

**LAFAYETTE TOWNSHIP
SCHOOL DISTRICT**

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

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

**Comprehensive Annual
Financial Report**

of the

LAFAYETTE TOWNSHIP SCHOOL DISTRICT

Lafayette, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Lafayette Township Board of Education
Finance Department**

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016

INTRODUCTORY SECTION (Unaudited)

Letter of Transmittal	1
Organizational Chart.....	5
Roster of Officials.....	6
Consultants and Advisors	7

FINANCIAL SECTION 8

Independent Auditors' Report.....	9
-----------------------------------	---

Required Supplementary Information.....	12
Management's Discussion and Analysis (Unaudited).....	13

Basic Financial Statements (Sections A. and B.).....	22
--	----

A. District-Wide Financial Statements.....	23
A-1 Statement of Net Position	24
A-2 Statement of Activities	25

B. Fund Financial Statements	27
B-1 Balance Sheet – Governmental Funds.....	28
B-2 Statement of Revenue, Expenditures and Changes in Fund Balance – Governmental Funds	30
B-3 Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	32
B-4 Statement of Net Position– Proprietary Funds	34
B-5 Statement of Revenue, Expenses and Changes in Fund Net Position– Proprietary Funds.....	35
B-6 Statement of Cash Flows – Proprietary Funds	36
B-7 Statement of Fiduciary Net Position– Fiduciary Funds.....	37
B-8 Statement of Changes in Fiduciary Net Position– Fiduciary Funds.....	38

Notes to the Basic Financial Statements	39
---	----

Required Supplementary Information (Unaudited)

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) (Unaudited)	71
L-1 Schedule of District's Proportionate Share of the Net Liability – Public Employees Retirement System	71
L-2 Schedule of District's Contributions – Public Employees Retirement System	72
L-3 Schedule of State's Proportionate Share of the Net Liability – Teachers' Pension and Annuity Fund	73
Notes to Required Supplementary Information	74

Supplementary Schedules (Sections C. to I.)

C. Budgetary Comparison Schedules (Unaudited)	75
C-1 Budgetary Comparison Schedule – General Fund.....	76
C-2 Budgetary Comparison Schedule - Special Revenue Fund	85
C-3 Budgetary Comparison Schedule – Note to RSI	86

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

FINANCIAL SECTION (Cont'd)

Other Supplementary Schedules (D.-I.)

D. School Level Schedules (Not Applicable)	87
E. Special Revenue Fund	88
E-1 Combining Schedule of Program Revenue and Expenditures - Special Revenue Fund – Budgetary Basis	89
E-2 Preschool Education Aid Schedule of Expenditures – Budgetary Basis (Not Applicable)	
F. Capital Projects Fund (Not Applicable)	91
G. Proprietary Funds	92
G-1 Statement of Net Position Food Service Enterprise Fund	93
G-2 Statement of Revenue, Expenses and Changes in Fund Net Position Food Service Enterprise Fund	94
G-3 Statement of Cash Flows Food Service Enterprise Fund	95
H. Fiduciary Funds	96
H-1 Combining Statement of Net Position	97
H-2 Statement of Changes in Net Position	98
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	99
H-4 Student Activity Agency Fund Statement of Activity	100
H-5 Payroll Agency Fund Schedule of Receipts and Disbursements	101
I. Long-Term Debt	102
I-1 Schedule of Serial Bonds	103
I-2 Schedule of Obligations Under Capital Leases (Not Applicable)	104
I-3 Debt Service Fund Budgetary Comparison Schedule	105
J. STATISTICAL SECTION (Unaudited)	106
J-1 Net Position by Component	107
J-2 Changes in Net Position	108
J-3 Fund Balances - Governmental Funds	111
J-4 Changes in Fund Balances - Governmental Funds	112
J-5 General Fund Other Local Revenue by Source	114
J-6 Assessed Value and Actual Value of Taxable Property	115
J-7 Direct and Overlapping Property Tax Rates	116
J-8 Principal Property Taxpayers, Current and Nine Years Ago	117
J-9 Property Tax Levies and Collections	118
J-10 Ratios of Net Outstanding Debt by Type	119
J-11 Ratios of Net General Bonded Debt Outstanding	120
J-12 Ratios of Overlapping Governmental Activities Debt	121
J-13 Legal Debt Margin Information	122
J-14 Demographic and Economic Statistics	123
J-15 Principal Employers, Current and Nine Years Ago	124
J-16 Full-time Equivalent District Employees by Function/Program	125

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
TABLE OF CONTENTS
FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

J. STATISTICAL SECTION (Cont'd)

J-17	Operating Statistics.....	126
J-18	School Building Information	127
J-19	Schedule of Allowable Maintenance Expenditures by School Facility.....	128
J-20	Insurance Schedule	129

K. SINGLE AUDIT SECTION 130

K-1	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 <i>Government Auditing Standards</i>	131
K-2	Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control over Compliance	133
	Schedule of Expenditures of Federal Awards	135
	Schedule of Expenditures of State Awards	136
	Notes to the Schedules of Expenditures of Federal and State Awards.....	137
	Schedule of Findings and Questioned Costs	139
	Summary Schedule of Prior Audit Findings.....	141

INTRODUCTORY SECTION



Lafayette Township School District

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Superintendent/Principal
973-875-3344, ext. 13

GERARD FAZZIO
Assistant Principal
973-875-3344, ext. 14

ERIN SIIPOLA
Business Administrator/Board Secretary
973-875-2359
Fax: 973-875-2663

October 26, 2016

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

Dear Honorable President and Board Members:

The comprehensive annual financial report of the Lafayette 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 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 financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the 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 internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

The Lafayette 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 Lafayette Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an average daily enrollment of 243 students, which is down 6 students from the previous year's ending enrollment.

The Honorable President and Members
of the Board of Education
Lafayette Township School District
Page 2
October 26, 2016

2) **ECONOMIC CONDITION AND OUTLOOK:**

The Lafayette area is experiencing minimal development and expansion. The ratable base underwent a reassessment in 2012 which was effective for 2013. The ratable base for 2015 totaled \$326,017,858. For 2016, the base increased by over \$3,000,000 to \$329,143,015.

3) **MAJOR INITIATIVES:**

Professional Learning Community Development

Professional Learning Community Development: Foster increased articulation, collaboration and data driven instructional practices among staff via the integration of professional learning communities inclusive of Kindergarten to 8th grade and administrative team members.

AchieveNJ Implementation and Capacity Building

Analyze current level of awareness of the AchieveNJ regulations among all certification teaching and administrative staff and continue to develop the rigor of implementation with specific attention to the use of student growth objectives as a method of charting instructional progress for the students, teachers and administrators.

Content Knowledge Development and Articulation between K-8 Teachers

Develop the knowledge of the staff in individual areas of focus as related to the role and function of the educator with an intense focus on the implementation of Science at the PreK-8 levels specifically inclusive of the New Jersey Learning Standards for Students in Science as well as STEAM instruction.

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 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 major 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 the Board of Education
Lafayette Township School District
Page 3
October 26, 2016

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 cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2016.

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (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", No. 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, contents and fidelity bonds. The School Alliance Insurance Fund oversees risk management for the District. A schedule of insurance coverage is found on Exhibit J-20.

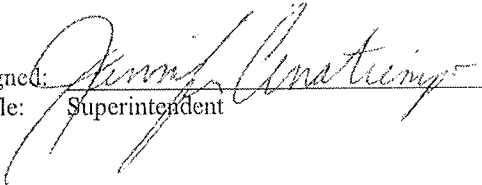
The Honorable President and Members
of the Board of Education
Lafayette Township School District
Page 4
October 26, 2016

9) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements 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*. The Auditors’ Report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The Auditors’ Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) **ACKNOWLEDGEMENTS:**

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

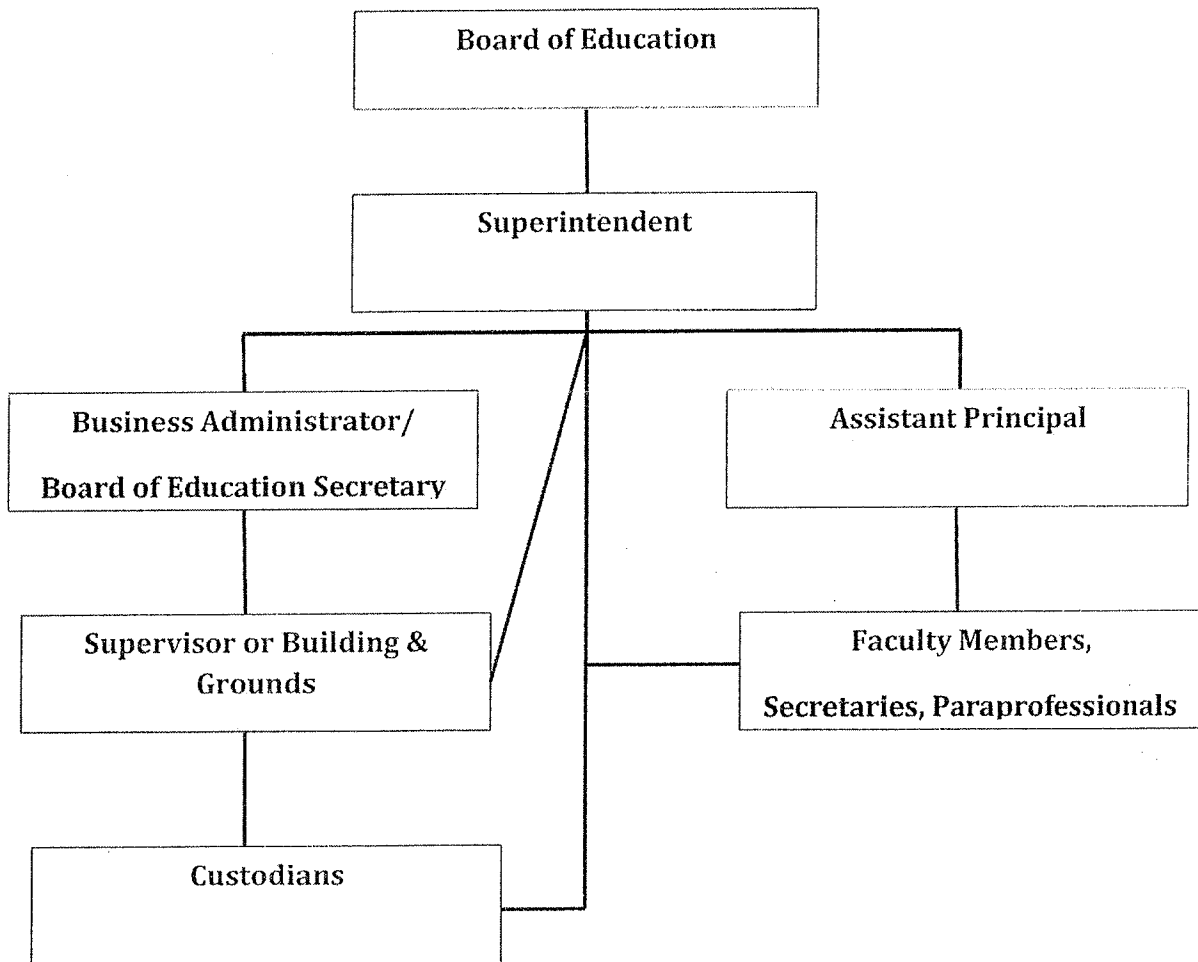
Signed: 
Title: Superintendent

Signed: 
Title: Business Administrator

Lafayette Board of Education

Organizational Chart

Unit Control



**TOWNSHIP OF LAFAYETTE BOARD OF EDUCATION
 ROSTER OF OFFICIALS
 JUNE 30, 2016**

<u>Members of the Board of Education</u>		Term Expires
Linda Peoples	President	2018
Lisa Carlson	Vice President	2018
Joshua Aikens	Member	2017
Mary Flaherty	Member	2016
Karen Mitchell	Member	2016
Thomas Numann	Member	2017
Peggy Pak	Member	2017
Arin Gunn-Russell	Member	2018
Kathleen Zagula	Member	2016

Thomas Butler, Interim Superintendent – to 7/31/16

Anne S. Hessler, Board Secretary/School Business Administrator – 7/1/15 thru 5/31/16

Erin Siipola, Board Secretary/School Business Administrator – 6/1/16 thru 6/30/16

Gail Magura, Treasurer

Matthew Giacobbe and Bruce Padula, Board Attorneys

Chasan Leyner & Lamparello, Special Council

**TOWNSHIP OF LAFAYETTE BOARD OF EDUCATION
Consultants and Advisors**

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856
And
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorneys

Cleary, Giacobbe, Alfieri, & Jacobs
5 Ravine Drive
Matawan, NJ 07747

Chasan, Leyner, & Lamparello
300 Lightning Way
Seaucus, NJ 07094

Official Depositories

Lakeland Bank
First Hope Bank

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

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 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Lafayette Township School District
 County of Sussex, 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 Lafayette Township School District (the "District") in the County of Sussex, 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
Lafayette Township School District
Page 2

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 Lafayette Township School District in the County of Sussex, 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 section 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
Lafayette Township School District
Page 3

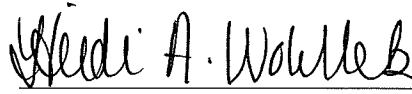
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 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.

October 26, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (Unaudited)

This section of Lafayette 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 is strong.
- Overall revenue was \$6.55 million.
- Actual revenue was more than expected, primarily in tuition and extraordinary aid.
- Enrollment in the District has been overall decreasing for the last several years and cost per pupil has been increasing.
- The District reduced its outstanding long-term bonded debt by 16.43 percent.

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 services.
- *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 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

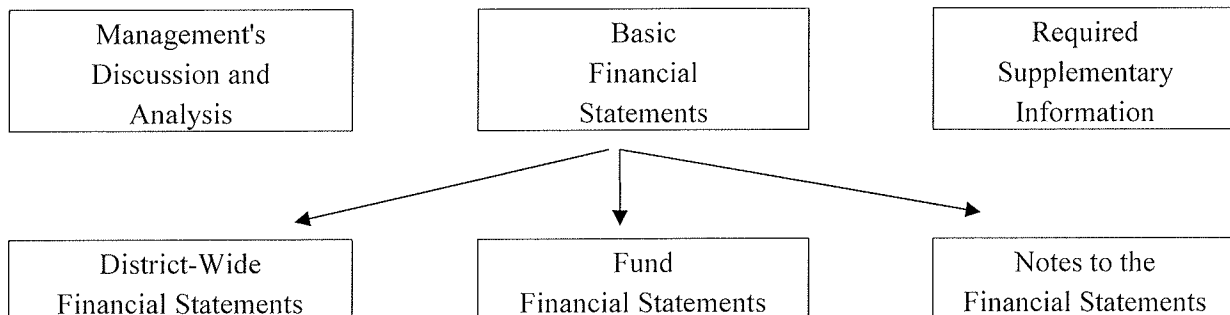


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents 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 businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
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 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

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

The Statement of Net Position provides the perspective of the District as a whole. Net position may serve over time as a useful indicator of a school's financial position.

The District's financial position is the product of financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position. The District's combined net position increased by \$337,640. Net position from governmental activities increased by \$328,326 while net position from business-type activities increased by \$9,314.

Figure A-3
Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Total
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	Percentage Change
Current and Other Assets	\$1,575,766	\$1,386,477	\$ 40,941	\$ 35,649	\$1,616,707	\$1,422,126	13.68%
Capital Assets, Net	3,652,564	3,657,470	8,501	9,610	3,661,065	3,667,080	-0.16%
Total Assets	5,228,330	5,043,947	49,442	45,259	5,277,772	5,089,206	3.71%
Deferred Outflows of Resources	272,621	138,372			272,621	138,372	97.02%
Long-Term Liabilities	2,904,961	3,046,614			2,904,961	3,046,614	-4.65%
Other Liabilities	308,285	123,882	9,239	14,370	317,524	138,252	129.67%
Total Liabilities	3,213,246	3,170,496	9,239	14,370	3,222,485	3,184,866	1.18%
Deferred Inflows of Resources	94,216	146,660			94,216	146,660	-35.76%
Net Position:							
Net Investment in Capital Assets	2,014,445	1,697,727	8,501	9,610	2,022,946	1,707,337	18.49%
Restricted	979,354	1,132,003			979,354	1,132,003	-13.48%
Unrestricted/(Deficit)	(800,310)	(964,567)	31,702	21,279	(768,608)	(943,288)	18.52%
Total Net Position	\$2,193,489	\$1,865,163	\$ 40,203	\$ 30,889	\$2,233,692	\$1,896,052	17.81%

Changes in Net Position. The District's combined net position was \$2,233,692 on June 30, 2016, or \$337,640 more than the year before. The increase in net investment in capital assets of \$315,609 is due to the retirement of \$340,000 of serial bonds payable and capital asset additions of \$220,341 offset by the deferred amount of refunding of \$18,376 and \$226,356 of depreciation expense. The decrease in restricted position of \$152,649 is due to the current year budgeted withdrawal in capital reserve and emergency reserve of \$189,000 and \$18,860 respectively as well as \$72,767 of prior year excess utilized in the current year budget offset by the year end transfer into the capital reserve of \$125,452 and interest earnings in the capital reserve of \$1,506, the emergency reserve of \$564 and the maintenance reserve of \$456. The increase in unrestricted position is due primarily to the increase in net pension liability, fund balance utilized in the current year budget offset by an excess in tuition revenue and unexpended budget appropriations as well as by the change in the accrued interest payable and the amortization of the bond premium. (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	
Revenue:							
Program Revenue:							
Charges for Services	\$ 53,538	\$ 66,213	\$ 125,972	\$ 135,595	\$ 179,510	\$ 201,808	-11.05%
Operating Grants & Contributions	1,532,418	1,305,446	35,065	34,417	1,567,483	1,339,863	16.99%
General Revenue:							
Property Taxes	4,203,875	4,083,300			4,203,875	4,083,300	2.95%
Unrestricted Federal and State Aid	598,292	577,582			598,292	577,582	3.59%
Other	5,914	6,222	76	29	5,990	6,251	-4.18%
Total Revenue	<u>6,394,037</u>	<u>6,038,763</u>	<u>161,113</u>	<u>170,041</u>	<u>6,555,150</u>	<u>6,208,804</u>	5.58%
Expenses:							
Instruction	3,454,801	3,379,763			3,454,801	3,379,763	2.22%
Pupil and Instruction Services	968,668	871,811			968,668	871,811	11.11%
Administrative and Business	650,995	627,797			650,995	627,797	3.70%
Maintenance and Operations	419,028	420,865			419,028	420,865	-0.44%
Transportation	335,722	264,407			335,722	264,407	26.97%
Other	236,497	177,294	151,799	163,583	388,296	340,877	13.91%
Total Expenses	<u>6,065,711</u>	<u>5,741,937</u>	<u>151,799</u>	<u>163,583</u>	<u>6,217,510</u>	<u>5,905,520</u>	5.28%
Increase in Net Position	<u>\$ 328,326</u>	<u>\$ 296,826</u>	<u>\$ 9,314</u>	<u>\$ 6,458</u>	<u>\$ 337,640</u>	<u>\$ 303,284</u>	11.33%

Revenue Sources. The District's total revenue for the 2015/2016 school year was \$6,555,150, (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,203,875 of the total, or 64.13 percent. (See Figure A-5). Approximately 33.04 percent came from state and federal aid and the remainder from miscellaneous sources.

Figure A-5
Sources of School District Revenue - Fiscal Year 2016

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 842,087	12.85%
Property Taxes	4,203,875	64.13%
Federal and State Categorical Grants	1,323,688	20.19%
Charges for Services	179,510	2.74%
Other	5,990	0.09%
	<u>\$ 6,555,150</u>	<u>100.00%</u>

The total cost of all programs and services was \$6,217,510. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (76.55 percent). (See Figure A-6). The District's administrative and maintenance and operations activities accounted for 17.21 percent of total costs. It is important to remember that \$226,356 in depreciation is included in expenses for the year.

Figure A-6
Sources of School District Expenses - Fiscal Year 2016

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 3,454,801	55.57%
Pupil and Instruction Services	968,668	15.58%
Administrative and Business	650,995	10.47%
Maintenance and Operations	419,028	6.74%
Transportation	335,722	5.40%
Other	388,296	6.24%
	<u>\$ 6,217,510</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District is strong. However, maintaining existing programs and the provision of a multitude of special programs and services for disabled pupils continues to place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions continued during the year were:

- Participation in an insurance pool operated by Public Entity Group Administrative Services resulting in low cost property, liability and workers compensation insurance.
- Participation in Joint Transportation Agreements.
- Participation in joint purchasing agreements.

It is crucial that the District examine its expenses carefully. Increasing parental and student demands for new activities and programs must be evaluated thoroughly.

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 obligation placed on the District's taxpayers by each of these functions:

Figure A-7
Net Cost of Governmental Activities

	Total Costs of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 3,454,801	\$ 3,379,763	\$ 2,260,444	\$ 2,332,011
Pupil and Instruction Services	968,668	871,811	842,420	777,926
Administrative and Business	650,995	627,797	534,823	537,551
Maintenance and Operations	419,028	420,865	383,483	394,121
Transportation	335,722	264,407	222,088	151,375
Other	236,497	177,294	236,497	177,294
	<u>\$ 6,065,711</u>	<u>\$ 5,741,937</u>	<u>\$ 4,479,755</u>	<u>\$ 4,370,278</u>

- The cost of all governmental activities this year was \$6.07 million.
- The federal and state governments subsidized certain programs with grants and contributions consisting of \$2.131 million.
- Approximately \$4.204 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

The net position of the District's business-type activity increased by \$9,314 (Refer to Figure A-4). Factors contributing to these results included:

- Food services revenues exceeded expenses by \$9,314 due primarily to a decrease in expenses which exceeded the decrease in student participation due to a decrease in student meals served.

Financial Analysis of the District's Funds

The District's financial position remained strong despite significant changes in the student clientele and difficult economic times. 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 two categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

Capital Assets 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	
Construction in Progress	\$ 172,254				\$ 172,254		100.00%
Land	80,000	80,000			80,000	80,000	0.00%
Site Improvements	53,179	37,928			53,179	37,928	40.21%
Building & Building Improvements	3,243,356	3,416,995			3,243,356	3,416,995	-5.08%
Machinery and Equipment	103,775	122,547	\$ 8,501	\$ 9,610	112,276	132,157	-15.04%
Total	\$ 3,652,564	\$ 3,657,470	\$ 8,501	\$ 9,610	\$ 3,661,065	\$ 3,667,080	-0.16%

Long-term Liabilities

At year-end, the District had a net of \$1,730,000 in general obligation bonds outstanding as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 8 to the basic financial statements.)

Figure A-9
Outstanding Long-Term Liabilities

	Total School District		Percentage Change
	2015/2016	2014/2015	
General Obligation Bonds (Financed with Property Taxes)	\$ 1,730,000	\$ 2,070,000	-16.43%
Net Pension Liability	1,119,721	894,092	25.24%
Other Long Term Liabilities - Compensated Absences	55,240	82,522	-33.06%
	\$ 2,904,961	\$ 3,046,614	-4.65%

- The District continued to pay down its debt, retiring \$340,000 of outstanding bonds.
- Compensated absences payable decreased by a net amount of \$27,282 due primarily to a retirement payment of \$35,192 offset by days accrued during the year.
- The net pension liability increased \$225,629 from the prior year.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could continue to significantly affect its financial health in the future:

- A5 – known as School District Accountability. This law, approved by the Governor on March 15, 2007 provides for various school district accountability measures.
- A4 – known as CORE. This law, approved by the Governor on April 3, 2007 implements CORE proposals and the primary focus of this law is to establish uniform shared services and consolidation through the use of an "Executive County Superintendent".

- The continued impact of S1701 legislation. S1701, adopted by the State of New Jersey on June 17, 2004, places limits on the School's ability to transfer funds into capital reserve for the construction and maintenance of school facilities, the ability to transfer available balance as needed and the ability to transfer available funds between appropriation accounts. Taking away the option of transferring available funds during the budget year has severely impacted our ability to maintain and improve our facilities.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors 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 Mrs. Erin Siipola, Board Secretary/ Business Administrator at the Board of Education Office at 178 Beaver Run Road, Lafayette, NJ 07848.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 551,641	\$ 23,107	\$ 574,748
Receivable from State Government	46,162	28	46,190
Receivable from Federal Government	21,232	739	21,971
Receivables from Other Governments	12,464	11,274	23,738
Inventories		5,793	5,793
Restricted Assets:			
Capital Reserve - Cash and Cash Equivalents	607,820		607,820
Maintenance Reserve- Cash and Cash Equivalents	151,122		151,122
Emergency Reserve - Cash and Cash Equivalents	185,325		185,325
Capital Assets:			
Sites (Land)	252,254		252,254
Depreciable Buildings and Building Improvements and Machinery and Equipment	3,400,310	8,501	3,408,811
Total Assets	<u>5,228,330</u>	<u>49,442</u>	<u>5,277,772</u>
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	120,249		120,249
Changes in Proportion - Pensions	33,778		33,778
Difference between Expected and Actual Experience - Pension	26,713		26,713
Deferred Amount on Refunding	91,881		91,881
Total Deferred Outflows of Resources	<u>272,621</u>		<u>272,621</u>
LIABILITIES			
Accounts Payable - Vendors	203,849	5,411	209,260
Accrued Interest Payable	24,500		24,500
Unearned Revenue		3,828	3,828
Unamortized Bond Premium	79,936		79,936
Noncurrent Liabilities:			
Due Within One Year	345,000		345,000
Due Beyond One Year	2,559,961		2,559,961
Total Liabilities	<u>3,213,246</u>	<u>9,239</u>	<u>3,222,485</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	18,003		18,003
Changes in Proportions - Pensions	76,213		76,213
Total Deferred Inflows of Resources	<u>94,216</u>		<u>94,216</u>
NET POSITION			
Net Investment in Capital Assets	2,014,445	8,501	2,022,946
Restricted for:			
Capital Projects	607,820		607,820
Emergency Reserve	185,325		185,325
Maintenance Reserve	151,122		151,122
Other Purposes	35,087		35,087
Unrestricted/(Deficit)	<u>(800,310)</u>	<u>31,702</u>	<u>(768,608)</u>
Total Net Position	<u>\$ 2,193,489</u>	<u>\$ 40,203</u>	<u>\$ 2,233,692</u>

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

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

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 2,828,963	\$ 28,964	\$ 749,328	\$ (2,050,671)		\$ (2,050,671)
Special Education	520,063	24,574	365,915	(129,574)		(129,574)
Other Special Instruction	37,085		9,584	(27,501)		(27,501)
School-Sponsored/Other Instruction	68,690		15,992	(52,698)		(52,698)
Support Services:						
Tuition	252,737			(252,737)		(252,737)
Student & Instruction Related Services	715,931		126,248	(589,683)		(589,683)
General Administrative Services	131,091		11,051	(120,040)		(120,040)
School Administrative Services	312,760		74,625	(238,135)		(238,135)
Central Services	207,144		30,496	(176,648)		(176,648)
Plant Operations and Maintenance	419,028		35,545	(383,483)		(383,483)
Pupil Transportation	335,722		113,634	(222,088)		(222,088)
Interest on Long-Term Debt	82,805			(82,805)		(82,805)
Capital Outlay	54,629			(54,629)		(54,629)
Charter School	99,063			(99,063)		(99,063)
Total Governmental Activities	6,065,711	53,538	1,532,418	(4,479,755)		(4,479,755)
Business-Type Activities:						
Food Service	151,799	125,972	35,065		\$ 9,238	9,238
Total Business-Type Activities	151,799	125,972	35,065		9,238	9,238

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Total Primary Government	<u>\$ 6,217,510</u>	<u>\$ 179,510</u>	<u>\$ 1,567,483</u>	<u>\$ (4,479,755)</u>	<u>\$ 9,238</u>	<u>\$ (4,470,517)</u>
General Revenue:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				3,780,000		3,780,000
Taxes Levied for Debt Service				423,875		423,875
Federal and State Aid not Restricted				598,292		598,292
Interest				2,526	76	2,602
Miscellaneous Income				3,388		3,388
Total General Revenue				<u>4,808,081</u>	<u>76</u>	<u>4,808,157</u>
Change in Net Position				328,326	9,314	337,640
Net Position - Beginning				<u>1,865,163</u>	<u>30,889</u>	<u>1,896,052</u>
Net Position - Ending				<u>\$ 2,193,489</u>	<u>\$ 40,203</u>	<u>\$ 2,233,692</u>

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

FUND FINANCIAL STATEMENTS

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

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 551,641		\$ 551,641
Interfund Receivable	13,188		13,188
Receivables From Federal Government		\$ 21,232	21,232
Receivables From State Government	58,626		58,626
Restricted Cash and Cash Equivalents	944,267		944,267
Total Assets	\$ 1,567,722	\$ 21,232	\$ 1,588,954
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable - Vendors	\$ 195,805	\$ 8,044	\$ 203,849
Interfund Payable		13,188	13,188
Total Liabilities	195,805	21,232	217,037
Fund Balances:			
Restricted:			
Emergency Reserve	185,325		185,325
Maintenance Reserve	151,122		151,122
Capital Reserve	607,820		607,820
Excess Surplus Designated for Subsequent Year's Expenditures	35,087		35,087
Assigned:			
Year-End Encumbrances	122,863		122,863
Designated for Subsequent Year's Expenditures	55,978		55,978
Unassigned	213,722		213,722
Total Fund Balances	1,371,917		1,371,917
Total Liabilities and Fund Balances	\$ 1,567,722	\$ 21,232	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$8,554,216 and the accumulated depreciation is \$4,901,652.	3,652,564
Interest on long term debt is not accrued as expenditures in the Governmental Funds but rather is recognized as an expenditure when due.	(24,500)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,119,721)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	120,249
Difference between Expected and Actual Experience - Pension	26,713
Investment Gains - Pensions	(18,003)
Changes in Proportions - Pensions	(42,435)

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

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because: (Cont'd)

Bond Premiums are Reported as revenue in the Governmental Funds. The Premium is \$191,845 and the Amortization is \$111,909.	\$ (79,936)
The deferred amount on refunding is not reported as an expense in the governmental funds in the year of the expense. The deferred amount on refunding is \$220,513 and the accumulated amortization is \$128,632.	91,881
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.	<u>(1,785,240)</u>
Net Position of Governmental Activities	<u>\$ 2,193,489</u>

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 3,780,000		\$ 423,875	\$ 4,203,875
Tuition from Individuals	28,964			28,964
Tuition from Other LEA's	24,574			24,574
Interest Earned on Restricted Funds	2,526			2,526
Unrestricted Miscellaneous	3,388			3,388
Total - Local Sources	3,839,452		423,875	4,263,327
State Sources	1,363,646			1,363,646
Federal Sources		\$ 118,165		118,165
Total Revenue	5,203,098	118,165	423,875	5,745,138
EXPENDITURES				
Current:				
Regular Instruction	1,579,082	46,522		1,625,604
Special Education Instruction	240,343	71,643		311,986
Other Special Instruction	20,451			20,451
School Sponsored/Other Instruction	43,404			43,404
Support Services and Undistributed Costs:				
Tuition	252,737			252,737
Student & Instruction Related Services	471,277			471,277
General Administrative Services	107,603			107,603
School Administrative Services	177,547			177,547
Central Services	142,325			142,325

LAFAYETTE 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	Debt Service Fund	Total Governmental Funds
EXPENDITURES				
Support Services and Undistributed Costs:				
Plant Operations and Maintenance	\$ 330,046			\$ 330,046
Pupil Transportation	328,116			328,116
Unallocated Benefits	1,185,199			1,185,199
Debt Service:				
Principal			\$ 340,000	340,000
Interest and Other Charges			83,875	83,875
Capital Outlay	240,465			240,465
Transfer of Funds to Charter Schools	99,063			99,063
Total Expenditures	5,217,658	\$ 118,165	423,875	5,759,698
 Deficit of Revenue under Expenditures	 (14,560)			 (14,560)
 Fund Balance—July 1	 1,386,477			 1,386,477
 Fund Balance—June 30	 \$ 1,371,917	 \$ -0-	 \$ -0-	 \$ 1,371,917

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

LAYAYETTE TOWNSHIP SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, 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 Exhibit B-2) \$ (14,560)

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit 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 outlay in the period.

	Depreciation expense	\$ (225,247)	
	Capital Outlays	220,341	
			(4,906)

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 (+) 27,282

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 340,000

Also, the governmental funds report the effect of the deferred amount on refunding relative to an advance refunding when debt is first issued whereas the amount is deferred and amortized in the statement of activities. (-) (18,376)

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. (+) 15,987

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:

Change in Net Pension Liability	(225,629)
Deferred Outflows:	
Changes in Assumptions	92,134
Changes in Proportions	33,778
Difference between Expected and Actual Experience	26,713
Deferred Inflows:	
Changes in Proportion	35,280
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	17,164

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

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 (+).

3,459

Changes in Net Position for Governmental Activities

\$ 328,326

Exhibit B-4

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

	Business-type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 23,107
Intergovernmental Accounts Receivable:	
Federal	739
State	28
Other	11,274
Inventories	5,793
Total Current Assets	40,941
Non-Current Assets:	
Capital Assets:	88,744
Less: Accumulated Depreciation	(80,243)
Total Non-Current Assets	8,501
Total Assets	49,442
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	5,411
Unearned Revenue	3,828
Total Liabilities	9,239
NET POSITION:	
Investment in Capital Assets	8,501
Unrestricted	31,702
Total Net Position	\$ 40,203

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

Exhibit B-5

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

	Business-type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales:	
Reimbursable Programs	\$ 12,917
Nonreimbursable Programs	34,355
Other Sales	78,700
Total Operating Revenue	125,972
Operating Expenses:	
Cost of Sales:	
Reimbursable Programs	20,055
Nonreimbursable Programs	53,338
Salaries, Benefits & Payroll Taxes	44,636
Supplies, Insurance & Other Costs	12,265
Management Fee	14,847
Miscellaneous/Other	5,549
Depreciation Expense	1,109
Total Operating Expenses	151,799
Operating Loss	(25,827)
Non-Operating Income:	
Local Sources:	
Interest Income	76
State Sources:	
State School Lunch Program	718
Federal Sources:	
National School Lunch Program	19,446
Food Distribution Program	14,901
Total Non-Operating Income	35,141
Change in Net Position	9,314
Net Position - Beginning of Year	30,889
Net Position - End of Year	\$ 40,203

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

Exhibit B-6

LAFAYETTE 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	\$ 121,961
Payments to Food Service Vendor	(138,876)
Payments to Suppliers and Other Expenses	(1,650)
Net Cash Used for Operating Activities	(18,565)
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	76
Net Cash Provided by Investing Activities	76
Cash Flows from Noncapital Financing Activities:	
State/Federal Subsidy Reimbursements Collected in Food Service Fund	20,845
Net Cash Provided by Noncapital Financing Activities	20,845
Net Decrease in Cash and Cash Equivalents	2,356
Cash and Cash Equivalents, July 1	20,751
Cash and Cash Equivalents, June 30	\$ 23,107
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (25,827)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Depreciation Expense	1,109
Food Distribution Program	14,901
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable - Intergovernmental - Other	(4,011)
(Decrease) in Unearned Revenue	(218)
(Decrease) in Accounts Payable	(4,913)
Decrease in Inventory	394
Net Cash Used for Operating Activities	\$ (18,565)

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$14,683 and utilized commodities from the Federal Food Distribution Program valued at \$14,901 for the fiscal year ended June 30, 2016.

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

Exhibit B-7

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

	Agency	Unemployment Compensation Trust
ASSETS:		
Cash and Cash Equivalents	\$ 43,377	\$ 94,472
Interfund Receivable - Payroll Agency Fund		5,529
	43,377	100,001
LIABILITIES:		
Interfund Payable - Unemployment Compensation Trust Fund	5,529	
Due to Student Groups	33,926	
Payroll Deductions and Withholdings	3,922	
	43,377	
NET POSITION:		
Held in Trust for Unemployment Claims		100,001
	\$ -0-	\$ 100,001
Total Net Position	\$ -0-	\$ 100,001

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

Exhibit B-8

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

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Plan Members	\$ 5,529
Total Contributions	<u>5,529</u>
Investment Earnings:	
Interest	<u>385</u>
Deductions	
Unemployment Compensation Claims	<u>35</u>
Change in Net Position	5,879
Net Position - Beginning of the Year	<u>94,122</u>
Net Position - End of the Year	<u><u>\$ 100,001</u></u>

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

LAFAYETTE 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 the Lafayette 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 significances) 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 one elementary school located in the Township of Lafayette. 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 government 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 program.

LAFAYETTE 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)

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 governmental 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.

LAFAYETTE 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)

The District reports the following governmental funds: (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. The District has no active capital projects accounted for in the Capital Projects Fund currently.

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: The Enterprise Fund accounts for all revenue and expenses pertaining to the Board's cafeteria operations. The food service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the 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 includes the Student Activities Fund, Payroll Agency 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.

LAFAYETTE 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)

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.

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 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 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 two last state aid payments in the subsequent fiscal year, the District cannot recognize the payments on the GAAP financial statements.

LAFAYETTE 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)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,205,470	\$ 118,165
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	80,068	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(82,440)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 5,203,098</u>	<u>\$ 118,165</u>

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,217,658	\$ 118,165
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,217,658</u>	<u>\$ 118,165</u>

E. Cash and Cash Equivalents:

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

New Jersey school districts are limited as to the 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.

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 Government 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.

LAFAYETTE 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)

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.

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.

LAFAYETTE 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)

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 and Building Improvements	50 years
Site Improvements	20 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 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 related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the government-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 premiums 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, governmental fund types recognize bond premiums as revenue in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

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

LAFAYETTE 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)

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 policies and agreements. 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 contracts and union agreements.

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 \$1,371,917 General Fund fund balance at June 30, 2016, \$122,863 is assigned for year-end encumbrances, \$55,978 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017, \$607,820 is restricted in the capital reserve account, \$185,325 is restricted in the emergency reserve account, \$151,122 is restricted in the maintenance reserve account; \$35,087 is restricted for prior year excess surplus and is appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017 and there is \$213,722 in unassigned fund balance which is \$82,440 less on a GAAP basis due to the final two state payments not being recognized on a GAAP basis.

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 has excess surplus at June 30, 2016 as detailed above.

Unassigned fund balance in the General Fund is less on a GAAP basis than budgetary basis in the amount of \$82,440 as of June 30, 2016 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last state aid payments 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.

LAFAYETTE 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)

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 these 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 noted above.

Q. Deficit Net Position:

The District has a deficit in unrestricted net position of \$800,310 in governmental activities, which is due to unamortized bond premium of \$79,936, accrued interest payable of \$24,500, compensated absences payable of \$55,240, investment gains in pensions of \$18,003, changes in proportion in pensions of \$76,213 and net pension liability of \$1,119,721 offset by deferred outflows due to changes in assumptions in pensions of \$120,249, changes in proportion in pension of \$33,778 and differences between expected and actual experience in pensions of \$26,713 as well as assigned and unassigned General Fund balances of \$392,563. 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 deferred outflows of resources at June 30, 2016 for the deferred amount on refunding, the changes in assumptions and proportions in pensions and the difference between expected and actual experience in pensions.

The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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.

LAFAYETTE 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)

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 capital reserve, an emergency reserve and a maintenance reserve.

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 has 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 year-end encumbrances and amounts designated for subsequent year's expenditures in the General Fund at June 30, 2016.

T. 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, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the

LAFAYETTE 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. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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.

U. Operating Revenue and Expenses:

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

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.

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, 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.

LAFAYETTE 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)

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 District 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 District 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 District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed in the section on Investments.

Deposits:

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

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

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

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

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

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;

LAFAYETTE 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: (Cont'd)

- (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 of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents Capital Maintenance and Emergency Reserve Accounts	Total
Checking Accounts	\$ 712,597	\$ 944,267	\$ 1,656,864

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 \$1,656,864 and the bank balance was \$1,710,578.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account in the amount of \$1 was established by Board resolution in October, 2000 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.

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

(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both.

A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)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	\$ 669,862
Increase by:	
Interest Earnings	\$ 1,506
Deposit By Board resolution - June 2016	<u>125,452</u>
	<u>126,958</u>
	796,820
Withdrawals:	
Withdrawal by Board Resolution	<u>189,000</u>
Ending Balance, June 30, 2016	<u><u>\$ 607,820</u></u>

The balance in the capital reserve at June 30, 2016 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan. The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP

NOTE 5. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established on June 16, 2009 by the Lafayette Township School District by inclusion of \$25,000 for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

The emergency reserve is restricted to be used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a thorough and efficient education. Unanticipated means reasonably unforeseeable and shall not include additional costs caused by poor planning. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution at year end of any unanticipated revenue or unexpended line item appropriation or both. The Department has defined year end for the purpose of depositing surplus into reserve accounts as an amount approved by the district board of education between June 1st and June 30th. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

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

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

NOTE 5. EMERGENCY RESERVE ACCOUNT (Cont'd)

Beginning Balance, July 1, 2015	\$ 203,621
Deposits:	
Interest Earnings	564
	<u>204,185</u>
Withdrawals:	
Budgeted Withdrawal	18,860
	<u>18,860</u>
Ending Balance, June 30, 2016	<u>\$ 185,325</u>

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$75,000 was established by the Lafayette Township School District by board resolution on June 11, 2013. 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 excess, 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	\$ 150,666
Deposits:	
Interest Earnings	456
	<u>456</u>
Ending Balance, June 30, 2016	<u>\$ 151,122</u>

LAFAYETTE 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:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 80,000			\$ 80,000
Construction in Progress		\$ 172,254		172,254
Total Capital Assets Not Being Depreciated	<u>80,000</u>	<u>172,254</u>		<u>252,254</u>
Capital Assets Being Depreciated:				
Site Improvements	186,942	25,454		212,396
Buildings and Building Improvements	7,312,169			7,312,169
Machinery and Equipment	754,764	22,633		777,397
Total Capital Assets Being Depreciated	<u>8,253,875</u>	<u>48,087</u>		<u>8,301,962</u>
Governmental Activities Capital Assets	<u>8,333,875</u>	<u>220,341</u>		<u>8,554,216</u>
Less Accumulated Depreciation for:				
Site Improvements	(149,014)	(10,203)		(159,217)
Buildings and Building Improvements	(3,895,174)	(173,639)		(4,068,813)
Machinery and Equipment	(632,217)	(41,405)		(673,622)
	<u>(4,676,405)</u>	<u>(225,247)</u>		<u>(4,901,652)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 3,657,470</u>	<u>\$ (4,906)</u>	<u>\$ -0-</u>	<u>\$ 3,652,564</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 88,744			\$ 88,744
Less Accumulated Depreciation	(79,134)	\$ (1,109)		(80,243)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,610</u>	<u>\$ (1,109)</u>	<u>\$ -0-</u>	<u>\$ 8,501</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 128,391
Special Education	24,777
Student and Other Instruction Related Services	33,787
School Administration	11,262
Operations and Maintenance of Plant	<u>27,030</u>
	<u>\$ 225,247</u>

LAFAYETTE 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:

	<u>Balance</u> <u>6/30/2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2016</u>
Serial Bonds Payable	\$ 2,070,000		\$ 340,000	\$ 1,730,000
Net Pension Liability	894,092	\$ 225,629		1,119,721
Compensated Absences Payable	82,522	7,910	35,192	55,240
	<u>\$ 3,046,614</u>	<u>\$ 233,539</u>	<u>\$ 375,192</u>	<u>\$ 2,904,961</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.

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

	<u>Issue</u> <u>Date</u>	<u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Maturity</u>	<u>Amount</u>
Refunding Bonds	01/07/10	3.00% - 5.00%	03/01/21	<u>\$ 1,730,000</u>

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

<u>Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 345,000.00	\$ 73,500.00	\$ 418,500.00
2018	355,000	61,100	416,100
2019	360,000	48,450	408,450
2020	365,000	33,500	398,500
2021	305,000	15,250	320,250
	<u>\$ 1,730,000</u>	<u>\$ 231,800</u>	<u>\$ 1,961,800</u>

On January 7, 2010, the Lafayette Township School District issued \$3,405,000 refunding bonds with interest rates ranging from 2.00% to 5.00% to advance refund \$3,307,000 school bonds with interest rates of 4.65% to 4.875%. The refunding bonds mature on March 1, 2010 through 2021. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the school bonds were called on March 1, 2011. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements.

LAFAYETTE 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)

A. Bonds Payable: (Cont'd)

As a result of the advance refunding, the District reduced its total debt service requirements by \$239,415, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$158,413 or 4.79 percent.

B. Bonds Authorized But Not Issued:

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

C. Capital Leases Payable:

As of June 30, 2016, the Board had no capital leases payable.

D. Compensated Absences

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. There is no current portion of the liability for compensated absences. The entire \$55,240 is a long-term liability.

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.

The General Fund will be used to liquidate Compensated Absences Payable. The Debt Service Fund will be used to liquidate the Serial Bonds.

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, 2015 is \$-0- and the long-term portion is \$1,119,721. See Note 10 for more information on the PERS.

NOTE 9. TRANSFERS TO CAPITAL OUTLAY

During the fiscal year ended June 30, 2016, the District transferred \$189,000 to the capital outlay accounts. The transfer required approval by the County Superintendent.

NOTE 10. 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 or the Defined Contribution Retirement Program (DCRP).

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

NOTE 10. PENSION PLANS (Cont'd)

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/annrpts.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.

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.

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

NOTE 10. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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 \$42,884 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 \$1,119,721 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 0.0050%, which was an increase of 0.002% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$63,577. At June 30, 2015, 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	\$ 23,969	
Changes in Assumptions - 2015	5.72	96,280	
Changes in Proportion - 2014	6.44		\$ 76,213
Changes in Proportion - 2015	5.72	33,778	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		41,742
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(23,739)
Difference Between Expected and Actual Experience - 2015	5.72	26,713	
		<u>\$ 180,740</u>	<u>\$ 94,216</u>

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

NOTE 10. 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	\$ 23,477
2017	23,477
2018	23,477
2019	37,391
2020	21,137
	<u>\$ 128,959</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.

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

NOTE 10. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (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>
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.

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

NOTE 10. PENSION PLANS (Cont'd)

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

Discount Rate (Cont'd)

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

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

The following presents the District's proportionate share of the 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	\$ 1,391,676	\$ 1,119,721	\$ 891,716

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/annrprts.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.

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

NOTE 10. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

<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 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.

Contributions

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 \$154,736 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$803,636.

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.

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

NOTE 10. 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 \$13,161,638. 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 0.021%, which was an increase of 0.0003% 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>13,161,638</u>
Total	<u><u>\$ 13,161,638</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$803,636 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		<u>(770,568,242)</u>
		<u><u>\$ 7,521,378,257</u></u>	<u><u>\$ 554,399,005</u></u>

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: will be amortized over 5 years.

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

NOTE 10. 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)

<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	<u>2,196,835,040</u>
	<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.

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.

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

NOTE 10. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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 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.

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

NOTE 10. PENSION PLANS (Cont'd)

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

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	\$ 15,642,115	\$ 13,161,638	\$ 11,024,559

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$11,189 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$15,644 for the fiscal year ended June 30, 2016.

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

NOTE 11. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required 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. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through 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.

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$184,249, \$178,725 and \$142,143 for 2016, 2015 and 2014, respectively.

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtained their health benefit coverage through the State of NJ Health Benefits Plan.

Property and Liability Insurance

The Lafayette Township School District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2016 audit report is not available as of the date of this report. Selected financial information for the SAIF as of June 30, 2015 is as follows:

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

NOTE 12. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 35,565,090
Net Position	\$ 7,171,390
Total Revenue	\$ 38,392,884
Total Expenses	\$ 36,335,763
Change in Net Position	\$ 2,057,121
Members Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive, Suite B-40
West Windsor, NJ 08550
(609) 275-1155

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 the District's contributions, employee contributions and interest earned, reimbursements to the State for benefits paid and the ending balance of the District's Unemployment Trust Fiduciary Fund for the current and previous two years:

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions and Interest</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016	\$ -0-	\$ 5,914	\$ 35	\$ 100,001
2015	\$ -0-	\$ 5,167	\$ 5,519	\$ 94,122
2014	\$ -0-	\$ 5,135	\$ -0-	\$ 94,474

LAFAYETTE 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 remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$ 13,188	
Special Revenue		\$ 13,188
Payroll Agency		5,529
Unemployment Compensation Trust	5,529	
	<u>\$ 18,717</u>	<u>\$ 18,717</u>

The interfund receivable in the General Fund is due to a cash deficit in the Special Revenue Fund due to the delay between the request and receipt of reimbursements on federal grants. The interfund receivable in the Unemployment Compensation Trust Fund is the current year employee unemployment trust compensation contributions.

NOTE 14. 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.

NOTE 15. DEFERRED COMPENSATION

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrator is Equitable Life Assurance.

NOTE 16. CONTINGENT LIABILITIES

Grant Programs

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

Litigation

The District is periodically involved in various lawsuits. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

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

NOTE 16. CONTINGENT LIABILITIES (Cont'd)

Encumbrances

At June 30, 2016, there were encumbrances in the governmental funds, general fund of \$122,863.

NOTE 17. 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 local School District on a predetermined mutually agreed-upon schedule.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0047754353%	0.0049880672%
District's proportionate share of the net pension liability	\$ 894,092	\$ 1,119,721
District's covered employee payroll	\$ 344,766	\$ 313,720
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	259.33%	356.92%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015.

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

	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 39,368	\$ 42,884
Contributions in relation to the contractually required contribution	<u>(39,368)</u>	<u>(42,884)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 313,720	\$ 276,388
Contributions as a percentage of covered employee payroll	12.55%	15.52%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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

	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0204925433%	0.0208239693%
State's proportionate share of the net pension liability attributable to the District	\$ 10,952,597	\$ 13,161,638
District's covered employee payroll	\$ 1,961,081	\$ 2,005,456
State proportionate share of the net pension liability associated with the District as a percentage of its covered employee payroll	558.50%	656.29%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015.

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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

LAFAYETTE 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	\$ 3,780,000		\$ 3,780,000	\$ 3,780,000	
Tuition from Individuals	12,000		12,000	28,964	\$ 16,964
Tuition from Other LEA's				24,574	24,574
Interest Earned on Emergency Reserve Funds	625		625	564	(61)
Interest Earned on Capital Reserve Funds	1,425		1,425	1,506	81
Interest Earned on Maintenance Reserve Funds	600		600	456	(144)
Unrestricted Miscellaneous Revenue	6,840		6,840	3,388	(3,452)
Total - Local Sources	<u>3,801,490</u>		<u>3,801,490</u>	<u>3,839,452</u>	<u>37,962</u>
State Sources:					
Categorical Special Education Aid	135,970		135,970	135,970	
School Choice Aid	356,610		356,610	356,610	
Equalization Aid	49,711		49,711	49,711	
Security Aid	17,139		17,139	17,139	
Adjustment Aid	172,439		172,439	172,439	
Transportation Aid	107,836		107,836	107,836	
Extraordinary Special Education Aid				43,936	43,936
Nonpublic Transportation Aid				2,226	2,226
PARCC Readiness Aid	2,375		2,375	2,375	
Per Pupil Growth Aid	2,375		2,375	2,375	
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				154,736	154,736
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				184,249	184,249
TPAF Social Security (Reimbursed - Non-Budgeted)				136,416	136,416
Total State Sources	<u>844,455</u>		<u>844,455</u>	<u>1,366,018</u>	<u>521,563</u>
TOTAL REVENUES	<u>4,645,945</u>		<u>4,645,945</u>	<u>5,205,470</u>	<u>559,525</u>

LAFAYETTE 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					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers		\$ 42,695	\$ 42,695	\$ 42,695	
Kindergarten - Salaries of Teachers	\$ 92,900	1,955	94,855	94,673	\$ 182
Grades 1-5 - Salaries of Teachers	844,000	(41,760)	802,240	797,717	4,523
Grades 6-8 - Salaries of Teachers	481,000	3,210	484,210	484,184	26
Regular Programs - Home Instruction:					
Salaries of Teachers	2,000	(1,400)	600	574	26
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	65,250	(18,400)	46,850	46,798	52
Other Purchased Services (400-500 series)	15,800	4,000	19,800	17,805	1,995
General Supplies	67,497	43,336	110,833	64,094	46,739
Textbooks	10,300	20,300	30,600	30,542	58
Total Regular Programs - Instruction	<u>1,578,747</u>	<u>53,936</u>	<u>1,632,683</u>	<u>1,579,082</u>	<u>53,601</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	155,500	(155,500)			
Other Salaries for Instruction	13,500	(13,500)			
General Supplies	2,062	(2,062)			
Total Learning and/or Language Disabilities	<u>171,062</u>	<u>(171,062)</u>			
Resource Room/Resource Center:					
Salaries of Teachers	41,000	155,800	196,800	196,764	36
General Supplies	1,000	1,762	2,762	1,666	1,096
Total Resource Room/Resource Center	<u>42,000</u>	<u>157,562</u>	<u>199,562</u>	<u>198,430</u>	<u>1,132</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	63,000	(21,000)	42,000	41,913	87
Total Preschool Disabilities - Full-Time	<u>63,000</u>	<u>(21,000)</u>	<u>42,000</u>	<u>41,913</u>	<u>87</u>
Total Special Education Instruction	<u>276,062</u>	<u>(34,500)</u>	<u>241,562</u>	<u>240,343</u>	<u>1,219</u>

LAFAYETTE 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					
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	\$ 23,000	\$ (2,000)	\$ 21,000	\$ 20,000	\$ 1,000
General Supplies	500		500	451	49
Total Basic Skills/Remedial - Instruction	<u>23,500</u>	<u>(2,000)</u>	<u>21,500</u>	<u>20,451</u>	<u>1,049</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	17,500	(50)	17,450	16,331	1,119
Total School-Sponsored Cocurricular Activities - Instruction	<u>17,500</u>	<u>(50)</u>	<u>17,450</u>	<u>16,331</u>	<u>1,119</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	17,900	(500)	17,400	17,042	358
Purchased Services (300-500 series)	2,175	500	2,675	2,675	
Total School-Sponsored Cocurricular Athletics - Instruction	<u>20,075</u>		<u>20,075</u>	<u>19,717</u>	<u>358</u>
Other Instructional Programs					
Other Objects	9,650		9,650	7,356	2,294
Total Other Instructional Programs	<u>9,650</u>		<u>9,650</u>	<u>7,356</u>	<u>2,294</u>
Total Instruction	<u>1,925,534</u>	<u>17,386</u>	<u>1,942,920</u>	<u>1,883,280</u>	<u>59,640</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	61,000	42,400	103,400	103,388	12
Tuition to Private Schools for the Handicapped - Within State	170,000	(20,651)	149,349	149,349	
Total Undistributed Expenditures - Instruction	<u>231,000</u>	<u>21,749</u>	<u>252,749</u>	<u>252,737</u>	<u>12</u>

LAFAYETTE 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					
Health Services:					
Salaries	\$ 62,750	\$ 350	\$ 63,100	\$ 63,100	
Purchased Professional and Technical Services	8,116	(3,750)	4,366	4,310	\$ 56
Supplies and Materials	2,615		2,615	2,413	202
Total Health Services	<u>73,481</u>	<u>(3,400)</u>	<u>70,081</u>	<u>69,823</u>	<u>258</u>
Speech, OT, PT and Related Services:					
Salaries	72,000		72,000	70,909	1,091
Purchased Professional - Educational Services	31,564		31,564	20,286	11,278
Supplies and Materials	1,000		1,000	1,000	
Total Speech, OT, PT and Related Services	<u>104,564</u>		<u>104,564</u>	<u>92,195</u>	<u>12,369</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	75,000	(6,000)	69,000	53,287	15,713
Purchased Professional - Educational Services	3,750	6,000	9,750	7,928	1,822
Total Other Support Services - Students - Extraordinary Services	<u>78,750</u>		<u>78,750</u>	<u>61,215</u>	<u>17,535</u>
Child Study Team:					
Salaries of Other Professional Staff	110,000		110,000	108,766	1,234
Salaries of Secretarial and Clerical Assistants	28,000	1,000	29,000	28,879	121
Purchased Professional Educational Services	31,200		31,200	30,938	262
Miscellaneous Purchased Services (400-500 series)	350		350		350
Supplies and Materials	1,525	2,000	3,525	2,670	855
Total Child Study Team	<u>171,075</u>	<u>3,000</u>	<u>174,075</u>	<u>171,253</u>	<u>2,822</u>
Improvement of Instructional Services:					
Purchased Professional Educational Services	21,200	1,600	22,800	22,403	397
Total Improvement of Instructional Services	<u>21,200</u>	<u>1,600</u>	<u>22,800</u>	<u>22,403</u>	<u>397</u>

LAFAYETTE 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					
Educational Media Services/School Library:					
Salaries	\$ 35,000	\$ 601	\$ 35,601	\$ 35,601	
Supplies and Materials	8,250		8,250	7,096	\$ 1,154
Total Educational Media Services/School Library	<u>43,250</u>	<u>601</u>	<u>43,851</u>	<u>42,697</u>	<u>1,154</u>
Instructional Staff Training Services:					
Purchased Professional - Educational Services	3,050	4,000	7,050	6,694	356
Other Purchased Services (400-500 series)	7,050	(1,000)	6,050	4,997	1,053
Total Instructional Staff Training Services	<u>10,100</u>	<u>3,000</u>	<u>13,100</u>	<u>11,691</u>	<u>1,409</u>
Support Services - General Administration:					
Salaries	57,000	(12,250)	44,750	44,658	92
Legal Services	2,000	6,600	8,600	8,121	479
Audit Fees	14,500	1,500	16,000	16,000	
Architectural/Engineering Fees		6,000	6,000	4,327	1,673
Other Purchased Professional Services	2,500	2,000	4,500	4,445	55
Communications/Telephone	7,500	104	7,604	6,914	690
BOE Other Purchased Services	800	(600)	200		200
Miscellaneous Purchased Services (400-500 series)	10,500	2,303	12,803	12,261	542
General Supplies	1,000		1,000	724	276
BOE In-house Training/ Meeting Supplies	405	(307)	98		98
Miscellaneous Expenditures	4,000	4,750	8,750	7,016	1,734
Board of Education Membership Dues and Fees	3,250	(100)	3,150	3,137	13
Total Support Services - General Administration	<u>103,455</u>	<u>10,000</u>	<u>113,455</u>	<u>107,603</u>	<u>5,852</u>

LAFAYETTE 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					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 135,100	\$ 5,000	\$ 140,100	\$ 132,903	\$ 7,197
Salaries of Secretarial and Clerical Assistants	44,250	6,000	50,250	44,199	6,051
Other Purchased Services (400-500 series)	175		175		175
Supplies and Materials	500		500	445	55
Total Support Services - School Administration	<u>180,025</u>	<u>11,000</u>	<u>191,025</u>	<u>177,547</u>	<u>13,478</u>
Support Services - Central Services:					
Salaries	124,500		124,500	123,241	1,259
Purchased Professional Services	6,000	9,261	15,261	14,051	1,210
Purchased Technical Services	1,500	1,000	2,500	1,480	1,020
Miscellaneous Purchased Services (400-500 series)	90		90		90
Supplies and Materials	750	1,800	2,550	2,313	237
Miscellaneous Expenditures	1,370		1,370	1,240	130
Total Support Services - Central Services	<u>134,210</u>	<u>12,061</u>	<u>146,271</u>	<u>142,325</u>	<u>3,946</u>
Required Maintenance of School Facilities:					
Salaries	27,400		27,400	27,400	
Cleaning, Repair and Maintenance Services	24,500	16,000	40,500	33,607	6,893
Total Required Maintenance of School Facilities	<u>51,900</u>	<u>16,000</u>	<u>67,900</u>	<u>61,007</u>	<u>6,893</u>

LAFAYETTE 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					
Custodial Services:					
Salaries	\$ 134,500	\$ 1,900	\$ 136,400	\$ 116,244	\$ 20,156
Cleaning, Repair and Maintenance Services	18,500	600	19,100	19,091	9
Insurance	21,000	(2,500)	18,500	18,500	
Miscellaneous Purchased Services	400		400	7	393
General Supplies	20,200	3,400	23,600	22,555	1,045
Energy (Electricity)	96,000	(28,600)	67,400	67,330	70
Energy (Oil)	82,600	(56,800)	25,800	25,312	488
Other Objects	400	(400)			
Total Custodial Services	<u>373,600</u>	<u>(82,400)</u>	<u>291,200</u>	<u>269,039</u>	<u>22,161</u>
Student Transportation Services:					
Salaries for Transportation - Between Home & School - Regular	14,855	(300)	14,555	14,463	92
Contracted Services:					
Other than Between Home and School - Vendors	15,600	(400)	15,200	15,146	54
Between Home and School - Joint Agreements	168,000	(155,400)	12,600	12,502	98
Special Education Students - Joint Agreements	38,250	(28,650)	9,600	9,563	37
Regular Education Students - ESCs & CTSAs		158,300	158,300	158,250	50
Special Education Students - ESCs & CTSAs	52,500	59,250	111,750	111,741	9
Aid in Lieu of Payments - Non Public Students	5,000	1,500	6,500	6,451	49
Other Objects	2,000	(1,500)	500		500
Total Student Transportation Services	<u>296,205</u>	<u>32,800</u>	<u>329,005</u>	<u>328,116</u>	<u>889</u>

LAFAYETTE 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					
Unallocated Benefits:					
Social Security Contributions	\$ 60,000	\$ 4,989	\$ 64,989	\$ 64,989	
Other Retirement Contributions - PERS	56,000	(13,116)	42,884	42,884	
Other Retirement Contributions - Regular		11,500	11,500	11,189	\$ 311
Workmen's Compensation	50,000		50,000	50,000	
Health Benefits	619,000	(74,170)	544,830	516,769	28,061
Tuition Reimbursement	8,000	500	8,500	8,337	163
Other Employee Benefits	10,000		10,000	8,130	1,870
Unused Sick Pay for Retired/Terminated Employees		7,500	7,500	7,500	
Total Unallocated Benefits	<u>803,000</u>	<u>(62,797)</u>	<u>740,203</u>	<u>709,798</u>	<u>30,405</u>
On-Behalf Contributions:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				154,736	(154,736)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				184,249	(184,249)
TPAF Social Security (Reimbursed - Non-Budgeted)				136,416	(136,416)
Total On-Behalf Contributions				<u>475,401</u>	<u>(475,401)</u>
Total Personal Services - Employee Benefits	<u>803,000</u>	<u>(62,797)</u>	<u>740,203</u>	<u>1,185,199</u>	<u>(444,996)</u>
Total Undistributed Expenses	<u>2,675,815</u>	<u>(36,786)</u>	<u>2,639,029</u>	<u>2,994,850</u>	<u>(355,821)</u>
TOTAL CURRENT EXPENSE	<u>4,601,349</u>	<u>(19,400)</u>	<u>4,581,949</u>	<u>4,878,130</u>	<u>(296,181)</u>
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Instruction		32,400	32,400	22,684	9,716
Students - Related and Extraordinary Services	25,600		25,600	25,454	146
Total Equipment	<u>25,600</u>	<u>32,400</u>	<u>58,000</u>	<u>48,138</u>	<u>9,862</u>

LAFAYETTE 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		\$ 21,000	\$ 21,000	\$ 21,000	
Construction Services		168,000	168,000	151,254	\$ 16,746
Assessment for Debt Service on SDA Funding	\$ 20,073		20,073	20,073	
Total Facilities Acquisition and Construction Services	<u>20,073</u>	<u>189,000</u>	<u>209,073</u>	<u>192,327</u>	<u>16,746</u>
TOTAL CAPITAL OUTLAY	<u>45,673</u>	<u>221,400</u>	<u>267,073</u>	<u>240,465</u>	<u>26,608</u>
Transfer of Funds to Charter Schools	<u>135,464</u>	<u>(13,000)</u>	<u>122,464</u>	<u>99,063</u>	<u>23,401</u>
TOTAL EXPENDITURES	<u>4,782,486</u>	<u>189,000</u>	<u>4,971,486</u>	<u>5,217,658</u>	<u>(246,172)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(136,541)</u>	<u>(189,000)</u>	<u>(325,541)</u>	<u>(12,188)</u>	<u>313,353</u>
Fund Balance, July 1	<u>1,466,545</u>		<u>1,466,545</u>	<u>1,466,545</u>	
Fund Balance, June 30	<u>\$ 1,330,004</u>	<u>\$ (189,000)</u>	<u>\$ 1,141,004</u>	<u>\$ 1,454,357</u>	<u>\$ 313,353</u>
<u>Recapitulation:</u>					
Restricted:					
Emergency Reserve				\$ 185,325	
Maintenance Reserve				151,122	
Capital Reserve				607,820	
Excess Surplus - Designated for Subsequent Year's Expenditures				35,087	
Assigned:					
Year-End Encumbrances				122,863	
For Subsequent Year's Expenditures				55,978	
Unassigned				<u>296,162</u>	
				<u>1,454,357</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not Recognized on GAAP Basis				<u>(82,440)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 1,371,917</u>	

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE 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>
REVENUES:				
Federal Sources	\$ 73,125	\$ 45,040	\$ 118,165	\$ 118,165
Total Revenues	<u>73,125</u>	<u>45,040</u>	<u>118,165</u>	<u>118,165</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	8,500	23,752	32,252	32,252
Other Salaries for Instruction	<u>57,675</u>	<u>13,968</u>	<u>71,643</u>	<u>71,643</u>
Total Instruction	<u>66,175</u>	<u>37,720</u>	<u>103,895</u>	<u>103,895</u>
Support Services:				
Personal Services - Employee Benefits	1,750	6,294	8,044	8,044
Purchased Professional - Educational Services	3,226	600	3,826	3,826
Other Purchased Services	<u>1,974</u>	<u>426</u>	<u>2,400</u>	<u>2,400</u>
Total Support Services	<u>6,950</u>	<u>7,320</u>	<u>14,270</u>	<u>14,270</u>
Total Expenditures	<u>\$ 73,125</u>	<u>\$ 45,040</u>	<u>\$ 118,165</u>	<u>\$ 118,165</u>

LAFAYETTE 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
	<u> </u>	<u> </u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,205,470	\$ 118,165
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements	80,068	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(82,440)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 5,203,098</u>	<u>\$ 118,165</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 5,217,658</u>	<u>\$ 118,165</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,217,658</u>	<u>\$ 118,165</u>

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)l. All budget amendments/transfers must be made by School Board resolution. 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 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 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

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

	<u>No Child Left Behind</u>		<u>Small Rural</u>
	<u>Title I</u>	<u>Title IIA</u>	<u>School</u> <u>Achievement</u>
REVENUE:			
Local Sources			
Federal Sources	\$ 15,776	\$ 6,226	\$ 24,520
Total Revenue	<u>15,776</u>	<u>6,226</u>	<u>24,520</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	12,627		19,625
Other Salaries for Instruction			
Total Instruction	<u>12,627</u>		<u>19,625</u>
Support Services:			
Personal Services - Employee Benefits	3,149		4,895
Purchased Professional Educational Services		3,826	
Other Purchased Professional Services		2,400	
Total Support Services	<u>3,149</u>	<u>6,226</u>	<u>4,895</u>
Total Expenditures	<u>\$ 15,776</u>	<u>\$ 6,226</u>	<u>\$ 24,520</u>

LAFAYETTE 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>Totals</u> <u>June 30, 2016</u>
	<u>Basic</u>	<u>Preschool</u>	
REVENUE:			
Federal Sources	\$ 68,681	\$ 2,962	\$ 118,165
Total Revenue	<u>68,681</u>	<u>2,962</u>	<u>118,165</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers			32,252
Other Salaries for Instruction	68,681	2,962	71,643
Total Instruction	<u>68,681</u>	<u>2,962</u>	<u>103,895</u>
Support Services:			
Personal Services - Employee Benefits			8,044
Purchased Professional Educational Services			3,826
Other Purchased Services			2,400
Total Support Services			<u>14,270</u>
Total Expenditures	<u>\$ 68,681</u>	<u>\$ 2,962</u>	<u>\$ 118,165</u>

CAPITAL PROJECTS FUND
(NOT APPLICABLE)

PROPRIETARY FUNDS

Exhibit G-1

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

ASSETS:

Current Assets:	
Cash and Cash Equivalents	\$ 23,107
Intergovernmental Receivable:	
Federal	739
State	28
Other	11,274
Inventories	5,793
	<hr/>
Total Current Assets	40,941
Non-Current Assets:	
Capital Assets	88,744
Less: Accumulated Depreciation	(80,243)
	<hr/>
Total Non-Current Assets	8,501
	<hr/>
Total Assets	49,442
	<hr/>
LIABILITIES:	
Current Liabilities:	
Unearned Revenue	3,828
Accounts Payable - Vendors	5,411
	<hr/>
Total Current Liabilities	9,239
	<hr/>
NET POSITION:	
Investment in Capital Assets	8,501
Unrestricted	31,702
	<hr/>
Total Net Position	\$ 40,203
	<hr/> <hr/>

Exhibit G-2

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
STATEMENT OF REVENUE AND EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Local Sources:	
Daily Sales:	
Reimbursable Programs	\$ 12,917
Nonreimbursable Programs	34,355
Other Sales	78,700
	<hr/>
Total Operating Revenue	125,972
	<hr/>
Operating Expenses:	
Cost of Sales:	
Reimbursable Programs	20,055
Nonreimbursable Programs	53,338
Salaries, Benefits & Payroll Taxes	44,636
Supplies, Insurance & Other Costs	12,265
Management Fee	14,847
Miscellaneous/Other	5,549
Depreciation Expense	1,109
	<hr/>
Total Operating Expenses	151,799
	<hr/>
Operating Loss	(25,827)
	<hr/>
Non-Operating Income:	
Local Sources:	
Interest Income	76
State Sources:	
State School Lunch Program	718
Federal Sources:	
National School Lunch Program	19,446
Food Distribution Program	14,901
	<hr/>
Total Non-Operating Income	35,141
	<hr/>
Change in Net Position	9,314
	<hr/>
Net Position - Beginning of Year	30,889
	<hr/>
Net Position - End of Year	\$ 40,203
	<hr/> <hr/>

Exhibit G-3

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

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 121,961
Payments to Food Service Vendor	(138,876)
Payments to Suppliers and Other Expenses	(1,650)
	<hr/>
Net Cash Used for Operating Activities	(18,565)
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	76
	<hr/>
Net Cash Provided by Investing Activities	76
Cash Flows from Noncapital Financing Activities:	
State/Federal Subsidy Reimbursements Collected in Food Service Fund	20,845
	<hr/>
Net Cash Provided by Noncapital Financing Activities	20,845
	<hr/>
Net Decrease in Cash and Cash Equivalents	2,356
Cash and Cash Equivalents, July 1	20,751
	<hr/>
Cash and Cash Equivalents, June 30	\$ 23,107
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (25,827)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,109
Food Distribution Program	14,901
Changes in Assets and Liabilities:	
(Increase) in Accounts Receivable - Intergovernmental - Other	(4,011)
(Decrease) in Unearned Revenue	(218)
(Decrease) in Accounts Payable	(4,913)
Decrease in Inventory	394
	<hr/>
Net Cash Used for Operating Activities	\$ (18,565)
	<hr/> <hr/>

Noncash Investing and Financing Activities:

The Food Service Enterprise Fund received commodities valued at \$14,683 and utilized commodities from the Federal Food Distribution Program valued at \$14,901 for the fiscal year ended June 30, 2016.

FIDUCIARY FUNDS

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

	<u>Student Activities</u>	<u>Payroll Agency</u>	<u>Total Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ASSETS:					
Cash and Cash Equivalents	\$ 33,926	\$ 9,451	\$ 43,377	\$ 94,472	\$ 137,849
Interfund Receivable - Payroll Agency Fund				5,529	5,529
Total Assets	<u>33,926</u>	<u>9,451</u>	<u>43,377</u>	<u>100,001</u>	<u>143,378</u>
LIABILITIES:					
Interfund Payable - Unemployment Compensation Trust Fund		5,529	5,529		5,529
Due to Student Groups	33,926		33,926		33,926
Payroll Deductions and Withholdings		3,922	3,922		3,922
Total Liabilities	<u>33,926</u>	<u>9,451</u>	<u>43,377</u>		<u>43,377</u>
NET POSITION:					
Held in Trust for Unemployment Claims				100,001	100,001
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,001</u>	<u>\$ 100,001</u>

Exhibit H-2

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

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Plan Members	\$ 5,529
Total Contributions	<u>5,529</u>
Investment Earnings:	
Interest	<u>385</u>
Deductions	
Unemployment Compensation Claims	<u>35</u>
Change in Net Position	5,879
Net Position - Beginning of the Year	<u>94,122</u>
Net Position - End of the Year	<u><u>\$ 100,001</u></u>

Exhibit H-3

LAFAYETTE 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>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 30,169	\$ 42,489	\$ 38,732	\$ 33,926
Total Assets	<u>\$ 30,169</u>	<u>\$ 42,489</u>	<u>\$ 38,732</u>	<u>\$ 33,926</u>
<u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 30,169	\$ 42,489	\$ 38,732	\$ 33,926
Total Liabilities	<u>\$ 30,169</u>	<u>\$ 42,489</u>	<u>\$ 38,732</u>	<u>\$ 33,926</u>

Exhibit H-4

LAFAYETTE 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:				
Student Activities	\$ 24,392	\$ 22,162	\$ 17,795	\$ 28,759
Fundraiser	5,225	17,365	17,847	4,743
Referee	552	2,962	3,090	424
	<u>552</u>	<u>2,962</u>	<u>3,090</u>	<u>424</u>
Total All Schools	<u>\$ 30,169</u>	<u>\$ 42,489</u>	<u>\$ 38,732</u>	<u>\$ 33,926</u>

Exhibit H-5

LAFAYETTE 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>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ - 0 -	\$ 2,840,514	\$ 2,831,063	\$ 9,451
Total Assets	<u>\$ - 0 -</u>	<u>\$ 2,840,514</u>	<u>\$ 2,831,063</u>	<u>\$ 9,451</u>
 <u>LIABILITIES:</u>				
Interfund Payable - Unemployment Compensation Trust Fund		\$ 5,529		\$ 5,529
Payroll Deduction and Withholdings	\$ - 0 -	2,834,985	\$ 2,831,063	3,922
Total Liabilities	<u>\$ - 0 -</u>	<u>\$ 2,840,514</u>	<u>\$ 2,831,063</u>	<u>\$ 9,451</u>

LONG-TERM DEBT

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT 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				
Refunded Bonds	01/07/10	\$ 3,405,000	03/01/17	\$ 140,000	3.00%	<u>\$ 2,070,000</u>	<u>\$ 340,000</u>	<u>\$ 1,730,000</u>
			03/01/17	205,000	4.00%			
			03/01/18	155,000	3.00%			
			03/01/18	200,000	4.00%			
			03/01/19	100,000	3.25%			
			03/01/19	260,000	4.50%			
			03/01/20	365,000	5.00%			
			03/01/21	305,000	5.00%			
					<u>\$ 2,070,000</u>	<u>\$ 340,000</u>	<u>\$ 1,730,000</u>	

Exhibit I-2

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

LAFAYETTE 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>
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 423,875		\$ 423,875	\$ 423,875	
Total Revenue	<u>423,875</u>		<u>423,875</u>	<u>423,875</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	83,875		83,875	83,875	
Redemption of Principal	340,000		340,000	340,000	
Total Regular Debt Service	<u>423,875</u>		<u>423,875</u>	<u>423,875</u>	
Total Expenditures	<u>423,875</u>		<u>423,875</u>	<u>423,875</u>	
Excess of Revenue Over Expenditures					
Fund Balance, July 1	<u>-0-</u>	\$ -0-	<u>-0-</u>	<u>-0-</u>	\$ -0-
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</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**Exhibit****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.

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, 2004.

LAFAYETTE 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	\$ 823,893	\$ 835,483	\$ 899,632	\$ 1,140,347	\$ 1,230,814	\$ 1,358,097	\$ 1,499,570	\$ 1,514,964	\$ 1,697,727	\$ 2,014,445
Restricted	152,124	133,029	180,971	402,762	615,821	799,844	941,876	950,933	1,132,003	979,354
Unrestricted	91,903	89,091	91,562	30,941	50,375	183,330	87,157	(897,560)	(964,567)	(800,310)
Total Governmental Activities Net Position	<u>\$ 1,067,921</u>	<u>\$ 1,057,603</u>	<u>\$ 1,172,165</u>	<u>\$ 1,574,050</u>	<u>\$ 1,897,010</u>	<u>\$ 2,341,271</u>	<u>\$ 2,528,603</u>	<u>\$ 1,568,337</u>	<u>\$ 1,865,163</u>	<u>\$ 2,193,489</u>
Business-Type Activities:										
Investment in Capital Assets	\$ 3,859		\$ 12,722	\$ 12,456	\$ 12,190	\$ 15,925	\$ 13,619	\$ 11,319	\$ 9,610	\$ 8,501
Unrestricted	18,958	18,873	10,511	7,752	6,383	3,051	9,613	13,112	21,279	31,702
Total Business-Type Activities Net Position	<u>\$ 22,817</u>	<u>\$ 18,873</u>	<u>\$ 23,233</u>	<u>\$ 20,208</u>	<u>\$ 18,573</u>	<u>\$ 18,976</u>	<u>\$ 23,232</u>	<u>\$ 24,431</u>	<u>\$ 30,889</u>	<u>\$ 40,203</u>
District-Wide:										
Net Investment in Capital Assets	\$ 827,752	\$ 835,483	\$ 912,354	\$ 1,152,803	\$ 1,243,004	\$ 1,374,022	\$ 1,513,189	\$ 1,526,283	\$ 1,707,337	\$ 2,022,946
Restricted	152,124	133,029	180,971	402,762	615,821	799,844	941,876	950,933	1,132,003	979,354
Unrestricted	110,862	107,964	102,073	38,693	56,758	186,381	96,770	(884,448)	(943,288)	(768,608)
Total District Net Position	<u>\$ 1,090,738</u>	<u>\$ 1,076,476</u>	<u>\$ 1,195,398</u>	<u>\$ 1,594,258</u>	<u>\$ 1,915,583</u>	<u>\$ 2,360,247</u>	<u>\$ 2,551,835</u>	<u>\$ 1,592,768</u>	<u>\$ 1,896,052</u>	<u>\$ 2,233,692</u>

Source: School District Financial Reports

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities										
Instruction:										
Regular	\$ 2,298,482	\$ 2,465,665	\$ 2,264,250	\$ 2,167,669	\$ 2,136,092	\$ 2,300,287	\$ 2,410,862	\$ 2,454,346	\$ 2,729,748	\$ 2,828,963
Special Education	319,528	250,287	351,444	490,910	364,819	419,069	418,913	473,789	544,311	520,063
Other Special Instruction	81,177	62,644	37,970	31,685	37,029	37,526	31,358	25,758	37,455	37,085
School-Sponsored/Other Instruction			34,736	52,980	35,558	42,094	55,758	58,692	68,249	68,690
Support Services:										
Tuition	141,628	110,380	232,289	171,849	218,102	216,650	202,717	199,918	233,201	252,737
Student & Instruction Related Services	547,758	594,282	519,948	546,221	488,316	545,677	593,348	588,231	638,610	715,931
General and Business Administrative Services	305,042	141,689	123,854	160,836	125,276	117,600	119,311	120,268	133,704	131,091
School Administrative Services	259,916	258,006	254,875	269,696	250,872	263,892	264,587	281,455	315,694	312,760
Central Services		157,062	171,423	148,692	151,668	149,588	153,461	154,113	178,399	207,144
Plant Operations and Maintenance	408,081	410,605	371,628	384,571	402,785	434,151	437,713	434,389	420,865	419,028
Pupil Transportation	316,280	334,430	370,549	310,307	282,605	245,802	263,432	261,912	264,407	335,722
Unallocated Depreciation			32,697							
Interest on Long-term Debt	247,909	232,119	188,966	105,807	136,054	120,398	111,331	98,022	91,215	82,805
Capital Outlay					196,465	19,581	13,018	41,527	20,073	54,629
Charter Schools						24,726	24,081	66,822	66,006	99,063
Total Governmental Activities Expenses	<u>4,925,803</u>	<u>5,017,168</u>	<u>4,954,629</u>	<u>4,841,223</u>	<u>4,825,641</u>	<u>4,937,041</u>	<u>5,099,890</u>	<u>5,259,242</u>	<u>5,741,937</u>	<u>6,065,711</u>
Business-Type Activities:										
Food Service	83,815	96,461	90,368	77,369	71,413	81,183	166,043	166,275	163,583	151,799
Total Business-type Activities Expense	<u>83,815</u>	<u>96,461</u>	<u>90,368</u>	<u>77,369</u>	<u>71,413</u>	<u>81,183</u>	<u>166,043</u>	<u>166,275</u>	<u>163,583</u>	<u>151,799</u>
Total District Expenses	<u>\$ 5,009,618</u>	<u>\$ 5,113,630</u>	<u>\$ 5,044,997</u>	<u>\$ 4,918,592</u>	<u>\$ 4,897,054</u>	<u>\$ 5,018,224</u>	<u>\$ 5,265,933</u>	<u>\$ 5,425,517</u>	<u>\$ 5,905,520</u>	<u>\$ 6,217,510</u>

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental Activities:										
Charges for Services:										
Tuition		\$ 13,613	\$ 30,000	\$ 56,718	\$ 48,000	\$ 52,088	\$ 42,666	\$ 23,684	\$ 66,213	\$ 53,538
Operating Grants and Contributions	\$ 342,341	767,342	686,353	779,317	696,655	764,686	800,399	758,053	1,305,446	1,532,418
Capital Grants and Contributions					82,373					
Total Governmental Activities Program Revenues	<u>342,341</u>	<u>780,955</u>	<u>716,353</u>	<u>836,035</u>	<u>827,028</u>	<u>816,774</u>	<u>843,065</u>	<u>781,737</u>	<u>1,371,659</u>	<u>1,585,956</u>
Business-Type Activities:										
Charges for Services:										
Food Service	66,080	69,669	65,862	55,210	54,736	52,422	141,896	144,259	135,595	125,972
Operating Grants and Contributions	18,059	22,465	15,858	19,077	16,128	23,116	28,393	24,807	34,417	35,065
Total Business-type Activities Program Revenues	<u>84,139</u>	<u>92,134</u>	<u>81,720</u>	<u>74,287</u>	<u>70,864</u>	<u>75,538</u>	<u>170,289</u>	<u>169,066</u>	<u>170,012</u>	<u>161,037</u>
Total District Program Revenues	<u>\$ 426,480</u>	<u>\$ 873,088</u>	<u>\$ 798,073</u>	<u>\$ 910,322</u>	<u>\$ 897,892</u>	<u>\$ 892,312</u>	<u>\$ 1,013,354</u>	<u>\$ 950,803</u>	<u>\$ 1,541,671</u>	<u>\$ 1,746,993</u>
Net (Expense)/Revenue										
Governmental Activities	\$ (4,583,462)	\$ (4,236,214)	\$ (4,238,276)	\$ (4,005,188)	\$ (3,998,613)	\$ (4,120,267)	\$ (4,256,825)	\$ (4,477,505)	\$ (4,370,278)	\$ (4,479,755)
Business-type Activities	324	(4,328)	(8,648)	(3,082)	(549)	(5,645)	4,246	2,791	6,429	9,238
Total District-wide Net Expense	<u>\$ (4,583,137)</u>	<u>\$ (4,240,542)</u>	<u>\$ (4,246,924)</u>	<u>\$ (4,008,270)</u>	<u>\$ (3,999,162)</u>	<u>\$ (4,125,912)</u>	<u>\$ (4,252,579)</u>	<u>\$ (4,474,714)</u>	<u>\$ (4,363,849)</u>	<u>\$ (4,470,517)</u>

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, net	\$ 3,246,725	\$ 3,340,675	\$ 3,474,302	\$ 3,520,000	\$ 3,578,435	\$ 3,611,300	\$ 3,573,000	\$ 3,536,000	\$ 3,662,000	\$ 3,780,000
Property Taxes Levied for Debt Service	290,920	367,186	437,458	436,065	402,990	406,775	416,999	422,800	421,300	423,875
Federal and State aid not restricted	917,185	490,705	403,874	430,260	288,986	346,085	419,447	568,816	577,582	598,292
Tuition	14,319									
Investment Earnings	14,413	19,313	14,536	1,095	1,184	2,058	2,310	1,289	2,498	2,526
Prior Period and Fixed Assets Adjustments	(1,572,467)									
Miscellaneous income	9,280	7,517	22,668	19,653	49,978	6,926	7,259	11,557	3,724	3,388
Other Income		500								
Total Governmental Activities	<u>2,920,374</u>	<u>4,225,896</u>	<u>4,352,838</u>	<u>4,407,073</u>	<u>4,321,573</u>	<u>4,373,144</u>	<u>4,419,015</u>	<u>4,540,462</u>	<u>4,667,104</u>	<u>4,808,081</u>
Business-Type Activities:										
Investment Earnings	370	384	286	57	19	7	10	19	29	76
Miscellaneous income/Other	9,280	7,517	12,722		(1,105)	6,041				
Special Item - Cancellation of Accounts Receivable								(1,611)		
Total Business-Type Activities	<u>9,650</u>	<u>7,901</u>	<u>13,008</u>	<u>57</u>	<u>(1,086)</u>	<u>6,048</u>	<u>10</u>	<u>(1,592)</u>	<u>29</u>	<u>76</u>
Total District-Wide	<u>\$ 2,930,024</u>	<u>\$ 4,233,797</u>	<u>\$ 4,365,846</u>	<u>\$ 4,407,130</u>	<u>\$ 4,320,487</u>	<u>\$ 4,379,192</u>	<u>\$ 4,419,025</u>	<u>\$ 4,538,870</u>	<u>\$ 4,667,133</u>	<u>\$ 4,808,157</u>
Change in Net Position:										
Governmental Activities	\$ (1,663,087)	\$ (10,318)	\$ 114,562	\$ 401,885	\$ 322,960	\$ 252,877	\$ 162,190	\$ 62,957	\$ 296,826	\$ 328,326
Business-type Activities	9,974	3,573	4,360	(3,025)	(1,635)	403	4,256	1,199	6,458	9,314
Total District	<u>\$ (1,653,113)</u>	<u>\$ (6,745)</u>	<u>\$ 118,922</u>	<u>\$ 398,860</u>	<u>\$ 321,325</u>	<u>\$ 253,280</u>	<u>\$ 166,446</u>	<u>\$ 64,156</u>	<u>\$ 303,284</u>	<u>\$ 337,640</u>

Source: School District Financial Reports

LAFAYETTE 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:										
Restricted / Reserved	\$ 116,340	\$ 99,028	\$ 180,970	\$ 377,704	\$ 557,784	\$ 799,843	\$ 941,876	\$ 950,933	\$ 1,132,003	\$ 979,354
Assigned					48,811	119,457	77,843	153,305	47,563	178,841
Unassigned					229,824	240,992	220,021	202,163	206,911	213,722
Unreserved - Designated for Subsequent Year's Expenditures				5,000						
Unreserved / Undesignated	137,953	226,293	182,332	210,222						
Total General Fund	<u>\$ 254,293</u>	<u>\$ 325,321</u>	<u>\$ 363,302</u>	<u>\$ 592,926</u>	<u>\$ 836,419</u>	<u>\$ 1,160,292</u>	<u>\$ 1,239,740</u>	<u>\$ 1,306,401</u>	<u>\$ 1,386,477</u>	<u>\$ 1,371,917</u>
All Other Governmental Funds:										
Restricted					\$ 9,226	\$ 1				
Unreserved, Reported in:										
Capital Projects Fund	\$ 71,199									
Debt Service Fund	1	\$ 1	\$ 1	\$ 25,058						
Total All Other Governmental Funds	<u>\$ 71,200</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 25,058</u>	<u>\$ 9,226</u>	<u>\$ 1</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Source: School District Financial Reports

LAFAYETTE 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	\$ 3,537,645	\$ 3,707,861	\$ 3,911,760	\$ 3,956,065	\$ 3,981,425	\$ 4,018,075	\$ 3,989,999	\$ 3,958,800	\$ 4,083,300	\$ 4,203,875
Tuition Charges	14,319	13,613	30,000	56,718	48,000	52,088	42,666	23,684	66,213	53,538
Interest Earnings on Restricted Funds	14,413	2,321	2,017	1,095	1,184	2,058	2,310	1,289	2,498	2,526
Miscellaneous	9,280	25,009	36,759	22,026	51,426	6,926	7,259	11,557	3,724	3,388
State Sources	1,135,781	1,144,769	972,387	1,027,739	950,264	973,052	1,109,320	1,219,097	1,296,025	1,363,646
Federal Sources	123,745	113,278	116,268	179,465	116,302	137,719	110,526	107,772	110,232	118,165
Total Revenue	4,835,183	5,006,851	5,069,191	5,243,108	5,148,601	5,189,918	5,262,080	5,322,199	5,561,992	5,745,138
Expenditures										
Instruction:										
Regular Instruction	1,510,995	1,580,552	1,670,704	1,530,422	1,465,244	1,504,613	1,583,364	1,597,724	1,640,875	1,625,604
Special Education Instruction	196,372	224,805	249,373	374,404	257,941	282,967	286,742	326,587	341,458	311,986
Other Special Instruction	54,504	58,094	21,993	22,053	28,036	27,943	21,869	17,058	22,774	20,451
School Sponsored/Other Instruction			34,736	41,520	25,738	29,885	40,632	43,869	46,008	43,404
Support Services:										
Tuition	141,628	110,380	232,289	171,849	218,102	216,650	202,717	199,918	233,201	252,737
Student & Instruction Related Services	390,759	433,024	426,944	418,660	356,640	385,264	435,779	434,719	439,404	471,277
General Administrative Services	216,946	102,382	126,854	148,448	114,081	106,010	106,229	105,755	109,350	107,603
School Administrative Services	171,336	182,167	176,108	181,624	162,639	158,796	166,009	176,147	180,693	177,547
Central Services		109,091	116,620	123,670	123,308	122,083	124,557	124,008	127,657	142,325
Plant Operations and Maintenance	360,180	340,692	336,519	349,459	355,062	378,413	385,806	379,335	356,816	330,046
Student Transportation	315,532	333,744	370,036	309,979	278,728	241,937	259,769	258,594	258,872	328,116
Unallocated Benefits	1,071,363	1,089,621	797,547	845,506	862,376	933,942	1,079,427	1,060,675	1,147,039	1,185,199
Capital Outlay	18,500	4,085	34,029	59,825	254,223	46,041	48,652	41,527	90,463	240,465
Transfer to Charter Schools						24,726	24,081	66,822	66,006	99,063
Debt Service:										
Principal	225,000	235,000	245,000	300,000	290,000	300,000	310,000	325,000	330,000	340,000
Interest and Other Charges	212,494	203,385	192,458	120,233	128,822	116,000	107,000	97,800	91,300	83,875
Total Expenditures	4,885,610	5,007,022	5,031,210	4,997,652	4,920,940	4,875,270	5,182,633	5,255,538	5,481,916	5,759,698
Excess/(Deficiency) of Revenue Over/(Under) Expenditures	(50,427)	(171)	37,981	245,456	227,661	314,648	79,447	66,661	80,076	(14,560)

LAFAYETTE 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
Other Financing Sources/(Uses):										
Serial Bonds Defeased				\$ (3,307,000)						
Serial Bonds Issued				3,405,000						
Bond Premium				191,845						
Bond Insurance Costs				(60,107)						
Deferred Amount of Refunding				(220,513)						
Transfers In		\$ 71,199			\$ 123,540					
Transfers Out		(71,199)			(123,540)					
Total Other Financing Sources/(Uses)				9,225						
Net Change in Fund Balances	\$ (50,427)	\$ (171)	\$ 37,981	\$ 254,681	\$ 227,661	\$ 314,648	\$ 79,447	\$ 66,661	\$ 80,076	\$ (14,560)
Debt Service as a Percentage of Noncapital Expenditures	8.99%	8.76%	8.75%	8.51%	8.97%	8.61%	8.12%	8.11%	7.81%	7.68%

Source: School District Financial Reports

Exhibit J-5

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

Fiscal Year Ending June 30,	Interest on Investments	Tuition	Other	Total
2007	\$ 14,413	\$ 14,319	\$ 9,280	\$ 38,012
2008	19,313	13,613	7,517	40,443
2009	14,536	30,000	22,668	67,204
2010	6,822	56,718	13,926	77,466
2011	7,758	48,000	43,404	99,162
2012	5,492	52,088	2,601	60,181
2013	2,310	42,666	7,209	52,185
2014	1,289	23,684	11,557	36,530
2015	2,498	66,213	3,724	72,435
2016	2,526	53,538	3,388	59,452

Source: School District Financial Reports

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

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Farm Qualified	Commercial	Industrial	Public Utilities ^a	Tax-Exempt Property	Net Valuation Taxable	Total Direct School Tax Rate ^b	Actual (County Equalized Value)
2006	* \$ 18,720,900	\$ 293,860,000	\$ 61,748,400	\$ 2,224,800	\$ 45,126,500	\$ 44,689,900	\$ 1,211,886	\$ 36,866,800	\$ 467,582,386	\$ 0.751	\$ 387,721,767
2007	17,732,000	298,542,000	62,256,000	2,772,600	45,127,600	44,689,900	1,187,891	37,382,300	472,307,991	0.773	462,152,371
2008	11,772,000	302,383,600	62,723,200	2,308,700	45,464,100	44,689,900	1,127,240	37,527,600	470,468,740	0.810	475,990,366
2009	11,041,800	303,856,900	64,907,000	2,277,400	46,931,400	44,494,400	909,083	37,306,000	474,417,983	0.829	491,230,736
2010	10,195,400	302,586,600	63,773,600	2,507,500	49,056,600	44,494,400	548,807	38,202,900	473,162,907	0.839	451,312,650
2011	9,160,300	295,317,000	63,116,400	2,556,200	45,863,100	26,731,100	560,912	38,544,000	443,305,012	0.902	439,705,362
2012	8,661,800	292,547,500	64,777,600	2,547,700	45,772,600	23,929,500	565,007	39,819,900	438,801,707	0.912	414,089,316
2013	** 6,574,300	219,343,500	47,116,300	3,951,900	41,217,100	15,337,800	539,095	27,614,700	334,079,995	1.189	355,384,286
2014	6,746,400	219,287,600	46,714,100	2,337,400	41,203,100	15,337,800	494,830	28,176,100	332,121,230	1.211	373,817,248
2015	6,404,000	218,935,700	46,091,800	2,655,700	35,992,900	15,339,900	494,830	28,176,100	326,017,858	1.271	343,614,618

* Year in which the revaluation became effective.

** - Year in which the reassessment became effective.

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

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

Year Ended December 31,	Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate	
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	County	Regional High School		
2006	*	\$ 0.689	\$ 0.062	\$ 0.751	\$ 0.092	\$ 0.364	\$ 0.393	\$ 1.600
2007		0.696	0.077	0.773	0.117	0.401	0.434	1.725
2008		0.719	0.091	0.810	0.135	0.389	0.467	1.801
2009		0.738	0.091	0.829	0.146	0.394	0.453	1.822
2010		0.754	0.085	0.839	0.176	0.384	0.457	1.856
2011		0.811	0.091	0.902	0.191	0.428	0.540	2.061
2012		0.817	0.095	0.912	0.196	0.439	0.560	2.107
2013	**	1.062	0.127	1.189	0.263	0.525	0.701	2.678
2014		1.086	0.125	1.211	0.263	0.525	0.701	2.700
2015		1.143	0.128	1.271	0.274	0.559	0.673	2.777

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.

* Year in which the revaluation became effective.

** Year in which the reassessment became effective.

Source: Municipal Tax Collector and School Business Administrator

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2015			2006		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
205 Route 94, LLC	\$ 3,966,900	1.22%			
Durling Realty, LLC	3,423,900	1.05%			
BHR Ringwood Real Estate LLC	3,342,900	1.03%			
United Telephone Co. of NJ	2,279,600	0.70%			
Carlwood Land Development LLC	2,070,000	0.63%		N/A	
34-38 Route 15 Lafayette, LLC	1,785,600	0.55%			
FSB Properties, Inc	1,782,900	0.55%			
94 Associates, (c/o Carson/Roberts)	1,682,900	0.52%			
11 Millpond Drive, LLC	1,533,100	0.47%			
All Leasing, Inc.	1,493,200	0.46%			
Total	<u>\$23,361,000</u>	<u>7.17%</u>			

N/A - Information is not available.

Source: Lafayette Township Tax Assessor

Exhibit J-9

LAFAYETTE 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	
		Amount	Percentage of Levy
2007	\$ 3,537,645	\$ 3,537,645	100.00%
2008	3,707,861	3,707,861	100.00%
2009	3,911,760	3,911,760	100.00%
2010	3,956,065	3,956,065	100.00%
2011	3,981,425	3,981,425	100.00%
2012	4,018,075	4,018,075	100.00%
2013	3,989,999	3,989,999	100.00%
2014	3,958,800	3,958,800	100.00%
2015	4,083,300	4,083,300	100.00%
2016	4,203,875	4,203,875	100.00%

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

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED
(dollars in thousands, except per capita)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	\$ 4,307,000					\$ 4,307,000	3.75%	\$ 1,733
2008	4,072,000					4,072,000	3.36%	1,644.59
2009	3,827,000					3,827,000	3.11%	1,549.39
2010	3,625,000					3,625,000	3.05%	1,471.78
2011	3,335,000					3,335,000	2.70%	1,323.41
2012	3,035,000					3,035,000	2.39%	1,212.54
2013	2,725,000					2,725,000	2.09%	1,099.23
2014	2,400,000					2,400,000	1.85%	979.19
2015	2,070,000					2,070,000	1.59%	841.12
2016	1,730,000					1,730,000	1.34%	709.31

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.

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

Source: School District Financial Reports

Exhibit J-11

LAFAYETTE 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	\$ 4,307,000		\$ 4,307,000	0.92%	\$ 1,733.20
2008	4,072,000		4,072,000	0.86%	1,644.59
2009	3,827,000		3,827,000	0.81%	1,549.39
2010	3,625,000		3,625,000	0.76%	1,471.78
2011	3,335,000		3,335,000	0.70%	1,323.41
2012	3,035,000		3,035,000	0.68%	1,212.54
2013	2,725,000		2,725,000	0.62%	1,099.23
2014	2,400,000		2,400,000	0.72%	979.19
2015	2,070,000		2,070,000	0.62%	841.12
2016	1,730,000		1,730,000	0.53%	709.31

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

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Net Direct Debt of School District as of December 31, 2015			<u>\$ 2,070,000</u>
Net Overlapping Debt of School District:			
County of Sussex - Township of Lafayette's Share	\$ 80,533,710	2.06%	<u>1,658,994</u>
Total Direct And Overlapping Debt			<u><u>\$3,728,994.43</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 is borne by the residents and businesses of Lafayette. 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 Lafayette Township's equalized property value that is within the Sussex County's boundaries and dividing it by Sussex County's total equalized property value.

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

Exhibit J-13

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

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized valuation basis	
2015	\$ 343,016,760
2014	356,702,592
2013	373,757,172
	<u>\$1,073,476,524</u>
Average Equalized Valuation of Taxable Property	<u>\$ 357,825,508</u>
Debt Limit (3% of average equalization value)	a \$ 10,734,765
Net Bonded School Debt	<u>1,730,000</u>
Legal Debt Margin	<u>\$ 9,004,765</u>

Fiscal Year Ended June 30,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 13,312,582	\$ 12,538,591	\$ 11,612,054	\$ 11,022,249	\$ 10,734,765
Total Net Debt Applicable to Limit	<u>3,035,000</u>	<u>2,725,000</u>	<u>2,400,000</u>	<u>2,070,000</u>	<u>1,730,000</u>
Legal Debt Margin	<u>\$ 10,277,582</u>	<u>\$ 10,277,582</u>	<u>\$ 9,212,054</u>	<u>\$ 8,952,249</u>	<u>\$ 9,004,765</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	22.80%	21.73%	20.67%	18.78%	16.12%

Fiscal Year Ended June 30,

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 11,691,826	\$ 13,049,759	\$ 14,119,199	\$ 14,069,746	\$ 13,991,830
Total Net Debt Applicable to Limit	<u>4,307,000</u>	<u>4,072,000</u>	<u>3,827,000</u>	<u>3,625,000</u>	<u>3,335,000</u>
Legal Debt Margin	<u>\$ 7,384,826</u>	<u>\$ 8,977,759</u>	<u>\$ 10,292,199</u>	<u>\$ 10,444,746</u>	<u>\$ 10,656,830</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	36.84%	31.20%	27.10%	25.76%	23.84%

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

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

Year	Population ^a	Township Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
2007	2,476	\$ 121,071,448	\$ 48,898	4.80%
2008	2,470	122,882,500	49,750	6.20%
2009	2,463	118,866,843	48,261	10.60%
2010	2,520	123,585,840	49,042	11.20%
2011	2,503	127,152,400	50,800	10.90%
2012	2,479	130,375,568	52,592	10.90%
2013	2,451	129,800,058	52,958	8.60%
2014	2,461	130,066,311	52,851	6.20%
2015	2,439	128,903,589	52,851 *	4.80%
2016	2,439 **	128,903,589 ***	52,851 *	N/A

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

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

*** - Latest Township personal income available (2014) was used for calculation purposes.

N/A - Not Available

Sources:

^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

Exhibit J-15

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2015

Employer	Employees	Percentage of Total Employment
Newton Medical Center	5,000	2.71%
Selective Insurance	5,000	1.63%
Mountain Creek Resort	1,000	1.22%
Thor Labs	1,000	1.13%
County of Sussex	1,000	1.08%
Ames Rubber Corp.	500	0.60%
Raider Express	500	0.41%
Sussex County Community College	500	0.41%
Mountain Creek Waterpark	250	0.41%
A&P Food Store	250	0.39%
	<u>15,000</u>	
Total Employment	<u>73,505</u>	

2006

Employer	Employees	Percentage of Total Employment
Mountain Creek/ Intrawest	1,247	N/A
Crystal Springs Golf and Spa Resort	1,154	N/A
Newton Memorial Hospital	1,109	N/A
Selective Insurance	954	N/A
County of Sussex	770	N/A
Andover Sub Acute and Rehab Center	700	N/A
Ronetco Supermarkets, Inc. (Shop Rite)	672	N/A
Vernon Township Board of Education	664	N/A
Sparta Board of Education	557	N/A
Sussex County Community College	516	N/A
	<u>8,343</u>	
Total Employment	<u>80,951</u>	

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

Source: Sussex County Chamber of Commerce

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

<u>Function/Program:</u>	Fiscal Year Ending June 30,									
	<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	27.5	25.3	24.1	22.1	19.9	18.9	20.0	20.4	21.0	21.5
Special Education	3.5	3.8	4.2	5.0	5.4	6.6	5.6	4.6	4.6	4.6
Other	9.0	11.0	9.6	10.3	9.0	7.7	7.1	8.3	8.9	8.7
Support Services:										
Student & Instruction Related Services	5.0	5.8	4.8	4.0	3.0	4.2	5.0	5.0	5.0	5.0
School Administrative Services	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General Administrative Services	3.2	3.2	3.3	3.3	3.3	3.8	3.8	3.8	3.8	3.8
Central Services	2.0	2.0	1.8	1.8	1.8	1.5	1.5	1.5	1.5	1.5
Plant Operations and Maintenance	3.8	3.6	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.2
	<u>54.5</u>	<u>55.2</u>	<u>51.4</u>	<u>50.1</u>	<u>46.0</u>	<u>46.3</u>	<u>46.6</u>	<u>47.2</u>	<u>48.4</u>	<u>48.8</u>

Source: School District Records

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^d</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil Teacher Ratio Elementary Schools</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	315.8	\$ 4,429,616	\$ 14,027	8.43%	39	1:11	315.8	303.7	-4.79%	96.17%
2008	314.1	4,564,552	14,532	3.60%	38	1:11	314.1	301.7	-0.54%	96.05%
2009	295.6	4,559,723	15,425	6.15%	38	1:10	295.6	283.3	-5.89%	95.84%
2010	281.9	4,517,594	16,026	3.89%	37	1:10	281.9	270.8	-4.63%	96.06%
2011	257.1	4,247,895	16,522	3.10%	34	1:10	257.1	245.3	-8.80%	95.41%
2012	252.4	4,413,229	17,485	5.83%	32	1:10	252.4	243.9	-1.83%	96.63%
2013	250.1	4,716,981	18,860	7.87%	34	1:10	250.1	240.4	-0.91%	96.12%
2014	251.4	4,791,211	19,058	1.05%	34	1:10	251.4	241.7	0.52%	96.14%
2015	249.1	4,970,153	19,952	4.69%	34	1:10	249.1	239.5	-0.91%	96.15%
2016	242.6	5,095,358	21,003	5.27%	34	1:10	242.6	232.5	-2.61%	95.84%

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 the operating expenditures divided by enrollment. This cost per pupil may be different from other cost per pupil calculations.

Sources: School District Records

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>					
<u>Elementary</u>					
<u>Lafayette School</u>					
Square Feet	68,434	68,434	68,434	68,434	68,434
Capacity (students)	435	435	435	435	435
Enrollment	252.4	250.1	251.4	249.1	242.6

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>District Building</u>					
<u>Elementary</u>					
<u>Lafayette School</u>					
Square Feet	68,434	68,434	68,434	68,434	68,434
Capacity (students)	435	435	435	435	435
Enrollment	315.8	314.1	295.6	281.9	257.1

Number of Schools at June 30, 2016
 Elementary = 1

Note: Enrollment is based on the annual October district count.

Source: School District Records

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
GENERAL FUND SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

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

<u>Facility</u>	<u>Project #'(s)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>School Facilities:</u>						
Elementary School	N/A	\$ 69,249	\$ 50,581	\$ 51,441	\$ 46,069	\$ 61,007
Grand Total		\$ 69,249	\$ 50,581	\$ 51,441	\$ 46,069	\$ 61,007

<u>Facility</u>	<u>Project #'(s)</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>School Facilities:</u>						
Elementary School	N/A	\$ 74,439	\$ 46,769	\$ 66,485	\$ 52,206	\$ 53,185
Grand Total		\$ 74,439	\$ 46,769	\$ 66,485	\$ 52,206	\$ 53,185

N/A - Not Applicable

Source: District records

Exhibit J-20

LAFAYETTE TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>		<u>Deductible</u>
School Alliance Insurance Fund (SAIF):			
Property - Blanket Building and Contents Including Boiler and Building and Personal Property Inland Marine - Auto Physical Damage	\$ 250,000,000	Fund Aggregate	\$ 1,000
General Liability including Auto, Employee Benefits Each Occurance	5,000,000		
General Aggregate Product Completed Ops Personal Injury Fire Damage Medical Expenses (Excluding Students Taking Part in Athletics) Automobile Coverage Combined Single Limit Hired/Non Owned	100,000,000	Fund Aggregate	
	2,500,000		
	10,000		
Environmental Impairment Liability	1,000,000/25,000,000	Fund Aggregate	5,000
Crime Coverage	50,000	Inside/Outside	1,000
Blanket Dishonesty Bond	500,000		1,000
Boiler and Machinery	100,000,000	Fund Aggregate	1,000
Excess Liability (AL/GL)	5,000,000		
School Board Legal Excess SLPL	5,000,000/5,000,000 5,000,000/5,000,000		5,000
Workers' Compensation Employer's Liability Supplemental Indemnity	Statutory 5,000,000 Statutory		
Bond for Business Administrator	180,000	Selective Insurance	
Bond for Treasurer of School Monies	180,000	Selective Insurance	
Student Accident	5,000,000	Bollinger	

SINGLE AUDIT SECTION



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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
 Lafayette Township School District
 County of Sussex, 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 Lafayette Township School District in the County of Sussex (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 October 26, 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
Lafayette Township School District
Page 2

Compliance and Other Matters

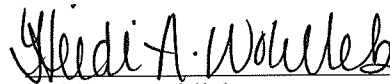
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 result 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.

October 26, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



Heidi A. Wohlleb
Licensed Public School Accountant # 2140
Certified Public Accountant



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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
 Lafayette Township School District
 County of Sussex, New Jersey

Report on Compliance for Each Major State Program

We have audited the Lafayette 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.

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.

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

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.

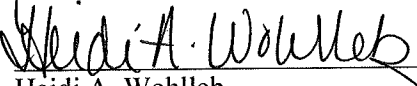
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

October 26, 2016
Mount Arlington, New Jersey

NISIVOCIA LLP


Heidi A. Wohlleb
Licensed Public School Accountant #2140
Certified Public Accountant

LAFAYETTE 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	Award Amount	Balance at June 30, 2015			Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2016		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor				Budgetary Accounts Receivable	Budgetary Unearned Revenue	Due to Grantor
U.S. Department of Education Passed-through State Department of Education:													
Special Revenue Fund:													
No Child Left Behind Consolidated Grant:													
Title I	84.010A	NCLB249015	7/1/14-6/30/15	\$ 12,053	\$ (3,444)		\$ 3,444						
Title II, Part A	84.367A	NCLB249015	7/1/14-6/30/15	6,179	(4,679)		4,679						
Title I	84.010A	NCLB249016	7/1/14-6/30/16	15,776			11,269	\$ (15,776)		\$ (4,507)			
Title II, Part A	84.367A	NCLB249016	7/1/14-6/30/16	6,226			5,986	(6,226)		(240)			
Small Rural School Achievement Program	84.358A 84.358A	S358A023332 S358A023332	7/1/14-6/30/15 7/1/15-6/30/16	23,974 24,520	(6,874)		6,874 15,200		(24,520)		(9,320)		
Special Education Cluster:													
IDEA Combined Grant:													
I.D.E.A. Part B, Basic	84.027	IDEA249016	7/1/15-6/30/16	68,681			61,813	(68,681)		(6,868)			
I.D.E.A. Part B, Preschool	84.173	IDEA249016	7/1/15-6/30/16	2,962			2,665	(2,962)		(297)			
Total Special Education Cluster							64,478	(71,643)		(7,165)			
Total U.S. Department of Education					(14,997)		111,930	(118,165)		(21,232)			
U.S. Department of Agriculture Passed-through State Department of Agriculture:													
Child Nutrition Cluster:													
U.S.D.A Commodities Program	10.555	N/A	7/1/14-6/30/15	15,840		\$ 4,046		(4,046)					
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	20,007	(1,396)		1,396						
U.S.D.A Commodities Program	10.555	N/A	7/1/15-6/30/16	14,683			14,683	(10,855)			\$ 3,828		
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	19,446			18,707	(19,446)		(739)			
Total U.S. Department of Agriculture/Child Nutrition Cluster					(1,396)	4,046	34,786	(34,347)		(739)	3,828		
Total Federal Awards					\$ (16,393)	\$ 4,046	\$ -0-	\$ 146,716	\$ (152,512)	\$ -0-	\$ (21,971)	\$ 3,828	\$ -0-

N/A - Not Applicable

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

LAFAYETTE 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	Award Amount	Balance at June 30, 2015			Budgetary Expenditures	Balance at June 30, 2016		MEMO	
				Budgetary Accounts Receivable	Due to Grantor	Cash Received		GAAP Accounts Receivable	Due to Grantor	Budgetary Accounts Receivable	Cumulative Total Expenditures
New Jersey Department of Education											
General Fund:											
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	107,836	\$ (10,521)		\$ 10,521					\$ 107,836
Special Education Categorical Aid	15-495-034-5120-089	7/1/14 - 6/30/15	135,970	(13,266)		13,266					135,970
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	17,139	(1,672)		1,672					17,139
Adjustment Aid	15-495-034-5120-085	7/1/14 - 6/30/15	172,439	(16,824)		16,824					172,439
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	49,711	(4,850)		4,850					49,711
Extraordinary Special Education Aid	15-100-034-5120-473	7/1/14 - 6/30/15	34,029	(34,029)		34,029					34,029
Nonpublic Transportation	15-495-034-5120-014	7/1/14 - 6/30/15	2,950	(2,950)		2,950					2,950
School Choice Aid	15-495-034-5120-068	7/1/14 - 6/30/15	332,836	(32,471)		32,471					332,836
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	2,375	(232)		232					2,375
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	2,375	(232)		232					2,375
Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	107,836			97,308	\$ (107,836)			\$ (10,528)	107,836
Special Education Categorical Aid	16-495-034-5120-089	7/1/15 - 6/30/16	135,970			122,696	(135,970)			(13,274)	135,970
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	17,139			15,466	(17,139)			(1,673)	17,139
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	172,439			155,605	(172,439)			(16,834)	172,439
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	49,711			44,857	(49,711)			(4,854)	49,711
Extraordinary Special Education Aid	16-495-034-5120-044	7/1/15 - 6/30/16	43,936				(43,936)	\$ (43,936)		(43,936)	43,936
Nonpublic Transportation	16-495-034-5120-014	7/1/15 - 6/30/16	2,226				(2,226)	(2,226)		(2,226)	2,226
School Choice Aid	16-495-034-5120-068	7/1/15 - 6/30/16	356,610			321,797	(356,610)			(34,813)	356,610
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	2,375			2,143	(2,375)			(232)	2,375
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	2,375			2,143	(2,375)			(232)	2,375
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	136,416			123,952	(136,416)	(12,464)		(12,464)	136,416
Total General Fund State Aid				(117,047)		1,003,014	(1,027,033)	(58,626)		(141,066)	2,030,720
Enterprise Fund											
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	770	(52)		52					770
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	718			690	(718)	(28)		(28)	718
Total Enterprise Fund				(52)		742	(718)	(28)		(28)	1,488
Total State Awards				\$ (117,099)	\$ -0-	\$ 1,003,756	\$ (1,027,751)	\$ (58,654)	\$ -0-	\$ (141,094)	\$ 2,032,208

LAFAYETTE 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 (the "Schedules") include the federal and state grant activity of the Board of Education, Lafayette 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 on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. 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.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,372) for the general fund, and \$-0- for the special revenue fund. See Note 1 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 TPAF Pension and on-behalf TPAF Post Retirement Contributions revenue of \$154,736 and \$184,249, respectively.

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

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,363,646	\$ 1,363,646
Special Revenue Fund	\$ 118,165		118,165
Food Service Fund	34,347	718	35,065
Total Awards	<u>\$ 152,512</u>	<u>\$ 1,364,364</u>	<u>\$ 1,516,876</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. 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.

LAFAYETTE 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 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 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 was not subject to the single audit provisions of the Uniform Guidance for fiscal year end June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following state aid:

	<u>State</u> <u>Grant Number</u>	<u>Grant Period</u>	<u>Award</u> <u>Amount</u>	<u>Budgetary</u> <u>Expenditures</u>
Special Education				
Categorical Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 135,970	\$ 135,970
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	17,139	17,139
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	172,439	172,439
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	356,610	356,610
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	49,711	49,711
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	2,375	2,375
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	2,375	2,375

- 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.

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.

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

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 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

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

Status of Prior Year Findings:

There were no prior audit findings.