

**LEBANON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016

**Prepared by
Lebanon Borough School District
Department of Administration**

**LEBANON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Introduction	
Letter of Transmittal	1 - 4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7
Financial	
Independent Auditors' Report	8 - 10
Required Supplementary Information - Part I	
Management's Discussion and Analysis	11 - 18
Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	19
A-2 Statement of Activities	20
B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	21 - 22
B-2 Statement of Revenues, Expenditures, and Change in Fund Balances	23 - 24
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Proprietary Funds	
B-4 Statement of Fund Net Position	26
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	27
B-6 Statement of Cash Flows	28
Fiduciary Funds	
B-7 Statement of Fiduciary Net Position	29
Notes to the Financial Statements	30 - 59

**LEBANON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page</u>
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule - General Fund	60 - 65
C-2 Budgetary Comparison Schedule - Special Revenue Fund	66
 Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	67
 Required Supplementary Information - Part III	
L. Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	68
L-2 Schedule of Pension Contribution - TPAF	69
L-3 Schedule of the District's Proportionate Share of the Net Position Liability - PERS	70
L-4 Schedule of Pension Contribution - PERS	71
 Notes of the Required Supplementary Information - Part III	72
 Other Supplemental Information	
D. School Based Budget Schedules	N/A
 E. Special Revenue Fund	
E-1 Combining Schedule of Revenue and Expenditures - Budgetary Basis	73
 F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	74
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	75
F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis	76

**LEBANON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page</u>
G. Proprietary Funds	
Enterprise Fund	
G-1 Statement of Fund Net Position	77
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position	78
G-3 Statement of Cash Flows	79
H. Fiduciary Funds	
H-1 Combining Schedule of Net Position in Fiduciary Funds	80
H-2 Combining Schedule of Changes in Fiduciary Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	81
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	82
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	N/A
I-2 Debt Service Fund Budgetary Comparison Schedule	N/A
I-3 Schedule of Obligations under Capital Leases	N/A
J. Statistical Section	
J-1 Net Position by Component	83
J-2 Changes in Net Position	84 - 86
J-3 Fund Balances - Governmental Funds	87
J-4 Changes in Fund Balances - Governmental Funds	88 - 89
J-5 General Fund - Other Local Revenues by Source	90
J-6 Assessed Value and Actual Value of Taxable Property	91
J-7 Direct and Overlapping Property Tax Rates	92
J-8 Principal Property Taxpayers	93
J-9 Property Tax Levies and Collections	94
J-10 Ratios of Outstanding Debt by Type	95
J-11 Ratios of General Bonded Debt Outstanding	96
J-12 Direct and Overlapping Governmental Activities Debt	97
J-13 Legal Debt Margin Information	98
J-14 Demographic and Economic Statistics	99
J-15 Principal Employers	100
J-16 Full Time Equivalent District Employees by Function/Program	101
J-17 Operating Statistics	102
J-18 School Building Information	103
J-19 Schedule of Required Maintenance Expenditures by School Facility	104
J-20 Insurance Schedule	105

**LEBANON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page</u>
K. Single Audit Section	
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 Government Auditing Standards	106 - 107
K-2 Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance of New Jersey OMB Circular Letter 15-08	108 - 110
K-3 Schedule of Expenditures of Federal Awards - Schedule A	111
K-4 Schedule of Expenditures State Financial Assistance - Schedule B	112
K-5 Notes to the Schedules of Awards and Financial Assistance	113 - 114
K-6 Schedule of Findings and Questioned Costs	115 - 117
K-7 Summary Schedule of Prior Audit Findings	118

Lebanon Borough Board of Education

6 Maple Street
Lebanon, New Jersey 08833

Charles Maranzano, Ed.D.
Interim Chief School Administrator

Patricia Duell
School Business Administrator

November 17, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Lebanon Borough School District for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (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 financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidelines) and New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

1.) **REPORTING ENTITY AND ITS SERVICES:** Lebanon Borough School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Lebanon Borough 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 Pre-K through 6. These include regular, as well as special education for handicapped youngsters. The District completed the 2015/16 fiscal year with an enrollment of 99 students, which is greater than the prior year finish. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-16	99.0	8%
2014-15	92.0	0.0%
2013-14	92.0	10%
2012-13	84.0	2.5%
2011-12	82.1	9.6%
2010-11	75.0	(11.8%)
2009-10	85.0	1.05%
2008-09	81.0	(1.22%)
2007-08	82.0	0.00%
2006-07	82.0	(8.07%)

2.) **ECONOMIC CONDITION AND OUTLOOK:** Lebanon Borough is an established community and is experiencing some development and expansion. It is expected that the community will continue to prosper.

3.) **MAJOR INITIATIVES:**

- a. Emphasis on Core Curriculum Standards has resulted in:
 - Standardized test scores that exceed state and national averages
 - High testing achievement for those students taking the fourth grade New Jersey ASK Science Proficiency Test.
- b. All students receive special instructions in the following areas by teacher specialist: Technology, Art, Library/Research, Music, Gifted and Talented/Enrichment.
- c. Small class size allows staff to individualize classroom instruction.
- d. In-class instructional support for mainstreamed Special Education students.
- e. Staff development opportunities for all professional staff.

4.) **INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP).

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

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

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

6.) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7.) FINANCIAL INFORMATION AT FISCAL YEAR-END: As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8.) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Notes 1 and 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.

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

10.) OTHER INFORMATION:

A) Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki and Company CPA's, P.C. was selected by the Board of Education. In addition to meeting the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11.) ACKNOWLEDGMENTS:

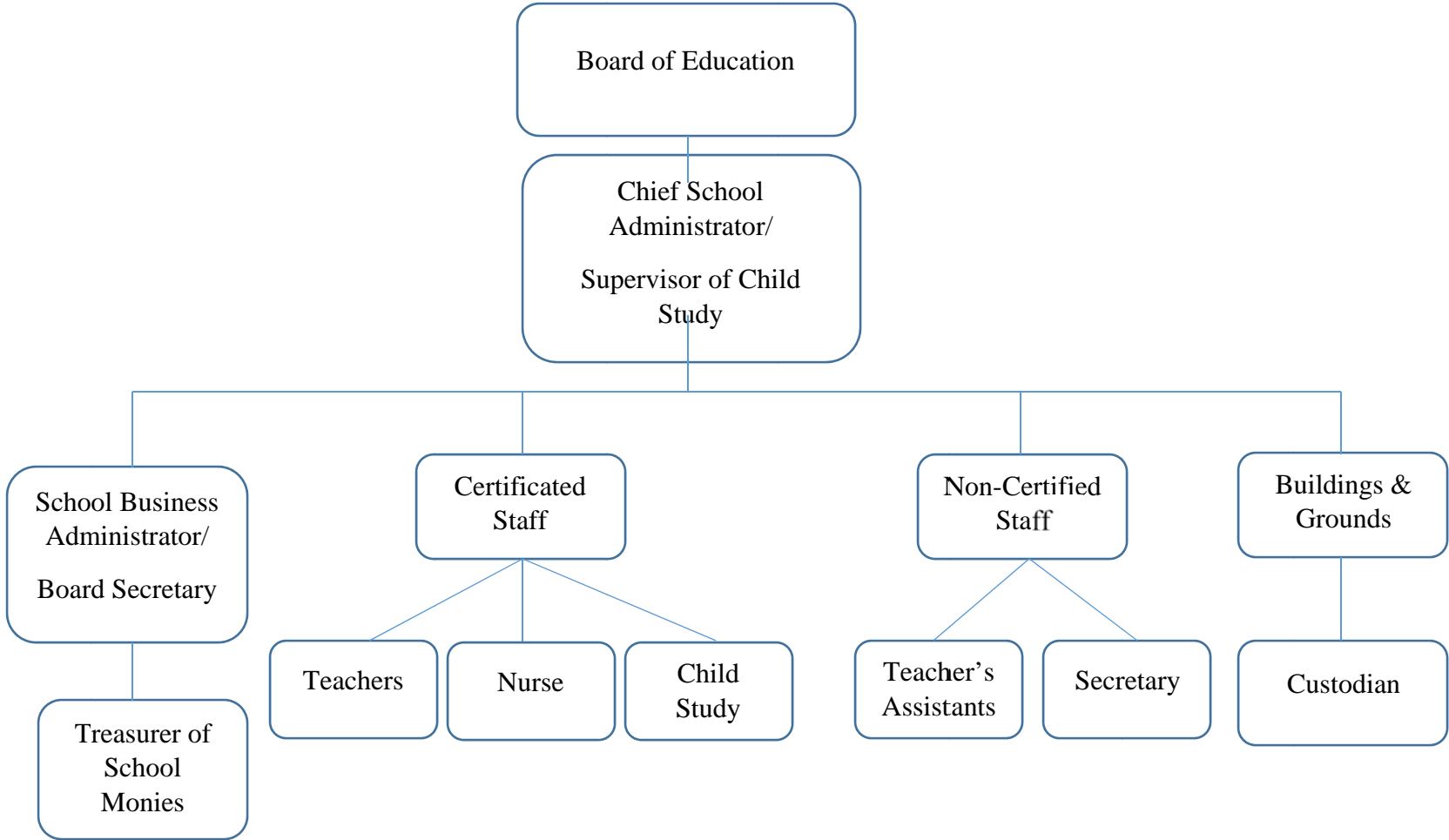
We would like to express our appreciation to the members of the Lebanon Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial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

Respectfully submitted,



Patricia Duell
School Business Administrator/Board Secretary

**Lebanon Borough Board of Education
Organizational Chart**



Lebanon Borough Board of Education

Roster of Officials

June 30, 2016

Name:	Term Expires:
Jaclyn Carruthers, President	2016
Melissa Toledo, Vice President	2018
Marlene Baldinger	2016
Christine Burton	2018
Thomas McGrew	2017

Other District Officials:

Dr. Robert Sutter, Chief School Administrator

Mrs. Patricia Duell, School Business Administrator/Board Secretary

Mrs. Kay Winzenreid, Treasurer of School Monies

Comegno Law Group, Board Attorney

Lebanon Borough Board of Education

Consultants and Advisors

June 30, 2016

Audit Firm: Bedard, Kurowicki & Co., CPA's, PC

114 Broad St.
Flemington, NJ 08822

Architect: Parette Somjen Architects

439 Rt. 46 East
Rockaway, NJ 07866

Attorney: Comegno Law Group

521 Pleasant Valley Ave.
Moorestown, NJ 08057

Official Depository: Investor's Savings Bank

55 Old Highway 22#4
Clinton, NJ 08809



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Lebanon Borough School District
County of Hunterdon, 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 Lebanon Borough School District (the District) in the County of Hunterdon, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the Board'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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the 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 and budgetary comparison information identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.


In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject 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 November 17, 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.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr., CPA
Public School Accountant
No. CS 0128

November 17, 2016
Flemington, New Jersey

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

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

Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position decreased \$43,423 which represents a 1.94 percent decrease from fiscal year 2015.
- General revenues accounted for \$3,098,208 in revenue or 97.43 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$81,711 or 2.57 percent to total revenues of \$3,179,919.
- Total assets of governmental activities decreased by \$20,669 as cash and cash equivalents increased by \$25,686, receivables decreased by \$21,123 and capital assets decreased by \$25,232.
- The School District had \$3,223,342 in expenses; only \$81,711 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$3,098,208 were adequate to provide for these programs.
- Among major funds, the General Fund had \$2,800,716 in revenues and \$2,763,905 in expenditures. The General Fund's balance increased \$36,811 over 2015.

Using this Generally Accepted Accounting Principles Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lebanon Borough School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Lebanon Borough School District, the General Fund is by far the most significant fund.

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides.

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of New Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Table 1 provides a summary of the District's net position at 6/30/16 with comparisons to 6/30/15.

**Table 1
Net Position**

	Fiscal Year Ended		Variance	
	6/30/16	6/30/15	Dollars	%
Assets				
Current and other assets	\$ 721,675	\$ 717,447	\$ 4,228	.589
Capital assets	1,954,445	1,979,937	(25,492)	(1.288)
Total assets	<u>2,676,120</u>	<u>2,697,384</u>	<u>(21,264)</u>	.788
Deferred outflows of resources				
Deferred amount on pension activity	<u>173,863</u>	<u>133,678</u>	<u>40,185</u>	30.06
Liabilities				
Long-term liabilities	618,098	541,060	77,038	14.24
Other liabilities	7,916	18,691	(10,775)	(57.65)
Total liabilities	<u>626,014</u>	<u>559,751</u>	<u>66,263</u>	11.84
Deferred outflows of resources				
Deferred amount on pension activity	<u>24,929</u>	<u>28,848</u>	<u>(3,919)</u>	(13.58)
Net position				
Net Investment in Capital Assets	1,954,445	1,979,937	(25,492)	(1.29)
Restricted	469,860	445,130	24,730	5.56
Unrestricted	<u>(225,265)</u>	<u>(182,604)</u>	<u>(42,661)</u>	(23.36)
Total Net Position	<u>\$ 2,199,040</u>	<u>\$ 2,242,463</u>	<u>\$ (43,423)</u>	(1.94)

Total assets decreased \$21,264. Cash and cash equivalents increased by \$25,351 receivables decreased by \$21,123 and capital assets decreased by \$25,492. Unrestricted net position, the part of net position that can be used to finance day-to-day activities without constraints established by grants or legal requirements of the School District, decreased by \$42,661.

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 provides a summary of the District's changes in net position in the fiscal year 2016 with comparisons to fiscal year 2015.

**Table 2
Changes in Net Position**

	Fiscal Year Ended		Variance	
	6/30/16	6/30/15	Dollars	%
Revenues				
Program revenues				
Charges for services	\$ 16,113	\$ 16,119	\$ (6)	(.03)
Operating grants	51,283	44,241	7,042	15.92
Capital grants	14,315	81,206	(66,891)	(82.37)
General revenues				
Property taxes	2,381,237	2,237,738	143,499	6.41
Unrestricted grants	711,997	593,769	118,228	19.91
Other	4,974	8,259	(3,285)	(39.77)
Total revenues	<u>3,179,919</u>	<u>2,981,332</u>	<u>198,587</u>	6.66
Program expenses				
Instruction				
Regular	1,171,939	1,123,180	48,759	4.34
Special	146,752	128,670	18,082	14.05
Other	103,143	89,791	13,352	14.87
Support services				
Tuition	490,732	394,890	95,842	24.27
Student and instructional staff	643,825	639,257	4,568	.71
General and business administration	386,294	401,782	(15,488)	(3.85)
School administration	1,271	1,242	29	2.33
Maintenance	220,065	203,325	16,740	8.23
Transportation	58,341	55,140	3,201	5.81
Milk service	980	1,684	(704)	(41.81)
Total expenses	<u>3,223,342</u>	<u>3,038,961</u>	<u>184,381</u>	6.07
Increase (decrease) in net position	<u>\$ (43,423)</u>	<u>\$ (57,629)</u>	<u>\$ 13,801</u>	24.65

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Governmental Activities

Property taxes made up 75 percent of revenues for governmental activities for the Lebanon Borough School District for fiscal year 2016. The Board of Education and School Administrators work diligently to provide a through and efficient education to the students of Lebanon Borough School District within the constraints of laws governing school district operations.

Instruction and student support services comprise 81 percent of district expenses. Administration, Buildings and Grounds maintenance and other employer related expenses account for the remaining 19 percent.

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

Table 3 provides a summary of the School District's cost of governmental services in 2015 and 2016.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/16	6/30/15	6/30/16	6/30/15
Instruction	\$ 1,421,834	\$1,341,641	\$1,366,907	\$1,245,679
Support services				
Tuition	490,732	394,890	490,732	394,890
Student and Instructional Staff	643,825	639,257	619,790	609,133
General and business administration	386,294	401,782	384,053	387,954
School administration	1,271	1,242	1,263	1,198
Plant operations and maintenance	220,065	203,325	219,945	202,614
Pupil transportation	58,341	55,140	58,341	55,140
Milk service	980	1,684	600	787
Total expenses	<u>\$3,223,342</u>	<u>\$3,038,961</u>	<u>\$3,141,631</u>	<u>\$2,897,395</u>

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

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

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

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

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

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities local tax revenue support is 75.1 percent. The community, as a whole, is the primary support of the Lebanon Borough School District.

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$2,866,314 and expenditures of \$2,850,976. The net positive change in fund balance for all major funds was \$15,338. The most significant negative change was in the Capital Projects Fund, a decrease of \$21,473.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue was \$2,589,306 or \$6,916 above original budgeted estimates of \$2,582,390. This difference was due primarily to an increase in miscellaneous revenue.

The General fund revenues and other financing sources of the School District was greater than expenditures by approximately \$38,099.

Capital Assets

At the end of the fiscal year 2016, the School District had \$1,954,445 invested in land, buildings, furniture and equipment, and vehicles.

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Table 4 provides a summary of the School District's capital assets net of depreciation at 6/30/16 with comparisons to 6/30/15.

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

	Fiscal Year Ended		Variance	
	6/30/16	6/30/15	Dollars	%
Land	\$ 10,503	\$ 10,503	\$ -	*
Construction in progress	8,140	228,264	(220,124)	96.43
Buildings and improvements	1,891,585	1,697,682	193,903	11.42
Furniture and equipment	44,217	43,488	729	1.68
Total	<u>\$ 1,954,445</u>	<u>\$ 1,979,937</u>	<u>\$ (25,492)</u>	<u>(1.28)</u>

Overall, capital assets decreased \$25,492 from fiscal year 2015 to fiscal year 2016. Increases in capital acquisitions (primarily building improvements) were offset by depreciation expenses during the fiscal year.

Debt Administration

At June 30, 2016, the School District had \$618,098 of long-term liabilities consisting of compensated absences and PERS net pension liability.

At June 30, 2016, the School District's overall legal debt margin was \$8,135,022 and the unvoted debt margin was \$8,135,022.

**Lebanon Borough School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited**

Table 5 provides a summary of the District's long-term liabilities at 6/30/16 with comparisons to 6/30/15.

**Table 5
Long-term Liabilities at Year-end**

	Fiscal Year Ended		Variance	
	6/30/16	6/30/15	Dollars	%
PERS net pension liability	\$ 557,824	\$ 484,065	\$ 73,759	15.24
Compensated absences	60,274	56,995	3,279	5.75
Total	<u>\$ 618,098</u>	<u>\$ 541,060</u>	<u>\$ 77,038</u>	14.24

For the Future

The Lebanon Borough School District is in good financial condition presently. A major concern is the increased reliance on local property taxes. Future finances are not without challenges as expenses continue to grow and state funding is decreased.

Lebanon Borough School District is primarily a residential community, with very few ratables; thus the burden is focused on homeowners to support the tax burden. During the budget process in the Spring, it was a concern to the Administration and Board of Education how future budgets would be financed; therefore, the next eight months the Board and Administration will be conducting a program review of all costs centers in the district.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Patricia Duell, School Business Administrator or email her at tduell@lebanonschool.org.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

LEBANON BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 250,042	\$ 1,234	\$ 251,276
Receivables, net	99,945	-	99,945
Restricted assets			
Capital reserve account - cash	100,633	-	100,633
Emergency reserve account - cash	202,755	-	202,755
Maintenance reserve account - cash	40,000	-	40,000
Capital projects fund - cash	27,066	-	27,066
Capital assets, net (Note 4)			
Land	10,503	-	10,503
Construction in progress	8,140	-	8,140
Other capital assets, net of depreciation	1,933,075	2,727	1,935,802
Total assets	<u>2,672,159</u>	<u>3,961</u>	<u>2,676,120</u>
Deferred outflows of resources			
Deferred amount on pension activity	173,863	-	173,863
Liabilities			
Accounts payable	703	-	703
Payable to governments	3,113	-	3,113
Unearned revenue	4,100	-	4,100
Long-term liabilities (Note 5)			
Due within one year	9,109	-	9,109
Due beyond one year	608,989	-	608,989
Total liabilities	<u>626,014</u>	<u>-</u>	<u>626,014</u>
Deferred inflows of resources			
Deferred amount on pension liability	24,929	-	24,929
Net position			
Net investment in capital assets	1,951,718	2,727	1,954,445
Restricted for			
Capital projects	106,472	-	106,472
Capital reserve	100,633	-	100,633
Emergency reserve	202,755	-	202,755
Maintenance reserve	40,000	-	40,000
Tuition reserve	20,000	-	20,000
Unrestricted	(226,499)	1,234	(225,265)
Total net position	<u>\$ 2,195,079</u>	<u>\$ 3,961</u>	<u>\$ 2,199,040</u>

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 825,215	\$ 346,724	\$ 15,595	\$ 1,000	\$ 6,659	\$ (1,148,685)	\$ -	\$ (1,148,685)
Special education	116,842	29,910	-	30,185	943	(115,624)	-	(115,624)
Other special education	63,010	33,999	-	-	509	(96,500)	-	(96,500)
Other instruction	4,500	1,634	-	-	36	(6,098)	-	(6,098)
Support services								
Tuition	490,732	-	-	-	-	(490,732)	-	(490,732)
Students & instruction related services	485,682	158,143	17	20,098	3,920	(619,790)	-	(619,790)
General & business administration services	277,216	109,078	1	-	2,240	(384,053)	-	(384,053)
School administration services	1,230	41	-	-	8	(1,263)	-	(1,263)
Plant operations & maintenance	196,227	23,838	120	-	-	(219,945)	-	(219,945)
Pupil transportation	58,341	-	-	-	-	(58,341)	-	(58,341)
Total governmental activities	<u>2,518,995</u>	<u>703,367</u>	<u>15,733</u>	<u>51,283</u>	<u>14,315</u>	<u>(3,141,031)</u>	<u>-</u>	<u>(3,141,031)</u>
Business-type activities								
Milk service	980	-	380	-	-	-	(600)	(600)
Total business-type activities	<u>980</u>	<u>-</u>	<u>380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(600)</u>	<u>(600)</u>
Total primary government	<u>\$ 2,519,975</u>	<u>\$ 703,367</u>	<u>\$ 16,113</u>	<u>\$ 51,283</u>	<u>\$ 14,315</u>	<u>(3,141,031)</u>	<u>(600)</u>	<u>(3,141,631)</u>
			General revenues, special items & transfers					
			Property taxes levied for general purposes			2,381,237	-	2,381,237
			Federal & state aid not restricted			711,997	-	711,997
			Investment earnings			1,203	5	1,208
			Miscellaneous income			3,766	-	3,766
			Total general revenues, special items & transfers			<u>3,098,203</u>	<u>5</u>	<u>3,098,208</u>
			Change in net position			(42,828)	(595)	(43,423)
			Net position-beginning			2,237,907	4,556	2,242,463
			Net position-ending			<u>\$ 2,195,079</u>	<u>\$ 3,961</u>	<u>\$ 2,199,040</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

LEBANON BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 242,829	\$ 7,213	\$ -	\$ -	\$ 250,042
Due from other funds	18,015	-	-	-	18,015
Receivables from other governments					
State	1,124	-	95,521	-	96,645
Other accounts receivable	1,400	-	-	-	1,400
Restricted cash & cash equivalents	343,388	-	27,066	-	370,454
Total assets	\$ 606,756	\$ 7,213	\$ 122,587	\$ -	\$ 736,556
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ -	\$ 16,115	\$ -	\$ 16,115
Accounts payable	703	-	-	-	703
Payables to governments					
State	-	3,113	-	-	3,113
Unearned revenue	-	4,100	-	-	4,100
Total liabilities	703	7,213	16,115	-	24,031

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 106,472	\$ -	\$ 106,472
Committed fund balance					
Capital reserve	100,633	-	-	-	100,633
Emergency reserve	202,755	-	-	-	202,755
Tuition reserve	20,000	-	-	-	20,000
Maintenance reserve	40,000	-	-	-	40,000
Assigned fund balance					
Encumbrances	13,112	-	-	-	13,112
Unassigned fund balance	229,553	-	-	-	229,553
Total fund balances	606,053	-	106,472	-	712,525
 Total liabilities and fund balances	 \$ 606,756	 \$ 7,213	 \$ 122,587	 \$ -	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is and the accumulated depreciation is:	\$ 3,456,987 <u>1,505,269</u>	1,951,718
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		148,934
Long-term liabilities, including bonds payable and compensated absences are not due & payable in the current period & therefore are not reported as liabilities in the funds		<u>(618,098)</u>
Total net position of governmental activities		<u>\$ 2,195,079</u>

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 2,381,237	\$ -	\$ -	\$ -	\$ 2,381,237
Tuition charges	15,355	-	-	-	15,355
Interest earned on capital reserve funds	1,203	-	-	-	1,203
Miscellaneous	3,886	1,000	-	-	4,886
	<u>2,401,681</u>	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>2,402,681</u>
State sources	399,035	-	14,315	-	413,350
Federal sources	-	50,283	-	-	50,283
Total revenues	<u>2,800,716</u>	<u>51,283</u>	<u>14,315</u>	<u>-</u>	<u>2,866,314</u>
Expenditures					
Current					
Instructional					
Regular instruction	824,208	1,000	-	-	825,208
Special education instruction	85,551	30,185	-	-	115,736
Other special instruction	63,010	-	-	-	63,010
Other instruction	4,500	-	-	-	4,500
Support service & undistributed costs					
Tuition	490,732	-	-	-	490,732
Student & instruction related services	465,067	20,098	-	-	485,165
General & business					
administrative services	277,215	-	-	-	277,215
School administrative services	1,008	-	-	-	1,008
Plant operations & maintenance	195,840	-	-	-	195,840
Pupil transportation	58,341	-	-	-	58,341

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures					
Current					
Support service & undistributed costs (cont'd)					
Unallocated benefits	\$ 284,583	\$ -	\$ -	\$ -	\$ 284,583
Capital outlay	13,850	-	35,788	-	49,638
Total expenditures	<u>2,763,905</u>	<u>51,283</u>	<u>35,788</u>	<u>-</u>	<u>2,850,976</u>
Excess (deficit) of revenues over (under) expenditures	<u>36,811</u>	<u>-</u>	<u>(21,473)</u>	<u>-</u>	<u>15,338</u>
Net change in fund balance	36,811	-	(21,473)	-	15,338
Fund balances, July 1	<u>569,242</u>	<u>-</u>	<u>127,945</u>	<u>-</u>	<u>697,187</u>
Fund balances, June 30	<u>\$ 606,053</u>	<u>\$ -</u>	<u>\$ 106,472</u>	<u>\$ -</u>	<u>\$ 712,525</u>

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net changes in fund balances - Governmental fund (from B-2)	\$	15,338
---	----	--------

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation expenses exceeds capital outlay in the period:

Capital outlays	\$ 49,638	
Depreciation expense	<u>(74,870)</u>	(25,232)

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(29,655)
---	----------

In the Statement of Activities, compensated absences and early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>(3,279)</u>
--	----------------

Change in net position of governmental activities	\$	<u><u>(42,828)</u></u>
---	----	------------------------

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Fund Net Position
June 30, 2016

	<u>Milk Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,234
Total current assets	<u>1,234</u>
Noncurrent assets	
Capital assets	41,879
Less: accumulated depreciation	<u>(39,152)</u>
Total noncurrent assets	<u>2,727</u>
Total assets	<u>3,961</u>
LIABILITIES	
Current liabilities	
Accounts payable	<u>-</u>
NET POSITION	
Invested in capital assets, net of related debt	2,727
Unrestricted	<u>1,234</u>
Total net position	<u><u>\$ 3,961</u></u>

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016

	<u>Milk Service Fund</u>
Operating revenues	
Charges for services	
Daily sales - Non-reimbursable programs	\$ 380
Total operating revenues	<u>380</u>
 Operating expenses	
Costs of sales	534
Supplies	186
Depreciation	<u>260</u>
Total operating expenses	<u>980</u>
 Operating income (loss)	 <u>(600)</u>
 Non-operating revenues (expenses)	
Local sources	
Interest on investments	<u>5</u>
 Change in net position	 (595)
 Net position, beginning	 <u>4,556</u>
 Net position, ending	 <u><u>\$ 3,961</u></u>

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flow
For the Fiscal Year Ended June 30, 2016

	<u>Milk Service Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 380
Payments to vendors	<u>(720)</u>
Net cash provided by operating activities	<u>(340)</u>
Cash flows from investing activities	
Interest on investments	<u>5</u>
Net increase in cash and cash equivalents	(335)
Cash and cash equivalents, July 1	<u>1,569</u>
Cash and cash equivalents, June 30	<u><u>\$ 1,234</u></u>
Reconciliation of operating income to net cash	
Provided by operating activities	
Operating income	\$ (600)
Adjustments to reconcile operating income to net cash	
Provided by operating activities	
Depreciation	<u>260</u>
Net cash provided by (used for) operating activities	<u><u>\$ (340)</u></u>

See accompanying notes to financial statements.

LEBANON BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2016

	<u>Student Activity Agency Fund</u>	<u>Payroll Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 130	\$ 6,228
Total assets	<u>\$ 130</u>	<u>\$ 6,228</u>
LIABILITIES		
Due to other funds	\$ -	\$ 1,900
Due to student groups	130	-
Payroll deductions and withholdings	-	4,328
Total liabilities	<u>\$ 130</u>	<u>\$ 6,228</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

Management's Discussion and Analysis (MD&A) providing an analysis of the Districts overall financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of five members elected to three year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2016 of 90 students.

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

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 2,381,237	\$ -	\$ 2,381,237	\$ 2,381,237	\$ -
Tuition from individuals	14,000	-	14,000	15,355	1,355
Unrestricted miscellaneous revenues	50	(50)	-	3,886	3,886
Interest earned on current expense emergency reserve	-	-	-	722	722
Interest earned on capital reserve funds	-	50	50	481	431
Total	<u>2,395,287</u>	<u>-</u>	<u>2,395,287</u>	<u>2,401,681</u>	<u>6,394</u>
State Sources					
School Choice Aid	38,478	-	38,478	38,478	-
Categorical Transportation Aid	12,988	-	12,988	12,988	-
Categorical Special Education Aid	64,267	-	64,267	64,267	-
Categorical Security Aid	7,997	-	7,997	7,997	-
Adjustment Aid	61,273	-	61,273	61,273	-
Other State Aids	2,100	-	2,100	2,622	522
TPAF Pension (on-behalf)	-	-	-	63,068	63,068
TPAF Social Security (reimbursed)	-	-	-	74,534	74,534
TPAF Post Retirement Benefits	-	-	-	75,096	75,096
Total	<u>187,103</u>	<u>-</u>	<u>187,103</u>	<u>400,323</u>	<u>213,220</u>
Total revenues	<u>\$ 2,582,390</u>	<u>\$ -</u>	<u>\$ 2,582,390</u>	<u>\$ 2,802,004</u>	<u>\$ 219,614</u>
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 27,511	\$ 41,593	\$ 69,104	\$ 69,104	\$ -
Kindergarten	87,176	2,354	89,530	89,383	147
Grades 1-5	421,976	(60,417)	361,559	361,308	251
Grades 6-8	102,661	(1,303)	101,358	101,163	195
Home instruction					
Salaries of teacher	500	(354)	146	-	146
Purchased professional - educational services	750	620	1,370	1,370	-
Regular programs - undistributed instruction					
Other purchased services	25,000	(13,322)	11,678	10,855	823
General supplies	30,000	(9,497)	20,503	19,639	864
Textbooks	4,908	(552)	4,356	4,205	151
Other objects	2,000	(1,000)	1,000	630	370
Total	<u>702,482</u>	<u>(41,878)</u>	<u>660,604</u>	<u>657,657</u>	<u>2,947</u>
Special education					
Resource room/resource center					
Salaries of teachers	49,975	1,070	51,045	50,210	835
General supplies	1,000	(1,000)	-	-	-
Total	<u>50,975</u>	<u>70</u>	<u>51,045</u>	<u>50,210</u>	<u>835</u>
Total special education	<u>50,975</u>	<u>70</u>	<u>51,045</u>	<u>50,210</u>	<u>835</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Basic skills/remedial					
Salaries of teachers	\$ 61,625	\$ 1,585	\$ 63,210	\$ 63,010	\$ 200
General supplies	1,000	(1,000)	-	-	-
Total	<u>62,625</u>	<u>585</u>	<u>63,210</u>	<u>63,010</u>	<u>200</u>
School-sponsored co/extra curricular activities-instruction					
Salaries	4,000	500	4,500	4,500	-
Total	<u>4,000</u>	<u>500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total instruction regular	<u>\$ 820,082</u>	<u>\$ (40,723)</u>	<u>\$ 779,359</u>	<u>\$ 775,377</u>	<u>\$ 3,982</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ 322,586	\$ 28,970	\$ 351,556	\$ 351,556	\$ -
Tuition to other LEAs within the state - special	115,283	7,649	122,932	122,932	-
Tuition to priv. school for the disabled w/i state	-	16,244	16,244	16,244	-
Total	<u>437,869</u>	<u>52,863</u>	<u>490,732</u>	<u>490,732</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	70,640	3,572	74,212	72,239	1,973
Purchased professional and technical services	1,560	(860)	700	700	-
Other purchased services	1,200	(1,200)	-	-	-
Supplies and materials	4,000	(2,255)	1,745	1,495	250
Total	<u>77,400</u>	<u>(743)</u>	<u>76,657</u>	<u>74,434</u>	<u>2,223</u>
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	45,000	12,360	57,360	55,420	1,940
Supplies and materials	500	2,186	2,686	567	2,119
Total	<u>45,500</u>	<u>14,546</u>	<u>60,046</u>	<u>55,987</u>	<u>4,059</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	21,718	(14,247)	7,471	7,469	2
Total	<u>21,718</u>	<u>(14,247)</u>	<u>7,471</u>	<u>7,469</u>	<u>2</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	95,493	381	95,874	94,215	1,659
Salaries of secretarial and clerical assistants	15,000	(2,000)	13,000	12,916	84
Purchased professional - educational services	17,000	(4,945)	12,055	11,500	555
Other purchased professional & technical services	4,000	(4,000)	-	-	-
Supplies and materials	1,350	(500)	850	802	48
Total	<u>132,843</u>	<u>(11,064)</u>	<u>121,779</u>	<u>119,433</u>	<u>2,346</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	\$ 44,954	\$ 1,312	\$ 46,266	\$ 46,266	\$ -
Salaries of other professional staff	-	3,342	3,342	3,120	222
Salaries of secretarial & clerical assist	12,915	1,765	14,680	14,604	76
Purchased professional - educational services	3,200	(3,200)	-	-	-
Other purchased professional & technical services	1,000	(1,000)	-	-	-
Other purchased services	2,000	(1,433)	567	446	121
Supplies and materials	750	(750)	-	-	-
Other objects	250	(250)	-	-	-
Total	65,069	(214)	64,855	64,436	419
Undistributed expenditures - edu. media service/sch. library					
Salaries	25,085	475	25,560	25,439	121
Purchased professional and technical services	850	(850)	-	-	-
Other purchased services	1,350	540	1,890	1,890	-
Supplies and materials	2,500	(1,248)	1,252	1,235	17
Total	29,785	(1,083)	28,702	28,564	138
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	500	(210)	290	190	100
Other purchased services	2,000	(505)	1,495	1,262	233
Supplies and materials	500	(500)	-	-	-
Total	3,000	(1,215)	1,785	1,452	333
Undistributed expend. - support service - general admin.					
Salaries	62,105	73,102	135,207	135,207	-
Legal services	5,400	1,409	6,809	6,809	-
Audit fees	11,000	(600)	10,400	10,400	-
Other purchased professional services	-	3,985	3,985	3,985	-
Communications/telephone	6,550	7,238	13,788	13,788	-
BOE other purchased services	750	(750)	-	-	-
Misc purch services	5,000	(2,292)	2,708	2,708	-
General supplies	1,000	(1,000)	-	-	-
Judgments against the school district	72,700	(72,700)	-	-	-
Miscellaneous expenditures	2,500	2,023	4,523	4,523	-
BOE membership dues and fees	2,000	(110)	1,890	1,890	-
Total	169,005	10,305	179,310	179,310	-
Undistributed expend. - support service - school admin.					
Other purchased services	-	1,008	1,008	1,008	-
Total	-	1,008	1,008	1,008	-
Undistributed expenditures - central services					
Salaries	75,000	1,802	76,802	76,792	10
Purchased professional services	-	5,538	5,538	5,538	-
Purchased technical services	9,885	(8,935)	950	950	-
Miscellaneous purchased services	400	(350)	50	50	-
Supplies and materials	1,500	(1,140)	360	294	66
Other objects	300	3,245	3,545	3,545	-
Total	87,085	160	87,245	87,169	76

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	\$ 20,000	\$ (2,930)	\$ 17,070	\$ 17,050	\$ 20
Total	20,000	(2,930)	17,070	17,050	20
Undistributed expenditures - custodial services					
Salaries	81,672	(7,059)	74,613	74,048	565
Purchased professional and technical services	600	(600)	-	-	-
Cleaning, repair, and maintenance service	5,000	184	5,184	4,840	344
Other purchased property services	4,703	142	4,845	4,738	107
Insurance	17,000	1,507	18,507	18,507	-
Miscellaneous purchased services	5,000	(3,925)	1,075	1,075	-
General supplies	7,932	5,950	13,882	6,617	7,265
Energy (natural gas)	25,000	(13,500)	11,500	11,212	288
Energy (electricity)	20,000	506	20,506	20,506	-
Other objects	500	(81)	419	419	-
Total	167,407	(16,876)	150,531	141,962	8,569
Undistributed expenditures - care and upkeep of grounds					
cleaning, repair, and maintenance service	-	10,023	10,023	10,023	-
Total	-	10,023	10,023	10,023	-
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	1,500	(1,461)	39	-	39
General supplies	1,000	(920)	80	80	-
Total	2,500	(2,381)	119	80	39
Undistributed expenditures - student transportation service					
Management fee - esc & ctsa trans. program	500	500	1,000	832	168
Contract service-aid in lieu pymts-non-public schools	4,000	(1,348)	2,652	2,652	-
Contract services (between home & school) - vendors	13,505	(13,505)	-	-	-
Contr service (oth. than between home & school) - vend	2,000	(513)	1,487	1,384	103
Contr service (between home & school) - joint agreements	20,000	15,149	35,149	35,149	-
Contract service (reg. students) - escs & ctsas	12,000	1,408	13,408	12,215	1,193
Contract service (spl. ed. students) - escs & ctsas	-	6,109	6,109	6,109	-
Total	52,005	7,800	59,805	58,341	1,464
Allocated benefits - employee benefits					
Regular programs - instruction					
Health benefits	195,754	(26,471)	169,283	166,551	2,732
Total	195,754	(26,471)	169,283	166,551	2,732
Special programs - instruction					
Health benefits	35,566	1,749	37,315	35,341	1,974
Total	35,566	1,749	37,315	35,341	1,974
Health services					
Health benefits	40,596	(2,200)	38,396	37,421	975
Total	40,596	(2,200)	38,396	37,421	975

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Other supp services- students - extraordinary					
Health benefits	\$ 29,865	\$ 248	\$ 30,113	\$ 29,952	\$ 161
Total	<u>29,865</u>	<u>248</u>	<u>30,113</u>	<u>29,952</u>	<u>161</u>
Other supp services - child study teams					
Health benefits	32,324	2,632	34,956	32,857	2,099
Total	<u>32,324</u>	<u>2,632</u>	<u>34,956</u>	<u>32,857</u>	<u>2,099</u>
Improvement of instruction services					
Health benefits	10,782	2,645	13,427	13,062	365
Total	<u>10,782</u>	<u>2,645</u>	<u>13,427</u>	<u>13,062</u>	<u>365</u>
Support services - general administration					
Health benefits	10,895	(159)	10,736	10,736	-
Total	<u>10,895</u>	<u>(159)</u>	<u>10,736</u>	<u>10,736</u>	<u>-</u>
Operation and maintenance of plant service					
Health benefits	26,754	346	27,100	26,725	375
Total	<u>26,754</u>	<u>346</u>	<u>27,100</u>	<u>26,725</u>	<u>375</u>
Total allocated benefits - employees	<u>382,536</u>	<u>(21,210)</u>	<u>361,326</u>	<u>352,645</u>	<u>8,681</u>
Unallocated benefits-employee benefits					
Social security contributions	25,000	(2,762)	22,238	19,232	3,006
Other retirement contributions - PERS	25,979	(4,615)	21,364	21,364	-
Other retirement contributions - regular	2,000	650	2,650	2,495	155
Unemployment compensation	6,000	(914)	5,086	5,041	45
Workmen's compensation	15,000	(2,329)	12,671	12,670	1
Health benefits	2,100	4,598	6,698	3,950	2,748
Tuition reimbursement	3,000	(3,000)	-	-	-
Other employee benefits	10,000	4,353	14,353	7,133	7,220
Total	<u>89,079</u>	<u>(4,019)</u>	<u>85,060</u>	<u>71,885</u>	<u>13,175</u>
On-behalf TPAF pension contribution	-	-	-	63,068	(63,068)
On-behalf TPAF post retirement medical benefits	-	-	-	75,096	(75,096)
Reimbursed TPAF social security contribution	-	-	-	74,534	(74,534)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,698</u>	<u>(212,698)</u>
Total undistributed expenditures	<u>\$ 1,782,801</u>	<u>\$ 20,723</u>	<u>\$ 1,803,524</u>	<u>\$ 1,974,678</u>	<u>\$ (171,154)</u>
Total current	<u>\$ 2,602,883</u>	<u>\$ (20,000)</u>	<u>\$ 2,582,883</u>	<u>\$ 2,750,055</u>	<u>\$ (167,172)</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Capital outlay					
Equipment					
Undistributed					
Undistributed expend. - support service - related & extra.	\$ -	\$ 2,105	\$ 2,105	\$ 2,105	\$ -
Undistributed expend. - required maint. for school facilities	-	32,895	32,895	11,745	21,150
Undistributed expenditures student transportation	15,000	(15,000)	-	-	-
Total equipment	<u>15,000</u>	<u>20,000</u>	<u>35,000</u>	<u>13,850</u>	<u>21,150</u>
Total capital outlay	<u>\$ 15,000</u>	<u>\$ 20,000</u>	<u>\$ 35,000</u>	<u>\$ 13,850</u>	<u>\$ 21,150</u>
Total expenditures	<u>\$ 2,617,883</u>	<u>\$ -</u>	<u>\$ 2,617,883</u>	<u>\$ 2,763,905</u>	<u>\$ (146,022)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (35,493)	\$ -	\$ (35,493)	\$ 38,099	\$ 73,592
Fund balances, July 1	586,667	-	586,667	586,667	-
Fund balances, June 30	<u>\$ 551,174</u>	<u>\$ -</u>	<u>\$ 551,174</u>	<u>\$ 624,766</u>	<u>\$ 73,592</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (3,490)	\$ -	\$ (3,490)	\$ (3,490)	\$ -
Interest deposit to capital reserve	50	-	50	481	431
Withdrawal from capital reserve	(15,000)	-	(15,000)	(15,000)	-
Increase in emergency reserve	-	-	-	722	722
Increase in maintenance reserve	-	40,000	40,000	40,000	-
Increase in tuition reserve	-	20,000	20,000	20,000	-
Budgeted fund balance	(17,053)	(60,000)	(77,053)	(4,614)	72,439
Total	<u>\$ (35,493)</u>	<u>\$ -</u>	<u>\$ (35,493)</u>	<u>\$ 38,099</u>	<u>\$ 73,592</u>
Recapitulation of fund balance					
Committed fund balance					
Capital reserve				\$ 100,633	
Emergency reserve				202,755	
Maintenance reserve				40,000	
Tuition reserve					
Year 2015 - 2016				20,000	
Assigned fund balance					
Year-end encumbrances				13,112	
Unassigned fund balance				<u>248,266</u>	
Fund balance per budgetary basis				624,766	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(18,713)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 606,053</u>	

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its Governmental Funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its School District the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or service, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major Governmental Funds:

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

As required by the New Jersey State Department of Education, the District includes budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Resources for budgeted Capital Outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board resolution

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

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

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

Additionally, the District reports the following fund types:

Proprietary Fund types

Proprietary Fund - The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Fund - The Enterprise 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; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Milk Service Fund.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

All Proprietary Funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years

Fiduciary fund types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/ or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District:

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

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 budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. 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 NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2016 were insignificant.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

E. 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 reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal years 2015-2016 and 2014-2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable/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.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Communication & security systems equipment	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (i.e., unused vacation and sick leave) as directed by Governmental Accounting Standards Board Statement Number 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.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. 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 Districts' agreements with the various employee unions.

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during 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 issuance are reported as other financing uses.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Fund balances - Governmental Funds

In the fund financial statements, Governmental Funds report the following classifications of fund balance:

Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.

Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

O. Comparative data/reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

P. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF pension contributions, reimbursed TPAF Social Security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local School Districts, and the County, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$ 1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$ 1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$ 10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits and cash equivalents and investments

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

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

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and cash equivalents and investments (continued)

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.

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

Deposits at June 30, 2016 appear in the financial statements as summarized below:

Cash		\$	<u>628,088</u>
	<u>Ref.</u>		
Unrestricted cash			
Governmental Funds, Balance Sheet	B-1	\$	250,042
Enterprise Funds, Statement of Net Position	B-4		1,234
Fiduciary Funds, Statement of Net Position	B-7		6,358
Restricted cash			
Governmental Activities, Balance Sheet	B-1		<u>370,454</u>
Total cash		\$	<u>628,088</u>

Deposits - The District's carrying amount of bank deposits at June 30, 2016 is \$628,088 and the bank balance is \$653,901. Of the bank balance, \$250,000 is covered by Federal Depository Insurance and \$403,901 is insured by GUDPA.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and cash equivalents and investments (continued)

GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures are required for:
 - Deposits that are uninsured and either (a) uncollateralized or (b) collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the government's name
 - Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the District has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the District has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the District has no such investments this disclosure is not applicable.

Concentration of credit risk

The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer. As of June 30, 2016, the District has no investments.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 10,003	\$ -	\$ -	\$ 10,503
Construction in progress	228,264	43,928	264,052	8,140
Total	<u>238,267</u>	<u>43,928</u>	<u>264,052</u>	<u>18,643</u>
Capital assets, being depreciated				
Land improvements	14,300	-	-	14,300
Building & improvements	3,027,750	264,052	-	3,291,802
Furniture & equipment	132,332	5,710	5,800	132,242
Total	<u>3,174,382</u>	<u>269,762</u>	<u>5,800</u>	<u>3,438,344</u>
Accumulated depreciation				
Land improvements	14,300	-	-	14,300
Building & improvements	1,330,068	70,149	-	1,400,217
Furniture & equipment	91,831	4,721	5,800	90,752
Total capital assets, being depreciated, net	<u>1,436,199</u>	<u>74,870</u>	<u>5,800</u>	<u>1,505,269</u>
Governmental activities capital assets, net	<u>\$ 1,976,450</u>	<u>\$ 238,820</u>	<u>\$ 264,052</u>	<u>\$ 1,951,718</u>
Business type activities				
Furniture & equipment	\$ 41,879	\$ -	\$ -	\$ 41,879
Less: accumulated depreciation	38,892	260	-	39,152
Business type activities capital assets, net	<u>\$ 2,987</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ 2,727</u>

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction			
Regular		\$	34,672
Special education			4,909
Other special instruction			2,592
Other instruction			185
Support services			
Student & instruction			20,458
General & business administration			11,404
Plant operation & maintenance			263
School administration			387
Total depreciation expense, governmental activities		<u>\$</u>	<u>74,870</u>

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
PERS net pension liability	\$ 484,065	\$ 178,589	\$ 104,830	\$ 557,824	\$ -
Compensated absences payable	56,995	10,559	7,280	60,274	9,109
Total governmental activities long-term liabilities	<u>\$ 541,060</u>	<u>\$ 189,148</u>	<u>\$ 112,110</u>	<u>\$ 618,098</u>	<u>\$ 9,109</u>

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2016 is \$8,135,022. The General obligation debt at June 30, 2016 is \$0 resulting in a legal debt margin of \$8,135,022.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

The vesting and benefit provisions are set by NJSA 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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the 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 55 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.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2015 and 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. 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 includes 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 years 2016 and 2015, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 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.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

Contributions (continued)

Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2015 and 2014 are as follows:

	2015	2014
Total pension liability	\$ 1,071,256	\$ 1,010,169
Plan fiduciary net position	513,432	526,104
Net pension liability	\$ 557,824	\$ 484,065
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

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

Inflation rate	3.04%
Salary increases (based on age)	
2012 - 2021	2.15% - 4.40%
Thereafter	33.15%
Investment rate of return	7.90%

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

The actuarial assumption used in the July 1, 2004 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return

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

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grad 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%
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% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2015 and 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	2015
At current discount rate (4.90%)	557,824
At a 1% lower rate (3.90%)	693,307
At a 1% higher rate (5.90%)	444,236
	2014
At current discount rate (5.39%)	484,065
At a 1% lower rate (4.39%)	608,970
At a 1% higher rate (6.39%)	379,176

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,308	\$ -
Changes of assumptions	59,906	-
Net difference between projected and actual earnings on pension plan investments		8,969
Changes in proportion and differences between District contributions and proportionate share of contributions	79,285	15,960
District contributions subsequent to the measurement date	21,364	-
Total	\$ 173,863	\$ 24,929

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) of \$21,364 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2015:

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Changes of assumptions	\$ 14,630	\$ 74,254	\$ 15,670	\$ 73,214
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	<u>27,727</u>	<u>(14,783)</u>	<u>3,975</u>	<u>8,969</u>
Net of deferred outflows/(inflows)	<u>\$ 13,097</u>	<u>\$ 89,037</u>	<u>\$ 11,695</u>	<u>\$ 64,245</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year ending June 30,

2016	\$ 11,696
2017	11,696
2018	11,696
2019	18,627
2020	10,530
Thereafter	-
Total	<u>\$ 64,245</u>

Pension expense

For the year ended June 30, 2016, the District recognized net pension expense of \$ 51,019 which represents the District's proportionate share of allocable plan pension expense of \$36,593, plus the net amortization of deferred amounts from changes in proportion of \$14,476, less other adjustments to the net pension liability of \$50. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2015 are as follows:

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	21,919
Interest on total pension liability		52,235
Member contributions		(12,124)
Administrative expense		407
Expected investment return net of investment expense		(37,322)
Pension expense related to specific liabilities of individual employers		(217)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		12,851
Amortization of projected versus actual investment earnings on pension plan investments		2,819
		(3,975)
Pension expense	<u>\$</u>	<u>36,593</u>

B. Teacher's 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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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

The following represents the membership Tiers for TPAF:

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

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF)

Plan description

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the 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 55 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.

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with NJSA 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 non-employer 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. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal years ending June 30, 2016 and 2015 is as follows:

	<u>2015</u>	<u>2014</u>
Net pension liability	\$ 5,125,559	\$ 4,006,348
Employer pension expense and related revenue	312,962	215,579
Non-employer contribution	43,583	31,842
Allocable proportionate percentage	.0081095138%	.0093852594%

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$ 8,200 in 2015) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcrp.

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

Contribution requirements

The contribution policy is set by state statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Significant legislation which became effective October 1, 2011, will gradually increase the employee contribution rate for PERS and TPAF members. Effective October 1, 2011, the rate increased from 5.50% to 6.50% of annual contractual compensation for employees enrolled in the TPAF and PERS pension plans. The rate will increase each year on the first of July over a seven year phase-in period until the withholding rate reaches 7.50% effective July 1, 2018. Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. Employers are required to contribute at an actuarially determined rate in TPAF, PERS and DCRP. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. Under current statute, the Board is a noncontributing employer of the TPAF.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

Contribution requirements (continued)

Three-year trend information for TPAF (paid on behalf of the District):

<u>Year Funding</u>	<u>TPAF Benefit Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 138,164	100%
06/30/15	113,443	100%
06/30/14	83,705	100%

Three-year trend information for PERS:

<u>Year Funding</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 21,364	100%
06/30/15	21,314	100%
06/30/14	14,947	100%

During the year ended June 30, 2016, the State of New Jersey contributed \$75,096 to the TPAF for post-retirement medical benefits, \$2,993 for non-contributory insurance premiums and \$ 60,075 for pension costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$ 74,534 during the year ended June 30, 2016 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 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. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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 eligible for 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 Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2015, the State paid \$ 214.1 million toward Ch. 126 benefits for 19,056 eligible retired members.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 by visiting their website at (www.nj.gov/treasury/pensions).

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

Note 8 - Deferred compensation

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

Equitable
Midland National

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 9 - Interfund receivable and payables

The composition of interfund balances as of June 30, 2016 is as follows:

Fund	Receivable Fund	Payable Fund
General Fund	\$ 18,015	\$ -
Capital Projects Fund	-	16,115
Payroll Agency Fund	-	1,900
Total	<u>\$ 18,015</u>	<u>\$ 18,015</u>

The balance due from the Capital Projects Fund to the General Fund of \$ 16,115 represents a loan from the General Fund due to cash flow issues relating to the delayed receipt of grant revenues. The balance due from the Payroll Agency Fund to the General Fund represents balances due to the General Fund within the Payroll Bank Accounts totaling \$ 1,900.

Note 10 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Note 11 - Risk management

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the "Contributory Method." Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the State. Any claims for unemployment are paid for by the State from those funds.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Legal reserve accounts

A Capital Reserve Account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the Capital Reserve by appropriating funds in the annual General Fund budget certified for taxes. 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 NJSA 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning in fiscal year 2008, Districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this state statute, the District deposited \$40,000 to their Maintenance Reserve account and \$20,000 to their Tuition Reserve Account by Board resolution in June 2016 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 115,152	\$ -	\$ 481	\$ -	\$ 15,000	\$ 100,633
Emergency	202,033	-	722	-	-	202,755
Maintenance	-	40,000	-	-	-	40,000
Tuition	-	20,000	-	-	-	20,000
Total	\$ 317,185	\$ 60,000	\$ 1,203	\$ -	\$ -	\$ 363,388

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Fund balances - Budgetary basis

As described in Note 1 N-Fund Equity (Fund Balance) may be restricted, committed or assigned. An analysis of the General Fund balance on June 30, 2016 and 2015 is as follows:

	2016	2015
Restricted		
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	\$ -	\$ 17,053
Committed		
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	100,633	115,152
Emergency reserve - Represents funds accumulated to finance unanticipated general fund expenditures required for a thorough and efficient education.	202,755	202,033
Tuition reserve - Represents funds accumulated to finance for a foreseeable future tuition adjustment pursuant to N.J.A.C. 6A:23A-17.1(f)	20,000	-
Maintenance reserve - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:76-9)	40,000	-
Assigned		
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	13,112	3,490
Unassigned		
Undesignated - Represents fun balance which has not been restricted or designated.	248,266	248,939
Total fund balance	\$ 624,766	\$ 586,667

Note 15 - Subsequent events

The District has evaluated subsequent events through November 17, 2016, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report:

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "*Tax Abatement Disclosures*". This statement, which is effective for reporting periods beginning after December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "*Pension's Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". This statement, which is effective for reporting periods beginning December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "*Certain External Investment Pools and Pool Participants*". This statement, which is effective for reporting periods beginning December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "*Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*". This statement, which is effective for reporting periods beginning June 15, 2016, is not expected to have a material impact on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81 "*Irrevocable Split-Interest Agreements*". This statement, which is effective for reporting periods after June 15, 2016, is not expected to have a material impact on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "*Pension Issues - an amendment of GASB Statements No. 67 and No. 73*". This statement is effective for reporting periods beginning June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement is not expected to have a material impact on the District's financial reporting.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2016 of \$ 226,499 on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 2,381,237	\$ -	\$ 2,381,237	\$ 2,381,237	\$ -
Tuition from individuals	14,000	-	14,000	15,355	1,355
Unrestricted miscellaneous revenues	50	(50)	-	3,886	3,886
Interest earned on current expense emergency reserve	-	-	-	722	722
Interest earned on capital reserve funds	-	50	50	481	431
Total	<u>2,395,287</u>	<u>-</u>	<u>2,395,287</u>	<u>2,401,681</u>	<u>6,394</u>
State Sources					
School Choice Aid	38,478	-	38,478	38,478	-
Categorical Transportation Aid	12,988	-	12,988	12,988	-
Categorical Special Education Aid	64,267	-	64,267	64,267	-
Categorical Security Aid	7,997	-	7,997	7,997	-
Adjustment Aid	61,273	-	61,273	61,273	-
Other State Aids	2,100	-	2,100	2,622	522
TPAF Pension (on-behalf)	-	-	-	63,068	63,068
TPAF Social Security (reimbursed)	-	-	-	74,534	74,534
TPAF Post Retirement Benefits	-	-	-	75,096	75,096
Total	<u>187,103</u>	<u>-</u>	<u>187,103</u>	<u>400,323</u>	<u>213,220</u>
Total revenues	<u>\$ 2,582,390</u>	<u>\$ -</u>	<u>\$ 2,582,390</u>	<u>\$ 2,802,004</u>	<u>\$ 219,614</u>
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 27,511	\$ 41,593	\$ 69,104	\$ 69,104	\$ -
Kindergarten	87,176	2,354	89,530	89,383	147
Grades 1-5	421,976	(60,417)	361,559	361,308	251
Grades 6-8	102,661	(1,303)	101,358	101,163	195
Home instruction					
Salaries of teacher	500	(354)	146	-	146
Purchased professional - educational services	750	620	1,370	1,370	-
Regular programs - undistributed instruction					
Other purchased services	25,000	(13,322)	11,678	10,855	823
General supplies	30,000	(9,497)	20,503	19,639	864
Textbooks	4,908	(552)	4,356	4,205	151
Other objects	2,000	(1,000)	1,000	630	370
Total	<u>702,482</u>	<u>(41,878)</u>	<u>660,604</u>	<u>657,657</u>	<u>2,947</u>
Special education					
Resource room/resource center					
Salaries of teachers	49,975	1,070	51,045	50,210	835
General supplies	1,000	(1,000)	-	-	-
Total	<u>50,975</u>	<u>70</u>	<u>51,045</u>	<u>50,210</u>	<u>835</u>
Total special education	<u>50,975</u>	<u>70</u>	<u>51,045</u>	<u>50,210</u>	<u>835</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Basic skills/remedial					
Salaries of teachers	\$ 61,625	\$ 1,585	\$ 63,210	\$ 63,010	\$ 200
General supplies	1,000	(1,000)	-	-	-
Total	<u>62,625</u>	<u>585</u>	<u>63,210</u>	<u>63,010</u>	<u>200</u>
School-sponsored co/extra curricular activities-instruction					
Salaries	4,000	500	4,500	4,500	-
Total	<u>4,000</u>	<u>500</u>	<u>4,500</u>	<u>4,500</u>	<u>-</u>
Total instruction regular	<u>\$ 820,082</u>	<u>\$ (40,723)</u>	<u>\$ 779,359</u>	<u>\$ 775,377</u>	<u>\$ 3,982</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - regular	\$ 322,586	\$ 28,970	\$ 351,556	\$ 351,556	\$ -
Tuition to other LEAs within the state - special	115,283	7,649	122,932	122,932	-
Tuition to priv. school for the disabled w/i state	-	16,244	16,244	16,244	-
Total	<u>437,869</u>	<u>52,863</u>	<u>490,732</u>	<u>490,732</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	70,640	3,572	74,212	72,239	1,973
Purchased professional and technical services	1,560	(860)	700	700	-
Other purchased services	1,200	(1,200)	-	-	-
Supplies and materials	4,000	(2,255)	1,745	1,495	250
Total	<u>77,400</u>	<u>(743)</u>	<u>76,657</u>	<u>74,434</u>	<u>2,223</u>
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	45,000	12,360	57,360	55,420	1,940
Supplies and materials	500	2,186	2,686	567	2,119
Total	<u>45,500</u>	<u>14,546</u>	<u>60,046</u>	<u>55,987</u>	<u>4,059</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	21,718	(14,247)	7,471	7,469	2
Total	<u>21,718</u>	<u>(14,247)</u>	<u>7,471</u>	<u>7,469</u>	<u>2</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	95,493	381	95,874	94,215	1,659
Salaries of secretarial and clerical assistants	15,000	(2,000)	13,000	12,916	84
Purchased professional - educational services	17,000	(4,945)	12,055	11,500	555
Other purchased professional & technical services	4,000	(4,000)	-	-	-
Supplies and materials	1,350	(500)	850	802	48
Total	<u>132,843</u>	<u>(11,064)</u>	<u>121,779</u>	<u>119,433</u>	<u>2,346</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	\$ 44,954	\$ 1,312	\$ 46,266	\$ 46,266	\$ -
Salaries of other professional staff	-	3,342	3,342	3,120	222
Salaries of secretarial & clerical assist	12,915	1,765	14,680	14,604	76
Purchased professional - educational services	3,200	(3,200)	-	-	-
Other purchased professional & technical services	1,000	(1,000)	-	-	-
Other purchased services	2,000	(1,433)	567	446	121
Supplies and materials	750	(750)	-	-	-
Other objects	250	(250)	-	-	-
Total	65,069	(214)	64,855	64,436	419
Undistributed expenditures - edu. media service/sch. library					
Salaries	25,085	475	25,560	25,439	121
Purchased professional and technical services	850	(850)	-	-	-
Other purchased services	1,350	540	1,890	1,890	-
Supplies and materials	2,500	(1,248)	1,252	1,235	17
Total	29,785	(1,083)	28,702	28,564	138
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	500	(210)	290	190	100
Other purchased services	2,000	(505)	1,495	1,262	233
Supplies and materials	500	(500)	-	-	-
Total	3,000	(1,215)	1,785	1,452	333
Undistributed expend. - support service - general admin.					
Salaries	62,105	73,102	135,207	135,207	-
Legal services	5,400	1,409	6,809	6,809	-
Audit fees	11,000	(600)	10,400	10,400	-
Other purchased professional services	-	3,985	3,985	3,985	-
Communications/telephone	6,550	7,238	13,788	13,788	-
BOE other purchased services	750	(750)	-	-	-
Misc purch services	5,000	(2,292)	2,708	2,708	-
General supplies	1,000	(1,000)	-	-	-
Judgments against the school district	72,700	(72,700)	-	-	-
Miscellaneous expenditures	2,500	2,023	4,523	4,523	-
BOE membership dues and fees	2,000	(110)	1,890	1,890	-
Total	169,005	10,305	179,310	179,310	-
Undistributed expend. - support service - school admin.					
Other purchased services	-	1,008	1,008	1,008	-
Total	-	1,008	1,008	1,008	-
Undistributed expenditures - central services					
Salaries	75,000	1,802	76,802	76,792	10
Purchased professional services	-	5,538	5,538	5,538	-
Purchased technical services	9,885	(8,935)	950	950	-
Miscellaneous purchased services	400	(350)	50	50	-
Supplies and materials	1,500	(1,140)	360	294	66
Other objects	300	3,245	3,545	3,545	-
Total	87,085	160	87,245	87,169	76

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	\$ 20,000	\$ (2,930)	\$ 17,070	\$ 17,050	\$ 20
Total	<u>20,000</u>	<u>(2,930)</u>	<u>17,070</u>	<u>17,050</u>	<u>20</u>
Undistributed expenditures - custodial services					
Salaries	81,672	(7,059)	74,613	74,048	565
Purchased professional and technical services	600	(600)	-	-	-
Cleaning, repair, and maintenance service	5,000	184	5,184	4,840	344
Other purchased property services	4,703	142	4,845	4,738	107
Insurance	17,000	1,507	18,507	18,507	-
Miscellaneous purchased services	5,000	(3,925)	1,075	1,075	-
General supplies	7,932	5,950	13,882	6,617	7,265
Energy (natural gas)	25,000	(13,500)	11,500	11,212	288
Energy (electricity)	20,000	506	20,506	20,506	-
Other objects	500	(81)	419	419	-
Total	<u>167,407</u>	<u>(16,876)</u>	<u>150,531</u>	<u>141,962</u>	<u>8,569</u>
Undistributed expenditures - care and upkeep of grounds					
cleaning, repair, and maintenance service	-	10,023	10,023	10,023	-
Total	<u>-</u>	<u>10,023</u>	<u>10,023</u>	<u>10,023</u>	<u>-</u>
Undistributed expenditures - security					
Cleaning, repair, and maintenance service	1,500	(1,461)	39	-	39
General supplies	1,000	(920)	80	80	-
Total	<u>2,500</u>	<u>(2,381)</u>	<u>119</u>	<u>80</u>	<u>39</u>
Undistributed expenditures - student transportation service					
Management fee - esc & ctsa trans. program	500	500	1,000	832	168
Contract service-aid in lieu pymts-non-public schools	4,000	(1,348)	2,652	2,652	-
Contract services (between home & school) - vendors	13,505	(13,505)	-	-	-
Contr service (oth. than between home & school) - vend	2,000	(513)	1,487	1,384	103
Contr service (between home & school) - joint agreements	20,000	15,149	35,149	35,149	-
Contract service (reg. students) - escs & ctsas	12,000	1,408	13,408	12,215	1,193
Contract service (spl. ed. students) - escs & ctsas	-	6,109	6,109	6,109	-
Total	<u>52,005</u>	<u>7,800</u>	<u>59,805</u>	<u>58,341</u>	<u>1,464</u>
Allocated benefits - employee benefits					
Regular programs - instruction					
Health benefits	195,754	(26,471)	169,283	166,551	2,732
Total	<u>195,754</u>	<u>(26,471)</u>	<u>169,283</u>	<u>166,551</u>	<u>2,732</u>
Special programs - instruction					
Health benefits	35,566	1,749	37,315	35,341	1,974
Total	<u>35,566</u>	<u>1,749</u>	<u>37,315</u>	<u>35,341</u>	<u>1,974</u>
Health services					
Health benefits	40,596	(2,200)	38,396	37,421	975
Total	<u>40,596</u>	<u>(2,200)</u>	<u>38,396</u>	<u>37,421</u>	<u>975</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Other supp services- students - extraordinary					
Health benefits	\$ 29,865	\$ 248	\$ 30,113	\$ 29,952	\$ 161
Total	<u>29,865</u>	<u>248</u>	<u>30,113</u>	<u>29,952</u>	<u>161</u>
Other supp services - child study teams					
Health benefits	32,324	2,632	34,956	32,857	2,099
Total	<u>32,324</u>	<u>2,632</u>	<u>34,956</u>	<u>32,857</u>	<u>2,099</u>
Improvement of instruction services					
Health benefits	10,782	2,645	13,427	13,062	365
Total	<u>10,782</u>	<u>2,645</u>	<u>13,427</u>	<u>13,062</u>	<u>365</u>
Support services - general administration					
Health benefits	10,895	(159)	10,736	10,736	-
Total	<u>10,895</u>	<u>(159)</u>	<u>10,736</u>	<u>10,736</u>	<u>-</u>
Operation and maintenance of plant service					
Health benefits	26,754	346	27,100	26,725	375
Total	<u>26,754</u>	<u>346</u>	<u>27,100</u>	<u>26,725</u>	<u>375</u>
Total allocated benefits - employees	<u>382,536</u>	<u>(21,210)</u>	<u>361,326</u>	<u>352,645</u>	<u>8,681</u>
Unallocated benefits-employee benefits					
Social security contributions	25,000	(2,762)	22,238	19,232	3,006
Other retirement contributions - PERS	25,979	(4,615)	21,364	21,364	-
Other retirement contributions - regular	2,000	650	2,650	2,495	155
Unemployment compensation	6,000	(914)	5,086	5,041	45
Workmen's compensation	15,000	(2,329)	12,671	12,670	1
Health benefits	2,100	4,598	6,698	3,950	2,748
Tuition reimbursement	3,000	(3,000)	-	-	-
Other employee benefits	10,000	4,353	14,353	7,133	7,220
Total	<u>89,079</u>	<u>(4,019)</u>	<u>85,060</u>	<u>71,885</u>	<u>13,175</u>
On-behalf TPAF pension contribution	-	-	-	63,068	(63,068)
On-behalf TPAF post retirement medical benefits	-	-	-	75,096	(75,096)
Reimbursed TPAF social security contribution	-	-	-	74,534	(74,534)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,698</u>	<u>(212,698)</u>
Total undistributed expenditures	<u>\$ 1,782,801</u>	<u>\$ 20,723</u>	<u>\$ 1,803,524</u>	<u>\$ 1,974,678</u>	<u>\$ (171,154)</u>
Total current	<u>\$ 2,602,883</u>	<u>\$ (20,000)</u>	<u>\$ 2,582,883</u>	<u>\$ 2,750,055</u>	<u>\$ (167,172)</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Capital outlay					
Equipment					
Undistributed					
Undistributed expend. - support service - related & extra.	\$ -	\$ 2,105	\$ 2,105	\$ 2,105	\$ -
Undistributed expend. - required maint. for school facilities	-	32,895	32,895	11,745	21,150
Undistributed expenditures student transportation	15,000	(15,000)	-	-	-
Total equipment	<u>15,000</u>	<u>20,000</u>	<u>35,000</u>	<u>13,850</u>	<u>21,150</u>
Total capital outlay	<u>\$ 15,000</u>	<u>\$ 20,000</u>	<u>\$ 35,000</u>	<u>\$ 13,850</u>	<u>\$ 21,150</u>
Total expenditures	<u>\$ 2,617,883</u>	<u>\$ -</u>	<u>\$ 2,617,883</u>	<u>\$ 2,763,905</u>	<u>\$ (146,022)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (35,493)	\$ -	\$ (35,493)	\$ 38,099	\$ 73,592
Fund balances, July 1	586,667	-	586,667	586,667	-
Fund balances, June 30	<u>\$ 551,174</u>	<u>\$ -</u>	<u>\$ 551,174</u>	<u>\$ 624,766</u>	<u>\$ 73,592</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (3,490)	\$ -	\$ (3,490)	\$ (3,490)	\$ -
Interest deposit to capital reserve	50	-	50	481	431
Withdrawal from capital reserve	(15,000)	-	(15,000)	(15,000)	-
Increase in emergency reserve	-	-	-	722	722
Increase in maintenance reserve	-	40,000	40,000	40,000	-
Increase in tuition reserve	-	20,000	20,000	20,000	-
Budgeted fund balance	(17,053)	(60,000)	(77,053)	(4,614)	72,439
Total	<u>\$ (35,493)</u>	<u>\$ -</u>	<u>\$ (35,493)</u>	<u>\$ 38,099</u>	<u>\$ 73,592</u>
Recapitulation of fund balance					
Committed fund balance					
Capital reserve				\$ 100,633	
Emergency reserve				202,755	
Maintenance reserve				40,000	
Tuition reserve					
Year 2015 - 2016				20,000	
Assigned fund balance					
Year-end encumbrances				13,112	
Unassigned fund balance				<u>248,266</u>	
Fund balance per budgetary basis				624,766	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(18,713)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 606,053</u>	

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 5,100	\$ -	\$ 5,100	\$ 1,000	\$ (4,100)
State sources	3,113	-	3,113	-	(3,113)
Federal sources	50,283	-	50,283	50,283	-
Total revenues	<u>\$ 58,496</u>	<u>\$ -</u>	<u>\$ 58,496</u>	<u>\$ 51,283</u>	<u>\$ (7,213)</u>
Expenditures					
Instruction					
Other salaries for instruction	\$ 30,185	\$ -	\$ 30,185	\$ 30,185	\$ -
General supplies	5,100	-	5,100	1,000	4,100
Totals	<u>35,285</u>	<u>-</u>	<u>35,285</u>	<u>31,185</u>	<u>4,100</u>
Support services					
Purchased professional & technical services	3,113	1,936	5,049	1,936	3,113
Other purchased services	1,936	(1,936)	-	-	-
General supplies	18,162	-	18,162	18,162	-
Total	<u>23,211</u>	<u>-</u>	<u>23,211</u>	<u>20,098</u>	<u>3,113</u>
Total expenditures	<u>\$ 58,496</u>	<u>\$ -</u>	<u>\$ 58,496</u>	<u>\$ 51,283</u>	<u>\$ 7,213</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation

Explanation of differences between budgetary inflows and outflows and GAAP revenues and expenditures

<u>Sources/Inflows of resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,802,004	\$ 51,283
Difference - Budget to GAAP		
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	17,425	-
State aid receivable current year	<u>(18,713)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 2,800,716</u>	<u>\$ 51,283</u>
<u>Uses/Outflows of resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 2,763,905</u>	<u>\$ 51,283</u>
Total expenditures (GAAP Basis)	<u>\$ 2,763,905</u>	<u>\$ 51,283</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	-	5,125,559	4,006,348	4,743,236	-	-	-	-	-	-
Total	\$ -	\$ 5,125,559	\$ 4,006,348	\$ 4,743,236	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll		\$ 886,676	\$ 764,613	\$ 669,552						
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability		28.71%	33.64%	33.76%						

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of District Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 63,068	\$ 43,843	\$ 31,711	\$ 60,643	\$ 28,773	\$ 2,620	\$ 2,814	\$ 2,741	\$ 55,718	\$ 52,698
Contributions in relation to the contractually required contribution	(63,068)	(43,843)	(31,711)	(60,643)	(28,773)	(2,620)	(2,814)	(2,741)	(55,718)	(52,698)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 970,105	\$ 886,676	\$ 764,613	\$ 669,552	\$ 867,393	\$ 885,333	\$ 1,060,638	\$ 852,199	\$ 814,031	\$ 798,939
Contributions as a percentage of covered employee payroll	6.50%	4.94%	4.15%	9.06%	3.32%	0.30%	0.27%	0.32%	6.84%	6.60%

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - percentage	N/A	0.00248496%	0.0025854407%	0.19837300%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	\$ -	\$ 557,824	\$ 484,065	\$ 379,130	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	133,654	203,156	159,982	142,170	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	274.58%	302.57%	266.67%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of District Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 21,364	\$ 21,314	\$ 14,947	\$ 14,882	\$ 17,708	\$ 14,888	\$ 7,833	\$ 9,602	\$ 6,948	\$ 2,125
Contributions in relation to the contractually required contribution	(21,364)	(21,314)	(14,947)	(14,882)	(17,708)	(14,888)	(7,833)	(9,602)	(6,948)	(2,125)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 133,654	\$ 203,156	\$ 159,982	\$ 142,170	\$ 121,026	\$ 128,909	\$ 156,995	\$ 123,913	\$ 109,748	\$ 117,993
Contributions as a percentage of covered employee payroll	15.98%	10.49%	9.34%	10.47%	14.63%	11.55%	4.99%	7.75%	6.33%	1.80%

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2016

Note 1 - Special funding situation - TPAF

The participating employer allocations included in the Supplemental Schedule of Employer Special Funding Allocations and the Supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

The special revenue fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

LEBANON BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues And Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	<u>Local</u>	<u>Small, Rural School Achievement</u>	<u>NCLB Title IIA</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Total</u>
Revenues						
Local sources	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000
Federal sources	-	18,162	1,936	28,343	1,842	50,283
Total revenues	<u>\$ 1,000</u>	<u>\$ 18,162</u>	<u>\$ 1,936</u>	<u>\$ 28,343</u>	<u>\$ 1,842</u>	<u>\$ 51,283</u>
Expenditures						
Instruction						
Salaries	\$ -	\$ -	\$ -	\$ 28,343	\$ 1,842	\$ 30,185
General supplies	1,000	-	-	-	-	1,000
Total	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>28,343</u>	<u>1,842</u>	<u>31,185</u>
Support services						
Purchased professional and technical services	-	-	1,936	-	-	1,936
Other purchased services	-	-	-	-	-	-
Supplies & materials	-	18,162	-	-	-	18,162
Total	<u>-</u>	<u>18,162</u>	<u>1,936</u>	<u>-</u>	<u>-</u>	<u>20,098</u>
Total expenditures	<u>\$ 1,000</u>	<u>\$ 18,162</u>	<u>\$ 1,936</u>	<u>\$ 28,343</u>	<u>\$ 1,842</u>	<u>\$ 51,283</u>

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

LEBANON BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2016

Description	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations 06/30/16
			Prior Years	Current Year	
Improvements and renovations at Lebanon Borough School District	02/24/2014	\$ 276,259	\$ 203,014	\$ 35,788	\$ 37,457
		<u>\$ 276,259</u>	<u>\$ 203,014</u>	<u>\$ 35,788</u>	<u>\$ 37,457</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Basis
For the Fiscal Year Ended June 30, 2016

Revenues	
State sources - NJ SDA ROD Grants	\$ (55,998)
Expenditures	
Construction services	<u>35,788</u>
Excess (deficiency) of revenues over (under) expenditures	(91,786)
Net position - beginning	<u>213,241</u>
Net position - ending	<u><u>\$ 121,455</u></u>
 <u>Reconciliation of fund balance difference for GAAP purposes</u>	
Fund balance - budgetary basis (Schedule F-2)	\$ 121,455
Receivables from other Governments - State	
GAAP basis (Schedule B-1)	95,521
Budgetary basis (Schedule K-4)	<u>(110,504)</u>
Fund balance - GAAP basis (Schedule B-1)	<u><u>\$ 106,472</u></u>
 <u>Reconciliation of financial assistance difference for GAAP purposes</u>	
State financial assistance - budgetary basis (Schedule F-2)	\$ (55,998)
Adjustment to GAAP basis	<u>70,313</u>
State financial assistance - GAAP basis (Schedule B-2)	<u><u>\$ 14,315</u></u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Improvements and Renovations at Lebanon Borough School
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfers in from capital reserve	\$ 249,753	\$ -	\$ 249,753	\$ 165,755
State source - NJ SDA ROD Grants	166,502	(55,998)	110,504	110,504
Total revenues	<u>416,255</u>	<u>(55,998)</u>	<u>360,257</u>	<u>276,259</u>
Expenditures and other financing uses				
Architectural/engineering services	6,600	-	6,600	31,850
Construction services	196,414	35,788	232,202	244,409
Total expenditures	<u>203,014</u>	<u>35,788</u>	<u>238,802</u>	<u>276,259</u>
Excess (deficiency) of revenues over (under) Expenditures	<u>\$ 213,241</u>	<u>\$ (91,786)</u>	<u>\$ 121,455</u>	<u>\$ -</u>

Additional project information

Project number	19-2590-050-14-1001
Grant date	02/24/14
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 416,255
Reduction in authorized cost	\$ (139,996)
Revised authorized cost	\$ 276,259
Percentage completion	86%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

LEBANON BOROUGH SCHOOL DISTRICT
Statement of Fund Net Position
Enterprise Fund - Milk Service
For the Fiscal Year Ended June 30, 2016

ASSETS

Current assets

Cash & cash equivalents	\$ 1,234
Total current assets	1,234

Noncurrent assets

Capital assets	41,879
Less: accumulated depreciation	(39,152)
Total noncurrent assets	2,727

Total assets	3,961
--------------	-------

NET POSITION

Invested in capital assets, net of related debt	2,727
Unrestricted	1,234

TOTAL NET POSITION	\$ 3,961
--------------------	----------

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Enterprise Fund - Milk Service
For the Fiscal Year Ended June 30, 2016

Operating revenues	
Charges for services	
Daily sales - non-reimbursable programs	\$ 380
Total operating revenues	<u>380</u>
Operating expenses	
Costs of sales	534
Supplies	186
Depreciation expense	<u>260</u>
Total operating expenses	<u>980</u>
Operating income (loss)	<u>(600)</u>
Non-operating revenues (expenses)	
Local sources	
Interest on investments	<u>5</u>
Change in net position	(595)
Net position, beginning	<u>4,556</u>
Net position, ending	<u><u>\$ 3,961</u></u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Statement of Cash Flows
Enterprise Fund - Milk Service
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities		
Receipts from customers	\$	380
Payments to vendors		(720)
		(340)
Net cash provided by operating activities		(340)
Cash flows from investing activities		
Interest on investments		5
		5
Net increase in cash and cash equivalents		(335)
Cash and cash equivalents, July 1		1,569
Cash and cash equivalents, June 30	\$	1,234
Reconciliation of operating income to net cash		
Provided by operating activities		
Operating income	\$	(600)
Adjustments to reconcile operating income to net cash		
Provided by operating activities		
Depreciation		260
		260
Net cash provided by (used for) operating activities	\$	(340)

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

Fiduciary funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

LEBANON BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Schedule of Net Position
June 30, 2016

	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets			
Cash and cash equivalents	\$ 130	\$ 6,228	\$ 6,358
Total assets	\$ 130	\$ 6,228	\$ 6,358
Liabilities			
Due to other funds	\$ -	\$ 1,900	\$ 1,900
Due to students groups	130	-	130
Payroll deductions & withholdings	-	4,328	4,328
Total liabilities	\$ 130	\$ 6,228	\$ 6,358

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>07/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/29/16</u>
Assets				
Cash and cash equivalents	\$ 899	\$ 3,917	\$ 4,686	\$ 130
Total assets	<u>\$ 899</u>	<u>\$ 3,917</u>	<u>\$ 4,686</u>	<u>\$ 130</u>
Liabilities				
Due to student groups	\$ 899	\$ 3,917	\$ 4,686	\$ 130
Total liabilities	<u>\$ 899</u>	<u>\$ 3,917</u>	<u>\$ 4,686</u>	<u>\$ 130</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2016

	Balance 07/01/15	Additions	Deletions	Balance 06/29/16
Assets				
Cash and cash equivalents	\$ 6,400	\$ 1,525,764	\$ 1,525,936	\$ 6,228
Total assets	\$ 6,400	\$ 1,525,764	\$ 1,525,936	\$ 6,228
Liabilities				
Due to other funds	\$ 2,983	\$ 4,891	\$ 5,974	\$ 1,900
Payroll deductions and withholdings	3,416	662,523	661,868	4,071
Net payroll	1	858,350	858,094	257
Total liabilities	\$ 6,400	\$ 1,525,764	\$ 1,525,936	\$ 6,228

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

(NOT APPLICABLE TO THIS REPORT)

LEBANON BOROUGH SCHOOL DISTRICT
Statistical Section J Series

Contents	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue Sources, the Property Tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports	

LEBANON BOROUGH SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government activities										
Net investment in capital assets	\$ 1,326,505	\$ 1,556,663	\$ 1,683,316	\$ 1,800,620	\$ 1,908,092	\$ 1,943,739	\$ 1,875,601	\$ 1,840,060	\$ 1,976,950	\$ 1,951,718
Restricted	1	150,001	231,721	269,789	314,995	353,164	597,951	599,825	445,130	469,860
Unrestricted	401,971	310,025	429,231	460,756	433,839	400,427	314,718	(145,116)	(184,173)	(226,499)
Total governmental activities	\$ 1,728,477	\$ 2,016,689	\$ 2,344,268	\$ 2,531,165	\$ 2,656,926	\$ 2,697,330	\$ 2,788,270	\$ 2,294,769	\$ 2,237,907	\$ 2,195,079
Business-type activities										
Net investment in capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,987	\$ 2,727
Unrestricted	3,148	4,095	5,449	6,395	6,761	7,407	7,756	5,323	1,569	1,234
Total business-type activities	\$ 3,148	\$ 4,095	\$ 5,449	\$ 6,395	\$ 6,761	\$ 7,407	\$ 7,756	\$ 5,323	\$ 4,556	\$ 3,961
District-wide										
Net investment in capital assets	\$ 1,326,505	\$ 1,556,663	\$ 1,683,316	\$ 1,800,620	\$ 1,908,092	\$ 1,943,739	\$ 1,875,601	\$ 1,840,060	\$ 1,979,937	\$ 1,954,445
Restricted	1	150,001	231,721	269,789	314,995	353,164	597,951	599,825	445,130	469,860
Unrestricted	405,119	314,120	434,680	467,151	440,600	407,834	322,474	(139,793)	(182,604)	(225,265)
Total district-wide	\$ 1,731,625	\$ 2,020,784	\$ 2,349,717	\$ 2,537,560	\$ 2,663,687	\$ 2,704,737	\$ 2,796,026	\$ 2,300,092	\$ 2,242,463	\$ 2,199,040

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 858,128	\$ 924,948	\$ 786,211	\$ 832,127	\$ 758,752	\$ 825,775	\$ 965,736	\$ 1,027,792	\$ 1,123,180	\$ 1,171,939
Special education	91,699	91,145	83,951	179,298	237,907	212,626	115,613	64,029	128,670	146,752
Other special education	98,578	108,340	100,884	101,076	40,512	42,184	31,277	36,665	87,030	97,009
Other instruction	1,975	1,009	3,140	3,928	4,685	4,578	2,681	3,395	2,761	6,134
Support services										
Tuition	240,392	320,102	391,374	370,400	506,009	438,574	377,117	330,470	394,890	490,732
Student & instruction related services	427,424	496,604	560,563	522,370	536,546	631,812	359,387	565,805	639,257	643,825
General & business administrative services	109,042	94,241	95,717	114,329	106,795	198,834	398,048	433,000	401,782	386,294
School administration	91,932	54,721	69,339	69,663	63,474	77,951	122,059	27,149	1,242	1,271
Plant operations & maintenance	223,320	174,408	169,900	172,390	181,853	167,672	188,054	199,797	203,325	220,065
Pupil transportation	60,373	66,910	35,425	63,263	43,927	44,141	51,416	47,439	55,140	58,341
Interest on long-term debt	54,192	42,992	31,792	20,592	9,392	1,648	-	-	-	-
Total governmental activities expenses	<u>2,257,055</u>	<u>2,375,420</u>	<u>2,328,296</u>	<u>2,449,436</u>	<u>2,489,852</u>	<u>2,645,795</u>	<u>2,611,388</u>	<u>2,735,541</u>	<u>3,037,277</u>	<u>3,222,362</u>
Business-type activities										
Milk service	1,265	1,570	1,326	975	860	769	670	3,534	1,684	980
Total business-type activities	<u>1,265</u>	<u>1,570</u>	<u>1,326</u>	<u>975</u>	<u>860</u>	<u>769</u>	<u>670</u>	<u>3,534</u>	<u>1,684</u>	<u>980</u>
Total district expenses	<u>\$ 2,258,320</u>	<u>\$ 2,376,990</u>	<u>\$ 2,329,622</u>	<u>\$ 2,450,411</u>	<u>\$ 2,490,712</u>	<u>\$ 2,646,564</u>	<u>\$ 2,612,058</u>	<u>\$ 2,739,075</u>	<u>\$ 3,038,961</u>	<u>\$ 3,223,342</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (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										
Regular instruction	\$ -	\$ 660	\$ 315	\$ -	\$ 936	\$ 9,202	\$ 10,600	\$ 18,800	\$ 14,490	\$ 15,595
Special education instruction	-	-	-	-	-	10,455	-	-	-	-
Student & instruction related services	-	-	-	-	-	-	-	-	20	17
General & business administrative services	-	2	-	-	-	-	-	-	1	1
Plant operations & maintenance	8,463	5,115	-	-	208	360	120	120	711	120
Operating grants & contributions	57,493	59,296	58,698	92,017	56,423	64,285	53,511	55,951	44,241	51,283
Capital grants & contributions	-	-	-	-	-	-	-	-	81,206	14,315
Total governmental activities program revenues	<u>65,956</u>	<u>65,073</u>	<u>59,013</u>	<u>92,017</u>	<u>57,567</u>	<u>84,302</u>	<u>64,231</u>	<u>74,871</u>	<u>140,669</u>	<u>81,331</u>
Business-type activities										
Charges for services										
Milk service	2,185	2,472	2,664	1,905	1,218	1,366	992	1,076	897	380
Total business-type activities program revenues	<u>2,185</u>	<u>2,472</u>	<u>2,664</u>	<u>1,905</u>	<u>1,218</u>	<u>1,366</u>	<u>992</u>	<u>1,076</u>	<u>897</u>	<u>380</u>
Total district-program revenues	<u>\$ 68,141</u>	<u>\$ 67,545</u>	<u>\$ 61,677</u>	<u>\$ 93,922</u>	<u>\$ 58,785</u>	<u>\$ 85,668</u>	<u>\$ 65,223</u>	<u>\$ 75,947</u>	<u>\$ 141,566</u>	<u>\$ 81,711</u>
Net (expense) revenues										
Governmental activities	\$ (2,191,099)	\$ (2,310,347)	\$ (2,269,283)	\$ (2,357,419)	\$ (2,432,285)	\$ (2,561,493)	\$ (2,547,157)	\$ (2,660,670)	\$ (2,896,608)	\$ (3,141,031)
Business-type activities	920	902	1,338	930	358	597	322	(2,458)	(787)	(600)
Total district-wide net expenses	<u>\$ (2,190,179)</u>	<u>\$ (2,309,445)</u>	<u>\$ (2,267,945)</u>	<u>\$ (2,356,489)</u>	<u>\$ (2,431,927)</u>	<u>\$ (2,560,896)</u>	<u>\$ (2,546,835)</u>	<u>\$ (2,663,128)</u>	<u>\$ (2,897,395)</u>	<u>\$ (3,141,631)</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 2,005,741	\$ 2,034,312	\$ 2,115,684	\$ 2,115,684	\$ 2,190,311	\$ 2,224,117	\$ 2,268,599	\$ 2,172,561	\$ 2,237,738	\$ 2,381,237
Taxes levied for debt service	231,992	220,792	209,592	198,392	187,192	106,296	-	-	-	-
Unrestricted grants & contributions	309,536	336,360	265,740	223,586	174,406	261,390	364,796	354,521	593,769	711,997
Investment earnings	12,033	7,095	3,857	2,955	915	6,636	4,028	4,270	3,159	1,203
Miscellaneous income	1,223	-	1,989	3,699	5,222	3,458	674	-	4,780	3,766
Special item-proceeds on disposition of assets	-	-	-	-	-	-	-	-	300	-
Total governmental activities	<u>2,560,525</u>	<u>2,598,559</u>	<u>2,596,862</u>	<u>2,544,316</u>	<u>2,558,046</u>	<u>2,601,897</u>	<u>2,638,097</u>	<u>2,531,352</u>	<u>2,839,746</u>	<u>3,098,203</u>
Business-type activities										
Investment earnings	71	45	16	16	8	49	27	25	8	5
Miscellaneous income	-	-	-	-	-	-	-	-	12	-
Total business-type activities	<u>71</u>	<u>45</u>	<u>16</u>	<u>16</u>	<u>8</u>	<u>49</u>	<u>27</u>	<u>25</u>	<u>20</u>	<u>5</u>
Total district-wide	<u>\$ 2,560,596</u>	<u>\$ 2,598,604</u>	<u>\$ 2,596,878</u>	<u>\$ 2,544,332</u>	<u>\$ 2,558,054</u>	<u>\$ 2,601,946</u>	<u>\$ 2,638,124</u>	<u>\$ 2,531,377</u>	<u>\$ 2,839,766</u>	<u>\$ 3,098,208</u>
Change in net position										
Governmental activities	\$ 369,426	\$ 288,212	\$ 327,579	\$ 186,897	\$ 125,761	\$ 40,404	\$ 90,940	\$ (129,318)	\$ (56,862)	\$ (42,828)
Business-type activities	991	947	1,354	946	366	646	349	(2,433)	(767)	(595)
Total district	<u>\$ 370,417</u>	<u>\$ 289,159</u>	<u>\$ 328,933</u>	<u>\$ 187,843</u>	<u>\$ 126,127</u>	<u>\$ 41,050</u>	<u>\$ 91,289</u>	<u>\$ (131,751)</u>	<u>\$ (57,629)</u>	<u>\$ (43,423)</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted	\$ 57,352	\$ 14,249	\$ 183,987	\$ 169,826	\$ 3,981	\$ 121,353	\$ 117,460	\$ 17,053	\$ 17,053	\$ -
Committed	1	150,001	231,721	269,789	314,995	353,164	597,951	599,825	317,185	363,388
Assigned	228,123	97,950	60,474	123,317	258,130	113,548	1,741	18,200	3,490	13,112
Unassigned	165,474	245,141	237,551	236,621	246,753	237,094	234,231	234,587	231,514	229,553
Total general fund	<u>\$ 450,950</u>	<u>\$ 507,341</u>	<u>\$ 713,733</u>	<u>\$ 799,553</u>	<u>\$ 823,859</u>	<u>\$ 825,159</u>	<u>\$ 951,383</u>	<u>\$ 869,665</u>	<u>\$ 569,242</u>	<u>\$ 606,053</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,945	\$ 106,472
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 127,945</u>	<u>\$ 106,472</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 2,237,733	\$ 2,255,104	\$ 2,325,276	\$ 2,314,076	\$ 2,377,503	\$ 2,330,413	\$ 2,268,599	\$ 2,172,561	\$ 2,237,738	\$ 2,381,237
Tuition charges	-	-	-	-	-	19,555	10,600	18,800	14,330	15,355
Interest earnings	12,033	7,095	3,857	2,955	915	6,636	4,028	4,270	3,159	1,203
Miscellaneous	2,223	1,817	1,989	5,557	6,020	5,556	794	8,216	5,791	4,886
State sources	311,999	338,278	267,853	225,553	175,349	257,198	364,796	354,521	378,190	399,035
State sources-capital projects	-	-	-	-	-	-	-	-	81,206	14,315
Federal sources	54,030	55,563	56,585	88,192	54,890	66,739	53,511	47,855	44,241	50,283
Total revenues	2,618,018	2,657,857	2,655,560	2,636,333	2,614,677	2,686,097	2,702,328	2,606,223	2,764,655	2,866,314
Expenditures										
Instruction										
Regular instruction	576,112	647,875	573,384	612,896	540,854	594,992	666,093	706,976	656,588	657,657
Special education instruction	60,519	59,558	63,951	67,707	131,031	116,730	58,446	31,270	48,981	50,210
Other special instruction	64,948	71,196	73,267	73,771	26,502	27,546	24,919	30,335	59,730	63,010
School sponsored/other instructional	1,350	700	2,642	3,315	3,742	3,675	2,150	2,675	2,100	4,500
Support services										
Tuition	238,464	318,182	389,500	368,521	504,091	436,674	375,224	330,470	394,890	490,732
Student & inst related services	287,203	318,929	372,679	359,609	380,719	444,062	242,715	395,480	382,248	351,775
General administration	62,829	47,543	46,589	59,376	48,108	133,530	309,412	284,790	191,434	179,310
School administration services	60,644	35,821	41,691	50,621	45,024	57,337	98,138	20,813	984	1,008
Central services	40,254	41,615	43,301	42,830	47,507	50,907	54,271	101,612	104,478	87,169
Plant operations & maintenance	197,275	148,537	148,157	147,780	150,362	137,968	153,800	162,341	158,844	169,115
Pupil transportation	60,373	66,910	35,425	63,263	43,927	44,141	51,416	47,439	55,140	58,341
Employee benefits	290,534	261,647	253,069	285,273	298,398	314,522	304,111	343,540	449,769	424,530
On-behalf TPAF pension & social security contribution	162,464	183,642	119,528	123,137	126,491	152,132	181,898	145,199	182,193	212,698
Capital outlay	-	119,223	17,695	2,005	-	-	-	29,050	2,499	13,850
Special revenue funds	57,493	59,296	58,698	92,017	56,423	64,285	53,511	55,951	44,241	51,283
Capital projects	-	-	-	-	-	-	-	-	203,014	35,788
Debt service										
Principal	175,000	175,000	175,000	175,000	175,000	103,000	-	-	-	-
Interest & other charges	56,992	45,792	34,592	23,392	12,192	3,296	-	-	-	-
Total expenditures	2,392,454	2,601,466	2,449,168	2,550,513	2,590,371	2,684,797	2,576,104	2,687,941	2,937,133	2,850,976

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net change in fund balances	\$ 225,564	\$ 56,391	\$ 206,392	\$ 85,820	\$ 24,306	\$ 1,300	\$ 126,224	\$ (81,718)	\$ (172,478)	\$ 15,338
Debt service as a percentage of non-expenditures	10.74%	9.76%	9.43%	8.44%	7.79%	4.12%	0.00%	0.00%	0.00%	0.00%

Source: District records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.
The Central Service account classification was added beginning with year end June 30, 2005.
Prior to June 30, 2005, Central Services was combined in Other Support Services as Business and Other Support Services.

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Interest income	\$ 12,033	\$ 7,095	\$ 3,857	\$ 2,955	\$ 915	\$ 6,636	\$ 4,028	\$ 4,028	\$ 3,159	\$ 1,203
Tuition	-	-	-	-	-	19,555	10,600	10,600	14,330	15,595
Refunds	20	-	-	8	-	236	-	-	-	-
Rental	-	-	-	-	-	-	-	-	591	120
Prior year										
Refunds	-	-	738	-	352	857	-	-	-	-
Outstanding checks canceled	-	-	1,118	782	150	-	-	-	-	-
Accounts payable canceled	-	-	-	-	527	-	-	-	3,632	-
Excess payroll balance canceled	1,061	-	-	515	22	-	-	-	1,000	-
E-Rate telephone reimbursements	-	-	-	1,729	4,100	2,275	674	-	-	-
Miscellaneous	142	2	133	665	279	450	120	120	568	4,526
Annual totals	<u>\$ 13,256</u>	<u>\$ 7,097</u>	<u>\$ 5,846</u>	<u>\$ 6,654</u>	<u>\$ 6,345</u>	<u>\$ 30,009</u>	<u>\$ 15,422</u>	<u>\$ 14,748</u>	<u>\$ 23,280</u>	<u>\$ 21,444</u>

Source: District Records

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Vacant land	\$ 25,286,100	\$ 22,244,800	\$ 20,349,100	\$ 18,632,900	\$ 3,071,000	\$ 3,378,200	\$ 3,382,200	\$ 1,541,600	\$ 1,529,600	\$ 1,420,900
Residential	173,037,900	182,402,100	188,128,400	195,305,400	152,497,700	152,203,500	152,148,400	154,328,000	154,414,600	154,290,900
Farm regular	842,000	842,000	842,000	842,000	681,000	681,000	681,000	681,000	681,000	681,000
Q farm	5,824	5,824	5,859	5,859	30,279	30,279	29,923	29,923	29,923	29,923
Commercial	123,971,600	105,616,600	106,826,900	106,168,100	100,201,000	89,249,100	88,706,900	88,137,700	88,252,700	80,913,300
Industrial	18,021,700	17,298,000	11,213,400	11,213,400	9,668,000	8,748,080	8,172,380	8,172,380	8,713,980	8,713,980
Apartment	1,301,000	1,301,000	1,301,000	1,301,000	10,678,400	17,275,800	19,915,800	21,079,800	26,106,800	26,106,800
Total assessed value	342,466,124	329,710,324	328,666,659	333,468,659	276,827,379	271,565,959	273,036,603	273,970,403	279,728,603	272,156,803
Public utilities (a)	1,385,623	1,350,942	1,536,124	1,194,467	1,194,467	780,720	659,123	-	-	-
Net valuation taxable	\$ 343,851,747	\$ 331,061,266	\$ 330,202,783	\$ 334,663,126	\$ 278,021,846	\$ 272,346,679	\$ 273,695,726	\$ 273,970,403	\$ 279,728,603	\$ 272,156,803
Estimated actual county equalized value	\$ 356,323,054	\$ 321,364,845	\$ 303,175,862	\$ 330,253,732	\$ 300,015,040	\$ 284,970,889	\$ 277,132,165	\$ 262,423,758	\$ 280,317,269	\$ 269,916,496
Percentage of net valuation to estimated actual equalized value	96.50%	103.02%	108.91%	101.34%	92.67%	95.57%	98.76%	104.40%	99.79%	100.83%
Total direct school tax rate (b)	\$ 0.66	\$ 0.70	\$ 0.70	\$ 0.71	\$ 0.84	\$ 0.83	\$ 0.79	\$ 0.82	\$ 0.85	\$ 0.96

Source: Municipal Tax Assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipment's of telephone and messenger system companies
- (b) Tax rates are per \$100

- * Revalued/Reassessed
- * Limited exemptions and abatements

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)			Municipality	County	
			Total Direct School Tax Rate					
2007	\$ 0.60	\$ 0.06	\$ 0.66	\$ 0.37	\$ 0.17	\$ 0.34	\$ 1.54	
2008	0.64	0.06	0.70	0.36	0.18	0.32	1.56	
2009	0.64	0.06	0.70	0.34	0.19	0.32	1.55	
2010	0.65	0.06	0.71	0.43	0.19	0.34	1.67	
2011	* 0.80	0.04	0.84	0.58	0.25	0.36	2.03	
2012	0.83	-	0.83	0.57	0.28	0.37	2.05	
2013	0.79	-	0.79	0.61	0.30	0.36	2.06	
2014	0.82	-	0.82	0.63	0.33	0.35	2.13	
2015	0.85	-	0.85	0.59	0.36	0.37	2.17	
2016	0.96	-	0.96	0.57	0.39	0.34	2.26	

Sources: Municipal Tax Collector

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

- (a) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.
- * Revalued/Reassessed

See independent auditors' report.

**LEBANON BOROUGH SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Presidential Place at Lebanon LLC	\$ 23,965,800	1	8.81%	\$ -	-	-
Wells Operating Part LP c/o Thomson	16,000,000	2	5.88%	22,086,700	2	6.42%
Camelot Ridge, LLC	14,881,900	3	5.47%	-	-	-
IHP Lebanon	7,382,800	4	2.71%	-	-	-
Hunterdon Executive Center	6,000,000	5	2.20%	-	-	-
Hunterdon Plaza Associates LLC	5,050,000	5	1.86%	6,306,900	8	1.83%
Architectural Holdings LLC	5,700,000	6	2.09%	7,569,900	9	2.20%
Cokesbury Road Industrial Park LLC	5,586,500	7	2.05%	6,165,600	6	1.79%
Joseph P Moglia & Daughters LLC	5,272,900	8	1.94%	6,454,100	7	1.88%
111 Cokesbury LLC	3,885,380	10	1.43%	-	-	-
Aqua Realty LLC	-	-	-	32,176,700	1	9.36%
Apple Hospitality Five Inc.	-	-	-	14,125,000	3	4.11%
K Land Corporation	-	-	-	10,475,000	4	3.05%
Bellemead Development Corporation #1	-	-	-	8,880,000	5	2.58%
Toys DC East LLC	-	-	-	5,649,700	10	1.64%
	<u>\$ 93,725,280</u>		<u>34.44%</u>	<u>\$ 119,889,600</u>		<u>34.87%</u>

Source: Municipal tax assessor

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2006	\$ 5,139,174	\$ 5,041,175	98.09%
2007	5,353,022	5,237,125	97.83%
2008	5,212,106	5,107,705	98.00%
2009	5,190,040	5,115,754	98.57%
2010	5,676,175	5,518,266	97.22%
2011	5,787,603	5,723,712	98.90%
2012	5,640,867	5,578,701	98.90%
2013	5,730,949	5,675,214	99.03%
2014	5,832,350	5,786,410	99.21%
2015	6,062,908	5,867,391	96.78%

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

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

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2007	\$ 803,000	\$ -	\$ -	\$ -	\$ -	\$ 803,000	0.65%	424
2008	628,000	-	-	-	-	628,000	0.47%	321
2009	453,000	-	-	-	-	453,000	0.33%	226
2010	278,000	-	-	-	-	278,000	0.31%	205
2011	103,000	-	-	-	-	103,000	0.11%	73
2012	-	-	-	-	-	-	N/A	N/A
2013	-	-	-	-	-	-	N/A	N/A
2014	-	-	-	-	-	-	N/A	N/A
2015	-	-	-	-	-	-	N/A	N/A
2016	-	-	-	-	-	-	N/A	N/A

NOTES: (1) Details regarding the district's outstanding debt can be found in the notes to the financial statements.
(2) The Lebanon Borough School District had no bonded debt as of June 30, 2015 and the previous three fiscal years.

(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.

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	803,000	-	803,000	0.23%	424
2008	628,000	-	628,000	0.19%	321
2009	453,000	-	453,000	0.14%	226
2010	278,000	-	278,000	0.08%	205
2011	103,000	-	103,000	0.04%	73
2012	-	-	-	N/A	N/A
2013	-	-	-	N/A	N/A
2014	-	-	-	N/A	N/A
2015	-	-	-	N/A	N/A
2016	-	-	-	N/A	N/A

NOTES: (1) Details regarding the district's outstanding debt can be found in the notes to the financial statements.

(2) The Lebanon Borough School District had no bonded debt as of June 30, 2015 and the previous three fiscal years

(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.

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Governmental unit			
Debt repaid with property taxes			
Municipality	\$ 5,013,943	100.00	\$ 5,013,943
Regional High School	1,475,000	3.37	49,724
County general obligation debt	62,494,492	1.30	<u>812,067</u>
Subtotal, overlapping debt			5,875,734
School district direct debt			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 5,875,734</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the county Board of Taxation. Debt outstanding data provided by each governmental unit.

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

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

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal debt margin calculation for fiscal year 2016

	Equalized valuation basis
	2015 \$ 277,425,967
	2014 274,546,952
	2013 261,529,313
	\$ 813,502,232
Average equalized valuation of taxable property	\$ 271,167,411
Debt limit (3.0% of average equalization value)	\$ 8,135,022
Total net debt applicable to limit	-
Legal debt margin	\$ 8,135,022

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 9,189,075	\$ 8,695,624	\$ 8,261,643	\$ 8,110,519	\$ 8,135,022
Total net debt applicable	-	-	-	-	-
Legal debt margin	\$ 9,189,075	\$ 8,695,624	\$ 8,261,643	\$ 8,110,519	\$ 8,135,022
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 7,720,720	\$ 8,790,810	\$ 9,528,440	\$ 9,699,418	\$ 9,541,180
Total net debt applicable	803,000	628,000	453,000	278,000	103,000
Legal debt margin	\$ 6,917,720	\$ 8,162,810	\$ 9,075,440	\$ 9,421,418	\$ 9,438,180
Total net debt applicable to the limit as a percentage of debt limit	10.40%	7.14%	4.75%	2.87%	1.08%

Source: Equalized Valuation Bases were obtained from the Annual Report of the State of New Jersey Department of Treasury, Division of Taxation.

(a) Limit Set by NJSA 18A:24-19

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2007	1,894	\$ 129,165,118	\$ 68,197	5.2%
2008	1,958	135,211,648	69,056	6.7%
2009	2,007	132,321,510	65,930	11.9%
2010	1,366	90,725,622	66,417	12.2%
2011	1,606	112,890,558	70,293	12.0%
2012	1,699	126,782,778	74,622	12.3%
2013	1,690	125,665,020	74,358	6.3%
2014	1,686	131,413,584	77,944	5.3%
2015	1,671	N/A	N/A	4.6%
2016	1,671	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce

LEBANON BOROUGH SCHOOL DISTRICT
Principial Employers
Current Year and Nine Years Ago

2016

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2007

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Nine Fiscal Years

Function/Program	<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	9.1	9.7	8.7	9.1	8.9	9.2	10.7	9.6	9.4	9.4
Special education	3.0	3.0	5.5	5.5	4.2	2.7	2.0	1.0	1.0	2.0
Support services										
Student and instruction related services	2.0	3.0	3.0	2.8	3.1	3.7	3.8	4.0	4.4	4.4
General administration	0.1	0.1	0.1	0.2	0.2	0.2	0.6	3.0	3.0	3.0
School administration services	2.0	1.0	1.0	0.6	0.4	0.4	0.6	-	-	-
Plant operations and maintenance	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
Total	<u>17.2</u>	<u>17.8</u>	<u>19.3</u>	<u>19.2</u>	<u>17.8</u>	<u>17.2</u>	<u>18.7</u>	<u>18.6</u>	<u>18.8</u>	<u>20.3</u>

Source: District Personnel Records

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	82	\$ 2,160,462	\$ 26,347	19.46%	9	1 to 9.11	82.0	79.2	-8.07%	96.59%
2008	80	2,261,451	28,268	7.29%	10	1 to 8.00	82.0	79.2	0.00%	96.59%
2009	81	2,221,881	27,431	-2.96%	11	1 to 7.40	81.0	78.7	-1.22%	97.16%
2010	85	2,342,605	27,560	0.47%	12	1 to 7.10	85.0	82.5	4.94%	97.06%
2011	73	2,403,179	32,920	19.45%	12	1 to 6.10	75.0	72.3	-11.76%	96.40%
2012	89	2,578,501	28,972	-11.99%	12	1 to 7.42	82.1	79.4	9.47%	96.71%
2013	79	2,576,104	32,609	12.55%	13	1 to 6.08	76.0	74.1	-7.43%	97.50%
2014	91	2,658,891	29,219	-10.40%	14	1 to 6.50	91.0	87.2	19.74%	95.82%
2015	90	2,731,620	30,351	3.88%	14	1 to 6.43	92.4	88.7	1.56%	95.99%
2016	102	2,801,338	27,464	-9.51%	15	1 to 6.52	97.8	94.7	5.82%	96.87%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Lebanon Borough School (1989)										
Square feet	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369	31,369
Capacity (students)	143	143	143	143	143	143	143	143	143	43
Enrollment	82	80	81	85	73	89	79	91	90	102
Number of Schools at June 30, 2016										
Elementary & Middle =	1									

Source: District facilities office

N/A = Not available

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Lebanon Borough School</u>	<u>Total</u>
2007	\$ 74,011	\$ 74,011
2008	19,264	19,264
2009	13,269	13,269
2010	23,266	23,266
2011	26,762	26,762
2012	16,645	16,645
2013	27,229	27,229
2014	13,374	13,374
2015	18,541	18,541
2016	17,050	17,050
Total school facilities	<u>\$ 249,411</u>	<u>\$ 249,411</u>

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

Source: District records

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School commercial package policy - NJ School Boards Assoc.		
Insurance group		
Property - building blanket and contents (fund limit)	\$ 400,000,000	\$ 1,000
General liability	6,000,000	-
Equipment breakdown	100,000,000	1,000
Crime public employee dishonesty	100,000	500
Auto liability	6,000,000	-
Auto physical damage	Actual Cash Value	1,000
School board legal liability - NJ School Boards Assoc.		
Insurance group		
Errors and omissions	6,000,000	5,000
Workers compensation - NJ School Boards Assoc.		
Insurance group		
Employers liability	2,000,000	-
Disease each employee	2,000,000	-
Disease policy limit	2,000,000	-
Public employees' faithful performance - NJ School Boards Assoc.		
Assoc insurance group		
Treasurer of School Monies	135,000	1,000
School Board Secretary	50,000	500
School Business Administrator	50,000	500
Student accident insurance - BMI benefits through Berkeley		
Base limit	1,000,000	-
Catastrophic limit	1,000,000	-
Voluntary limit	500,000	-
Pollution Policy - NJ School Boards Assoc.		
Insurance group through Zurich		
Claim limit	1,000,000	25,000
Aggregate limit	11,000,000	-

Source: District records

See independent auditors' report.



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental Activities, the Business-type Activities, and the aggregate remaining fund information of the Lebanon Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 17, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lebanon Borough School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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.


Compliance and Other Matters

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

Purpose of this Report

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 17, 2016
Flemington, New Jersey



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey
OMB Circular Letter 15-08**

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

Report on Compliance for Each Major Federal Program and State Program

We have audited the Lebanon Borough School District's, (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the District's major federal and New Jersey programs for the year ended June 30, 2016. Lebanon Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and New Jersey 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; and 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 OMB Circular 15-08. Those standards, the Uniform Guidance and 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 federal 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 federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lebanon Borough School 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 federal and New Jersey programs for the year ended June 30, 2016.

Report on Internal Control over Compliance


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 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 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 and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 17, 2016
Flemington, New Jersey

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2016

Grantor/Program Title	Federal	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/15	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment	Balance June 30, 2016			
	CFDA Number				From	To						of Prior Year Balance	Accounts Receivable	Deferred Revenue	Due to Grantor	
U.S. Department of Education passed through State Department of Education Special revenue fund																
NCLB Title II A	84.367A	S367A150029	NCLB-259016	1,936	07/01/15	06/30/16	\$ -	\$ -	\$ 1,936	\$ 1,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rural Education Achievement Program	84.358A	S358B150030	S358A143172	15,345	07/01/14	06/30/15	(13,875)	-	15,345	1,470	-	-	-	-	-	-
Rural Education Achievement Program	84.358A	S358B150030	S358A153172	16,692	07/01/15	06/30/16	-	-	16,692	16,692	-	-	-	-	-	-
IDEA basic	84.027	H027A150100	IDEA-259016	28,343	07/01/15	06/30/16	-	-	28,343	28,343	-	-	-	-	-	-
IDEA preschool	84.173	H173A150114	IDEA-259016	1,842	07/01/15	06/30/16	-	-	1,842	1,842	-	-	-	-	-	-
Total special revenue fund							<u>(13,875)</u>	<u>-</u>	<u>64,158</u>	<u>50,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Federal financial assistance							<u>\$ (13,875)</u>	<u>\$ -</u>	<u>\$ 64,158</u>	<u>\$ 50,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2016

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2015		Cash Received	Budgetary Expenditure	Repayment of Prior Year Balance	Balance June 30, 2016			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special Education Categorical Aid	16-495-034-5120-089	\$ 64,267	07/01/15	06/30/16	\$ -	\$ -	\$ 57,839	\$ 64,267	\$ -	\$ -	\$ -	\$ -	\$ 6,428	\$ 64,267
Security Aid	16-495-034-5120-084	7,997	07/01/15	06/30/16	-	-	7,197	7,997	-	-	-	-	800	7,997
Adjustment Aid	16-495-034-5120-085	61,273	07/01/15	06/30/16	-	-	55,145	61,273	-	-	-	-	6,128	61,273
Transportation Aid	16-495-034-5120-014	12,988	07/01/15	06/30/16	-	-	11,689	12,988	-	-	-	-	1,299	12,988
PARCC Readiness Aid	16-495-034-5120-098	1,050	07/01/15	06/30/16	-	-	945	1,050	-	-	-	-	105	1,050
Per Pupil Growth Aid	16-495-034-5120-097	1,050	07/01/15	06/30/16	-	-	945	1,050	-	-	-	-	105	1,050
School Choice Aid	16-495-034-5120-068	38,478	07/01/15	06/30/16	-	-	34,630	38,478	-	-	-	-	3,848	38,478
Extraordinary Special Education Costs Aid	15-495-034-5120-044	19,551	07/01/14	06/30/15	(19,551)	-	19,551	-	-	-	-	-	-	19,551
Non-public Transportation Aid	16-495-034-5120-014	522	07/01/15	06/30/16	-	-	-	522	-	(522)	-	-	-	522
Non-public Transportation Aid	15-495-034-5120-014	1,733	07/01/14	06/30/15	(1,733)	-	1,733	-	-	-	-	-	-	1,733
On behalf TPAF pension contribution - Teachers' pension & annuity fund	16-495-034-5094-002	60,075	07/01/15	06/30/16	-	-	60,075	60,075	-	-	-	-	-	60,075
On behalf TPAF pension contribution - Non-contributory insurance	16-495-034-5094-004	2,993	07/01/15	06/30/16	-	-	2,993	2,993	-	-	-	-	-	2,993
On behalf TPAF pension contribution - Post retirement medical	16-495-034-5094-001	75,096	07/01/15	06/30/16	-	-	75,096	75,096	-	-	-	-	-	75,096
Reimbursed TPAF Social Security contribution	16-495-034-5094-003	74,534	07/01/15	06/30/16	-	-	73,932	74,534	-	(602)	-	-	-	74,534
Total general fund					(21,284)	-	401,770	400,323	-	(1,124)	-	-	18,713	421,607
Special revenue fund														
Nonpublic Auxiliary Services Aid														
Examination and classification	15-100-034-5120-067	361	07/01/14	06/30/15	361	-	-	-	361	-	-	-	-	-
Examination and classification	16-100-034-5120-066	1,534	07/01/15	06/30/16	-	-	1,534	-	-	-	-	1,534	-	-
Corrective speech	16-100-034-5120-066	836	07/01/15	06/30/16	-	-	836	-	-	-	-	836	-	-
Supplemental instruction	16-100-034-5120-066	743	07/01/15	06/30/16	-	-	743	-	-	-	-	743	-	-
Total special revenue fund					361	-	3,113	-	361	-	-	3,113	-	-
NJ School Development Authority														
Capital projects fund														
Improvements and renovations at Lebanon Borough School	2590-050-14-1001	110,504	07/01/15	06/30/16	(166,502)	-	-	(55,998)	-	(110,504)	-	-	-	110,504
Total capital projects fund					(166,502)	-	-	(55,998)	-	(110,504)	-	-	-	110,504
Total State financial assistance					\$ (187,425)	\$ -	\$ 404,883	\$ 344,325	\$ 361	\$ (111,628)	\$ -	\$ 3,113	\$ 18,713	\$ 532,111
Less: On behalf TPAF pension system contributions								(138,164)						
Total for State financial assistance - major program determination					(18,713)			\$ 206,161						

See independent auditors' report.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Schedules of Awards and Financial Assistance
June 30, 2016

Note 1 - General

The accompanying Schedules of Financial Assistance present the activity of all federal and state financial assistance programs of the Board of Education, Lebanon Borough School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies, is included on the Schedule of Federal Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting and those recorded in the Special Revenue Fund, which are presented using the budgetary basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of general-purpose financial statements

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

The General Fund is presented in the accompanying Schedules on the Modified Accrual Basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to PL 2003, Ch. 97 (A3521). For GAAP purpose, payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying Schedules on the Grant Accounting Budgetary Basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,288) for the General Fund and (\$14,983) for the Capital Project Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and Special Revenue Funds and Exhibit F-2 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the Capital Project Fund.

LEBANON BOROUGH SCHOOL DISTRICT
Notes to the Schedules of Awards and Financial Assistance
June 30, 2016

Note 3 - Relationship of general-purpose financial statements (continued)
 Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ -	\$ 399,035	\$ 399,035
Capital Project Fund	-	14,315	14,315
Special Revenue Fund	50,283	-	50,283
Total	\$ 50,283	\$ 413,350	\$ 463,633

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
 The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2016.

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report issued	<u>Unmodified</u>
Internal Control Over Financial Reporting:	
1. Were material weakness(es) identified?	_____ Yes <u> X </u> No
2. Were reportable conditions identified that are not considered to be material weaknesses?	_____ Yes <u> X </u> No
Noncompliance material to General -	
Were purpose financial statements noted?	_____ Yes <u> X </u> No

Federal Awards

	<u>Not Applicable</u>
Internal Control Over Major Programs:	
1. Were material weakness(es) identified?	_____ Yes _____ No
2. Were reportable conditions identified that are not considered to be material weaknesses?	_____ Yes _____ No
What was the type of Auditor's Report Issued on Compliance for Major Programs?	

Were any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	
	_____ Yes _____ No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Amount</u>	<u>Name of Federal Program</u>
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs? _____

Did the auditee qualify as a low-risk auditee? _____ Yes _____ No

**LEBANON BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes No

What was the type of Auditor's Report Issued on Compliance for Major Programs? Unmodified

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes X No
2. Were reportable conditions identified that are not considered to be material weaknesses? Yes X No

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08? Yes X No

Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
<i>16-495-034-5094-003</i>	<i>\$ 74,534</i>	<i>Reimbursed TPAF Social Security Contribution</i>

LEBANON BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30,

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2016.

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

There were no findings or questioned costs for the year ended June 30, 2016.

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

Schedule of Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.