

**LOPATCONG TOWNSHIP
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For The Fiscal Year Ended June 30, 2016

**Prepared by
Lopatcong Township School District
Department of Administration**

**LOPATCONG TOWNSHIP
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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Board of Education of Lopatcong Township
321 Stonehenge Drive
Phillipsburg, New Jersey 08865
Telephone (908) 213-2995
Fax (908) 213-3675

Donna Tolley
School Business Administrator

Board Meets Second Tuesday
of Each Month

November 14, 2016

Honorable President and Members of the Board of Education
Lopatcong Township School District
321 Stonehenge Drive
Phillipsburg, NJ 08865

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Lopatcong Township School District for the fiscal year ending June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present, fairly, the financial position and results of the 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 report is presented in four sections, Introductory, Financial, Statistical and Single audit. The Introductory Section also includes the Transmission Letter, the District's Organizational Chart and a List of Principle Officials. The Financial Section includes the general purpose financial statements and schedules, as well as the auditor's report, therein. The Statistical Section includes financial and demographical information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the 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, "single Audit Policy for recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's reports on internal control structure and compliance with applicable law and regulations and findings are included in the Single Audit Section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** Lopatcong Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as stated by Statement No. 14. All funds and account groups of the District are included in this report. The Lopatcong Township Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Preschool to 12 as well as Special Education. The District completed the 2015-2016 fiscal year with an average daily

enrollment of 845.98 students, which is a 2.03% increase over the previous year's enrollment. The following details the change in the student enrollment of the over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2005-2006	889.4	5.7%
2006-2007	918.9	3.3%
2007-2008	902.4	(1.8%)
2008-2009	877.5	(2.8%)
2009-2010	934.7	6.5%
2010-2011	917.5	(1.8%)
2011-2012	885.9	(3.4%)
2012-2013	872.8	(1.5%)
2013-2014	861.0	(1.3%)
2014-2015	828.8	(3.8%)
2015-2016	845.98	2.03%

2. **ECONOMIC CONDITION AND OUTLOOK:** The Lopatcong Township Board of Education recognizes the ever-changing environment in the financing of education in the State of New Jersey. The School Funding Reform Act of 2008, reduction of State Aid and the potential for failed budgets, do present a challenge now and for future years. The Lopatcong Township Board of Education, along with the staff, believes it will continue to provide a comprehensive education for all of its children. Exceptional instructional programs continue to be offered and reviewed on a regular basis for improvement. Students in grades three through eight scored comparably with the District factor group and State averages on the New Jersey State Assessment program in Language Arts and Mathematics.
3. **MAJOR INITIATIVES:** The main initiative for the 2015-2016 school year was to acquire additional technology to support the 21st Century Life and Careers Standards as well as to supplement technological activities in all classes. The addition of technology was directly aligned to the district initiative of a Reader's Workshop and Math Workshop Model in all grades. By utilizing funds to procure Google Chromebooks, teachers were better equipped to provide intervention and extension activities for all students.

The District continued to address student achievement through developing and improving assessments aligned to curriculum. Curriculum and assessments continued to be aligned to the Common Core in all areas but there was a high focus on literacy. Through the use of Title II Funding, a literacy consultant was hired to work as a coach with teachers in grades 2-6. In the future, the plan is to extend this to all grade levels.

The introduction of "Data Digs" district-wide assisted in identifying students for basic skills instruction and better helped the teachers plan for differentiated instruction within their classes. Data was collected in all grade levels in Mathematics and English Language Arts. The data was analyzed and shared in teams and/or individually with the principals in each school. Achievement goals were then established for each marking period and reviewed for success.

The Lopatcong School District continues to partner with the local PTA and Athletic Association to increase opportunities for children and families to participate in a wide variety of after-school activities and sporting events.

4. **INTERNAL 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 is compiled to allow for the preparation of financial statements in the conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance 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 the costs and benefits requires estimates and judgements by management.

As a recipient of Federal and State financial assistance, the District, is also responsible that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations to those programs. The internal control structure is also subject to periodic evaluation by District Management.

As a part of the District's single audit described earlier, tests are made to determine the adequacy of the internal structure, including the 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 Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue funds, and the debt service fund.

An encumbrance accounting system is used to record outstanding purchase commitments on a line by line basis.

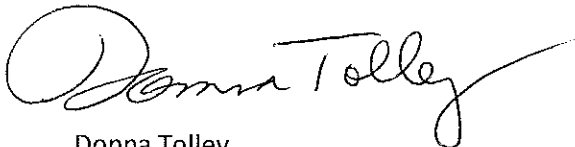
6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "noted 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 sections of this report. The following schedule represents a summary of the general fund, special revenue fund and debt service fund expenditure.
8. **DEBT ADMINISTRATION:** On June 30, 2016, the District's outstanding debt issue was \$12,685,000 for the construction of the Middle School.

LOPATCONG BOARD OF EDUCATION
REVENUE AND EXPENDITURE ANALYSIS
YEAR ENDED
JUNE 30, 2016

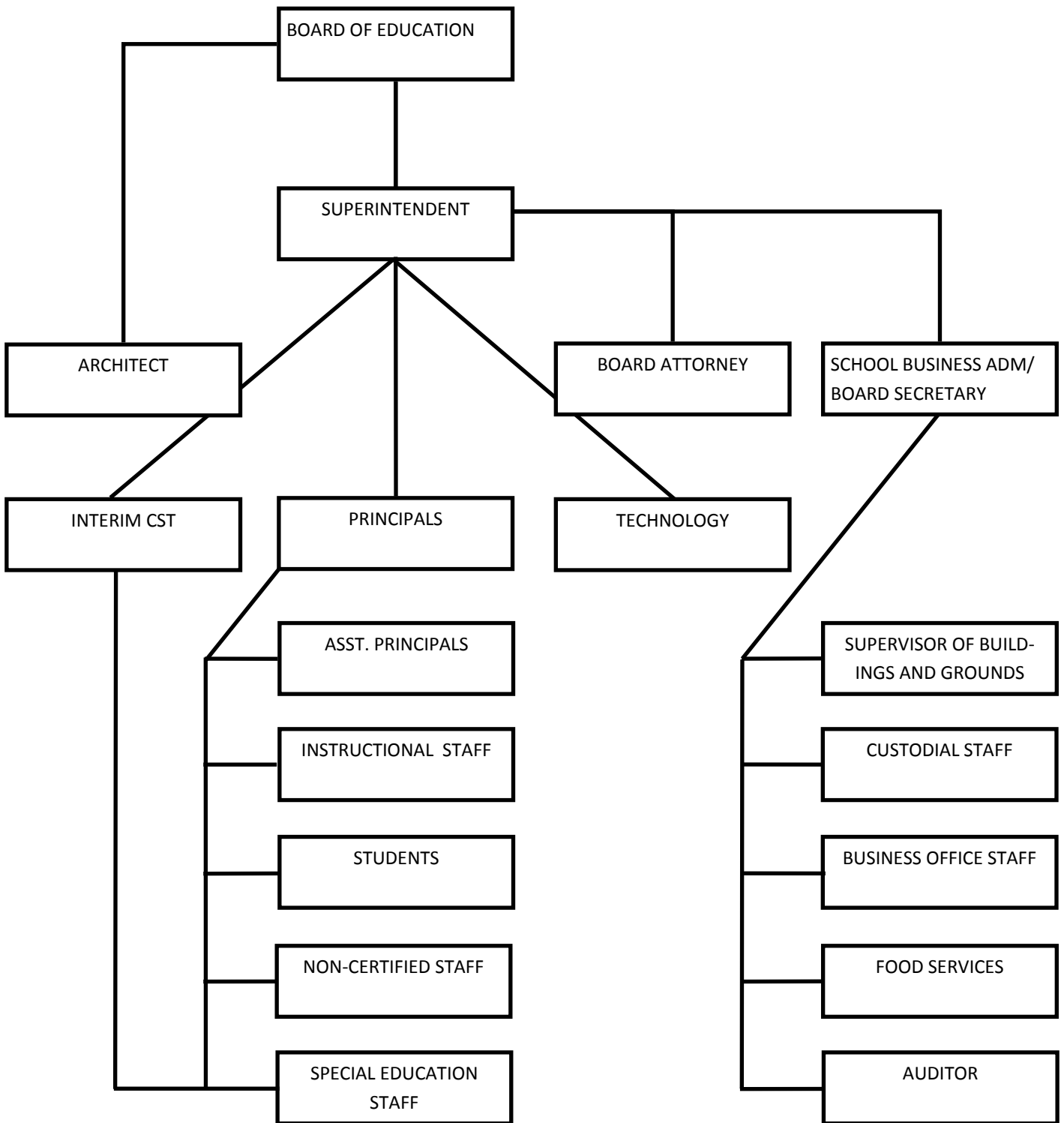
	Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage of Increase (Decrease)
REVENUES				
Local Sources:				
Tax Levy:				
General	\$ 12,532,892	66.05%	\$ 331,030	2.71%
Debt Service	889,272	4.69%	4,282	0.48%
Other Revenues	154,355	0.81%	14,111	10.06%
State Aid	5,124,129	27.00%	1,296,055	33.86%
Federal Aid	275,245	1.45%	(42,075)	-13.26%
Total	\$ 18,975,893	100.00%	\$ 1,603,403	9.23%
EXPENDITURES				
Current Expense	\$ 17,563,017	92.72%	\$ 281,372	1.63%
Special Projects	277,359	1.46%	(6,458)	-2.28%
Debt Service				
Principal	565,000	2.98%	25,000	4.63%
Interest	535,937	2.83%	(19,700)	-3.55%
Total	\$ 18,941,313	100.00%	\$ 280,214	1.50%

9. **CASH MANAGEMENT:** The investment policy of the District is guided in a large part by the State as detailed in “Notes to the Financial Statement” **Note 2**. The District has adopted a cash management plan requiring it to deposit public funds in public depositories protected from loss under provisions of the Government Unit Deposit Protection Act (GUDPA). GUDPA was enacted 1970 to protect government units from a loss of funds in deposits with failed banking institutions in New Jersey. The law requires government units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act.
10. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.
11. **OTHER INFORMATION:**
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board Audit’s Committee selected the accounting firm of Bedard, Kurowicki and Company CPA’s PC, represented by William Colantano, CPA. In addition to meeting the requirements set forth in the statute, the audit was also designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments”. The auditor’s report on the general purpose financial statements and schedules are included in the Financial Section of the report. The auditor’s reports related specifically to the single audit included the single audit section of this report.
12. **ACKNOWLEDGMENTS:** We would like to express our sincere appreciation to the members of the Lopatcong Township Board of Education for their dedication to providing fiscal accountability to the citizens and taxpayers of the school District, and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the Fiscal and Accounting Staff.

Respectfully Submitted,



Donna Tolley
School Business Administrator/Board Secretary



**LOPATCONG TOWNSHIP SCHOOL DISTRICT
ORGANIZATIONAL CHART**

LOPATCONG TOWNSHIP SCHOOL DISTRICT
PHILLIPSBURG, NEW JERSEY
JUNE 30, 2016

ROSTER OF OFFICIALS

Members of the Board of Education

Term Expires

Terry Glennon	President	2016
Gena James	V President	2017
Pamela Thomas		2018
William Taggart III		2018
Yvette Day		2016
Debra Hille		2016
Ernest Gallant		2017
Robert McFarlane		2017
Stephen Ruane		2018

Other Officials

Rainie Roncoroni	Superintendent of Schools
Donna Tolley	School Business Administrator/ Board Secretary
Paula A. Hatch	Treasurer
Joseph B. Comegno	Attorney

LOPATCONG TOWNSHIP SCHOOL DISTRICT
CONSULTANTS AND ADVISORS

Audit Firm

Bedard, Kurowicki & Co., CPA's, PC

Architect

Settembrino Architects

Attorneys

Joseph B. Comegno II

Official Depository

Investors Bank



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

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Lopatcong Township School District
County of Warren, 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 Lopatcong Township School District, (the District) in the County of Warren, the State of New Jersey, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements 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 do 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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Lopatcong Township School 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, Schedule of the District's Proportionate Share of Net Pension Liability, and Schedule of the District's Pension Contributions, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 December 2, 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 Colantano

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

December 2, 2016
Flemington, New Jersey

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- ◆ In total, net position decreased \$129,948 which represents a 1.69 percent decrease from fiscal year 2015.
- ◆ General revenues accounted for \$20,730,219, in revenue or 96.72 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 \$702,711 or 3.28 percent to total revenues of \$21,432,930.
- ◆ Property taxes continue to be the primary source of revenue for the school district making up 62.6 percent of the total revenues.
- ◆ Among major funds, the General Fund had \$17,597,728 in revenues and \$17,563,148 in expenditures. After factoring in transfers to other funds of \$397,987; the General Fund's balance decreased \$363,407 from 2015.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lopatcong Township 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 Lopatcong Township School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

These two statements report the School District's net position and changes in 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. No 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 New 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, Capital Projects Fund and Debt Service 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 provided. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

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

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

**Table 1
Net Position**

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>%</u>
ASSETS				
Current & Other Assets	\$ 456,952	\$ 1,073,215	\$ (616,263)	(57.42)
Capital Assets	<u>15,983,259</u>	<u>15,897,245</u>	<u>86,014</u>	0.54
Total Assets	<u>16,440,211</u>	<u>16,970,460</u>	<u>(530,249)</u>	(3.12)
Deferred Outflows of Resources	<u>915,034</u>	<u>548,454</u>	<u>366,580</u>	66.84
LIABILITIES				
Long-Term Liabilities	16,753,395	16,619,730	133,665	0.80
Other Liabilities	<u>264,387</u>	<u>326,172</u>	<u>(61,785)</u>	(18.94)
Total Liabilities	<u>17,017,782</u>	<u>16,945,902</u>	<u>71,880</u>	0.42
Deferred inflows of resources	<u>52,943</u>	<u>158,544</u>	<u>(105,601)</u>	(66.61)
NET POSITION				
Net Investment in Capital Assets	3,298,259	2,647,245	651,014	24.59
Restricted	542,396	1,264,361	(721,965)	(57.10)
Unrestricted	<u>(3,556,135)</u>	<u>(3,497,138)</u>	<u>(58,997)</u>	1.69
Total Net Position	<u>\$ 284,520</u>	<u>\$ 414,468</u>	<u>\$ (129,948)</u>	(31.35)

Total assets decreased \$530,249. Cash and cash equivalents decreased by \$265,302, receivables and other assets decreased by \$350,961 and capital assets increased by \$86,014. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District, decreased by \$58,997.

Table 2 shows the changes in net position in fiscal year 2016 with comparisons to 2015.

Table 2
Changes in Net Position

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>%</u>
REVENUES				
Program Revenues:				
Changes for Services	\$ 343,144	\$ 326,482	\$ 16,662	5.10
Operating Grants	359,567	367,198	(7,631)	(2.08)
Capital Grants	0	252,763	(252,763)	
General Revenues:				
Property Taxes	13,422,164	13,086,852	335,312	2.56
Unrestricted Grants	7,248,416	6,702,924	545,492	8.14
Other	59,639	40,190	19,449	48.39
Total Revenues	<u>21,432,930</u>	<u>20,776,409</u>	<u>656,521</u>	<u>3.16</u>
PROGRAM EXPENSES				
Instruction:				
Regular	7,060,296	7,462,218	(401,922)	(5.39)
Special	1,985,821	2,337,992	(352,171)	(15.06)
Other	416,448	40,364	376,084	931.73
Support Services:				
Tuition	6,396,630	6,451,262	(54,632)	(0.85)
Student & Instructional Related Services	1,491,739	1,604,246	(112,507)	(7.01)
General & Business Administration	919,514	749,177	170,337	22.74
School Administration	725,092	620,096	104,996	16.93
Plant Operations & Maintenance	1,252,242	1,223,862	28,380	2.32
Transportation	444,013	484,092	(40,079)	(8.28)
Food Service	284,401	295,173	(10,772)	(3.65)
Child Care Program	36,604	25,294	11,310	44.71
Interest on Long Term Debt	525,578	524,041	1,537	0.29
Total Expenses	<u>21,538,378</u>	<u>21,817,817</u>	<u>(279,439)</u>	<u>(1.28)</u>
Inc./(Dec.) in Net Position Before Special Item	(105,448)	(1,041,408)	935,960	
Special Item-Transfers out	<u>(24,500)</u>	<u>-</u>	<u>(24,500)</u>	
Increase/decrease in Net Position	<u>\$ (129,948)</u>	<u>\$(1,041,408)</u>	<u>\$ 911,460</u>	<u>87.52</u>

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 63.6 percent of revenues for governmental activities for the Lopatcong Township School District for fiscal year 2016.

Instruction comprises 43.9 percent of district expenses for K-8 students and tuition for high school and grammar students represents 29.7 percent. Support service expenses and interest on debt make up 26.4 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 show the total cost of services and the net cost of services for 2016 and 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

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

Table 3
Cost of Governmental Services

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Instruction	\$9,462,565	\$9,840,574	\$9,208,178	\$9,453,956
Support Services:				
Tuition	6,396,630	6,451,262	6,300,202	6,336,262
Student & Instructional Related Services	1,491,739	1,604,246	1,446,426	1,501,482
General & Business Administration	919,514	749,177	919,514	731,307
School Administration	725,092	620,096	725,092	607,178
Plant Operations & Maint	1,252,242	1,223,862	1,252,242	1,222,236
Pupil Transportation	444,013	484,092	444,013	484,092
Food Services	284,401	295,173	17,679	24,735
Child Care Program	36,604	25,294	(3,257)	(13,915)
Interest on Long-Term Debt	525,578	524,041	525,578	524,041
 Total Expenses	 <u>\$21,538,378</u>	 <u>\$21,817,817</u>	 <u>\$20,835,667</u>	 <u>\$20,871,374</u>

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

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

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

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

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

Interest and fiscal charges involve 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 general revenue support is 96.7 percent. The community, as a whole, is the primary support or funding source for the Lopatcong Township School District.

The School District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,975,893 and expenditures of \$19,504,635. The net negative change in fund balance for the year was most significant in the General Fund, reflecting a decrease of \$363,407.

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. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the General Fund, budget basis revenues and other financing sources were \$16,259,026, \$1,191 over original budgeted estimates of \$16,257,835. This difference was due primarily to excess revenues in tuition and miscellaneous revenues less a shortfall in budgeted extraordinary state aid.

The General fund expenditures and other financing uses of the School District exceeded revenues by \$358,463. The financial position of the School District highlights the dependency on the tax levy as well as the limitations of the 2% cap.

Capital Assets

At the end of the fiscal year 2016, the School District had \$15,983,259 invested in land, building, furniture and equipment. Table 4 shows fiscal 2016 balances compared to 2015.

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

	6/30/2016	6/30/2015	Variance	
			Dollars	%
Land	\$ 144,255	\$ 144,255	\$ -	0.00
Construction in Progress	609,511	46,189	563,322	1219.60
Land Improvements	92,620	105,038	(12,418)	(11.82)
Building & Improvements	15,006,903	15,447,217	(440,314)	(2.85)
Furniture & Equipment	129,970	154,546	(24,576)	(15.90)
	<u>\$15,983,259</u>	<u>\$15,897,245</u>	<u>\$ 86,014</u>	0.54

Overall capital assets increased by \$86,014 from fiscal 2015 to fiscal year 2016. Increases in capital assets were offset by depreciation expenses for the year.

Debt Administration

At June 30, 2016, the School District had \$16,753,395 in long-term liabilities.. Table 5 provides a summary of the District's long-term liabilities at 6/30/2016 with comparisons to 6/30/2015.

Table 5
Long-term Liabilities

	6/30/2016	6/30/2015	Variance	
			Dollars	%
Construction of Middle School and Refunding of 2000 School Bonds	\$12,685,000	\$13,250,000	\$(565,000)	(4.26)
Unamortized Bond Premiums	358,436	382,332	(23,896)	(6.25)
Net Pension Liability	3,292,869	2,660,383	632,486	23.77
Compensated Absences Liability	417,090	327,015	90,075	27.54
	<u>\$16,753,395</u>	<u>\$16,619,730</u>	<u>\$ 133,655</u>	0.80

For the Future

Lopatcong Township is a sending district to Phillipsburg High School for grades 9-12. A challenge that faces the district over the next couple of years are the decreases in tuition adjustments, and the increases in tuition charged each year, resulting in large increases to the tuition line item of the budget. This budgeted expenditure is within the state mandated 2% cap.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact the School Business Administrator/Board Secretary at Lopatcong Township Board of Education, 321 Stonehenge Drive, Phillipsburg, NJ 08865 or via phone at (908) 213-2995 x2500.

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,978	\$ 75,788	\$ 77,766
Receivables, net	309,459	2,289	311,748
Inventory	-	7,973	7,973
Restricted assets			
Cash & cash equivalents	59,465	-	59,465
Capital assets, net (Note 4)			
Land and construction in progress	751,906	-	751,906
Other capital assets, net of depreciation	15,169,950	61,403	15,231,353
Total assets	<u>16,292,758</u>	<u>147,453</u>	<u>16,440,211</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>915,034</u>	<u>-</u>	<u>915,034</u>
Liabilities			
Accounts payable	12,821	-	12,821
Accrued interest	240,398	-	240,398
Unearned revenue	2,098	9,070	11,168
Long-term liabilities (Note 5)			
Due within one year	598,896	-	598,896
Due beyond one year	16,154,499	-	16,154,499
Total liabilities	<u>17,008,712</u>	<u>9,070</u>	<u>17,017,782</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>52,943</u>	<u>-</u>	<u>52,943</u>
Net position			
Net investment in capital assets	3,236,856	61,403	3,298,259
Restricted for			
Capital projects	62,928	-	62,928
Legal reserves	479,468	-	479,468
Unrestricted	<u>(3,633,115)</u>	<u>76,980</u>	<u>(3,556,135)</u>
Total net position	<u>\$ 146,137</u>	<u>\$ 138,383</u>	<u>\$ 284,520</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal 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	\$ 3,600,399	\$ 3,459,897	\$ 77,729	\$ -	\$ -	\$ (6,982,567)	\$ -	\$ (6,982,567)
Special education	1,078,591	907,230	41,040	80,510	-	(1,864,271)	-	(1,864,271)
Other special instruction	212,849	162,314	-	55,108	-	(320,055)	-	(320,055)
Other instruction	24,795	16,490	-	-	-	(41,285)	-	(41,285)
Support services								
Tuition	6,396,630	-	-	96,428	-	(6,300,202)	-	(6,300,202)
Students & instruction related services	835,598	656,141	-	45,313	-	(1,446,426)	-	(1,446,426)
General & business administration services	562,939	356,575	-	-	-	(919,514)	-	(919,514)
School administration services	389,673	335,419	-	-	-	(725,092)	-	(725,092)
Plant operations & maintenance	924,244	327,998	-	-	-	(1,252,242)	-	(1,252,242)
Pupil transportation	444,013	-	-	-	-	(444,013)	-	(444,013)
Interest on long-term debt	525,578	-	-	-	-	(525,578)	-	(525,578)
Total governmental activities	<u>14,995,309</u>	<u>6,222,064</u>	<u>118,769</u>	<u>277,359</u>	<u>-</u>	<u>(20,821,245)</u>	<u>-</u>	<u>(20,821,245)</u>
Business-type activities								
Food service	284,401	-	184,514	82,208	-	-	(17,679)	(17,679)
Child care program	36,604	-	39,861	-	-	-	3,257	3,257
Total business-type activities	<u>321,005</u>	<u>-</u>	<u>224,375</u>	<u>82,208</u>	<u>-</u>	<u>-</u>	<u>(14,422)</u>	<u>(14,422)</u>
Total primary government	<u>\$ 15,316,314</u>	<u>\$ 6,222,064</u>	<u>\$ 343,144</u>	<u>\$ 359,567</u>	<u>\$ -</u>	<u>(20,821,245)</u>	<u>(14,422)</u>	<u>(20,835,667)</u>
General revenues, transfers & special items								
Property taxes levied for general purposes						12,532,892	-	12,532,892
Property taxes levied for debt service						889,272	-	889,272
Federal & State aid not restricted						7,248,416	-	7,248,416
Investment earnings						9,175	157	9,332
Miscellaneous income						50,307	-	50,307
Transfers						(24,500)	-	(24,500)
Total general revenues, transfers & special items						<u>20,705,562</u>	<u>157</u>	<u>20,705,719</u>
Change in net position						(115,683)	(14,265)	(129,948)
Net position - beginning						261,820	- 152,648	414,468
Net position - ending						<u>\$ 146,137</u>	<u>\$ 138,383</u>	<u>\$ 284,520</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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ -	\$ 1,978	\$ -	\$ -	\$ 1,978
Due from other funds	189,845	-	-	-	189,845
Receivables from other governments					
State	55,434	-	252,763	-	308,197
Federal	-	120	-	-	120
Other accounts receivable	1,132	-	-	-	1,132
Restricted cash & equivalents	59,465	-	-	-	59,465
Total assets	\$ 305,876	\$ 2,098	\$ 252,763	\$ -	\$ 560,737
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 12,821	\$ -	\$ -	\$ -	\$ 12,821
Due to other funds	-	-	189,835	-	189,835
Unearned revenue	-	2,098	-	-	2,098
Total liabilities	12,821	2,098	189,835	-	204,754

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Balance Sheet (continued)
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Capital Projects	\$ -	\$ -	\$ 62,928	\$ -	\$ 62,928
Committed fund balance					
Capital reserve account	429,468	-	-	-	429,468
Tuition reserve account	50,000	-	-	-	50,000
Assigned fund balance					
Year-end encumbrances	817	-	-	-	817
Unassigned fund balance	(187,230)	-	-	-	(187,230)
Total fund balances	<u>293,055</u>	<u>-</u>	<u>62,928</u>	<u>-</u>	<u>355,983</u>
Total liabilities and fund balances	<u>\$ 305,876</u>	<u>\$ 2,098</u>	<u>\$ 252,763</u>	<u>\$ -</u>	

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 assets is \$24,246,474 and the accumulated depreciation is \$8,324,618.	15,921,856
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	862,091
Long-term liabilities, including bonds payable are not due & payable in the current period & therefore are not reported as liabilities in the funds	(16,753,395)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	<u>(240,398)</u>
Total net position of governmental activities	<u>\$ 146,137</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 12,532,892	\$ -	\$ -	\$ 889,272	\$ 13,422,164
Tuition - individuals	41,452	-	-	-	41,452
Tuition - other LEAs within the State	77,317	-	-	-	77,317
Interest on investments	9,175	-	-	-	9,175
Miscellaneous	26,411	-	-	-	26,411
Total	12,687,247	-	-	889,272	13,576,519
State sources	4,909,775	2,820	-	211,534	5,124,129
Federal sources	706	274,539	-	-	275,245
Total revenues	17,597,728	277,359	-	1,100,806	18,975,893
Expenditures					
Current					
Instructional					
Regular instruction	3,591,176	-	-	-	3,591,176
Special education instruction	998,081	80,510	-	-	1,078,591
Other special instruction	158,105	54,744	-	-	212,849
Other instruction	24,795	-	-	-	24,795
Support service & undistributed costs					
Tuition	6,300,202	96,428	-	-	6,396,630
Student & instruction related services	789,247	45,313	-	-	834,560
General & business administrative services	561,901	-	-	-	561,901
School administrative services	389,154	-	-	-	389,154
Plant operations & maintenance	914,670	-	-	-	914,670
Pupil transportation	444,013	-	-	-	444,013
Unallocated benefits	3,391,673	364	-	-	3,392,037

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ -	\$ -	\$ 563,322	\$ -	\$ 563,322
Debt service					
Principal	-	-	-	565,000	565,000
Interest & other charges	131	-	-	535,806	535,937
Total expenditures	<u>17,563,148</u>	<u>277,359</u>	<u>563,322</u>	<u>1,100,806</u>	<u>19,504,635</u>
Excess (deficiency) of revenues over (under) expenditures	<u>34,580</u>	<u>-</u>	<u>(563,322)</u>	<u>-</u>	<u>(528,742)</u>
Other financing sources (uses)					
Transfers in	-	-	373,487	-	373,487
Transfers out	(397,987)	-	-	-	(397,987)
Total other financing sources (uses)	<u>(397,987)</u>	<u>-</u>	<u>373,487</u>	<u>-</u>	<u>(24,500)</u>
Net change in fund balance	(363,407)	-	(189,835)	-	(553,242)
Fund balances, July 1	<u>656,462</u>	<u>-</u>	<u>252,763</u>	<u>-</u>	<u>909,225</u>
Fund balances, June 30	<u>\$ 293,055</u>	<u>\$ -</u>	<u>\$ 62,928</u>	<u>\$ -</u>	<u>\$ 355,983</u>

See accompanying notes to financial statements.

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

Total net changes in fund balances - Governmental fund (from B-2) \$ (553,242)

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 capital outlays exceeds depreciation in the period.

Capital outlays	\$ 563,322	
Depreciation expense	<u>(474,638)</u>	88,684

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities.

Debt principal payments		565,000
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Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of bond premium		23,896
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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.

(160,305)

See accompanying notes to financial statements.

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

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	\$ 10,359
In the Statement of Activities, compensated absences & 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>(90,075)</u>
Change in net position of governmental activities	<u><u>\$ (115,683)</u></u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Food Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 32,458	\$ 43,330	\$ 75,788
Receivables from other governments			
State	82	-	82
Federal	2,207	-	2,207
Inventory	7,973	-	7,973
Total current assets	<u>42,720</u>	<u>43,330</u>	<u>86,050</u>
Noncurrent assets			
Capital assets	269,829	-	269,829
Less: accumulated depreciation	208,426	-	208,426
Total noncurrent assets	<u>61,403</u>	<u>-</u>	<u>61,403</u>
Total assets	<u>104,123</u>	<u>43,330</u>	<u>147,453</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	3,914	-	3,914
Unearned revenues - prepaid sales	5,156	-	5,156
Total liabilities	<u>9,070</u>	<u>-</u>	<u>9,070</u>
Net Position			
Net investment in capital assets	61,403	-	61,403
Unrestricted	33,650	43,330	76,980
Total net position	<u>\$ 95,053</u>	<u>\$ 43,330</u>	<u>\$ 138,383</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 104,310	\$ -	\$ 104,310
Daily sales - non-reimbursable programs	80,204	-	80,204
Child care revenues	-	39,861	39,861
Total operating revenues	<u>184,514</u>	<u>39,861</u>	<u>224,375</u>
Operating expenses			
Cost of sales - reimbursable programs	60,425	-	60,425
Cost of sales - non-reimbursable programs	46,460	-	46,460
Salaries	109,221	24,791	134,012
Employee benefits	20,320	-	20,320
Purchased property services	3,607	-	3,607
Insurance	1,631	-	1,631
Management fee	8,467	-	8,467
Other purchased services	5,792	363	6,155
General supplies	11,984	11,450	23,434
Depreciation	15,609	-	15,609
Miscellaneous	885	-	885
Total operating expenses	<u>284,401</u>	<u>36,604</u>	<u>321,005</u>
Operating income (loss)	<u>(99,887)</u>	<u>3,257</u>	<u>(96,630)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	2,401	-	2,401
Federal sources			
National school lunch program			
Cash assistance	66,458	-	66,458
Non cash assistance (commodities)	12,074	-	12,074
Special milk program for children	1,275	-	1,275
Interest earned on investments	157	-	157
Total non-operating revenues (expenses)	<u>82,365</u>	<u>-</u>	<u>82,365</u>
Change in net position	(17,522)	3,257	(14,265)
Net position, beginning	<u>112,575</u>	<u>40,073</u>	<u>152,648</u>
Net position, ending	<u>\$ 95,053</u>	<u>\$ 43,330</u>	<u>\$ 138,383</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Combining Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 187,310	\$ 40,267	\$ 227,577
Payments to employees	(28,882)	(24,791)	(53,673)
Payments to Food Service Management Co.	(219,607)	-	(219,607)
Payments to vendors (net)	(8,125)	(11,812)	(19,937)
Net cash provided by (used for) operating activities	<u>(69,304)</u>	<u>3,664</u>	<u>(65,640)</u>
Cash flows from non-capital financing activities			
State sources	2,568	-	2,568
Federal sources	67,771	-	67,771
Net interfund transactions	7,775	-	7,775
Net cash provided by (used for) noncapital financing activities	<u>78,114</u>	<u>-</u>	<u>78,114</u>
Cash flows from capital financing activities			
Acquisition of equipment	(12,939)	-	(12,939)
Net cash provided by (used for) investing activities	<u>(12,939)</u>	<u>-</u>	<u>(12,939)</u>
Cash flows from investing activities			
Interest earned on investments	157	-	157
Net cash provided by (used for) investing activities	<u>157</u>	<u>-</u>	<u>157</u>
Net increase (decrease) in cash and cash equivalents	(3,972)	3,664	(308)
Cash and cash equivalents, beginning	<u>36,430</u>	<u>39,666</u>	<u>76,096</u>
Cash and cash equivalents, ending	<u>\$ 32,458</u>	<u>\$ 43,330</u>	<u>\$ 75,788</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (99,887)	\$ 3,257	\$ (96,630)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	15,609	-	15,609
Federal food donation program	12,074	-	12,074
(Increase) decrease in accounts receivable	-	407	407
Increase (decrease) in accounts payable	(72)	-	(72)
(Increase) decrease in inventory	(1,624)	-	(1,624)
Increase (decrease) in unearned revenue	4,596	-	4,596
Net cash provided by (used for) operating activities	<u>\$ (69,304)</u>	<u>\$ 3,664</u>	<u>\$ (65,640)</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u> </u>	<u> </u>	<u> </u>
Asset			
Cash and cash equivalents	\$ 20,214	\$ 45,698	\$ 178,260
Total assets	<u>\$ 20,214</u>	<u>\$ 45,698</u>	<u>\$ 178,260</u>
Liabilities			
Due to student groups	\$ -	\$ 45,698	\$ -
Due to other funds	-	-	10
Payroll deductions and withholdings	-	-	178,250
Total liabilities	<u>-</u>	<u>\$ 45,698</u>	<u>\$ 178,260</u>
Net Position			
Reserve for unemployment compensation	<u>\$ 20,214</u>		

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 10,966
Investment earnings - interest	<u>75</u>
Total additions	11,041
Deductions	
Unemployment claims	<u>48,326</u>
Change in net position before other financing sources (uses)	(37,285)
Other financing sources (uses)	
Transfer in from general fund	<u>24,500</u>
Change in net position after other financing sources (uses)	(12,785)
Net position, beginning of the year	<u>32,999</u>
Net position, end of the year	<u><u>\$ 20,214</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP 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 Lopatcong Township 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 Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three year terms. The purpose of the District is to educate students in Grades K-12. The District had an approximate enrollment at June 30, 2016 of 849 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.

LOPATCONG TOWNSHIP 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.

LOPATCONG TOWNSHIP 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 services, 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.

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.

LOPATCONG TOWNSHIP 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)

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 Food Service Fund and the Child Care Program.

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.

LOPATCONG TOWNSHIP 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)

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
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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.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the "Benefit Reimbursement Method."

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.

LOPATCONG TOWNSHIP 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.

LOPATCONG TOWNSHIP 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.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

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:

Assets	Years
Buildings	50
Building improvements & portable classroom	20 - 45
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Vehicles	7
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.

LOPATCONG TOWNSHIP 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.

Unearned revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

LOPATCONG TOWNSHIP 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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.

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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.

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		\$	381,403
	<u>Ref.</u>		
Cash			
Governmental Funds, Balance Sheet	B-1	\$	61,443
Enterprise Funds, Statement of Net Position	B-4		75,788
Fiduciary Funds, Statement of Net Position	B-7		244,172
Total cash		\$	381,403

Deposits - The District's carrying amount of bank deposits at June 30, 2016 is \$381,403 and the bank balance is \$2,143,523. Of the bank balance, \$250,000 is covered by Federal Depository Insurance and \$ 1,893,523 is insured by GUDPA.

LOPATCONG TOWNSHIP 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 had no investments.

LOPATCONG TOWNSHIP 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	\$ 144,255	\$ -	\$ -	\$ 144,255
Construction in progress	46,189	563,322	-	609,511
Total	<u>190,444</u>	<u>563,322</u>	<u>-</u>	<u>753,766</u>
Capital assets, being depreciated				
Land improvements	365,042	-	-	365,042
Building & improvements	22,626,431	-	49,000	22,577,431
Furniture & equipment	550,235	-	-	550,235
Total	<u>23,541,708</u>	<u>-</u>	<u>49,000</u>	<u>23,492,708</u>
Accumulated depreciation				
Land improvements	260,004	12,418	-	272,422
Building & improvements	7,179,214	440,314	49,000	7,570,528
Furniture & equipment	459,762	21,906	-	481,668
Total	<u>7,898,980</u>	<u>474,638</u>	<u>49,000</u>	<u>8,324,618</u>
Total capital assets, being depreciated, net	<u>15,642,728</u>	<u>(474,638)</u>	<u>-</u>	<u>15,168,090</u>
Governmental activities capital assets, net	<u>\$ 15,833,172</u>	<u>\$ 88,684</u>	<u>\$ -</u>	<u>\$ 15,921,856</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 256,890	\$ 12,939	\$ -	\$ 269,829
Less: accumulated depreciation	<u>192,817</u>	<u>15,609</u>	<u>-</u>	<u>208,426</u>
Business type activities capital assets, net	<u>\$ 64,073</u>	<u>\$ (2,670)</u>	<u>\$ -</u>	<u>\$ 61,403</u>

LOPATCONG TOWNSHIP 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	\$	252,414
Special education		73,041
Other special instruction		14,414
Other instruction		1,679
Support services		
Student & instruction		57,554
General & business administration		39,090
School administration		26,872
Plant maintenance		9,574
Total depreciation expense, governmental activities	\$	474,638

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					
General obligation					
bonds payable	\$ 13,250,000	\$ -	\$ 565,000	\$ 12,685,000	\$ 575,000
Bond Premium	382,332	-	23,896	358,436	23,896
Compensated					
absences payable	327,015	90,075	-	417,090	-
PERS Net pension					
liability	2,660,383	1,022,096	389,610	3,292,869	-
Total governmental					
activities long-	\$ 16,619,730	\$ 1,112,471	\$ 978,506	\$ 16,753,395	\$ 598,896
term liabilities					

Payments on the general obligation bonds are made in the debt service fund from property taxes and State aid. The other long-term debts are paid in the current expenditures budget of the District's General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016 including interest payments are listed as follows:

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 575,000	\$ 513,225	\$ 1,088,225
2018	605,000	488,331	1,093,331
2019	635,000	458,844	1,093,844
2020	665,000	426,344	1,091,344
2021	695,000	395,544	1,090,544
2022 - 2026	4,100,000	1,474,769	5,574,769
2027 - 2031	5,410,000	565,409	5,975,409
Total	<u>\$ 12,685,000</u>	<u>\$ 4,322,466</u>	<u>\$ 17,007,466</u>

General Obligation Bonds - General obligation school building bonds payable at June 30, 2016, with their outstanding balances are comprised of the following individual issues:

\$15,895,000 - 2001 general obligation school building/refunding bonds, , interest at 4.00% to 5.125%.due in annual installments beginning January 15, 2002, through July 15, 2030	\$ 5,350,000
\$9,600,000 - 2011 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2011 to July 15, 2026	<u>7,335,000</u>
	<u>\$ 12,685,000</u>

The general obligation bonded debt of the District is limited by State law to 4% 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 \$33,207,997. General obligation debt at June 30, 2016 is \$12,685,000, resulting in a legal debt margin of \$20,522,997.

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (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.

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

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 2014 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 N.J.S.A. 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 2015 and 2014, 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. 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

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	\$ 6,323,691	\$ 5,551,810
Plan fiduciary net position	3,030,822	2,891,427
Net pension liability	\$ 3,292,869	\$ 2,660,383
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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	3.15% - 5.40%
Investment rate of return	7.90%

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

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (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% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (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%)	\$	3,292,869
At a 1% lower rate (3.90%)		4,092,633
At a 1% higher rate (5.90%)		2,622,352
		2014
At current discount rate (5.39%)	\$	2,660,383
At a 1% lower rate (4.39%)		3,346,852
At a 1% higher rate (6.39%)		2,083,923

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	\$ 15,902	\$ -
Changes of assumptions	71,585	-
Net difference between projected and actual earnings on pension plan investments	-	10,717
Changes in proportion and differences between District contributions and proportionate share of contributions	133,865	26,578
District contributions subsequent to the measurement date	126,113	-
Total	\$ 347,465	\$ 37,295

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 \$126,113 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:

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (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	\$ 86,362	\$ 438,328	\$ 92,506	\$ 432,184
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	163,670	(87,261)	23,466	<u>52,943</u>
Net of deferred outflows/(inflows)				<u>\$ 379,241</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	\$ 69,041
2017	69,041
2018	69,041
2019	109,959
2020	<u>62,159</u>
Total	<u>\$ 379,241</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Pension expense

For the year ended June 30, 2016, the District recognized net pension expense of \$286,118, which represents the District's proportionate share of allocable plan pension expense of \$216,012, plus the net amortization of deferred amounts from changes in proportion of \$79,371, and less other adjustments to the net pension liability of \$9,265. 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:

Service cost	\$	129,384
Interest on total pension liability		308,345
Member contributions		(71,570)
Administrative expense		2,404
Expected investment return net of investment expense		(220,313)
Pension expense related to specific liabilities of individual employers		(1,279)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		75,863
Amortization of expected versus actual experience		16,643
Amortization of projected versus actual investment earnings on pension plan investments		(23,465)
Pension expense	<u>\$</u>	<u>216,012</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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Plan description (continued)

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

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, 2015 and 2014 is as follows:

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Special funding situation (continued)

	2015	2014
Net pension liability	\$ 34,825,346	\$ 31,062,221
Employer pension expense and related revenue	2,126,401	1,671,439
Non-employer contribution	296,120	246,879
Allocable proportionate percentage	0.0550996731%	0.0581180770%

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 (\$8,300 in 2016) 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teacher's pension and annuity fund (TPAF) (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	\$ 990,156	100%
06/30/15	770,787	100%
06/30/14	648,987	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	\$ 126,113	100%
06/30/15	117,140	100%
06/30/14	101,150	100%

During the year ended June 30, 2016, the State of New Jersey contributed \$538,179 to the TPAF for post-retirement medical benefits, \$21,446 for non-contributory insurance premiums and \$430,531 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$353,490 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

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.

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 N.J.S.A. 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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:

- AXA Equitable
- Ameriprise Financial
- Lincoln Investments

Note 9 - Interfund receivable and payables

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

Fund	Receivable Fund	Payable Fund
General Fund	\$ 189,845	\$ -
Capital Projects Fund	-	189,835
Payroll Agency Fund	-	10
	\$ 189,845	\$ 189,845

During fiscal year 2016, the District transferred \$373,487 from their Capital Reserve Fund within the General Fund to the Capital Projects Fund representing the local share of a State approved project. The District also transferred \$24,500 from the General Fund to the Unemployment Compensation Fund representing a Board contribution for a shortage in the Trust fund due to unemployment claims exceeding employee withholdings.

As of June 30, 2016, the Payroll Agency Fund has an interfund payable for \$10 due to the General Fund for an adjustment not yet transferred as of year-end. The Capital Projects Fund had an interfund payable for \$189,835 due to the General Fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory

Inventory in the Food Service Fund as of June 30, 2016 consisted of the following:

Food	\$ 6,085
Supplies	1,888
Total	\$ 7,973

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 11 - 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 12 - Risk management

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

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 “Benefit Reimbursement Method.” Under this plan, the District is required to reimburse the NJ Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s Unemployment Trust Fund for the current and previous two years:

Fiscal Year	District Transfer	Interest Earnings	Employee Deposits	Amount Reimbursed	Ending Balance
2015 - 2016	\$ 24,500	\$ 75	\$ 10,966	\$ (48,326)	\$ 20,214
2014 - 2015	-	115	12,150	(16,312)	32,999
2013 - 2014	-	161	12,240	(25,566)	37,046

Note 13 - 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 N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

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 \$50,000 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	\$ 802,955	\$ -	\$ -	\$ -	\$ (373,487)	\$ 429,468
Emergency	103,143	-	-	-	(103,143)	-
Maintenance	13,500	-	-	-	(13,500)	-
Tuition	92,000	50,000	-	-	(92,000)	50,000
Total	<u>\$ 1,011,598</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (582,130)</u>	<u>\$ 479,468</u>

Note 14 - 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
Committed		
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 429,468	\$ 802,955
Emergency reserve - represents funds accumulated to finance unanticipated General Fund expenditures required for a thorough and efficient education.	-	103,143
Tuition reserve account - Represents funds accumulated for future tuition adjustments pursuant to N.J.A.C. 6A:23A-17.1(f).	50,000	92,000
Committed		
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA. (NJSA18A:76-9).	-	13,500
Assigned		
Year-end encumbrance - Represents fund balance assigned for purchase orders that have been issued but goods or services were not received as of June 30,	817	-
Unassigned		
Undesignated - Represents fund balance which has not been restricted or designated.	158,624	(14,226)
Total fund balance	<u>\$ 638,909</u>	<u>\$ 997,372</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$0.

Note 16 - Subsequent events

The District has evaluated subsequent events through December 2, 2016, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

- Note 17 - Recent accounting pronouncements not yet effective (continued)
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.
- 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 \$(3,633,115) 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.
- Note 19 - Deficit fund balance
The District is reporting a deficit balance in unassigned fund balance in the general fund as of June 30, 2016 of \$(187,230) on Schedule B-1 “Balance Sheet - Governmental Funds”. N.J.S.A. 18A:22-44.2 provides that in the event a State school aid payment is not made until the following school budget year, districts must record the last State aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for School Districts to recognize this revenue in the current budget year. For inter-governmental transactions, GASB Statement No. 33 requires the recognition (revenue, expenditure, asset and liability) should be in symmetry, (i.e., if one government recognizes an asset, the other government recognizes a liability). Since the State is recording the June State aid payments in the subsequent fiscal year, the School District cannot recognize the June State aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June State aid payments, the unreserved, undesignated General Fund balance deficit does not alone indicate that the District is facing financial difficulties.
- Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned General Fund balance that is reported as a direct result from a delay in the June payments of State aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in unassigned fund balance of \$187,230 is less than the last State aid payment of \$345,854.

LOPATCONG TOWNSHIP 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	\$ 12,532,892	\$ -	\$ 12,532,892	\$ 12,532,892	\$ -
Tuition from individuals	50,000	-	50,000	41,452	(8,548)
Tuition from other LEAs within the State	20,000	-	20,000	77,317	57,317
Unrestricted miscellaneous revenues	19,304	-	19,304	35,586	16,282
Total	12,622,196	-	12,622,196	12,687,247	65,051
State sources					
School choice aid	130,656	-	130,656	130,656	-
Categorical transportation aid	32,937	-	32,937	32,937	-
Extraordinary aid	120,000	-	120,000	50,641	(69,359)
Categorical special education aid	695,116	-	695,116	695,116	-
Equalization aid	2,598,242	-	2,598,242	2,598,242	-
Categorical security aid	22,771	-	22,771	22,771	-
Other State aids	35,917	-	35,917	40,710	4,793
TPAF Pension (on-behalf)	-	-	-	451,977	451,977
TPAF Social Security (reimbursed)	-	-	-	353,490	353,490
TPAF Post retirement benefits	-	-	-	538,179	538,179
Total	3,635,639	-	3,635,639	4,914,719	1,279,080
Federal sources					
Medicaid reimbursement	-	-	-	706	706
Total	-	-	-	706	706
Total Revenues	\$ 16,257,835	\$ -	\$ 16,257,835	\$ 17,602,672	\$ 1,344,837
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 183,098	\$ (48,294)	\$ 134,804	\$ 134,804	\$ -
Kindergarten	246,343	(44,090)	202,253	201,735	518
Grades 1-5	1,531,097	123,333	1,654,430	1,606,259	48,171
Grades 6-8	1,281,885	195,323	1,477,208	1,447,920	29,288
Home instruction					
Salaries of teacher	6,000	8,003	14,003	14,003	-
Purchased professional - educational services	4,000	(859)	3,141	2,870	271
Purchased technical services	550	(550)	-	-	-
Other purchased services	-	2,418	2,418	1,638	780
Regular programs - undistributed instruction					
Other salaries for instruction	161,100	(158,964)	2,136	2,136	-
Purchased professional - educational services	4,900	(4,900)	-	-	-
Purchased technical services	17,400	(77)	17,323	17,323	-
Other purchased services	74,700	39,988	114,688	109,851	4,837
General supplies	119,350	(50,944)	68,406	51,912	16,494
Textbooks	1,000	(1,000)	-	-	-
Other objects	4,000	(223)	3,777	725	3,052
Total	3,635,423	59,164	3,694,587	3,591,176	103,411

See independent auditors' report.

LOPATCONG TOWNSHIP 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)					
Special education					
Behavioral disabilities					
Other salaries for instruction	\$ 43,045	\$ (43,045)	\$ -	\$ -	\$ -
Total	43,045	(43,045)	-	-	-
Multiple disabilities					
Salaries of teachers	135,958	20,368	156,326	155,945	381
Other salaries for instruction	42,543	147,788	190,331	189,502	829
General supplies	-	662	662	593	69
Total	178,501	168,818	347,319	346,040	1,279
Resource room/resource center					
Salaries of teachers	506,569	52,200	558,769	510,146	48,623
Other salaries for instruction	-	33,509	33,509	28,899	4,610
Total	506,569	85,709	592,278	539,045	53,233
Preschool disabilities - part-time					
Salaries of teachers	71,153	1,511	72,664	72,641	23
Other salaries for instruction	51,056	4,973	56,029	40,068	15,961
General supplies	3,000	(2,471)	529	287	242
Total	125,209	4,013	129,222	112,996	16,226
Total special education	853,324	215,495	1,068,819	998,081	70,738
Basic skills/remedial					
Salaries of teachers	464,544	(306,453)	158,091	158,016	75
Other salaries for instruction	20,000	(20,000)	-	-	-
General supplies	200	(111)	89	89	-
Total	484,744	(326,564)	158,180	158,105	75
School-sponsored co/extra curricular activities - instruction					
Salaries	35,000	-	35,000	24,795	10,205
Total	35,000	-	35,000	24,795	10,205
Total instruction regular	\$ 5,008,491	\$ (51,905)	\$ 4,956,586	\$ 4,772,157	\$ 184,429
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the State - regular	\$ 5,783,499	\$ 116,125	\$ 5,899,624	\$ 5,851,573	\$ 48,051
Tuition to other LEAs within the State - special	75,000	87,831	162,831	158,985	3,846
Tuition to county vocational school district - regular	80,000	(26,000)	54,000	54,000	-
Tuition to county vocational school district - special	40,000	45,235	85,235	85,235	-
Tuition to cssd & regional day schools	-	23,273	23,273	23,273	-
Tuition to priv. school for the disabled w/i State	266,000	(154,116)	111,884	111,884	-
Tuition to priv. sch. disabled & other LEAs-spl, o/s State	-	5,652	5,652	5,652	-
Tuition - other	-	9,600	9,600	9,600	-
Total	6,244,499	107,600	6,352,099	6,300,202	51,897
Undistributed expenditures - attendance & social work					
Salaries	21,369	(105)	21,264	21,255	9
Total	21,369	(105)	21,264	21,255	9

See independent auditors' report.

LOPATCONG TOWNSHIP 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 - health services					
Salaries	\$ 141,259	\$ (578)	\$ 140,681	\$ 140,561	\$ 120
Purchased professional and technical services	1,500	(1,200)	300	-	300
Supplies and materials	3,400	(250)	3,150	2,162	988
Other objects	250	(71)	179	179	-
Total	<u>146,409</u>	<u>(2,099)</u>	<u>144,310</u>	<u>142,902</u>	<u>1,408</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	121,831	(147)	121,684	121,684	-
Purchased professional - educational services	7,000	1,454	8,454	8,454	-
Supplies and materials	625	(575)	50	50	-
Total	<u>129,456</u>	<u>732</u>	<u>130,188</u>	<u>130,188</u>	<u>-</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	1,053	(1,053)	-	-	-
Total	<u>1,053</u>	<u>(1,053)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	159,053	(326)	158,727	122,082	36,645
Other purchased professional & technical services	10,000	(4,260)	5,740	434	5,306
Supplies and materials	40	(40)	-	-	-
Total	<u>169,093</u>	<u>(4,626)</u>	<u>164,467</u>	<u>122,516</u>	<u>41,951</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	228,615	(94,470)	134,145	116,359	17,786
Salaries of secretarial and clerical assistants	16,479	(81)	16,398	16,398	-
Other salaries	-	7,741	7,741	7,741	-
Purchased professional - educational services	30,000	64,500	94,500	87,715	6,785
Other purchased professional & technical services	40,000	(3,360)	36,640	34,198	2,442
Miscellaneous purchased service	200	(200)	-	-	-
Supplies and materials	2,000	(1,724)	276	257	19
Other objects	200	(200)	-	-	-
Total	<u>317,494</u>	<u>(27,794)</u>	<u>289,700</u>	<u>262,668</u>	<u>27,032</u>
Undistributed expenditures - improvement of inst. service					
Salaries of other professional staff	3,600	(3,600)	-	-	-
Other salaries	1,500	3,218	4,718	-	4,718
Supplies and materials	155	-	155	-	155
Total	<u>5,255</u>	<u>(382)</u>	<u>4,873</u>	<u>-</u>	<u>4,873</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	102,867	4,168	107,035	107,030	5
Purchased professional and technical services	350	(350)	-	-	-
Supplies and materials	5,160	(817)	4,343	1,535	2,808
Total	<u>108,377</u>	<u>3,001</u>	<u>111,378</u>	<u>108,565</u>	<u>2,813</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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 - instructional staff training services					
Other salaries	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000
Other purchased services	12,000	(1,358)	10,642	1,153	9,489
Supplies and materials	500	-	500	-	500
Total	14,500	(1,358)	13,142	1,153	11,989
Undistributed expend. - support service - general admin.					
Salaries	180,000	(495)	179,505	179,505	-
Legal services	50,000	(3,593)	46,407	45,625	782
Audit fees	20,000	200	20,200	20,200	-
Architectural/engineering services	5,000	400	5,400	5,400	-
Other purchased professional services	15,000	14,152	29,152	29,152	-
Communications/telephone	22,000	(4,765)	17,235	17,235	-
BOE other purchased services	2,500	(1,373)	1,127	308	819
Misc purch services	29,000	(4,144)	24,856	24,856	-
General supplies	1,700	(1,565)	135	135	-
Miscellaneous expenditures	750	(600)	150	150	-
BOE membership dues and fees	7,500	(1,091)	6,409	2,484	3,925
Total	333,450	(2,874)	330,576	325,050	5,526
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	264,721	(516)	264,205	264,205	-
Salaries of secretarial and clerical assistants	115,535	358	115,893	115,342	551
Other purchased services	625	65	690	-	690
Supplies and materials	9,500	(600)	8,900	1,509	7,391
Other objects	9,000	-	9,000	8,098	902
Total	399,381	(693)	398,688	389,154	9,534
Undistributed expenditures - central services					
Salaries	165,000	1,824	166,824	152,325	14,499
Purchased technical services	15,000	6,095	21,095	21,040	55
Miscellaneous purchased services	500	(500)	-	-	-
Supplies and materials	750	(521)	229	229	-
Other objects	1,400	(50)	1,350	1,350	-
Total	182,650	6,848	189,498	174,944	14,554
Undistributed expenditures - admin. info. technology					
Salaries	46,933	(3,344)	43,589	40,230	3,359
Purchased professional services	10,500	(3,769)	6,731	6,731	-
Other purchased services	10,000	750	10,750	10,749	1
Supplies and materials	7,000	(2,443)	4,557	4,197	360
Other objects	3,700	-	3,700	-	3,700
Total	78,133	(8,806)	69,327	61,907	7,420
Undistributed expend. - required maint. for school facilities					
Salaries	254,282	1,280	255,562	254,396	1,166
Cleaning, repair, and maintenance services	87,406	(20,295)	67,111	61,082	6,029
General supplies	25,000	(1,230)	23,770	21,007	2,763
Total	366,688	(20,245)	346,443	336,485	9,958

See independent auditors' report.

LOPATCONG TOWNSHIP 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 - custodial services					
Salaries	\$ 331,640	\$ 3,393	\$ 335,033	\$ 287,260	\$ 47,773
Purchased professional and technical services	2,375	-	2,375	2,375	-
Cleaning, repair, and maintenance service	14,000	(1,017)	12,983	7,381	5,602
Other purchased property services	25,000	(567)	24,433	23,572	861
Insurance	30,000	(958)	29,042	29,042	-
Miscellaneous purchased services	552	-	552	509	43
General supplies	42,000	(8,779)	33,221	26,840	6,381
Energy (natural gas)	40,000	(4,148)	35,852	35,852	-
Energy (electricity)	142,767	27,650	170,417	163,210	7,207
Energy (oil)	3,300	(3,300)	-	-	-
Energy (gasoline)	-	3,300	3,300	2,144	1,156
Total	631,634	15,574	647,208	578,185	69,023
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - reg.	12,000	(12,000)	-	-	-
Other purchased professional and technical service	3,000	300	3,300	3,300	-
Contract service-aid in lieu pymts - non-public schools	19,450	9,924	29,374	29,374	-
Contract services (between home & school) - vendors	253,000	(26,562)	226,438	226,378	60
Contr service (oth. than between home & school) - vend	10,800	(10,800)	-	-	-
Contr service (between home & school) - joint agreements	5,000	(5,000)	-	-	-
Contract service (sp ed stds) - vendors	170,540	21,338	191,878	184,961	6,917
Total	473,790	(22,800)	450,990	444,013	6,977
Unallocated benefits - employee benefits					
Social Security contributions	115,000	2,921	117,921	115,738	2,183
Other retirement contributions - PERS	110,000	16,113	126,113	126,113	-
Other retirement contributions - regular	4,000	4,994	8,994	8,065	929
Workmen's compensation	60,000	(3,494)	56,506	56,506	-
Health benefits	1,744,725	(11,733)	1,732,992	1,667,521	65,471
Tuition reimbursement	50,000	(29,987)	20,013	17,892	2,121
Other employee benefits	50,900	7,671	58,571	56,192	2,379
Total	2,134,625	(13,515)	2,121,110	2,048,027	73,083

See independent auditors' report.

LOPATCONG TOWNSHIP 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)					
On-behalf TPAF pension contribution	\$ -	\$ -	\$ -	\$ 451,977	\$ (451,977)
On-behalf TPAF post retirement medical benefits	-	-	-	538,179	(538,179)
Reimbursed TPAF Social Security contribution	-	-	-	353,490	(353,490)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,343,646</u>	<u>(1,343,646)</u>
Total undistributed expenditures	<u>\$ 11,757,856</u>	<u>\$ 27,405</u>	<u>\$ 11,785,261</u>	<u>\$ 12,790,860</u>	<u>\$ (1,005,599)</u>
Total current	<u>\$ 16,766,347</u>	<u>\$ (24,500)</u>	<u>\$ 16,741,847</u>	<u>\$ 17,563,017</u>	<u>\$ (821,170)</u>
Capital outlay					
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	\$ 131	\$ -	\$ 131	\$ 131	\$ -
Total facilities acquisition and construction service	<u>131</u>	<u>-</u>	<u>131</u>	<u>131</u>	<u>-</u>
Total capital outlay	<u>\$ 131</u>	<u>\$ -</u>	<u>\$ 131</u>	<u>\$ 131</u>	<u>\$ -</u>
Total expenditures	<u>\$ 16,766,478</u>	<u>\$ (24,500)</u>	<u>\$ 16,741,978</u>	<u>\$ 17,563,148</u>	<u>\$ (821,170)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (508,643)</u>	<u>\$ 24,500</u>	<u>\$ (484,143)</u>	<u>\$ 39,524</u>	<u>\$ 523,667</u>
Other financing sources (uses)					
Operating transfer out					
Transfer to fiduciary fund - Board contribution	-	(24,500)	(24,500)	(24,500)	-
Capital reserve - transfer to capital projects fund	-	(373,487)	(373,487)	(373,487)	-
Total other financing sources (uses)	<u>-</u>	<u>(397,987)</u>	<u>(397,987)</u>	<u>(397,987)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(508,643)	(373,487)	(882,130)	(358,463)	523,667
Fund balances, July 1	997,372	-	997,372	997,372	-
Fund balances, June 30	<u>\$ 488,729</u>	<u>\$ (373,487)</u>	<u>\$ 115,242</u>	<u>\$ 638,909</u>	<u>\$ 523,667</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Withdrawal from capital reserve	\$ -	\$ (373,487)	\$ (373,487)	\$ (373,487)	\$ -
Withdrawal from emergency reserve	(103,143)	-	(103,143)	(103,143)	-
Withdrawal from maintenance reserve	(13,500)		(13,500)	(13,500)	-
Increase in tuition reserve		50,000	50,000	50,000	-
Withdrawal from tuition reserve	(92,000)	-	(92,000)	(92,000)	-
Budgeted fund balance	(300,000)	(50,000)	(350,000)	173,667	523,667
Total	<u>\$ (508,643)</u>	<u>\$ (373,487)</u>	<u>\$ (882,130)</u>	<u>\$ (358,463)</u>	<u>\$ 523,667</u>
Recapitulation of fund balance					
Committed fund balance					
Capital reserve				\$ 429,468	
Tuition reserve					
Year 2015 - 2016				50,000	
Assigned fund balance					
Year-end encumbrances				817	
Unassigned fund balance				<u>158,624</u>	
Fund balance per budgetary basis				638,909	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				<u>(345,854)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 293,055</u>	

See independent auditors' report.

LOPATCONG TOWNSHIP 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					
State sources	\$ 4,352	\$ -	\$ 4,352	\$ 2,820	\$ (1,532)
Federal sources	286,706	-	286,706	274,539	(12,167)
Total revenues	<u>\$ 291,058</u>	<u>\$ -</u>	<u>\$ 291,058</u>	<u>\$ 277,359</u>	<u>\$ (13,699)</u>
Expenditures					
Instruction					
Salaries	\$ 5,428	\$ -	\$ 5,428	\$ 4,000	\$ 1,428
Purchased professional & technical services	81,933	-	81,933	79,414	2,519
Other purchased services	96,428	-	96,428	96,428	-
General supplies	52,515	-	52,515	51,840	675
Textbooks	857	-	857	-	857
Totals	<u>237,161</u>	<u>-</u>	<u>237,161</u>	<u>231,682</u>	<u>5,479</u>
Support services					
Salaries	9,106	-	9,106	5,704	3,402
Employee benefits	1,400	-	1,400	364	1,036
Purchased professional & technical services	38,293	-	38,293	36,380	1,913
Other purchased services	4,708	-	4,708	2,839	1,869
Supplies and materials	390	-	390	390	-
Total	<u>53,897</u>	<u>-</u>	<u>53,897</u>	<u>45,677</u>	<u>8,220</u>
Total expenditures	<u>\$ 291,058</u>	<u>\$ -</u>	<u>\$ 291,058</u>	<u>\$ 277,359</u>	<u>\$ 13,699</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison Schedule

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	\$ 17,602,672	\$ 277,359
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	340,910	-
State aid receivable current year	<u>(345,854)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 17,597,728</u>	<u>\$ 277,359</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 17,563,148</u>	<u>\$ 277,359</u>
Total expenditures (GAAP Basis)	<u>\$ 17,563,148</u>	<u>\$ 277,359</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	34,825,346	31,062,221	29,906,072	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 34,825,346	\$ 31,062,221	\$ 29,906,072	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 5,427,576	\$ 5,613,632	\$ 5,403,946	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	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	N/A	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Pension Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 451,977	\$ 297,889	\$ 245,863	\$ 382,357	\$ 188,718	\$ 18,641	\$ 19,404	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(451,977)	(297,889)	(245,863)	(382,357)	(188,718)	(18,641)	(19,404)	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$5,072,569	\$ 5,427,576	\$ 5,613,632	\$ 5,403,946	\$ 5,552,110	\$ 5,644,524	\$ 5,867,708	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	8.91%	5.49%	4.38%	7.08%	3.40%	0.33%	0.33%	N/A	N/A	N/A

See independent auditors' report.

LOPATCONG TOWNSHIP 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	0.0148198542%	0.0140257185%	0.0145281974%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 3,292,869	\$ 2,660,383	\$ 2,304,129	N/A	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	973,162	972,571	908,252	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	338.37%	273.54%	253.69%	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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Pension Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 126,113	\$ 117,140	\$ 101,150	\$ 104,107	\$ 112,011	\$ 117,649	\$ 80,535	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(126,113)	(117,140)	(101,150)	(104,107)	(112,011)	(117,649)	(80,535)	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 895,069	\$ 973,162	\$ 972,571	\$ 908,252	\$ 905,624	\$ 966,345	\$ 1,015,742	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	14.09%	12.04%	10.40%	11.46%	12.37%	12.17%	7.93%	N/A	N/A	N/A

See independent auditors' report.

LOPATCONG TOWNSHIP 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	<u>NCLB Title IA</u>	<u>NCLB Title IIA</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>NJ Non-public</u>	<u>Total</u>
Revenues						
State sources	\$ -	\$ -	\$ -	\$ -	\$ 2,820	\$ 2,820
Federal sources	82,447	9,450	177,884	4,758	-	274,539
Total revenues	<u>\$ 82,447</u>	<u>\$ 9,450</u>	<u>\$177,884</u>	<u>\$ 4,758</u>	<u>\$ 2,820</u>	<u>\$277,359</u>
Expenditures						
Instruction						
Salaries	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 4,000
Purchased professional and technical services	-	-	75,183	4,231	-	79,414
Other purchased services	-	-	96,428	-	-	96,428
General supplies	50,744	-	569	527	-	51,840
Textbooks	-	-	-	-	-	-
Total	<u>54,744</u>	<u>-</u>	<u>172,180</u>	<u>4,758</u>	<u>-</u>	<u>231,682</u>
Support services						
Salaries	-	-	5,704	-	-	5,704
Employee benefits	364	-	-	-	-	364
Purchased professional and technical services	24,500	9,450	-	-	2,430	36,380
Other purchased services	2,839	-	-	-	-	2,839
Supplies and materials	-	-	-	-	390	390
Total	<u>27,703</u>	<u>9,450</u>	<u>5,704</u>	<u>-</u>	<u>2,820</u>	<u>45,677</u>
Total expenditures	<u>\$ 82,447</u>	<u>\$ 9,450</u>	<u>\$177,884</u>	<u>\$ 4,758</u>	<u>\$ 2,820</u>	<u>\$277,359</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.

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

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/16
			Prior Years	Current Year	
Window and doors project	9/30/14	\$ 672,439	\$ 46,189	\$ 563,322	\$ 62,928
		<u>\$ 672,439</u>	<u>\$ 46,189</u>	<u>\$ 563,322</u>	<u>\$ 62,928</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	
Local sources - transfer from capital reserve	\$ 373,487
Total revenues	<u>373,487</u>
Expenditures	
Purchased professional services	26,355
Construction services	536,967
	<u>563,322</u>
Excess (deficiency) of revenues and other financing sources	
Over (under) expenditures and other financing uses	(189,835)
Fund balance - beginning of year	<u>252,763</u>
Fund balance - ending of year	<u><u>\$ 62,928</u></u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Window and Doors Project
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve	\$ 46,189	\$ 373,487	\$ 419,676	\$ 419,676
State source - school development authority aid	252,763	-	252,763	252,763
Total revenues	<u>298,952</u>	<u>373,487</u>	<u>672,439</u>	<u>672,439</u>
Expenditures and other financing uses				
Purchased professional services	46,189	26,355	72,544	90,000
Construction services	-	536,967	536,967	582,439
Total expenditures	<u>46,189</u>	<u>563,322</u>	<u>609,511</u>	<u>672,439</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 252,763</u>	<u>\$ (189,835)</u>	<u>\$ 62,928</u>	<u>\$ -</u>

Additional Project Information

Project number	2790-050-14-1001
Grant date	09/30/14
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 631,907
Additional authorized cost	\$ 40,532
Revised authorized cost	\$ 672,439
Percentage completion	91%

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 32,458	\$ 43,330	\$ 75,788
Receivables from other governments			
State	82	-	82
Federal	2,207	-	2,207
Inventory	7,973	-	7,973
Total current assets	<u>42,720</u>	<u>43,330</u>	<u>86,050</u>
Noncurrent assets			
Capital assets	269,829	-	269,829
Less: accumulated depreciation	208,426	-	208,426
Total noncurrent assets	<u>61,403</u>	<u>-</u>	<u>61,403</u>
Total assets	<u>104,123</u>	<u>43,330</u>	<u>147,453</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	3,914	-	3,914
Unearned revenues - prepaid sales	5,156	-	5,156
Total liabilities	<u>9,070</u>	<u>-</u>	<u>9,070</u>
Net position			
Net investment in capital assets	61,403	-	61,403
Unrestricted	33,650	43,330	76,980
Total net position	<u>\$ 95,053</u>	<u>\$ 43,330</u>	<u>\$ 138,383</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 104,310	\$ -	\$ 104,310
Daily sales - non-reimbursable programs	80,204	-	80,204
Child care revenues	-	39,861	39,861
Total operating revenues	<u>184,514</u>	<u>39,861</u>	<u>224,375</u>
Operating expenses			
Cost of sales - reimbursable programs	60,425	-	60,425
Cost of sales - non-reimbursable programs	46,460	-	46,460
Salaries	109,221	24,791	134,012
Employee benefits	20,320	-	20,320
Purchased property services	3,607	-	3,607
Insurance	1,631	-	1,631
Management fee	8,467	-	8,467
Other purchased services	5,792	-	5,792
Supplies and materials	11,984	11,450	23,434
Depreciation	15,609	-	15,609
Miscellaneous expenditures	885	363	1,248
Total operating expenses	<u>284,401</u>	<u>36,604</u>	<u>321,005</u>
Operating income (loss)	<u>(99,887)</u>	<u>3,257</u>	<u>(96,630)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	2,401	-	2,401
Federal sources			
National school lunch program			
Cash assistance	66,458	-	66,458
Non-cash assistance (commodities)	12,074	-	12,074
Special milk program for children	1,275	-	1,275
Interest earned on investments	157	-	157
Total non-operating revenues (expenses)	<u>82,365</u>	<u>-</u>	<u>82,365</u>
Change in net position	(17,522)	3,257	(14,265)
Net position, beginning	<u>112,575</u>	<u>40,073</u>	<u>152,648</u>
Net position, ending	<u>\$ 95,053</u>	<u>\$ 43,330</u>	<u>\$ 138,383</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Combining Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 187,310	\$ 40,267	\$ 227,577
Payments to employees	(28,882)	(24,791)	(53,673)
Payments to Food Service Management Co.	(219,607)	-	(219,607)
Payments to vendors (net)	(8,125)	(11,812)	(19,937)
Net cash provided by operating activities	<u>(69,304)</u>	<u>3,664</u>	<u>(65,640)</u>
Cash flows from noncapital financing activities			
State sources	2,568	-	2,568
Federal sources	67,771	-	67,771
Net interfund transactions	7,775	-	7,775
Net cash provided by (used for) non-capital financing activities	<u>78,114</u>	<u>-</u>	<u>78,114</u>
Cash flows from capital financing activities			
Acquisition of equipment	(12,939)	-	(12,939)
Net cash provided by (used for) investing activities	<u>(12,939)</u>	<u>-</u>	<u>(12,939)</u>
Cash flows from investing activities			
Interest on investments	157	-	157
Net increase in cash and cash equivalents	(3,972)	3,664	(308)
Cash and cash equivalents, July 1	<u>36,430</u>	<u>39,666</u>	<u>76,096</u>
Cash and cash equivalents, June 30	<u>\$ 32,458</u>	<u>\$ 43,330</u>	<u>\$ 75,788</u>
Reconciliation of operating income to net cash			
Provided by operating activities			
Operating income	\$ (99,887)	\$ 3,257	\$ (96,630)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	15,609		15,609
Federal food donation program	12,074	-	12,074
(Increase) decrease in accounts receivable	-	407	407
Increase (decrease) in accounts payable	(72)	-	(72)
(Increase) decrease in inventory	(1,624)	-	(1,624)
Increase (decrease) in unearned revenue	4,596	-	4,596
Net cash provided by (used for) operating activities	<u>\$ (69,304)</u>	<u>\$ 3,664</u>	<u>\$ (65,640)</u>

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Schedule of Net Position in Fiduciary Funds
June 30, 2016

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 20,214	\$ 45,698	\$ 178,260	\$ 244,172
Total assets	\$ 20,214	\$ 45,698	\$ 178,260	\$ 244,172
Liabilities				
Due to other funds	\$ -	\$ -	\$ 10	\$ 10
Due to students groups	-	45,698	-	45,698
Payroll deductions & withholdings	-	-	178,250	178,250
Total liabilities	-	45,698	178,260	223,958
Net position				
Held in trust for unemployment claims & other purposes	\$ 20,214	\$ -	\$ -	\$ 20,214

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Unemployment Compensation Fund
Additions	
Contributions	
Employee withholdings	\$ 10,966
Investment earnings - interest	75
Total additions	11,041
 Deductions	
Unemployment claims	48,326
 Change in net position before other financing sources (uses)	(37,285)
 Other financing sources (uses)	
Transfer in from general fund	24,500
 Change in net position after other financing sources (uses)	(12,785)
 Net position, beginning of the year	32,999
 Net position, end of the year	\$ 20,214

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and 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>06/30/16</u>
Assets				
Cash and cash equivalents	<u>\$ 49,583</u>	<u>\$ 53,750</u>	<u>\$ 57,635</u>	<u>\$ 45,698</u>
Total assets	<u><u>\$ 49,583</u></u>	<u><u>\$ 53,750</u></u>	<u><u>\$ 57,635</u></u>	<u><u>\$ 45,698</u></u>
Liabilities				
Due to student groups	<u>\$ 49,583</u>	<u>\$ 53,750</u>	<u>\$ 57,635</u>	<u>\$ 45,698</u>
Total liabilities	<u><u>\$ 49,583</u></u>	<u><u>\$ 53,750</u></u>	<u><u>\$ 57,635</u></u>	<u><u>\$ 45,698</u></u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Assets				
Cash and cash equivalents	\$ 282,914	\$ 7,635,150	\$ 7,739,804	\$ 178,260
Total assets	\$ 282,914	\$ 7,635,150	\$ 7,739,804	\$ 178,260
Liabilities				
Due to other funds	\$ 42,768	\$ 10	\$ 42,768	\$ 10
Payroll deductions and withholdings	233,088	3,517,984	3,750,544	528
Net payroll	7,058	4,117,156	3,946,492	177,722
Total liabilities	\$ 282,914	\$ 7,635,150	\$ 7,739,804	\$ 178,260

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2015	Issued	Retired	Balance 6/30/2016
			Date	Amount					
Construction of Middle School and refunding of 2000 series	09/01/01	\$ 15,895,000	07/15/22	\$ 845,000	4.75%	\$ 5,350,000	\$ -	\$ -	\$ 5,350,000
			07/15/27	1,065,000	5.00%	-	-	-	-
			07/15/28	1,105,000	5.00%	-	-	-	-
			07/15/29	1,145,000	5.00%	-	-	-	-
			07/15/30	1,190,000	5.00%	-	-	-	-
Refunding School bonds	05/11/11	\$ 9,600,000	07/15/16	575,000	4.00%	7,900,000	-	565,000	7,335,000
			07/15/17	605,000	4.50%	-	-	-	-
			07/15/18	635,000	5.00%	-	-	-	-
			07/15/19	665,000	5.00%	-	-	-	-
			07/15/20	695,000	5.00%	-	-	-	-
			07/15/21	735,000	5.00%	-	-	-	-
			07/15/23	805,000	4.00%	-	-	-	-
			07/15/24	840,000	4.00%	-	-	-	-
			07/15/25	875,000	4.00%	-	-	-	-
			07/15/26	905,000	4.00%	-	-	-	-
						<u>\$ 13,250,000</u>	<u>\$ -</u>	<u>\$ 565,000</u>	<u>\$ 12,685,000</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service 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	\$ 889,272	\$ -	\$ 889,272	\$ 889,272	\$ -
State sources					
Debt service aid	211,534	-	211,534	211,534	-
Total revenues	<u>1,100,806</u>	<u>-</u>	<u>1,100,806</u>	<u>1,100,806</u>	<u>-</u>
EXPENDITURES					
Regular debt service					
Redemption of principal	565,000	-	565,000	565,000	-
Interest	535,806	-	535,806	535,806	-
Total expenditures	<u>1,100,806</u>	<u>-</u>	<u>1,100,806</u>	<u>1,100,806</u>	<u>-</u>
Excess (deficiency) of revenues Over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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 are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

LOPATCONG TOWNSHIP 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	\$ 1,504,383	\$ 1,737,793	\$ 1,681,236	\$ 1,218,768	\$ 1,561,585	\$ 2,502,670	\$ 2,441,347	\$ 2,485,149	\$ 2,583,172	\$ 3,236,856
Restricted	329,391	521,144	888,708	1,532,914	2,409,934	1,872,117	2,020,129	1,602,787	1,264,361	542,396
Unrestricted	177,038	(361,540)	(490,819)	(605,275)	(232,627)	(320,185)	(303,587)	(2,795,366)	(3,585,713)	(3,633,115)
Total governmental activities	<u>\$ 2,010,812</u>	<u>\$ 1,897,397</u>	<u>\$ 2,079,125</u>	<u>\$ 2,146,407</u>	<u>\$ 3,738,892</u>	<u>\$ 4,054,602</u>	<u>\$ 4,157,889</u>	<u>\$ 1,292,570</u>	<u>\$ 261,820</u>	<u>\$ 146,137</u>
Business-type activities										
Net investment in capital assets	\$121,799	\$108,653	\$95,505	\$116,175	\$109,440	\$102,705	\$91,549	\$76,683	\$ 64,073	\$ 61,403
Unrestricted	58,354	72,046	84,106	72,293	93,735	71,843	75,509	86,623	88,575	76,980
Total business-type activities	<u>\$ 180,153</u>	<u>\$ 180,699</u>	<u>\$ 179,611</u>	<u>\$ 188,468</u>	<u>\$ 203,175</u>	<u>\$ 174,548</u>	<u>\$ 167,058</u>	<u>\$ 163,306</u>	<u>\$ 152,648</u>	<u>\$ 138,383</u>
District-wide										
Net investment in capital assets	\$ 1,626,182	\$ 1,846,446	\$ 1,776,741	\$ 1,334,943	\$ 1,671,025	\$ 2,605,375	\$ 2,532,896	\$ 2,561,832	\$ 2,647,245	\$ 3,298,259
Restricted	329,391	521,144	888,708	1,532,914	2,409,934	1,872,117	2,020,129	1,602,787	1,264,361	542,396
Unrestricted	235,392	(289,494)	(406,713)	(532,982)	(138,892)	(248,342)	(228,078)	(2,708,743)	(3,497,138)	(3,556,135)
Total district-wide	<u>\$ 2,190,965</u>	<u>\$ 2,078,096</u>	<u>\$ 2,258,736</u>	<u>\$ 2,334,875</u>	<u>\$ 3,942,067</u>	<u>\$ 4,229,150</u>	<u>\$ 4,324,947</u>	<u>\$ 1,455,876</u>	<u>\$ 414,468</u>	<u>\$ 284,520</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 5,381,683	\$ 5,694,750	\$ 5,868,171	\$ 5,438,877	\$ 5,283,440	\$ 5,747,351	\$ 5,940,174	\$ 6,167,467	\$ 7,462,218	\$ 7,060,296
Special education	1,003,151	994,923	1,065,729	1,405,873	1,349,239	1,387,983	1,576,311	1,512,958	1,594,726	1,985,821
Other special education	555,106	853,136	779,496	1,157,361	1,002,992	853,052	903,533	839,434	783,630	416,448
Support services										
Tuition	3,461,884	3,320,628	3,131,326	2,660,298	2,793,682	3,499,860	4,438,501	5,289,756	6,451,262	6,396,630
Student & instruction related services	1,282,849	1,424,781	1,480,577	1,370,998	1,381,180	1,533,950	1,553,014	1,336,677	1,604,246	1,491,739
General & business administrative services	1,243,489	1,450,531	1,234,099	1,378,989	1,339,569	1,597,488	1,219,793	1,269,802	1,369,273	1,644,606
Plant operations & maintenance	1,526,965	1,542,533	1,427,388	1,364,199	1,315,993	1,189,193	1,158,008	1,279,279	1,223,862	1,252,242
Pupil transportation	438,928	393,288	511,519	461,882	452,095	456,489	503,132	523,953	484,092	444,013
Special school			7,999							
Interest on long-term debt	838,494	819,817	799,893	776,314	586,814	543,967	528,989	541,008	524,041	525,578
Unallocated depreciation	48,036	48,036	48,036							
Total governmental activities expenses	<u>15,780,585</u>	<u>16,542,423</u>	<u>16,354,233</u>	<u>16,014,791</u>	<u>15,505,004</u>	<u>16,809,333</u>	<u>17,821,455</u>	<u>18,760,334</u>	<u>21,497,350</u>	<u>21,217,373</u>
Business-type activities										
Food services	229,551	235,040	235,967	246,507	267,644	304,248	308,637	295,772	295,173	284,401
Child care program							30,487	31,382	25,294	36,604
Total business-type activities	<u>229,551</u>	<u>235,040</u>	<u>235,967</u>	<u>246,507</u>	<u>267,644</u>	<u>304,248</u>	<u>339,124</u>	<u>327,154</u>	<u>320,467</u>	<u>321,005</u>
Total district expenses	<u>\$ 16,010,136</u>	<u>\$ 16,777,463</u>	<u>\$ 16,590,200</u>	<u>\$ 16,261,298</u>	<u>\$ 15,772,648</u>	<u>\$ 17,113,581</u>	<u>\$ 18,160,579</u>	<u>\$ 19,087,488</u>	<u>\$ 21,817,817</u>	<u>\$ 21,538,378</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 10,350	\$ 8,100	\$ 10,050	\$ 11,850	\$ 90,302	\$ 118,940	\$ 99,963	\$ 67,774	\$ 100,216	\$ 118,769
Operating grants & contributions	-	-	269,594	452,606	371,193	234,966	317,543	410,969	283,817	277,359
Capital grants & contributions	-	-	-	24,717	436,225	-	-	-	252,763	-
Total governmental activities program revenues	<u>10,350</u>	<u>8,100</u>	<u>279,644</u>	<u>489,173</u>	<u>897,720</u>	<u>353,906</u>	<u>417,506</u>	<u>478,743</u>	<u>636,796</u>	<u>396,128</u>
Business-type activities										
Charges for services										
Food service	176,117	180,735	181,908	179,085	208,755	203,959	204,566	196,706	187,057	184,514
Child care program							48,281	39,746	39,209	39,861
Operating grants & contributions	46,300	52,434	51,704	67,013	73,358	71,063	78,542	86,723	83,381	82,208
Total business-type activities program revenues	<u>222,417</u>	<u>233,169</u>	<u>233,612</u>	<u>246,098</u>	<u>282,113</u>	<u>275,022</u>	<u>331,389</u>	<u>323,175</u>	<u>309,647</u>	<u>306,583</u>
Total district - program revenues	<u>\$ 232,767</u>	<u>\$ 241,269</u>	<u>\$ 513,256</u>	<u>\$ 735,271</u>	<u>\$ 1,179,833</u>	<u>\$ 628,928</u>	<u>\$ 748,895</u>	<u>\$ 801,918</u>	<u>\$ 946,443</u>	<u>\$ 702,711</u>
Net (expense) revenues										
Governmental activities	\$ (15,770,235)	\$ (16,534,323)	\$ (16,074,589)	\$ (15,525,618)	\$ (14,607,284)	\$ (16,455,427)	\$ (17,403,949)	\$ (18,281,591)	\$ (20,860,554)	\$ (20,821,245)
Business-type activities	<u>(7,134)</u>	<u>(1,871)</u>	<u>(2,355)</u>	<u>(409)</u>	<u>14,469</u>	<u>(29,226)</u>	<u>(7,735)</u>	<u>(3,979)</u>	<u>(10,820)</u>	<u>(14,422)</u>
Total district-wide net expenses	<u>\$ (15,777,369)</u>	<u>\$ (16,536,194)</u>	<u>\$ (16,076,944)</u>	<u>\$ (15,526,027)</u>	<u>\$ (14,592,815)</u>	<u>\$ (16,484,653)</u>	<u>\$ (17,411,684)</u>	<u>\$ (18,285,570)</u>	<u>\$ (20,871,374)</u>	<u>\$ (20,835,667)</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 10,693,264	\$ 11,009,595	\$ 11,018,756	\$ 10,775,728	\$ 11,105,502	\$ 11,327,612	\$ 11,622,452	\$ 11,896,112	\$ 12,201,862	\$ 12,532,892
Taxes levied for debt service	808,051	792,570	900,885	953,625	991,213	915,832	894,692	812,260	884,990	889,272
Unrestricted grants & contributions	4,309,599	4,551,154	4,307,798	4,542,227	4,076,644	4,467,073	5,023,938	4,860,063	6,702,924	7,248,416
Investment earnings	130,047	66,099	26,881	15,458	8,045	21,200	10,518	11,827	7,558	9,175
State capital projects grants deobligated	-	-	-	-	-	-	(78,495)	-	-	-
Miscellaneous income	11,755	1,490	1,997	8,534	18,365	39,420	34,131	49,300	32,470	50,307
Transfers	-	-	-	-	-	-	-	-	-	(24,500)
Total governmental activities	<u>15,952,716</u>	<u>16,420,908</u>	<u>16,256,317</u>	<u>16,295,572</u>	<u>16,199,769</u>	<u>16,771,137</u>	<u>17,507,236</u>	<u>17,629,562</u>	<u>19,829,804</u>	<u>20,705,562</u>
Business-type activities										
Miscellaneous income	2,867	2,417	1,267	491	238	599	245	227	162	157
Total business-type activities	<u>2,867</u>	<u>2,417</u>	<u>1,267</u>	<u>491</u>	<u>238</u>	<u>599</u>	<u>245</u>	<u>227</u>	<u>162</u>	<u>157</u>
Total district-wide	<u>\$ 15,955,583</u>	<u>\$ 16,423,325</u>	<u>\$ 16,257,584</u>	<u>\$ 16,296,063</u>	<u>\$ 16,200,007</u>	<u>\$ 16,771,736</u>	<u>\$ 17,507,481</u>	<u>\$ 17,629,789</u>	<u>\$ 19,829,966</u>	<u>\$ 20,705,719</u>
Change in net position										
Governmental activities	\$ 182,481	\$ (113,415)	\$ 181,728	\$ 769,954	\$ 1,592,485	\$ 315,710	\$ 103,287	\$ (652,029)	\$ (1,030,750)	\$ (115,683)
Business-type activities	(4,267)	546	(1,088)	82	14,707	(28,627)	(7,490)	(3,752)	(10,658)	(14,265)
Total district	<u>\$ 178,214</u>	<u>\$ (112,869)</u>	<u>\$ 180,640</u>	<u>\$ 770,036</u>	<u>\$ 1,607,192</u>	<u>\$ 287,083</u>	<u>\$ 95,797</u>	<u>\$ (655,781)</u>	<u>\$ (1,041,408)</u>	<u>\$ (129,948)</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 100,217	\$ 125,145	\$ 29,897	\$ -	\$ 197,824	\$ 412,968	\$ 416,249	\$ 201,105	\$ -	\$ -
Committed	41,846	323,264	753,306	1,532,914	1,356,298	1,505,141	1,749,132	1,602,787	1,011,598	479,468
Assigned	740,294	136,583	199,435	72,488	69,453	218,245	54,449	195,216	-	817
Unassigned	140,863	200,093	24,828	(44,895)	90,714	49,839	190,453	(7,848)	(355,136)	(187,230)
Total general fund	<u>\$ 1,023,220</u>	<u>\$ 785,085</u>	<u>\$ 1,007,466</u>	<u>\$ 1,560,507</u>	<u>\$ 1,714,289</u>	<u>\$ 2,186,193</u>	<u>\$ 2,410,283</u>	<u>\$ 1,991,260</u>	<u>\$ 656,462</u>	<u>\$ 293,055</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 117,434	\$ 693	\$ -	\$ -	\$ 1,053,636	\$ 266,634	\$ 170,655	\$ -	\$ 252,763	\$ 62,928
Assigned, reported in										
Debt service fund	-	-	694	694	-	100,342	100,342	-	-	-
Total all other governmental funds	<u>\$ 117,434</u>	<u>\$ 693</u>	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 1,053,636</u>	<u>\$ 366,976</u>	<u>\$ 270,997</u>	<u>\$ -</u>	<u>\$ 252,763</u>	<u>\$ 62,928</u>

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 11,501,315	\$ 11,802,165	\$ 11,919,641	\$ 11,729,353	\$ 12,096,715	\$ 12,243,444	\$ 12,517,144	\$ 12,708,372	\$ 13,086,852	\$ 13,422,164
Tuition charges	10,350	8,100	10,050	11,850	89,152	118,940	99,963	67,749	98,590	118,769
Interest earnings	3,054	1,418	5,042	15,458	8,045	21,200	10,518	11,827	7,558	9,175
Miscellaneous	138,748	66,171	23,836	8,534	19,515	32,462	34,131	49,325	34,096	26,411
State sources	4,086,927	4,240,745	4,318,157	4,063,092	4,508,409	4,384,459	4,987,430	4,863,617	5,250,745	5,124,129
Federal sources	222,672	310,409	259,235	956,458	375,653	324,538	354,051	407,415	317,320	275,245
Total revenues	15,963,066	16,429,008	16,535,961	16,784,745	17,097,489	17,125,043	18,003,237	18,108,305	18,795,161	18,975,893
Expenditures										
Instruction										
Regular instruction	3,570,092	3,811,113	4,070,207	3,796,344	3,726,675	3,923,841	3,780,409	4,051,644	4,251,978	3,591,176
Special education instruction	746,055	744,093	817,713	821,806	849,031	847,167	920,176	963,957	831,103	998,081
Other special instruction	412,839	638,052	598,092	756,101	663,773	575,771	572,807	514,781	417,287	182,900
Support services										
Tuition	3,461,884	3,320,628	3,131,326	2,591,191	2,762,789	3,499,860	4,438,501	5,104,357	6,336,262	6,300,202
Student & inst related services	954,070	1,065,580	1,136,018	871,757	869,153	963,842	911,075	848,267	882,784	789,247
General & school administration services	924,797	1,084,838	946,901	1,038,755	1,001,129	952,886	919,637	936,770	900,183	951,055
Plant operations & maintenance	1,135,622	1,153,645	1,095,207	1,140,099	1,070,140	988,146	922,057	1,073,178	981,612	914,670
Pupil transportation	438,928	393,288	511,519	461,882	452,095	448,218	494,195	507,837	484,092	444,013
Employee benefits	2,767,040	3,014,813	2,765,744	2,823,149	2,769,938	3,034,349	3,392,616	3,263,088	3,366,252	3,391,673
Transfer to charter schools	-	-	7,999	-	-	-	-	-	-	-
Capital outlay	238,531	394,382	68,807	221,104	126,886	817,946	25,174	29,039	46,189	563,322
Special revenue funds	-	-	-	477,323	371,193	234,966	317,543	410,969	283,817	277,359
Debt service										
Principal	265,000	335,000	355,000	445,000	465,000	615,000	510,000	520,000	540,000	565,000
Interest & other charges	845,327	828,452	809,046	787,193	762,963	437,807	592,441	574,438	555,637	535,937
Total expenditures	15,760,185	16,783,884	16,313,579	16,231,704	15,890,765	17,339,799	17,796,631	18,798,325	19,877,196	19,504,635

See independent auditors' report.

LOPATCONG TOWNSHIP 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
Excess (deficiency) of revenues over (under) expenditures	\$ 202,881	\$ (354,876)	\$ 222,382	\$ 553,041	\$ 1,206,724	\$ (214,756)	\$ 206,606	\$ (690,020)	\$ (1,082,035)	\$ (528,742)
Other financing sources (uses)										
Proceeds from refinancing bond issue	-	-	-	-	10,201,851	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-	(10,201,851)	-	-	-	-	-
NJSDA grant deobligated	-	-	-	-	-	-	(78,495)	-	-	(24,500)
Total other financing sources (uses)	-	-	-	-	-	-	(78,495)	-	-	(24,500)
Net change in fund balances	\$ 202,881	\$ (354,876)	\$ 222,382	\$ 553,041	\$ 1,206,724	\$ (214,756)	\$ 128,111	\$ (690,020)	\$ (1,082,035)	\$ (553,242)
Debt service as a percentage of non-capital expenditures	7.70%	7.64%	7.72%	8.34%	8.45%	6.81%	6.61%	6.19%	5.85%	6.17%

Source: District records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 81,136	\$ 66,099	\$ 5,042	\$ 15,458	\$ 8,045	\$ 21,200	\$ 10,518	\$ 11,827	\$ 7,558	\$ 9,175
Tuition	10,350	8,100	10,050	11,850	89,152	118,940	99,963	67,749	98,590	118,769
Prior year refunds	45	-	-	211	16,992	12,427	16,266	44,630	12,167	-
Miscellaneous	2,960	1,127	23,835	538	609	258	364	134	2,280	3,005
Old outstanding checks voided	-	-	-	7,785	13	-	-	54	-	-
Close old agency balances	-	-	-	-	-	-	-	-	-	(924)
Facility rentals	-	-	-	-	250	-	-	425	1,627	-
Emergency management training fees	-	-	-	-	900	-	-	-	-	-
Contributions	-	-	-	-	658	250	-	500	12,056	1,054
Book fees	-	-	-	-	93	49	-	-	-	591
Application fees	-	-	-	-	-	500	475	-	-	310
Accounts payable canceled	-	-	-	-	-	17,255	17,026	3,542	-	24,693
Fund 20 adjustments	-	-	-	-	-	-	-	-	5,966	(12,818)
Sale of assets	-	-	-	-	-	-	-	40	-	10,500
Annual totals	\$ 94,491	\$ 75,326	\$ 38,927	\$ 35,842	\$ 116,712	\$ 170,879	\$ 144,612	\$ 128,901	\$ 140,244	\$ 154,355

Source: District records

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 67,346,600	\$ 60,018,600	\$ 55,445,600	\$ 42,028,620	\$ 35,700,520	\$ 21,599,020	\$ 19,621,720	\$ 16,235,420	\$ 12,976,620	\$ 17,209,874
Residential	758,686,424	772,071,256	784,580,256	808,976,846	827,794,246	661,096,274	669,756,124	679,151,024	689,476,824	693,597,571
Farm regular	11,464,600	11,464,600	11,468,300	13,137,400	12,801,700	10,568,700	11,230,900	11,212,200	11,072,700	10,696,400
Q farm	698,131	694,191	695,122	702,046	704,552	702,478	711,662	650,894	6,080,903	642,778
Commercial	132,729,561	133,529,311	137,140,971	135,035,724	135,544,724	124,171,875	122,971,275	125,260,175	110,165,375	112,929,575
Industrial	20,708,500	20,708,500	19,067,400	19,067,400	19,067,400	18,036,200	17,423,200	16,284,200	14,684,200	14,684,200
Apartment	18,230,400	18,230,400	18,230,400	18,230,400	18,230,400	16,320,000	16,320,000	16,320,000	16,320,000	16,320,000
Total assessed value	1,009,864,216	1,016,716,858	1,026,628,049	1,037,178,436	1,049,843,542	852,494,547	858,034,881	865,113,913	860,776,622	866,080,398
Public utilities (a)	1,004,809	1,666,228	1,748,462	1,845,675	1,538,797	1,509,258	1,509,258	929,832	981,687	950,563
Net valuation taxable	\$ 1,010,869,025	\$ 1,018,383,086	\$ 1,028,376,511	\$ 1,039,024,111	\$ 1,051,382,339	\$ 854,003,805	\$ 859,544,139	\$ 866,043,745	\$ 861,758,309	\$ 867,030,961
Estimated actual county equalized value	\$ 882,502,369	\$ 978,286,112	\$ 1,022,833,671	\$ 1,033,453,429	\$ 1,002,056,801	\$ 963,949,507	\$ 896,572,587	\$ 840,814,377	\$ 817,502,861	\$ 842,131,991
Percentage of net valuation to estimated actual equalized value	114.55%	104.10%	100.54%	100.54%	104.92%	88.59%	95.87%	103.00%	105.41%	102.96%
Total direct school tax rate (b)	\$1.14	\$1.16	\$1.16	\$1.17	\$1.16	\$1.46	\$1.48	\$1.51	\$1.56	\$ 1.59
	*					*				

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 equipments of telephone and messenger system companies
- (b) Tax rates are per \$100

- * Revalued/Reassessed
- * Limited exemptions and abatements

See independent auditors' report.

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

Assessment Year		School District Direct Rate			Overlapping Rates		Total Direct & Overlapping Tax Rate
		Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality	County	
2007	*	\$ 1.060	\$0.080	\$ 1.140	\$ 0.192	\$ 0.548	\$ 1.880
2008		1.081	0.078	1.159	0.200	0.585	1.94
2009		1.071	0.088	1.159	0.224	0.602	1.99
2010		1.075	0.090	1.165	0.267	0.607	2.04
2011		1.077	0.087	1.164	0.276	0.609	2.05
2012	*	1.360	0.102	1.462	0.403	0.681	2.55
2013		1.384	0.095	1.479	0.459	0.748	2.69
2014		1.409	0.101	1.510	0.508	0.741	2.76
2015		1.455	0.103	1.558	0.522	0.691	2.77
2016		1.486	0.101	1.587	0.553	0.742	2.88

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

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

* Revalued/Reassessed

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2016			2007		
	Taxable Assessed	Rank	% of Total District Net Assessed Value	Taxable Assessed	Rank	% of Total District Net Assessed Value
	Value			Value		
Larken Associates	\$ 54,961,800	1	6.34%	\$ -		-
Brakeley Associates, Inc.	16,320,000	2	1.88%	17,809,300	2	1.76%
Hillcrest Medical Plaza	14,288,700	3	1.65%	-		-
Phillipsburg Mall LLC	11,096,200	4	1.28%	-		-
Genesis / Brakley P. C/O Health Care	8,599,800	5	0.99%	9,238,400	6	0.91%
Strykers Golf, LLC	6,003,300	6	0.69%	6,941,400	8	0.69%
Peron/JSH, LLC	5,432,654	7	0.63%	-		-
Genesis/Lopatcong % Altus Group	5,411,400	8	0.62%	6,023,900	10	0.60%
Stowaway Self Storage	4,693,560	9	0.54%	-		-
Stag GI New Jersey, Inc.	4,570,000	10	0.53%	-		-
Crown American	-		-	25,586,500	1	2.53%
Sterric Ridge, LLC	-		-	16,671,000	3	1.65%
Morris Park, LLC	-		-	14,492,700	4	1.43%
Baltimore Street Assoc., LLC	-		-	9,834,640	5	0.97%
Belview Crossing, LLC	-		-	9,101,100	7	0.90%
IT Banker, C/O Mallinekrodt Baker, Inc.	-		-	6,294,500	9	0.62%
	<u>\$ 131,377,414</u>		<u>15.15%</u>	<u>\$ 121,993,440</u>		<u>12.07%</u>

Source: Municipal tax assessor

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 19,229,451	\$ 18,712,169	97.31%
2007	20,059,143	19,522,354	97.32%
2008	20,591,198	20,041,668	97.33%
2009	20,719,160	20,254,443	97.76%
2010	21,365,659	20,869,570	97.68%
2011	21,784,172	21,090,781	96.82%
2012	21,942,414	21,371,972	97.40%
2013	23,270,822	22,644,624	97.31%
2014	24,376,495	23,032,875	94.49%
2015	24,059,722	23,341,166	97.01%

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	\$ 17,180,000	\$ -	\$ -	\$ -	\$ -	\$ 17,180,000	5.15%	\$ 2,068	
2008	16,845,000	-	-	-	-	16,845,000	4.82%	2,019	
2009	16,490,000	-	-	-	-	16,490,000	4.49%	1,968	
2010	16,045,000	-	-	-	-	16,045,000	4.48%	1,914	
2011	15,330,000	-	-	-	-	15,330,000	4.40%	1,900	
2012	14,820,000	-	-	-	-	14,820,000	4.06%	1,825	
2013	14,310,000	-	-	-	-	14,310,000	3.81%	1,758	
2014	13,790,000	-	-	-	-	13,790,000	3.65%	1,696	
2015	13,250,000	-	-	-	-	13,250,000	3.30%	1,607	
2016	12,685,000	-	-	-	-	12,685,000	N/A	1,539	

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

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

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2007	*	\$ 17,180,000	\$ 17,180,000	11.52%	\$ 11,663
2008		16,845,000	16,845,000	11.19%	11,483
2009		16,490,000	16,490,000	10.95%	11,241
2010		16,045,000	16,045,000	10.67%	11,669
2011		15,330,000	15,330,000	10.26%	10,849
2012	*	14,820,000	14,820,000	9.91%	10,865
2013		14,310,000	14,310,000	9.59%	10,236
2014		13,790,000	13,790,000	9.23%	9,892
2015		13,250,000	13,250,000	8.87%	9,505
2016		12,685,000	12,685,000	8.36%	9,100

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

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

* Revalued/Reassessed

See independent auditors' report.

LOPATCONG TOWNSHIP 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	\$ 7,604,475	100.00%	\$ 7,604,475
County general obligation debt	10,062,516	7.79%	<u>783,731</u>
Subtotal, overlapping debt			8,388,206
School district direct debt			<u>12,685,000</u>
Total direct and overlapping debt			<u><u>\$ 21,073,206</u></u>

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

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 overlapping payment.

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

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2016

		Equalized Valuation Basis	
		2015	\$ 836,030,130
		2014	820,635,470
		2013	833,934,183
			<u>\$ 2,490,599,783</u>
	Average equalized valuation of taxable property		<u>\$ 830,199,928</u>
	Debt limit (4.0% of average equalization value)	(a)	\$ 33,207,997
	Total net debt applicable to limit		<u>12,685,000</u>
	Legal debt margin		<u>\$ 20,522,997</u>

		Fiscal Year				
		2012	2013	2014	2015	2016
Debt limit		\$ 39,564,281	\$ 37,817,361	\$ 35,757,178	\$ 33,945,782	\$ 33,207,997
Total net debt applicable		<u>14,820,000</u>	<u>14,310,000</u>	<u>13,790,000</u>	<u>13,250,000</u>	<u>12,685,000</u>
Legal debt margin		<u>\$ 24,744,281</u>	<u>\$ 23,507,361</u>	<u>\$ 21,967,178</u>	<u>\$ 20,695,782</u>	<u>\$ 20,522,997</u>
Total net debt applicable to the limit as a percentage of debt limit		37.46%	37.84%	38.57%	39.03%	38.20%

		Fiscal Year				
		2007	2008	2009	2010	2011
Debt limit		\$ 34,002,660	\$ 37,739,092	\$ 40,099,195	\$ 40,842,238	\$ 40,586,237
Total net debt applicable		<u>17,180,000</u>	<u>16,845,000</u>	<u>16,490,000</u>	<u>16,045,000</u>	<u>15,330,000</u>
Legal debt margin		<u>\$ 16,822,660</u>	<u>\$ 20,894,092</u>	<u>\$ 23,609,195</u>	<u>\$ 24,797,238</u>	<u>\$ 25,256,237</u>
Total net debt applicable to the limit as a percentage of debt limit		50.53%	44.64%	41.12%	39.29%	37.77%

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.

LOPATCONG TOWNSHIP 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	8,342	\$ 349,713,324	\$ 41,922	2.1%
2008	8,381	367,565,517	43,857	2.8%
2009	8,383	357,895,419	42,693	5.0%
2010	8,069	348,475,903	43,187	5.1%
2011	8,120	364,726,040	44,917	4.8%
2012	8,139	375,793,908	46,172	4.6%
2013	8,130	378,004,350	46,495	3.7%
2014	8,243	400,980,735	48,645	5.7%
2015	8,245	N/A	N/A	4.7%
2016	N/A	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

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2016

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2007

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Regular	52.5	54.0	56.0	57.2	54.2	60.6	42.0	56.6	48.0	43.0
Special education	21.0	16.0	17.0	13.4	18.5	24.4	26.4	18.2	30.0	24.4
Other instruction	-	-	-	-	-	-	13.6	9.7	11.5	11.0
Support services										
Student and instruction related services	12.4	20.8	20.2	23.5	22.9	17.4	10.2	10.2	9.1	8.9
General administration	2.0	2.0	2.0	2.0	2.7	2.7	2.7	2.5	2.5	2.0
School administration services	6.0	7.0	7.0	6.7	5.8	7.7	5.6	5.6	4.5	5.5
Central services	3.0	3.0	3.5	3.6	3.4	4.2	3.1	2.5	3.0	3.0
Plant operations and maintenance	10.2	10.2	10.2	10.2	13.0	10.0	9.0	9.0	9.0	9.0
Transportation services	-	-	-	0.3	0.3	0.3	0.3	0.3	-	-
Total	107.1	113.0	115.9	116.9	120.8	127.3	112.9	114.6	117.6	106.8

Source: District personnel records

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating	Cost	Percentage Change	Teaching Staff (b)	Teacher Ratio		Average Daily	Average Daily	% Change in	Student
		Expenditures (a)	Per Pupil			Elementary School	Middle School	Enrollment (ADE) (c)	Attendance (ADA) (c)	Average Daily Enrollment	Attendance Percentage
2007	912	\$ 14,411,327	\$ 15,802	8.79%	77.0	1:12.61	1:10.97	918.9	884.3	3.32%	96.23%
2008	894	15,226,050	17,031	7.78%	79.0	1:12.04	1:10.57	902.4	868.7	-1.80%	96.27%
2009	873	15,072,727	17,265	1.37%	79.0	1:11.04	1:11.05	877.5	843.2	-2.76%	96.09%
2010	940	14,778,407	15,722	-8.94%	97.0	1:13.14	1:11.08	934.7	899.9	6.52%	96.28%
2011	917	14,535,916	15,852	0.83%	86.0	1:11.62	1:11.40	917.5	879.7	-1.84%	95.88%
2012	895	15,469,046	17,284	9.04%	85.0	1:9.33	1:10.92	885.9	853.8	-3.44%	96.38%
2013	879	16,669,016	18,964	9.72%	76.0	1:8.14	1:9.25	872.8	838.2	-1.48%	96.04%
2014	861	17,674,848	20,528	8.25%	78.0	1:11.02	1:13.00	854.4	820.7	-2.11%	96.06%
2015	821	18,735,370	22,820	11.16%	76.5	1:8.14	1:12.20	828.8	794.4	-3.00%	95.85%
2016	849	17,840,376	21,013	-7.92%	63.6	1:14:34	1:12:56	846.0	814.6	2.08%	96.29%

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.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years**

District Building	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Delaware Park Elementary (1924)										
Square feet	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920	-
Capacity (students)	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	-
Enrollment	-	-	-	-	-	-	-	-	-	-
Lopatcong Elementary (1960/1975)										
Square feet	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240
Capacity (students)	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0
Enrollment	507.0	500.0	475.0	519.0	480.0	491.0	479.0	458.0	443.0	443.0
Lopatcong Middle (2003)										
Square feet	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Capacity (students)	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0
Enrollment	405.0	413.0	398.0	421.0	435.0	404.0	400.0	397.0	385.0	398.0
Number of Schools at June 30, 2016										
Elementary	1									
Middle	1									

Source: District facilities office

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

Fiscal Year Ending	Delaware Park School	Lopatcong Elementary School	Lopatcong Middle School	Total
2007	\$ 11,470	\$ 60,141	\$ 104,034	\$ 175,645
2008	11,211	58,783	101,685	171,679
2009	6,020	31,565	54,602	92,187
2010	83	43,091	50,783	93,957
2011	459	137,674	199,919	338,052
2012	463	134,623	173,881	308,967
2013	658	119,110	122,793	242,561
2014	767	116,944	184,276	301,987
2015	910	133,399	229,872	364,181
2016	-	134,378	202,107	336,485
Total school facilities	<u>\$ 32,041</u>	<u>\$ 969,708</u>	<u>\$ 1,423,952</u>	<u>\$ 2,425,701</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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2016
(Unaudited)

	Coverage	Deductible
Commercial Package Policy - School Alliance Insurance Fund (SAIF)		
<u>Property Section</u>		
Blanket Building and Contents (Fund Limit)	\$ 250,000,000	\$ 2,500
Accounts Receivable	2,500,000	2,500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	25,000,000	2,500
Electronic Data Processing Equipment	In Blanket Limit	2,500
<u>Liability Section</u>		
Comprehensive General Liability	5,000,000	-
Automobile Liability	5,000,000	-
Employee Benefit Liability	5,000,000	1,000
<u>Excess Liability</u>		
Excludes School Board Legal Liability	5,000,000	-
<u>Crime</u>		
Blanket Employee Dishonesty	100,000	1,000
Per Loss Aggregate Limit	400,000	
Forgery	50,000	1,000
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
Chartis (SAIF)		
School Board Legal Liability	5,000,000	5,000
ACE American Insurance Company (SAIF)		
Environmental Impairment Liability		
Limit of Liability		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	-
Workers' Compensation (SAIF)		
(a) Statutory Benefits	Included	-
(a) Employer's Liability	5,000,000	-
Supplemental Coverage (optional)	Included	-
Selective Insurance Company		
Public Employees' Faithful Performance Blanket Position Bond - Treasurer - P. Hatch	205,000	-

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
Lopatcong Township School District
County of Warren, 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 Lopatcong Township School District, County of Warren, 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 December 2, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lopatcong Township 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

December 2, 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
Lopatcong Township School District
County of Warren, New Jersey

Report on Compliance for Each Major Federal Program and State Program

We have audited the Lopatcong Township 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. Lopatcong Township School District's major Federal and State programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 or State program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

In our opinion, the Lopatcong Township 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 Lopatcong Township 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 Lopatcong Township 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

December 2, 2016
Flemington, New Jersey

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

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/15	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/ Repayment of Prior Year Balance	Balance June 30, 2016		
					From	To						Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Departments of Education and Health & Human Services														
General fund														
Medical assistance program	93.778	1605NJ5MAP	N/A	\$ 706	7/1/2015	06/30/16	\$ -	\$ -	\$ 706	\$ 706	\$ -	\$ -	\$ -	\$ -
Total general fund							-	-	706	706	-	-	-	-
U.S. Department of Education passed through State Department of Education														
Special revenue fund														
NCLB Title I A	84.010A	S010S150030	NCLB-279015	72,328	07/01/14	06/30/15	(8,683)	(10,391)	10,391	1,708	(10,391)	-	-	-
NCLB Title I A Carry over	84.010A	S010S150030	NCLB-279015	72,328	07/01/15	06/30/16	-	10,391	-	9,354	-	-	1,037	-
NCLB Title I A	84.010A	S010S150030	NCLB-279016	74,681	07/01/15	06/30/16	-	-	71,385	71,385	-	-	-	-
NCLB Title II A	84.367A	S367A150029	NCLB-279015	10,152	07/01/14	06/30/15	951	-	-	951	-	-	-	-
NCLB Title II A	84.367A	S367A150029	NCLB-279015	10,412	07/01/15	06/30/16	-	-	8,499	8,499	-	-	-	-
Race to the Top Phase 3 (RTT3)	84.413A	S413A120008	N/A	3,281	09/01/11	11/30/15	(1,874)	-	1,874	-	-	-	-	-
IDEA Basic	84.027	H027A150100	IDEA-279015	183,374	07/01/14	06/30/15	(183,374)	(2,427)	183,374	-	(2,427)	-	-	-
IDEA Basic	84.027	H027A150100	IDEA-279015	183,374	07/01/15	06/30/16	-	2,427	-	1,366	-	-	1,061	-
IDEA Basic	84.027	H027A150100	IDEA-279016	180,609	07/01/15	06/30/16	-	-	176,518	176,518	-	-	-	-
IDEA Preschool	84.173	H173S150114	IDEA-279015	5,095	07/01/14	06/30/15	(4,852)	-	5,095	243	-	-	-	-
IDEA Preschool	84.173	H173S150114	IDEA-279016	5,284	07/01/15	06/30/16	-	-	4,395	4,515	-	(120)	-	-
Total special revenue fund							(197,832)	-	461,531	274,539	(12,818)	(120)	2,098	-
U.S. Department of Agriculture passed through State Department of Agriculture														
Enterprise fund														
Child nutrition center														
Special milk program for children	10.556	1616NJ304N1099	N/A	380	07/01/14	06/30/15	(17)	-	17	-	-	-	-	-
Special milk program for children	10.556	1616NJ304N1099	N/A	1,275	07/01/15	06/30/16	-	-	1,228	1,275	-	(47)	-	-
National school lunch program non-cash assistance (commodities)	10.555	1616NJ304N1099	N/A	18,210	07/01/14	06/30/15	2,114	-	-	2,114	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	1616NJ304N1099	N/A	13,874	07/01/15	06/30/16	-	-	13,874	9,960	-	-	3,914	-
National school lunch program cash assistance	10.555	1616NJ304N1099	N/A	62,855	07/01/14	06/30/15	(2,228)	-	2,228	-	-	-	-	-
National school lunch program cash assistance	10.555	1616NJ304N1099	N/A	66,458	07/01/15	06/30/16	-	-	64,298	66,458	-	(2,160)	-	-
Total enterprise fund							(131)	-	81,645	79,807	-	(2,207)	3,914	-
Total Federal financial assistance							\$ (197,963)	\$ -	\$ 543,882	\$ 355,052	\$ (12,818)	\$ (2,327)	\$ 6,012	\$ -

See independent auditors' report

LOPATCONG TOWNSHIP 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 Balances	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	\$ 695,116	07/01/15	06/30/16	\$ -	\$ -	\$ 626,733	\$ 695,116	\$ -	\$ -	\$ -	\$ -	\$ 68,383	\$ 695,116
Equalization aid	16-495-034-5120-078	2,598,242	07/01/15	06/30/16	-	-	2,342,638	2,598,242	-	-	-	-	255,604	2,598,242
Security aid	16-495-034-5120-084	22,771	07/01/15	06/30/16	-	-	20,531	22,771	-	-	-	-	2,240	22,771
Transportation aid	16-495-034-5120-014	32,937	07/01/15	06/30/16	-	-	29,697	32,937	-	-	-	-	3,240	32,937
PARCC readiness aid	16-495-034-5120-098	11,820	07/01/15	06/30/16	-	-	10,657	11,820	-	-	-	-	1,163	11,820
Per pupil growth aid	16-495-034-5120-097	11,820	07/01/15	06/30/16	-	-	10,657	11,820	-	-	-	-	1,163	11,820
Under adequacy aid	16-495-034-5120-096	12,277	07/01/15	06/30/16	-	-	11,069	12,277	-	-	-	-	1,208	12,277
School choice aid	16-495-034-5120-068	130,656	07/01/15	06/30/16	-	-	117,803	130,656	-	-	-	-	12,853	130,656
Extraordinary special education costs aid	15-495-034-5120-044	144,423	07/01/14	06/30/15	(144,423)	-	144,423	-	-	-	-	-	-	144,423
Extraordinary special education costs aid	16-495-034-5120-044	50,641	07/01/15	06/30/16	-	-	-	50,641	-	(50,641)	-	-	-	50,641
Non-public transportation aid	15-495-034-5120-014	4,111	07/01/14	06/30/15	(4,111)	-	4,111	-	-	-	-	-	-	4,111
Non-public transportation aid	16-495-034-5120-014	4,793	07/01/15	06/30/16	-	-	-	4,793	-	(4,793)	-	-	-	4,793
On behalf TPAF pension contribution - Post retirement medical	16-495-034-5094-001	538,179	07/01/15	06/30/16	-	-	538,179	538,179	-	-	-	-	-	538,179
On behalf TPAF pension contribution - Non-contributory insurance	16-495-034-5094-004	21,446	07/01/15	06/30/16	-	-	21,446	21,446	-	-	-	-	-	21,446
On behalf TPAF pension contribution - Teachers' pension & annuity fund	16-495-034-5094-002	430,531	07/01/15	06/30/16	-	-	430,531	430,531	-	-	-	-	-	430,531
Reimbursed TPAF Social Security contribution	16-495-034-5094-003	353,490	07/01/15	06/30/16	-	-	353,490	353,490	-	-	-	-	-	353,490
Total general fund					(148,534)	-	4,661,965	4,914,719	-	(55,434)	-	-	345,854	5,063,253
Special revenue fund														
Nonpublic textbook aid	15-100-034-5120-064	775	07/01/14	06/30/15	-	775	-	-	775	-	-	-	-	-
Nonpublic textbook aid	16-100-034-5120-064	857	07/01/15	06/30/16	-	-	857	-	-	-	-	857	-	-
Nonpublic nursing services	16-100-034-5120-070	2,430	07/01/15	06/30/16	-	-	2,430	2,430	-	-	-	-	-	2,430
Nonpublic technology initiative aid	15-100-034-5120-373	416	07/01/14	06/30/15	-	78	-	-	78	-	-	-	-	338
Nonpublic technology initiative aid	16-100-034-5120-373	390	07/01/15	06/30/16	-	-	390	390	-	-	-	-	-	390
Nonpublic security aid	16-100-034-5120-509	675	07/01/15	06/30/16	-	-	675	-	-	-	-	675	-	-
Total special revenue fund					-	853	4,352	2,820	853	-	-	1,532	-	3,158

See independent auditors' report.

LOPATCONG TOWNSHIP 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 Balances	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
Debt service fund														
Debt service aid - State support	16-495-034-5120-017	211,534	7/1/2015	6/30/2016	\$ -	\$ -	\$ 211,534	\$ 211,534	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,534
NJ School Development Authority														
Capital projects fund														
Elementary school upgades	2790-050-14-1001	252,763	07/01/14	06/30/18	-	-	-	252,763	-	(252,763)	-	-	-	252,763
Total capital projects fund					-	-	-	252,763	-	(252,763)	-	-	-	252,763
State Department of Agriculture														
Enterprise fund														
State school lunch program	16-100-010-3350-023	2,401	07/01/15	06/30/16	-	-	2,319	2,401	-	(82)	-	-	-	2,401
State school lunch program	15-100-010-3350-023	2,639	07/01/14	06/30/15	(249)	-	249	-	-	-	-	-	-	2,639
Total enterprise fund					(249)	-	2,568	2,401	-	(82)	-	-	-	5,040
Total State financial assistance					\$ (148,783)	\$ 853	\$ 4,880,419	5,384,237	\$ 853	\$ (308,279)	\$ -	\$ 1,532	\$ 345,854	\$ 5,535,748
Less: On behalf TPAF pension system contributions								(990,156)						
Total for State financial assistance - major program determination								\$ 4,394,081						

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule 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, Lopatcong Township 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. These bases of accounting are described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of 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 purposes, that payment is not recognized until the subsequent budget year due to the State deferred 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 (\$4,944) for the General Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

Note 3 - Relationship of financial statements (continued)

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	<u>Local</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 706	\$ 4,909,775	\$ 4,910,481
Special Revenue Fund	-	274,539	2,820	277,359
Debt Service Fund	-	-	211,534	211,534
Food Service Fund	-	79,807	2,401	82,208
Total	\$ -	\$ 355,052	\$ 5,126,530	\$ 5,481,582

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

Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2016. TPAF Social Security 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.

Note 6 - Adjustments on Schedule K-3

NCLB Title IA fiscal year 14/15 has an adjustment for (\$10,391) which represents a prior year carry-over amount correction

IDEA Basic fiscal year 14/15 has an adjustment for (\$2,427) which represents a prior year carry-over amount correction

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

State Awards (continued)

Type of Auditor's Report issued on Compliance for Major Programs: Unmodified

Internal Control Over Major Programs:

- | | | | | | |
|--|-------|-----|-------|----------|----|
| 1. Material weakness(es) identified? | _____ | Yes | _____ | <u>X</u> | No |
| 2. Reportable conditions identified that are not considered to be material weaknesses? | _____ | Yes | _____ | <u>X</u> | No |

Any Audit Findings Disclosed that are Required to be Reported in Accordance with NJ OMB Circular Letter 15-08?	_____	Yes	_____	<u>X</u>	No
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Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
16-495-034-5120-078	\$ 1,137,296	Equalization Aid

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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

Schedule of Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.