	161,547	203,259	122,289	771,887
State Sources	4,269,467	4,524,258	3,725,589	4,021,253	2,792,605	3,259,369	4,049,527	3,674,049	4,727,427	4,449,412
Federal Sources	508,143	484,329	428,129	547,960	819,110	511,283	394,334	545,558	469,670	534,722
Total Revenue	27,438,013	29,002,100	28,887,066	29,322,159	29,136,497	29,722,533	31,010,175	31,217,379	32,304,589	33,603,234
Expenditures:										
Instruction:										
Regular Instruction	7,522,755	7,803,970	8,117,462	8,480,795	8,323,406	8,124,921	8,220,513	8,840,406	9,048,089	8,734,158
Special Education Instruction	1,930,611	1,917,637	2,783,211	3,038,603	3,210,463	2,910,404	2,941,575	2,984,792	3,085,968	3,056,855
Other Special Instruction	351,328	324,285	350,005	292,089	310,394	322,102	256,839	351,077	348,693	321,096
Other Instruction	113,007	171,562	130,673	95,987	135,887	133,312	133,641	129,541	153,128	142,557
Support Services:										
Tuition	1,683,700	1,600,218	1,286,201	1,220,975	877,851	787,721	589,171	576,643	681,191	753,046
Student & Instruction Related Services	2,638,762	3,003,374	3,200,759	3,143,015	2,999,437	2,897,008	3,149,632	3,050,538	3,128,537	3,068,436
General Administrative Services	404,754	435,111	467,189	440,404	450,366	444,795	380,993	420,241	611,344	767,811
School Administrative Services	873,782	865,336	869,784	931,968	922,709	941,330	961,379	987,302	1,028,167	1,057,516
Central Services	3,783	11,153	265,675	297,656	282,871	316,192	311,414	290,978	286,382	308,923
Administrative Information Technology	158,434	177,728	230,432	211,105	261,463	243,317	195,471	262,479	281,249	310,904
Plant Operations And Maintenance	1,474,529	1,531,256	1,638,086	1,629,247	1,645,934	1,576,614	1,576,355	1,943,730	1,912,041	1,940,526
Pupil Transportation	1,743,943	2,044,295	1,514,752	1,506,259	1,629,864	1,591,654	1,628,362	1,703,483	1,605,048	1,513,595
Business and Other Support Services	274,676	276,996								
Allocated Benefits	274,020		350,793	97,052	133,753					
Unallocated Benefits	5,793,587	6,070,151	5,587,819	6,030,002	6,369,015	6,835,880	7,317,034	7,069,087	7,626,778	8,450,982
Debt Service:										
Principal	880,000	441,000	390,000	460,000	445,000	455,000	475,000	490,000	495,000	490,000
Interest And Other Charges	279,291	241,182	221,699	133,417	154,138	140,787	126,000	109,375	91,000	71,200
Capital Outlay	1,317,970	1,917,122	1,455,381	1,152,529	2,315,661	853,868	1,914,659	2,449,574	1,358,269	1,217,779
Transfer to Charter Schools	57,340	60,122	41,710	64,283	110,403	130,412	104,099	104,689	146,064	124,953
Total Expenditures	27,776,272	28,892,498	28,901,631	29,225,386	30,578,615	28,705,317	30,282,137	31,763,935	31,886,948	32,330,337

DENVILLE TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess/(Deficiency) Of Revenues Over/(Under) Expenditures	\$ (338,259)	\$ 109,602	\$ (14,565)	\$ 96,773	\$ (1,442,118)	\$ 1,017,216	\$ 728,038	\$ (546,556)	\$ 417,641	\$ 1,272,897
Other Financing Sources/(Uses):										
Capital Leases (Non-Budgeted)				209,208	1,510,447	249,235	145,577	452,131	207,093	45,131
Capital Lease Purchase Agreement Proceeds										1,895,428
Transfers In			13	126,492				1,492,170	(434,182)	(13,465)
Transfers Out			(13)	(127,611)				(1,492,170)	434,182	
Total Other Financing Sources/(Uses)				208,089	1,510,447	249,235	145,577	452,131	207,093	1,927,094
Net Change In Fund Balances	<u>\$ (338,259)</u>	<u>\$ 109,602</u>	<u>\$ (14,565)</u>	<u>\$ 304,862</u>	<u>\$ 68,329</u>	<u>\$ 1,266,451</u>	<u>\$ 873,615</u>	<u>\$ (94,425)</u>	<u>\$ 624,734</u>	<u>\$ 3,199,991</u>
Debt Service As A Percentage Of Noncapital Expenditures	4.38%	2.53%	2.23%	2.11%	2.12%	2.14%	2.12%	2.04%	1.92%	1.80%

Exhibit J-5

DENVILLE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Prior Year Refunds	Other	Total
2007	\$ 57,531	\$ 108,649		\$ 8,138	\$ 174,318
2008	43,934	86,575	\$ 745	32,674	163,928
2009	14,386	21,923	4,257	13,386	53,952
2010	1,574			72,429	74,003
2011	4,608	48,781	12,319	111,662	177,370
2012	4,292	66,747	63,733	81,409	216,181
2013	8,913	120,205	21,559	125,209	275,886
2014	8,036	123,486	133,135	56,647	321,304
2015	6,034	237,466	75,239	31,681	350,420
2016	16,169	169,181	545,265	207,872	938,487

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006	\$ 54,971,100	\$ 1,767,342,500	\$6,187,800	\$138,200	\$ 300,914,600	\$ 72,707,400	\$ 8,173,600	\$ 2,210,435,200	\$ 199,718,900	\$ 4,607,705	\$ 2,215,042,905	\$ 0.97	\$ 2,990,178,143
2007	51,305,900	1,819,429,300	4,842,400	86,900	299,050,900	70,322,400	8,173,600	2,253,211,400	199,178,400	4,840,446	2,258,051,846	1.03	3,208,196,204
2008	48,382,100	1,842,271,000	4,842,400	86,900	295,343,300	70,122,400	7,729,600	2,268,777,700	206,799,900	4,679,377	2,273,457,077	1.07	3,531,309,532
2009	45,790,100	1,857,498,100	4,554,400	82,600	297,466,700	70,122,400	7,729,600	2,283,243,900	207,717,200	5,460,388	2,288,704,288	1.08	3,565,499,240
2010	45,416,600	1,862,250,600	4,353,300	77,900	295,238,400	70,122,400	7,729,600	2,285,188,800	208,621,000	5,230,954	2,290,419,754	1.09	3,414,567,910
2011	43,509,600	1,858,092,500	4,331,100	78,700	297,471,200	69,428,400	7,579,600	2,280,491,100	209,403,400	-0-	2,280,491,100	1.12	3,397,561,201
2012	41,831,900	1,854,794,500	4,331,100	78,700	297,753,400	69,244,600	7,579,600	2,275,613,800	209,736,700	-0-	2,275,613,800	1.14	3,355,655,826
2013	38,102,700	1,839,357,500	4,302,100	77,200	298,019,500	65,894,200	7,579,600	2,253,332,800	209,606,600	-0-	2,253,332,800	1.18	3,228,291,771
2014	37,165,900	1,836,196,200	4,028,900	81,200	269,428,500	66,056,700	7,579,600	2,220,537,000	213,597,600	-0-	2,220,537,000	1.20	3,126,969,683
2015	35,800,700	1,841,849,600	4,049,500	81,200	269,647,900	64,280,400	7,579,600	2,223,288,900	213,333,200	-0-	2,223,288,900	1.22	3,250,387,268

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

Source: Municipal Tax Assessor

DENVILLE TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Denville Township School District							Total Direct and Overlapping Tax Rate
	Direct Rate			Overlapping Rates				
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Denville	Morris County	Morris Hills Regional School		
2006	\$ 0.93	\$ 0.04	\$ 0.97	\$ 0.41	\$ 0.27	\$ 0.58	\$ 2.23	
2007	1.01	0.02	1.03	0.46	0.35	0.61	2.45	
2008	1.05	0.02	1.07	0.50	0.36	0.66	2.59	
2009	1.06	0.02	1.08	0.53	0.35	0.68	2.64	
2010	1.07	0.02	1.09	0.55	0.34	0.70	2.68	
2011	1.10	0.02	1.12	0.55	0.35	0.75	2.77	
2012	1.12	0.02	1.14	0.57	0.36	0.81	2.88	
2013	1.16	0.02	1.18	0.58	0.36	0.85	2.97	
2014	1.18	0.02	1.20	0.62	0.36	0.88	3.06	
2015	1.21	0.02	1.22	0.63	0.36	0.91	3.12	

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

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

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

Source: Municipal Tax Collector and School Business Administrator

DENVILLE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2016			2007		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Saint Clair's Hopsital	\$ 90,185,900	4.06%	St. Francis Life Care Corporation	\$ 47,650,000	2.16%
Shops at Union Hill	33,896,000	1.52%	Shoppes at Union Hill, LLC	21,100,000	0.95%
St. Francis Life Care Corp	30,409,200	1.37%	Tamara Enterprises	14,725,000	0.67%
Tamara Enterprises	18,345,000	0.83%	Individual Taxpayer #1	8,900,000	0.40%
Rockaway River Country Club	12,711,600	0.57%	Rockaway River Country Club	8,448,600	0.38%
Denville Hospitality LLC	10,710,000	0.48%	Roma Hotels Associates, LLC	7,667,600	0.35%
Pinefiled Manor LLC	9,758,000	0.44%	Now Realty Associates	6,915,200	0.31%
Individual Taxpayer #1	9,665,000	0.43%	Regency at Denville, LLC	6,834,300	0.31%
Denville West Main, LLC	9,571,000	0.43%	WP Properties, LLC	5,700,000	0.26%
Grecco Realty LLC	7,860,000	0.35%	Denville 53, LLC	5,351,000	0.24%
Total	\$ 233,111,700	10.48%	Total	\$ 133,291,700	6.03%

Note: Individual taxpayers listed may be different in 2016 and 2007.

Source: Municipal Tax Assessor

Exhibit J-9

DENVILLE TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 22,484,388	\$ 22,484,388	100.00%	-0-
2008	23,828,230	23,828,230	100.00%	-0-
2009	24,679,396	24,679,396	100.00%	-0-
2010	24,665,109	24,665,109	100.00%	-0-
2011	25,342,663	25,342,663	100.00%	-0-
2012	25,735,700	25,735,700	100.00%	-0-
2013	26,284,562	26,284,562	100.00%	-0-
2014	26,671,027	26,671,027	100.00%	-0-
2015	26,747,737	26,747,737	100.00%	-0-
2016	27,678,032	27,678,032	100.00%	-0-

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

Source: Denville Township School District records including the Certificate & Report of School Taxes

Exhibit J-10

DENVILLE TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2007	\$ 5,423,000	\$ 637,391	\$ 6,060,391	0.54%	\$ 374
2008	4,982,000	305,063	5,287,063	0.45%	325
2009	4,600,000	122,983	4,722,983	0.43%	290
2010	4,140,000	890,929	5,030,929	0.44%	301
2011	3,695,000	1,443,889	5,138,889	0.43%	306
2012	3,240,000	1,158,274	4,398,274	0.35%	261
2013	2,765,000	821,106	3,586,106	0.28%	212
2014	2,275,000	779,018	3,054,018	0.22%	181
2015	1,780,000	431,696	2,211,696	0.16%	132
2016	1,290,000	207,591	1,497,591	0.11%	89

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

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

Source: School District Financial Reports

Exhibit J-11

DENVILLE TOWNSHIP SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 5,423,000	-0-	\$ 5,423,000	0.24%	\$ 335
2008	4,982,000	-0-	4,982,000	0.22%	306
2009	4,600,000	-0-	4,600,000	0.20%	282
2010	4,140,000	-0-	4,140,000	0.18%	248
2011	3,695,000	-0-	3,695,000	0.16%	220
2012	3,240,000	-0-	3,240,000	0.14%	192
2013	2,765,000	-0-	2,765,000	0.12%	164
2014	2,275,000	-0-	2,275,000	0.10%	135
2015	1,780,000	-0-	1,780,000	0.08%	106
2016	1,290,000	-0-	1,290,000	0.06%	77

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

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

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

Source: School District Financial Reports

Exhibit J-12

DENVILLE TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable ^a</u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes			
Township of Denville	\$ 10,737,896	100.00%	\$ 10,737,896
Morris County General Obligation Debt	226,745,317	3.58%	8,124,801
Morris Hills Regional School District Debt	26,810,000	37.30%	<u>10,000,130</u>
Subtotal, Overlapping Debt			28,862,827
Denville School District Direct Debt			<u>1,290,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 30,152,827</u></u>

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 that is borne by the residents and businesses of Township of Denville. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt, of each overlapping unit.

- ^a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of Denville Township's equalized property value that is within the Morris County's boundaries and dividing it by Morris County's total equalized property value.

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2016

	Denville Township
Equalized Valuation Basis	\$ 3,357,935,206
2015	3,235,990,965
2014	3,162,128,543
2013	\$ 9,756,054,714
Average Equalized Valuation of Taxable Property	
	\$ 3,252,018,238
Debt Limit (3% of average equalization value)	\$ 97,560,547
Net Bonded School Debt as of June 30, 2016	1,290,000
Legal Debt Margin	\$ 96,270,547

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 86,750,047	\$ 96,245,886	\$ 102,677,845	\$ 103,997,335	\$ 103,091,788	\$ 101,358,445	\$ 99,912,610	\$ 97,613,919	\$ 96,466,760	\$ 97,560,547
Total Net Debt Applicable to Limit	5,423,000	4,982,000	4,600,000	4,140,000	3,695,000	3,240,000	2,765,000	2,275,000	1,780,000	1,290,000
Legal Debt Margin	\$ 81,327,047	\$ 91,263,886	\$ 98,077,845	\$ 99,857,335	\$ 99,396,788	\$ 98,118,445	\$ 97,147,610	\$ 95,338,919	\$ 94,686,760	\$ 96,270,547
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	6.25%	5.18%	4.48%	3.98%	3.58%	3.20%	2.77%	2.33%	1.85%	1.32%

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

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Personal Income ^b	Morris County Per Capita Personal Income ^c	Unemployment Rate ^d
2007	16,212	\$ 1,132,294,716	\$ 69,843	2.70%
2008	16,259	1,169,623,683	71,937	3.60%
2009	16,309	1,104,086,682	67,698	6.30%
2010	16,691	1,145,937,296	68,656	6.30%
2011	16,784	1,207,004,576	71,914	6.10%
2012	16,859	1,261,491,534	74,826	6.40%
2013	16,889	1,267,587,006	75,054	7.40%
2014	16,829	1,393,609,490	82,810	4.90%
2015	16,818	1,392,698,580	82,810 *	4.10%
2016	16,818 **	1,392,698,580 ***	82,810 *	N/A

* - Latest Morris County per capita personal income available (2014) was used for calculation purposes.

** - Latest population data available (2015) was used for calculation purposes.

*** - Latest personal income data available (2015) was used for calculation purposes.

N/A - Information Unavailable

Source: School District Reports

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

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

c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

<u>2016</u>			<u>2007</u>		
<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employer</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
U.S. Army Aramament R&D	6,000	2.31%	Novartis	5,000	N/A
Atlantic Health System	5,171	1.99%	Atlantic Health System	4,045	N/A
Novartis Corporation	4,622	1.78%	Picatinny Arsenal	3,412	N/A
Bayer Healthcare, LLC	2,800	1.08%	Morris County	2,170	N/A
County of Morris	1,757	0.68%	Lucent Technologies	1,983	N/A
Wyndham Worldwide Corporation	1,626	0.63%	United Parcel Service	1,941	N/A
Accenture	1,561	0.60%	Wyndham Worldwide	1,371	N/A
St. Clare's	1,504	0.58%	Greystone Psychiatric	1,296	N/A
BASF Corporation	1,500	0.58%	Tiffany & Company	1,200	N/A
PricewaterhouseCoopers	1,360	0.52%	Accenture	1,200	N/A
Total	<u>27,901</u>	<u>10.74%</u>		<u>23,618</u>	
Total County Labor Force	<u>259,756</u>			<u>N/A</u>	

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

Source: Morris County Treasurer's Office

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

<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	126.8	125.0	126.5	126.5	128.0	125.6	123.4	111.8	118.0	123.0
Special Education	45.1	50.0	63.0	63.0	65.0	67.4	68.2	100.1	99.6	98.5
Support Services:										
Student & Instruction Related Services	37.0	40.5	36.0	36.0	36.0	44.2	26.7	23.7	23.0	35.0
School Administrative Services	20.0	18.0	18.5	18.5	18.5	14.8	15.9	15.1	8.0	17.0
General and Business Administrative Services	6.0	6.0	6.0	6.0	6.0	8.0	6.0	6.0	5.5	8.0
Plant Operations and Maintenance	13.5	15.0	15.0	15.0	15.0	26.4	22.6	20.0	20.0	17.5
Pupil Transportation	21.0	21.0	25.0	25.0	25.0	24.3	27.5	20.0	20.0	20.5
Total	<u>269.4</u>	<u>275.5</u>	<u>290.0</u>	<u>290.0</u>	<u>293.5</u>	<u>310.7</u>	<u>290.3</u>	<u>296.7</u>	<u>294.1</u>	<u>319.5</u>

Source: District Personnel Records

DENVILLE TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2007	1,864	\$ 25,299,011	\$ 13,572	12.11%	208	1:14.5	1:12.6	1,864	1,790	-1.58%	96.03%
2008	1,895	26,293,194	13,875	2.23%	215	1:14.6	1:12.9	1,986	1,822	6.55%	91.74%
2009	1,892	26,834,551	14,183	2.22%	226	1:14.2	1:13.5	1,892	1,814	-4.73%	95.88%
2010	1,904	27,479,440	14,432	1.76%	225	1:13.3	1:13.6	1,904	1,832	0.64%	96.19%
2011	1,856	27,663,816	14,905	3.27%	216	1:13.3	1:13.6	1,856	1,832	-2.53%	98.69%
2012	1,827	27,255,662	14,918	0.09%	179	1:11.1	1:11.9	1,792	1,733	-3.45%	96.71%
2013	1,750	27,766,478	15,867	6.36%	176	1:11.8	1:7.9	1,758	1,693	-1.90%	96.30%
2014	1,730	28,714,986	16,598	4.61%	177	1:9.4	1:10.5	1,725	1,666	-1.88%	96.58%
2015	1,687	29,942,679	17,749	6.93%	175	1:9.5	1:10.0	1,680	1,621	-2.61%	96.49%
2016	1,646	30,551,358	18,561	4.57%	169	1:9.9	1:9.5	1,636	1,581	-2.62%	96.64%

Note: Enrollment based on annual October district count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

d The cost per pupil calculated above is the sum of operating enrollment divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

Source: Denville Township School District records

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS

	<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>										
Lakeview Elementary School (1958)										
Square Feet	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138	79,138
Capacity (students)	683	683	683	683	683	683	683	683	683	683
Enrollment	733	781	752	690	728	713	695	677	682	675
Riverview Elementary School (1958)										
Square Feet	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855	56,855
Capacity (students)	388	388	388	388	388	388	388	388	388	388
Enrollment	479	541	488	459	459	400	393	402	388	373
Valleyview Middle School (1965)										
Square Feet	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247	70,247
Capacity (students)	465	465	465	465	465	465	465	465	465	465
Enrollment	651	664	653	673	669	680	662	651	617	598
Administration Building (1908)										
Square Feet	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Bus Garage (1964)										
Square Feet	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820	2,820
Number of Schools at June 30, 2016										
Elementary = 2										
Middle School = 1										
Other = 2										

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

Source: Denville Township School District Facilities Office

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS

Undistributed Expenditures - Required Maintenance For School Facilities

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>School Facilities*</u>										
Lakeview Elementary	\$ 107,446	\$ 104,504	\$ 111,774	\$ 101,813	\$ 140,145	\$ 124,854	\$ 112,063	\$ 164,811	\$ 168,096	\$ 145,561
Riverview Elementary	92,670	60,490	98,160	125,922	75,601	68,259	73,159	107,591	109,736	95,025
Valleyview Middle	111,773	97,063	124,403	131,012	114,193	94,879	107,194	157,658	160,801	139,244
Total School Facilities	<u>311,889</u>	<u>262,057</u>	<u>334,337</u>	<u>358,747</u>	<u>329,939</u>	<u>287,992</u>	<u>292,416</u>	<u>430,060</u>	<u>438,633</u>	<u>379,829</u>
<u>Other Facilities</u>										
Administration Building	1,961	1,799	2,135	1,959	1,545	2,469	1,662	2,442	2,491	2,157
Bus Garage	2,912	2,671	3,168	2,908	2,293	2,840	2,467	3,620	3,692	3,197
Total Other Facilities	<u>4,873</u>	<u>4,470</u>	<u>5,303</u>	<u>4,867</u>	<u>3,838</u>	<u>5,309</u>	<u>4,129</u>	<u>6,062</u>	<u>6,183</u>	<u>5,354</u>
Grand Total	<u>\$ 316,762</u>	<u>\$ 266,527</u>	<u>\$ 339,640</u>	<u>\$ 363,614</u>	<u>\$ 333,777</u>	<u>\$ 293,301</u>	<u>\$ 296,545</u>	<u>\$ 436,122</u>	<u>\$ 444,816</u>	<u>\$ 385,183</u>

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

Source: Denville Township School District records

Exhibit J-20

DENVILLE TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Zurich Insurance Company		
Property - Blanket Building and Contents	\$ 45,921,192	\$ 5,000
Commercial General Liability:		
Per Occurrence	1,000,000	
Aggregate	2,000,000	
Abuse or Molestation Liability:		
Per Occurrence	1,000,000	
Aggregate	2,000,000	
Commercial Automotive Liability	1,000,000	1,000*
Commercial Inland Marine	1,361,712	
Commercial Umbrella Liability:		
Per Occurrence	9,000,000	
Aggregate	9,000,000	
Excess Liability-Fireman's Fund	50,000,000	PIP Cap Excess
Employee Benefits Liability:		
Per Occurrence	1,000,000	1,000
Aggregate	1,000,000	
NJ Schools Insurance Group	Statutory	
Workers Compensation		
Employer's Liability	2,000,000 / 2,000,000 / 2,000,000	
School Board Legal Liability - Darwin Ins. Co.		
Per Occurrence	1,000,000	
Aggregate	1,000,000	25,000
Public Official Bonds - Selective Insurance Company:		
Treasurer of School Monies	350,000	
Board Secretary/Business Administrator	350,000	
Blanket Employee Bond	10,000	
Cyber Liability Indian Harbo Ins. Co.	2,000,000	25,000 retention
Education Entity- Pollution Liability	1,000,000/10,000,000	25,000 pollution condition 50,000 per fungi or Legionella condition

* comprehensive and collision deductibles on auto coverage

Source: Denville Township School District records

SINGLE AUDIT SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Denville Township School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 9, 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.

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

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

The Honorable President and Members
of the Board of Education
Denville Township School District
Page 2

Compliance and Other Matters

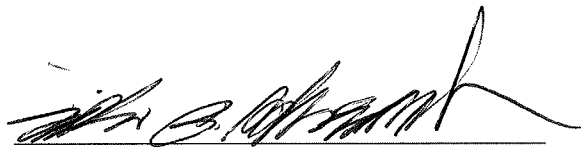
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

Mount Arlington, New Jersey
September 9, 2016

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Park
 11 Lawrence Road
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 973-383-6699 | 973-383-6555 Fax

Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Denville Township School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2016. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

The Honorable President and Members
of the Board of Education
Denville Township School District
Page 2

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

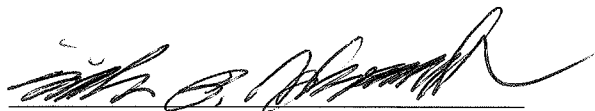
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Mount Arlington, New Jersey
September 9, 2016

NISIVOCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015 (Accounts Receivable)	Cash Received	Budgetary Expenditures	Balance at June 30, 2016		Amount Provided to Subrecipients
			From	To					(Accounts Receivable)	Unearned Revenue	
U.S. Department of Agriculture -											
Passed-through State Department of Education:											
Child Nutrition Cluster:											
Special Milk Program	10.556	N/A	7/1/14	6/30/15	\$ 19,260	\$ (1,511)	\$ 1,511				
Special Milk Program	10.556	N/A	7/1/15	6/30/16	19,450		16,221	\$ (19,450)	\$ (3,229)		
Total Enterprise Fund						(1,511)	17,732	(19,450)	(3,229)		
Total U.S. Department of Agriculture						(1,511)	17,732	(19,450)	(3,229)		
Special Revenue Fund:											
No Child Left Behind:											
Title I	84.010A	NCLB-1090-15	7/1/14	6/30/15	60,231	(945)	945				
Title I	84.010A	NCLB-1090-16	7/1/15	6/30/16	54,476		36,883	(38,757)	(1,874)		
Title IIA	84.367A	NCLB-1090-15	7/1/14	6/30/15	39,032	(18,108)	18,108				
Title IIA	84.367A	NCLB-1090-16	7/1/15	6/30/16	43,613		28,907	(29,142)	(235)		
Title III	84.365A	NCLB-1090-15	7/1/14	6/30/15	10,489	(3,143)	3,143				
Title III	84.365A	NCLB-1090-16	7/1/15	6/30/16	5,667		2,940	(2,554)		\$ 386	
Title III Immigrant	84.365A	NCLB-1090-16	7/1/15	6/30/16	6,733		6,504	(5,456)		1,048	
No Child Left Behind Subtotal						(22,196)	97,430	(75,909)	(2,109)	1,434	
Special Education Cluster:											
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-15	7/1/14	6/30/15	392,528	(693)	693				
I.D.E.A. Part B, Basic Regular	84.027	IDEA-1090-16	7/1/15	6/30/16	418,561		415,464	(418,283)	(2,819)		
I.D.E.A. Part B, Preschool	84.173	IDEA-1090-16	7/1/15	6/30/16	21,545		21,545	(21,545)			
Special Education Cluster Total						(693)	437,702	(439,828)	(2,819)		
Total Special Revenue Fund						(22,889)	535,132	(515,737)	(4,928)	1,434	
Total U.S. Department of Education						(22,889)	535,132	(515,737)	(4,928)	1,434	
TOTAL FEDERAL AWARDS						\$ (24,400)	\$ 552,864	\$ (535,187)	\$ (8,157)	\$ 1,434	\$ -0-

N/A - Not Available/Applicable.

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at July 1, 2015			Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO		
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:													
General Fund:													
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	\$ 1,026,841									
Categorical Security Aid	16-495-034-5120-084	7/1/15	6/30/16	25,734									
Categorical Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	108,847									
PARCC Readiness	16-495-034-5120-098	7/1/15	6/30/16	16,820									
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	16,820									
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15	6/30/16	196,928									
Additional Non-Public Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	18,444									
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15	6/30/16	836,413									
Special Education Categorical Aid	15-495-034-5120-089	7/1/14	6/30/15	1,026,841	\$ (99,185)								
Extraordinary Special Education Costs Aid	15-495-034-5120-044	7/1/14	6/30/15	176,914	(176,914)								
Additional Non-Public Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	17,574	(17,574)								
Categorical Security Aid	15-495-034-5120-084	7/1/14	6/30/15	25,734	(2,486)								
Categorical Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	108,847	(10,514)								
PARCC Readiness	15-495-034-5120-098	7/1/14	6/30/15	16,820	(1,625)								
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	16,820	(1,625)								
Reimbursed TPAF Social Security Contributions	15-100-034-5095-002	7/1/14	6/30/15	803,092	(78,927)								
Total General Fund State Aid					(388,849)		2,324,829	(2,246,847)		(215,372)	19,430	(330,297)	5,101,782
Special Revenue Fund:													
NJ Nonpublic Aid:													
Textbook Aid (Chapter 194)	16-100-034-5120-064	7/1/15	6/30/16	11,535			11,535	(10,482)			1,053		10,482
Nursing Services (Chapter 226)	16-100-034-5120-070	7/1/15	6/30/16	18,180			18,180	(16,740)			1,440		16,740
Technology Initiative	16-100-034-5120-373	7/1/15	6/30/16	5,252			5,252	(4,836)			416		4,836
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	5,050			5,050	(4,608)			442		4,608
Auxiliary Services (Chapter 192):													
Compensatory Education	15-100-034-5120-067	7/1/14	6/30/15	19,708		\$ 3,504			\$ (3,504)				
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	11,844			11,844	(8,460)			\$ 3,384		8,460
Home Instruction	15-201-603-2520-007	7/1/14	6/30/15	5,096			5,096	(5,096)					5,096
Handicapped Services (Chapter 193):													
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	14,125		4,002			(4,002)				
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	13,366			13,366	(7,277)			6,089		7,277
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	18,014		2,888			(2,888)				
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	19,598			19,598	(9,203)			10,395		9,203
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	11,486		4,861			(4,861)				
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/15	10,033			10,033	(5,267)			4,766		5,267
Total Special Revenue Fund						15,255	99,954	(71,970)	(15,255)		27,984		71,970
State Department of Education:													
Debt Service Fund:													
Debt Service Aid Type II	16-100-034-5120-124	7/1/15	6/30/16	149,650			149,650	(149,650)					149,650
Total Debt Service Fund							149,650	(149,650)					149,650
Total State Department of Education					(388,849)	15,255	2,574,433	(2,468,467)	(15,255)	(215,372)	47,414	(330,297)	5,323,402
TOTAL STATE AWARDS					\$ (388,849)	\$ 15,255	\$ 2,574,433	\$ (2,468,467)	\$ (15,255)	\$ (215,372)	\$ 47,414	\$ (330,297)	\$ 5,323,402

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Denville Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented 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 these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

DENVILLE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$509 for the general fund, and \$18,426 for the special revenue fund (of which (\$1,425) is for local assistance which is not included in the table on the following page). See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension Contributions and Post Retirement Contributions revenue of \$904,010 and \$1,076,426, respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,227,792	\$ 4,227,792
Special Revenue Fund	\$ 532,737	71,970	604,707
Debt Service Fund		149,650	149,650
Proprietary Fund	19,450		19,450
Total Financial Assistance	<u>\$ 552,187</u>	<u>\$ 4,449,412</u>	<u>\$ 5,001,599</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016.

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major federal and state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

<u>State:</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Special Education				
Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 1,026,841	\$ 1,026,841
Categorical Security Aid	16-495-034-5120-084	7/1/15-6/30/16	25,734	25,734
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	16,820	16,820
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	16,820	16,820

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

DENVILLE TOWNSHIP SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

The District had no prior year audit findings.