

METUCHEN SCHOOL DISTRICT
Metuchen, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**



BAKER TILLY

Candor. Insight. Results.

METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

Prepared by:
Vincent Caputo
Superintendent of Schools
Michael Harvier
Business Administrator/Board Secretary

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METUCHEN SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | Page |
|--------------------------|-------------|
| Letter of Transmittal | 1-4 |
| Organizational Chart | 5 |
| Roster of Officials | 6 |
| Consultants and Advisors | 7 |

FINANCIAL SECTION

| | |
|--|-------|
| Independent Auditors' Report | 8-10 |
| Required Supplementary Information - Part I | |
| Management's Discussion and Analysis | 11-19 |

Basic Financial Statements

A. District-Wide Financial Statements

| | |
|-------------------------------|----|
| A-1 Statement of Net Position | 20 |
| A-2 Statement of Activities | 21 |

B. Fund Financial Statements

Governmental Funds:

| | |
|---|----|
| B-1 Balance Sheet | 22 |
| B-2 Statement of Revenues, Expenditures and Changes in Fund Balances | 23 |
| B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 24 |

Proprietary Funds:

| | |
|---|----|
| B-4 Statement of Net Position | 25 |
| B-5 Statement of Revenues, Expenses and Changes in Net Position | 26 |
| B-6 Statement of Cash Flows | 27 |

Fiduciary Funds:

| | |
|--|----|
| B-7 Statement of Fiduciary Net Position | 28 |
| B-8 Statement of Changes in Fiduciary Net Position | 29 |

| | |
|--|-------|
| Notes to the Basic Financial Statements | 30-56 |
|--|-------|

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METUCHEN SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)

| | Page |
|---|-------------|
| Required Supplementary Information - Part II | |
| C. Budgetary Comparison Schedules | |
| C-1 Budgetary Comparison Schedule - General Fund | 57-60 |
| C-1a Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund | N/A |
| C-2 Budgetary Comparison Schedule - Special Revenue Fund | 61 |
| Note to the Required Supplementary Information | |
| C-3 Budget-to-GAAP Reconciliation | 62 |
| Required Supplementary Information - Part III | |
| L. Schedules Related to Accounting and Reporting for Pensions (GASB 68) | |
| L-1 Schedule of District's Proportionate Share of the Net Pension Liability - PERS | 63 |
| L-2 Schedule of District Contributions - PERS | 64 |
| L-3 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF | 65 |
| Other Supplementary Information | |
| E. Special Revenue Fund | |
| E-1 Combining Schedule of Revenues and Expenditures, Special Revenue Fund - Budgetary Basis | 66-69 |
| E-2 Schedule of Preschool Education Aid Expenditures - Budgetary Basis | N/A |
| F. Capital Projects Fund | |
| F-1 Summary Schedule of Project Expenditures | 70 |
| F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis | 71 |
| F-2a Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis | 72-74 |

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METUCHEN SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS (Continued)

FINANCIAL SECTION (Continued)

| | Page |
|--|-------------|
| G. Proprietary Funds | |
| Enterprise Fund: | |
| G-1 Combining Statement of Net Position | 75 |
| G-2 Combining Statement of Revenues, Expenses and Changes in Net Position | 76 |
| G-3 Combining Statement of Cash Flows | 77 |
| Internal Service Fund: | |
| G-4 Combining Statement of Net Position | N/A |
| G-5 Combining Statement of Revenues, Expenses and Changes in Fund Net Position | N/A |
| G-6 Combining Statement of Cash Flows | N/A |
| H. Fiduciary Funds | |
| H-1 Combining Statement of Fiduciary Net Position | 78 |
| H-2 Combining Statement of Changes in Fiduciary Net Position | 79 |
| H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements | 80 |
| H-4 Payroll Agency Fund Schedule of Receipts and Disbursements | 81 |
| I. Long-Term Debt | |
| I-1 Schedule of Serial Bonds Payable | 82 |
| I-2 Schedule of Obligations Under Capital Leases | 83 |
| I-3 Debt Service Fund Budgetary Comparison Schedule | 84 |

STATISTICAL SECTION (Unaudited)

| | |
|---|-------|
| Financial Trends | |
| J-1 Net Position by Component | 85 |
| J-2 Change in Net Position | 86 |
| J-3 Fund Balances - Governmental Funds | 87 |
| J-4 Changes in Fund Balances - Governmental Funds | 88 |
| J-5 General Fund Other Local Revenue by Source | 89-90 |
| Revenue Capacity | |
| J-6 Assessed Value and Estimated Actual Value of Taxable Property | 91-92 |
| J-7 Direct and Overlapping Property Tax Rates | 93 |
| J-8 Principal Property Taxpayers | 94 |
| J-9 Property Tax Levies and Collections | 95 |
| Debt Capacity | |
| J-10 Ratios of Outstanding Debt by Type | 96 |
| J-11 Ratios of General Bonded Debt Outstanding | 97 |
| J-12 Ratios of Overlapping Governmental Activities Debt | 98 |
| J-13 Legal Debt Margin Information | 99 |

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METUCHEN SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

TABLE OF CONTENTS (Continued)

| | Page |
|---|-------------|
| Demographic and Economic Information | |
| J-14 Demographic and Economic Statistics | 100 |
| J-15 Principal Employers | 101 |
| Operating Information | |
| J-16 Full-time Equivalent District Employees by Function/Program | 102 |
| J-17 Operating Statistics | 103-104 |
| J-18 School Building Information | 105 |
| J-19 Schedule of Required Maintenance Expenditures by School Facility | 106 |
| J-20 Insurance Schedule | 107-108 |

SINGLE AUDIT SECTION

| | |
|---|---------|
| K-1 Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 109-110 |
| K-2 Independent Auditor's Report on Compliance for Each Major Federal and State Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance and New Jersey OMB Circular 15-08 | 111-113 |
| K-3 Schedule of Expenditures of Federal Awards | 114-115 |
| K-4 Schedule of Expenditures of State Financial Assistance | 116-117 |
| K-5 Notes to Schedules of Awards and State Awards | 118-119 |
| K-6 Schedule of Findings and Questioned Costs | |
| Part I - Summary of Auditors' Results | 120-121 |
| Part II - Financial Statement Section | 122 |
| Part III - Federal and State Award Section | 123 |
| K-7 Summary Schedule of Prior-Year Audit Findings | 124 |

INTRODUCTORY SECTION

The Metuchen Schools
16 Simpson Place
Metuchen, New Jersey 08840

December 2, 2016

Honorable President and
Members of the Board of Education
Metuchen Public Schools
County of Middlesex
Metuchen, NJ 08840

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Metuchen School District (the "District") for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in the report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and the results of operations of the District. This report will provide the taxpayers of the Metuchen Public School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

The Introductory Section contains a Table of Contents, this Letter of Transmittal, Roster of Officials, and an Organizational Chart of the School District and a list of Consultants and Advisors.

The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.

The Statistical Section includes selected financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

The Single Audit Section – The District is required to undergo an annual Single Audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards" (Uniform Guidance) and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this Single Audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the Single Audit section of this report.

School District Organization

The Metuchen School District has approximately 2,250 students. There are four school buildings: Pre K and Kindergarten, Elementary, Middle and High School. The population of the town is approximately 13,500.

An elected nine member Board of Education (the "Board") serves as the policy maker for the District. The Superintendent is the chief executive officer of the District, responsible to the Board for total educational and support operations. The Business Administrator / Board Secretary is chief financial officer of the District, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the District, acting as custodian of all District funds, and investing idle funds as permitted by New Jersey law.

Reporting Entity

The Metuchen School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14 as amended by GASB 39 and GASB 61. All funds of the District are included in this report. The Metuchen Board of Education and all of its schools constitute the District's reporting entity.

Economic Condition and Outlook

Due to its relatively small size, Metuchen has no real room for development or expansion. The tax base may increase slightly from year to year, but the basis for the increase is due, largely, to limited residential building. Since there is no room for major development or industrial growth, the Borough has no means to significantly expand the tax base.

The District completed the 2015-2016 fiscal year with an enrollment of 2269 students which is about 85 students greater than the previous year's enrollment. The forecast for student enrollment is for moderate growth over the next five years with 30 students projected in 2016-2017.

The District along with many other public school systems in the state, still face some difficult economic situations in the future since the primary funding source is property tax revenue. The proposed budget for the fiscal year 2016-2017 was passed by the voters. The District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the school district has been accustomed to providing.

The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. The District will remain accountable to the residents and taxpayers who make the District their system of choice.

Educational Program

The Metuchen School District is based on successful collaboration among school personnel and community members and is dedicated to providing the highest quality of education to all students. Our mission statement conveys our strong commitment to excellence:

"The Metuchen Public School District will provide all students with a safe and nurturing environment in which to foster academic, social and emotional growth. The District is committed to allowing every student to develop to their fullest potential by providing a strong foundation of skills based on academic excellence and high performance standards. The District expects all students to achieve the New Jersey Core Curriculum Content Standards at all grade levels. The District will provide a curriculum which is fully inclusive and recognizes the high expectations of the community."

The early childhood elementary program promotes developmentally appropriate expectations to enhance the growth of the whole child, including cognitive, language, social, emotional and physical domains. A balanced literacy approach to reading, consisting of phonics, writing, oral language and readiness skills is

incorporated into the elementary programs. We believe that a strong elementary education includes project-oriented, interdisciplinary, hands on learning. A dedication to inclusion, a strong partnership between home and school, and the setting of high standards for students and teachers are the underpinnings of the District's philosophy.

The middle school offers a comprehensive program to students in grades five through eight. The academic program presents challenging learning experiences in core subjects which are enhanced with a cycle program offering enrichment courses in art, music, computers/technology and industrial arts. Students also participate in an extensive music program which includes ensemble performance groups in band, orchestra and chorus. An extensive co-curricular athletic program is offered.

The comprehensive high school includes students in grades nine through twelve. The high school curriculum emphasizes a strong college preparatory program with 93% of the Class of 2016 pursuing post-secondary education. Of the 173 graduates in the Class of 2016, 9 students were designated National Merit Commended Scholars. Our SAT scores exceeded state and national averages with the MHS Class of 2016 averaging 539 in Critical Reading, 554 in Mathematics, and 546 in Writing.

Metuchen School District employs highly competent teaching, supervisory and administrative staff with approximately 46% certified with a BA degree, 51% with a Master's Degree and 3% with a PhD/EdD. The professional staff continues to enhance their skills through curriculum development and strong, consistent professional development either through workshops or college level courses.

Financial Information

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriation of fund

balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at fiscal year end.

Cash Management

The District is guided by state statutes as detailed in "Notes to Basic Financial Statements" Note 2. The district has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA")

GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The laws require governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

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. The Board Secretary oversees risk management for the District. A schedule of insurance coverage is found in J-20.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Baker Tilly Virchow Krause, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Uniform Guidance, and the State Treasury Circular Letter 15-08 OMB "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The independent auditors' report on the basic financial statements and specific required supplemental information opines on the financial section of this report. The independent auditors' report related specifically to the single audit is included in the single audit section of this report.

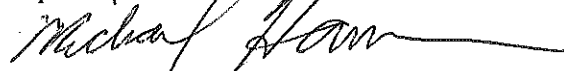
Acknowledgements

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

Respectfully Submitted,


Vincent Caputo

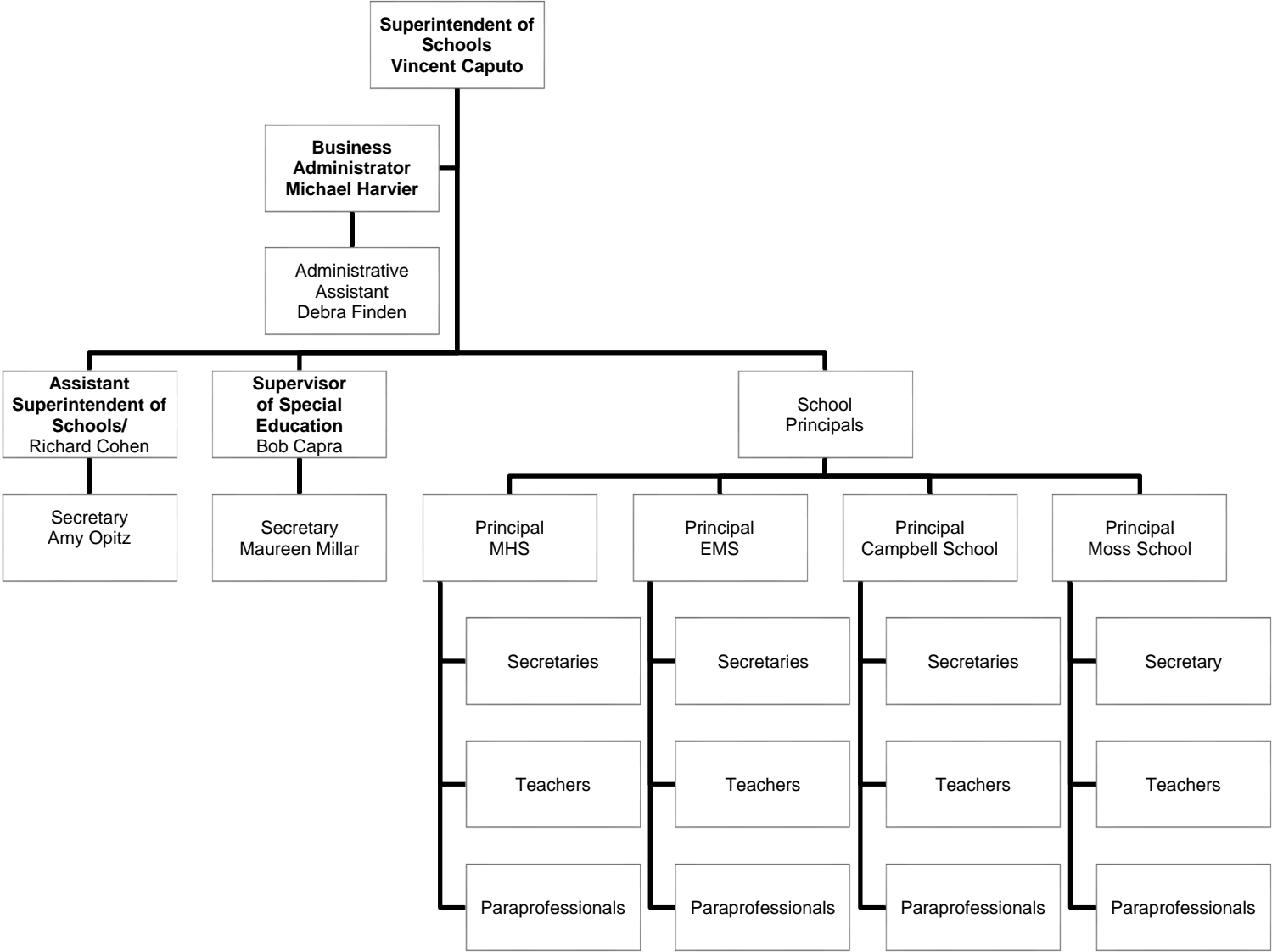
Superintendent



Michael Harvier

Business Administrator/Board Secretary

Metuchen School District Organizational Chart



**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2016**

| <u>Members of the Board of Education</u> | <u>Term Expires</u> |
|--|----------------------------|
| Jonathan Lifton, President | 2016 |
| Dan E. Benderly, Vice President | 2017 |
| Michael Stern | 2016 |
| John Mindler | 2016 |
| Benjamin Small | 2017 |
| Jacqueline Gibson | 2017 |
| Aileen McGuire | 2018 |
| Justin Manley | 2018 |
| Merrill Lunt | 2018 |
| <u>Other Officials</u> | |
| Vincent Caputo, Superintendent of Schools | |
| Michael Harvier, Business Administrator/Board Secretary | |
| Richard Cohen, Assistant Superintendent of Schools/Principal Moss School | |
| Robert Capra, Supervisor of Student Personnel Services | |
| Rebecca A. Cuthbert, Treasurer | |

METUCHEN SCHOOL DISTRICT
Consultants and Advisors

Architect

E I Associates
Eight Ridgedale Avenue
Cedar Knolls, New Jersey 07927

Audit Firm

Baker Tilly Virchow Krause LLP
99 Wood Avenue South
Suite 801
Iselin, NJ 08830-2734

Attorney

Busch Law Group, LLP
450 Main Street
Metuchen, NJ 08840

Official Depository

TD Bank, N.A.
2035 Limestone Drive
Wilmington, DE 19808

Bond Counsel

McManimon & Scotland, L.L.C.
Attorneys at Law
One Riverfront Plaza, Fourth Floor
Newark, New Jersey 07102-5408

FINANCIAL SECTION

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Metuchen School District
County of Middlesex, 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 Metuchen School District, County of Middlesex, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and requirements 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metuchen 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, budgetary comparison information, schedule of District's proportionate share of the net pension liability, and schedule of District's contributions on pages 11-19, 57-62, and 63-65, respectively, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying introductory section on pages 1 – 7, the combining and individual fund financial statements on pages 66 – 81, the long-term debt schedules on pages 82 – 84, the statistical section on pages 85 – 108, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 114 – 115, and the schedule of expenditures of state awards, as required by New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* on pages 116 – 117, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, long-term debt schedules, schedule of expenditures of federal awards, and schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, long-term debt schedules, schedule of expenditures of federal awards, and schedule of expenditures of state awards 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 subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

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



Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500



Baker Tilly Virchow Krause, LLP

December 2, 2016
Iselin, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

As management of the Metuchen School District (the "District"), we offer readers of the District's financial statements this narrative discussion and analysis, which will provide a general overview of the District's financial performance and activities for the fiscal year ended June 30, 2016. While the intent of this discussion and analysis is to look at the District's financial performance as a whole, we encourage readers to review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Boards (GASB) Statement No. 34 - "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued in June of 1999.

Financial Highlights

Key financial highlights for 2016 are as follows:

- ◆ In total, net position increased by \$1,329,586 which represents a 15% increase from 2015.
- ◆ General revenues accounted for \$40,893,659 in revenue or 94% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$2,466,428 or 6% of total revenues of \$43,360,087.
- ◆ Total assets and deferred outflows of resources of governmental activities increased by \$1,095,278. Cash, cash equivalents and receivables increased by \$1,170,073, liabilities decreased by \$20,436 and capital assets, net decreased by \$1,194,650.
- ◆ The School District had \$42,030,501 in expenses, of which \$2,466,428 was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$41,018,403 were adequate to provide for these programs.
- ◆ Among governmental funds, the General Fund had \$38,253,099 in revenues and \$37,421,151 in expenditures. The General Fund's fund balance increased by \$831,948 over 2015. The Board of Education did not anticipate this at the time the budget was prepared.

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 the Metuchen 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 focus of governmental accounting differs from that of business enterprises. In government, the financial statement user is concerned with determining accountability for funds, evaluating operating results, and assessing the level of service that can be provided by the government along with its ability to meet obligations as they become due. In comparison, the primary emphasis in the private sector, from both an operational and reporting perspective, is on the maximization of profits.

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. In the case of Metuchen School District, the General Fund is by far the most significant fund.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the 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 District's net position at June 30, 2016 and changes in net position for the year then ended. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some non-financial. Non-financial factors include the District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

- ◆ **Governmental Activities** - All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ **Business-Type Activities** - This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and after-school program enterprise funds are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's funds begins on page 22. Fund financial statements provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

The 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 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 District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30 to 56 of this report.

The District as a Whole

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

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

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

Table 1 - Net Position

| | June 30, 2016 | June 30, 2015 |
|--|---------------|---------------|
| Assets | | |
| Current and other assets | \$ 5,688,080 | \$ 4,556,627 |
| Capital assets, net | 37,578,133 | 38,765,971 |
| Total assets | 43,266,213 | 43,322,598 |
| Deferred Outflows of Resources - Pension | 1,910,784 | 734,037 |
| Total assets and deferred outflows of resources | 45,176,997 | 44,056,635 |
| Liabilities | | |
| Long-term liabilities | 33,300,227 | 33,464,708 |
| Other liabilities | 1,240,898 | 971,556 |
| Total liabilities | 34,541,125 | 34,436,264 |
| Deferred Inflows of Resources - Pension | 152,821 | 466,906 |
| Net Position | | |
| Net investment in capital assets | 14,933,601 | 14,410,971 |
| Restricted | 3,649,873 | 2,086,947 |
| Unrestricted | (8,100,423) | (7,344,453) |
| Total net position | \$ 10,483,051 | \$ 9,153,465 |

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Table 2 shows the changes in net position from fiscal years 2016 and 2015.

Table 2 - Changes in Net Position

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|--|----------------------|----------------------|
| Revenues | | |
| Program revenues | \$ 783,964 | \$ 607,668 |
| Operating grants and contributions | 1,682,464 | 1,577,301 |
| General Revenues | | |
| Property and debt service taxes | 35,208,226 | 34,483,655 |
| Grants and entitlements | 5,087,035 | 4,471,564 |
| Other | 598,368 | 199,537 |
| Total revenues | <u>43,360,057</u> | <u>41,339,725</u> |
| Expenses | | |
| Program expenses | | |
| Instruction | 23,907,317 | 22,513,693 |
| Support services | | |
| Pupils and instructional staff | 6,967,105 | 7,291,677 |
| General administration, school administration, business operations and maintenance of facilities | 7,213,410 | 6,899,905 |
| Pupil transportation | 1,992,972 | 2,047,847 |
| Interest on debt | 1,040,251 | 970,012 |
| Business - type activities | 909,446 | 724,580 |
| Total expenses | <u>42,030,501</u> | <u>40,447,714</u> |
| Increase in net position | <u>\$ 1,329,556</u> | <u>\$ 892,011</u> |

Governmental Activities

The District's total governmental activities revenues as they appear on A-2 were \$42,426,110 for the year ended June 30, 2016. Property taxes made up 83% of revenues for governmental activities for fiscal years 2015 and 2016. Property tax revenue increased from 2015 by \$724,571. The federal, state, and local grants totaled 13% of revenue for governmental activities for the Metuchen Public School District for fiscal years 2015 and 2016.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Business-Type Activities

Revenues for the District's business-type activities (food service program, after school program) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service expenses exceeded revenues by \$38,265 and \$33,355 in 2016 and 2015, respectively.
- ◆ The after school program revenues exceeded expenses by \$4,016 and \$40,473 in 2016 and 2015, respectively.
- ◆ Charges for services represent \$783,964 of revenue in 2016 and \$607,668 in 2015. This represents amounts paid by patrons for daily food service and use of the after school program.
- ◆ Federal and state reimbursement for meals, including payments for free and reduced lunches and donated commodities was \$150,013 in 2016 and \$124,030 in 2015.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

| | <u>Total Cost of Services 2016</u> | <u>Net Cost of Services 2016</u> | <u>Total Cost of Services 2015</u> | <u>Net Cost of Services 2015</u> |
|-------------------------------------|--|--|--|--|
| Instruction | | | | |
| Governmental activities: | | | | |
| Instruction | \$23,907,317 | \$ 23,907,317 | \$22,513,693 | \$ 22,513,693 |
| Support Services: | | | | |
| Instruction | 6,967,105 | 5,697,614 | 7,291,677 | 6,101,398 |
| General administrative services | 3,290,273 | 3,290,273 | 3,221,198 | 3,221,198 |
| School administrative services: | | | | |
| Plant operations and maintenance | 3,923,137 | 3,923,137 | 3,678,707 | 3,678,707 |
| Pupil transportation | 1,992,972 | 1,992,972 | 2,047,847 | 2,047,847 |
| Interest on long-term debt | 1,040,251 | 777,291 | 970,012 | 707,020 |
| | <u>\$41,121,055</u> | <u>\$ 39,588,604</u> | <u>\$39,723,134</u> | <u>\$ 38,269,863</u> |

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

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

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

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

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

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

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District, including any costs of issuance of new or refunding debt during the year.

The District's Funds

Information about the District's funds are presented in the fund financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (general fund, special revenue fund, capital projects and debt service fund) are considered major funds, and had total revenues of \$42,310,488 and expenditures of \$41,461,005. The net change in fund balance for the year was an increase of \$960,608.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal years ended June 30, 2015 and 2016, and the amount and percentage of increases and decreases in relation to prior year revenues:

| 2016 | | | | |
|-----------------|----------------------|-------------------------|---------------------------------------|-------------------------------------|
| Revenue | Amount | Percent of Total | Increase/ (Decrease) From 2015 | Percent Increase/ (Decrease) |
| Local source | \$ 35,208,226 | 83% | \$ 724,571 | 2% |
| State sources | 5,725,868 | 14% | 547,676 | 10% |
| Federal sources | 893,618 | 2% | 146,975 | 20% |
| Miscellaneous | 358,002 | 1% | 158,160 | 79% |
| Total | <u>\$ 42,185,714</u> | <u>100%%</u> | <u>\$ 1,577,382</u> | <u>4%</u> |
| 2015 | | | | |
| Revenue | Amount | Percent of Total | Increase/ (Decrease) From 2014 | Percent Increase/ (Decrease) |
| Local source | \$ 34,483,655 | 85% | \$ 1,129,620 | 3% |
| State sources | 5,178,192 | 13% | 326,384 | 7% |
| Federal sources | 746,643 | 2% | (9,109) | (1)% |
| Miscellaneous | 199,842 | 0% | (52,590) | (21)% |
| Total | <u>\$ 40,608,332</u> | <u>100%</u> | <u>\$ 1,394,305</u> | <u>4%</u> |

Rising salaries and health benefits costs primarily necessitate the increase in Local Sources.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

The following schedule presents a summary of general fund, special revenue fund, capital projects fund and debt service fund expenditures for the fiscal years ended June 30, 2016 and 2015 and the amount and percentage of increases and decreases in relation to the prior year:

| 2016 | | | | |
|----------------------------|----------------------|-------------------------|---|---|
| Expenditures | Amount | Percent of Total | Increase/ (Decrease) From 2015 | Percent Increase/ (Decrease) |
| Current | | | | |
| Instruction | \$ 16,748,729 | 40.4% | \$ 1,032,803 | 7% |
| Undistributed expenditures | 21,112,748 | 50.9% | 107,213 | 1% |
| Capital outlay | 846,168 | 2.0% | (200,445) | (19)% |
| Debt service | | | | |
| Principal | 1,995,000 | 4.8% | 330,000 | 20% |
| Interest | 647,235 | 1.6% | (339,605) | (34)% |
| Issuance costs | 111,125 | 0.3% | 111,125 | 100% |
| Total | <u>\$ 41,461,005</u> | <u>100.0%</u> | <u>\$ 1,041,091</u> | <u>3%</u> |
| 2015 | | | | |
| Expenditures | Amount | Percent of Total | Increase/ (Decrease) From 2014 | Percent Increase/ (Decrease) |
| Current | | | | |
| Instruction | \$ 15,715,926 | 39% | \$ 1,180,909 | 8% |
| Undistributed expenditures | 21,005,535 | 52% | (572,136) | (3)% |
| Capital outlay | 1,046,613 | 3% | 280,385 | 37% |
| Debt service | | | | |
| Principal | 1,665,000 | 4% | 75,000 | 5% |
| Interest | 986,840 | 2% | (67,788) | (6)% |
| Total | <u>\$ 40,419,914</u> | <u>100%</u> | <u>\$ 896,370</u> | <u>2%</u> |

The increase in Current - Instruction is attributed to the increase in salaries and technology expenditures.

The increase in Current - Undistributed Expenditures is attributed to increase in employee benefits and student transportation costs.

The decrease in capital outlay is attributed to the capital project at Campbell Elementary School.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

General Fund Budgeting Highlights

The 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 year 2016, the District amended its General Fund budget as needed. The District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line items. Several of these revisions bear notation:

- ◆ Staffing changes based on student needs resulting in the increase in the number of special aids needed.
- ◆ On-behalf TPAF pension and social security benefits are not required to be included in the original budget; however, both items must be reflected as revenue and expenditures in the basic financial statements.
- ◆ Changes in the allocation of transportation costs.
- ◆ Tuition costs for out-of-district special education students are budgeted based on the actual students known when the budget is completed. Transfers are made between the tuition line items based on actual placements during the year.
- ◆ Changes in appropriations to prevent budget overruns.

Capital Assets

At the end of the fiscal year 2016, the District's governmental activities had \$37,476,281 invested in land, buildings and improvement, furniture and equipment, and vehicles. Table 4 shows fiscal 2015 balances compared to 2016.

Table 4 - Capital Assets (Net of Depreciation)

| | <u>June 30, 2016</u> | <u>June 30, 2015</u> |
|----------------------------|----------------------|----------------------|
| Land | \$ 178,952 | \$ 178,952 |
| Construction in progress | - | 1,451,319 |
| Buildings and improvements | 35,951,010 | 36,799,718 |
| Machinery and equipment | 1,448,171 | 335,982 |
| | <u>\$ 37,578,133</u> | <u>\$ 38,765,971</u> |
| Totals | | |

The overall cost of the capital assets decreased \$1,187,838 from fiscal year 2016 to fiscal year 2015. Depreciation expenses for the District totaled \$2,079,148 for the fiscal year 2016, of which \$2,046,904 related to governmental activities and was allocated across all functions. The remaining depreciation expense of \$32,244 was recorded in the business type activities. The notes to the basic financial statements provide the reader with more detailed information.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Debt and Other Long-Term Liability Administration

At June 30, 2016, the District had \$33,300,227 as outstanding long-term liabilities. Of this amount \$9,504,940 is for the District's proportionate share of the PERS net pension liability, \$954,508 is for compensated absences, \$196,277 for capital leases and the balance, \$22,644,502, for bonds for school construction. The notes to the basic financial statements provide more detailed information relating to the District's outstanding long-term liabilities.

For the Future

The Metuchen School District is in very good financial condition presently. The unassigned, unrestricted General Fund balance is \$833,962 this year. A major concern is the reliance of local property taxes to fund the budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, bondholders, and creditors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have questions about this report or need additional information, contact Michael Harvier, Business Administrator at Metuchen Board of Education, 16 Simpson Place, Metuchen, NJ 08840 or email at maharvier@metboe.k12.nj.us.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

**METUCHEN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016**

A-1

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,713,411 | \$ 329,819 | \$ 3,043,230 |
| Account receivables | 1,308,670 | 18,287 | 1,326,957 |
| Internal balances | 167,726 | (167,726) | - |
| Inventory | - | 6,893 | 6,893 |
| Restricted assets: | | | |
| Cash and cash equivalents | 1,311,000 | - | 1,311,000 |
| Capital assets, net | 37,476,311 | 101,822 | 37,578,133 |
| Total Assets | 42,977,118 | 289,095 | 43,266,213 |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Pension | 1,910,784 | - | 1,910,784 |
| Total Assets and Deferred Outflow of Resources | 44,887,902 | 289,095 | 45,176,997 |
| LIABILITIES | | | |
| Cash overdraft | 421,649 | - | 421,649 |
| Accounts payable | 283,427 | 5,604 | 289,031 |
| Unearned revenue | 311,896 | - | 311,896 |
| Accrued interest payable | 218,322 | - | 218,322 |
| Noncurrent liabilities: | | | |
| Due within one year | 1,901,010 | - | 1,901,010 |
| Due beyond one year | 31,399,217 | - | 31,399,217 |
| Total Liabilities | 34,535,521 | 5,604 | 34,541,125 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Pension | 152,821 | - | 152,821 |
| NET POSITION | | | |
| Net investment in capital assests | 14,831,779 | 101,822 | 14,933,601 |
| Restricted for: | | | |
| Other purposes | 3,649,873 | - | 3,649,873 |
| Unrestricted | (8,282,092) | 181,669 | (8,100,423) |
| Total Net Position | \$ 10,199,560 | \$ 283,491 | \$ 10,483,051 |

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|-------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| Instruction: | | | | | | | |
| Regular programs | \$ 18,275,035 | \$ - | \$ - | \$ - | \$ (18,275,035) | | \$ (18,275,035) |
| Special education programs | 4,162,646 | - | - | - | (4,162,646) | | (4,162,646) |
| Other instructional programs | 1,469,636 | - | - | - | (1,469,636) | | (1,469,636) |
| Support services: | | | | | | | |
| Instruction | 1,917,586 | - | 1,269,491 | - | (648,095) | | (648,095) |
| Student and instruction related services | 5,049,519 | - | - | - | (5,049,519) | | (5,049,519) |
| General administrative services | 699,323 | - | - | - | (699,323) | | (699,323) |
| School administrative services | 2,499,079 | - | - | - | (2,499,079) | | (2,499,079) |
| Plant operations and maintenance | 3,923,137 | - | - | - | (3,923,137) | | (3,923,137) |
| Pupil transportation | 1,992,972 | - | - | - | (1,992,972) | | (1,992,972) |
| Business and other support services | 91,871 | - | - | - | (91,871) | | (91,871) |
| Interest on long-term debt | 1,040,251 | - | 262,960 | - | (777,291) | | (777,291) |
| Total governmental activities | 41,121,055 | - | 1,532,451 | - | (39,588,604) | | (39,588,604) |
| Business-type activities: | | | | | | | |
| Food service | 616,215 | 427,937 | 150,013 | - | | \$ (38,265) | (38,265) |
| After school program (The Zone) | 144,458 | 148,474 | - | - | | 4,016 | 4,016 |
| Integrated Pre School | 13,204 | 39,725 | - | - | | 26,521 | 26,521 |
| Stream | 135,569 | 167,828 | - | - | | 32,259 | 32,259 |
| Total business-type activities | 909,446 | 783,964 | 150,013 | - | | 24,531 | 24,531 |
| Total primary government | \$ 42,030,501 | \$ 783,964 | \$ 1,682,464 | \$ - | (39,588,604) | 24,531 | (39,564,073) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes, net | | | | | 32,825,065 | - | 32,825,065 |
| Taxes levied for debt service | | | | | 2,383,161 | - | 2,383,161 |
| Federal and State aid restricted | | | | | 5,087,035 | - | 5,087,035 |
| Miscellaneous Income | | | | | 598,398 | - | 598,398 |
| Total general revenues | | | | | 40,893,659 | - | 40,893,659 |
| Change in Net Position | | | | | 1,305,055 | 24,531 | 1,329,586 |
| Net Position—beginning | | | | | 8,894,505 | 258,960 | 9,153,465 |
| Net Position—ending | | | | | \$ 10,199,560 | \$ 283,491 | \$ 10,483,051 |

The accompanying notes to the basic financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

**METUCHEN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

B-1

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,070,619 | \$ - | \$ 642,792 | \$ - | \$ 2,713,411 |
| Due from other funds | 932,713 | - | 104,255 | 3,886 | 1,040,854 |
| Receivables from other governments | 300,796 | 583,260 | 424,614 | - | 1,308,670 |
| Restricted cash - reserve account | 1,311,000 | - | - | - | 1,311,000 |
| TOTAL ASSETS | \$ 4,615,128 | \$ 583,260 | \$ 1,171,661 | \$ 3,886 | \$ 6,373,935 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Cash overdraft | \$ - | \$ 421,649 | \$ - | \$ - | \$ 421,649 |
| Accounts payable | 209,212 | 74,215 | - | - | 283,427 |
| Due to other funds | 108,472 | - | 764,656 | - | 873,128 |
| Unearned revenue | 99,726 | 87,396 | 124,774 | - | 311,896 |
| Total liabilities | 417,410 | 583,260 | 889,430 | - | 1,890,100 |
| Fund Balances: | | | | | |
| Restricted for: | | | | | |
| Excess surplus | 474,207 | - | - | - | 474,207 |
| Emergency reserve | 300,000 | - | - | - | 300,000 |
| Maintenance reserve | 398,000 | - | - | - | 398,000 |
| Capital reserve account | 613,000 | - | 282,231 | - | 895,231 |
| Debt service | - | - | - | 3,886 | 3,886 |
| Committed to: | | | | | |
| Encumbrances | 1,087,705 | - | - | - | 1,087,705 |
| Assigned to: | | | | | |
| Subsequent year's expenditures | 490,844 | - | - | - | 490,844 |
| Unassigned | 833,962 | - | - | - | 833,962 |
| Total fund balances | 4,197,718 | - | 282,231 | 3,886 | 4,483,835 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 4,615,128 | \$ 583,260 | \$ 1,171,661 | \$ 3,886 | |

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

| | |
|--|----------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$64,022,932 and the accumulated depreciation is \$26,546,621. | 37,476,311 |
| Deferred outflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position. | 1,910,784 |
| Deferred inflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position. | (152,821) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | |
| Bonds payable | (22,644,502) |
| Accrued interest on bonds | (218,322) |
| Capital lease payable | (196,277) |
| Net pension liability | (9,504,940) |
| Compensated absences | (954,508) |
| Net assets of governmental activities | \$ 10,199,560 |

The accompanying notes to the basic financial statements are an integral part of this statement.

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

B-2

| | General Fund | Special Revenue Fund | Capital Projects Fund | Debt Service Fund | Total Governmental Funds |
|--|---------------------|----------------------------|-----------------------------|-------------------------|--------------------------------|
| REVENUES | | | | | |
| Local sources: | | | | | |
| Local tax levy | \$ 32,825,065 | \$ - | \$ - | \$ 2,383,161 | \$ 35,208,226 |
| Transportation fees from Individuals | 126,632 | - | - | - | 126,632 |
| Miscellaneous | 231,370 | - | - | - | 231,370 |
| Total - Local Sources | 33,183,067 | - | - | 2,383,161 | 35,566,228 |
| State sources | 5,055,959 | 406,949 | - | 262,960 | 5,725,868 |
| Federal sources | 14,073 | 862,542 | 17,003 | - | 893,618 |
| TOTAL REVENUES | 38,253,099 | 1,269,491 | 17,003 | 2,646,121 | 42,185,714 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Regular instruction | 11,512,850 | 1,035,347 | - | - | 12,548,197 |
| Special education instruction | 3,037,488 | - | - | - | 3,037,488 |
| Other special instruction | 1,163,044 | - | - | - | 1,163,044 |
| Support services: | | | | | |
| Tuition | 1,917,586 | - | - | - | 1,917,586 |
| Student & instruction related services | 3,430,422 | 234,144 | - | - | 3,664,566 |
| School administrative services | 558,538 | - | - | - | 558,538 |
| Other administrative services | 2,015,991 | - | - | - | 2,015,991 |
| Plant operations and maintenance | 2,895,459 | - | - | - | 2,895,459 |
| Pupil transportation | 1,572,402 | - | - | - | 1,572,402 |
| Employee benefits | 8,488,206 | - | - | - | 8,488,206 |
| Debt service: | | | | | |
| Principal | - | - | - | 1,995,000 | 1,995,000 |
| Interest and other charges | - | - | - | 647,235 | 647,235 |
| Bond issuance costs | - | - | - | 111,125 | 111,125 |
| Capital outlay | 829,165 | - | 17,003 | - | 846,168 |
| TOTAL EXPENDITURES | 37,421,151 | 1,269,491 | 17,003 | 2,753,360 | 41,461,005 |
| OTHER FINANCING SOURCE (USES) | | | | | |
| Proceeds from issuance of school refunding bonds | - | - | - | 12,085,000 | 12,085,000 |
| Premium from issuance of school refunding bonds | - | - | - | 1,521,544 | 1,521,544 |
| Current refunding payment to bond trustee | - | - | - | (13,495,419) | (13,495,419) |
| TOTAL OTHER FINANCING SOURCES, NET | - | - | - | 111,125 | 111,125 |
| EXCESS OF REVENUES OVER EXPENDITURES | 831,948 | - | - | 3,886 | 835,834 |
| FUND BALANCE - July 1 | 3,365,770 | - | 282,231 | - | 3,648,001 |
| FUND BALANCE - June 30 | \$ 4,197,718 | \$ - | \$ 282,231 | \$ 3,886 | \$ 4,483,835 |

The accompanying notes to the basic financial statements are an integral part of this statement.

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

Total net change in fund balances - governmental funds (from B-2) \$ 835,834

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

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

| | | | |
|--|----------------------|----------------|-------------|
| | Depreciation expense | \$ (2,046,904) | |
| | Capital outlays | <u>852,284</u> | (1,194,620) |

The issuance of long-term debt (e.g. school construction bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the government-wide net position. During the year ended June 30, 2016, the following transactions factor into this reconciliation:

| | | | |
|---|----------------|--|-----------|
| Issuance of long-term debt | (12,085,000) | | |
| Repayment of principal | 1,995,000 | | |
| Refunding of long-term debt | 13,205,000 | | |
| Repayment of extended term financing (leases) | 62,553 | | |
| Issuance of bond premiums | (1,521,544) | | |
| Amortization of bond issue premiums | <u>117,042</u> | | 1,773,051 |

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. This represents the change in accrued interest during the current period. 8,528

Net pension liability is considered long-term in nature, and is not reported as a liability within the governmental funds. Such liability is, however, reported within the statement of net position, and changes in the liability, including changes in the related deferred outflow and deferred inflow, are reflected within the statement of activities. This represents the change in net pension liability, deferred outflow of resources, and deferred inflow of resources during the current period. (179,401)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). 61,663

Change in net position of governmental activities \$ 1,305,055

**METUCHEN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

B-4

| | <u>Enterprise Funds Totals</u> |
|-----------------------------------|------------------------------------|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 329,819 |
| Accounts receivable | 18,287 |
| Inventories | <u>6,893</u> |
| Total current assets | <u>354,999</u> |
| Noncurrent assets: | |
| Furniture, machinery & equipment | 470,723 |
| Less accumulated depreciation | <u>368,901</u> |
| Total noncurrent assets | <u>101,822</u> |
| TOTAL ASSETS | <u>456,821</u> |
| LIABILITIES AND NET ASSETS | |
| Current liabilities: | |
| Accounts payable | 5,604 |
| Interfund payable | <u>167,726</u> |
| Total current liabilities | <u>173,330</u> |
| NET POSITION | |
| Net investment in capital assets | 101,822 |
| Unrestricted | <u>181,669</u> |
| Total net position | <u><u>\$ 283,491</u></u> |

The accompanying notes to the basic financial statements are an integral part of this statement.

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

B-5

| | Enterprise Funds Totals |
|---------------------------------------|----------------------------|
| OPERATING REVENUES: | |
| Local sources: | |
| Food service sales | \$ 427,937 |
| Registration fees | 356,027 |
| Total operating revenues | 783,964 |
| OPERATING EXPENSES: | |
| Salaries | 403,655 |
| Employee benefits | 77,737 |
| Cost of sales | 292,365 |
| Supplies and materials | 48,352 |
| Repairs and maintenance | 24,261 |
| Insurance | 1,810 |
| Management service fee | 20,853 |
| Miscellaneous | 8,169 |
| Depreciation | 32,244 |
| Total operating expenses | 909,446 |
| OPERATING LOSS | (125,482) |
| NONOPERATING REVENUES: | |
| State sources: | |
| State school lunch program | 4,675 |
| Federal sources: | |
| National school lunch program | 98,425 |
| Food distribution program | 46,913 |
| TOTAL NONOPERATING REVENUES | 150,013 |
| CHANGE IN NET POSITION | 24,531 |
| TOTAL NET POSITION - BEGINNING | 258,960 |
| TOTAL NET POSITION - ENDING | \$ 283,491 |

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

B-6

| | <u>Enterprise Funds Totals</u> |
|---|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 783,964 |
| Payments to employees | (403,655) |
| Payments for employee benefits | (77,737) |
| Payments to suppliers | <u>(399,730)</u> |
| Net cash used in operating activities | <u>(97,158)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State Sources | 4,258 |
| Federal Sources | 132,957 |
| Local Sources - Interfund changes | <u>(56,892)</u> |
| Net cash provided by non-capital financing activities | <u>80,323</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of capital assets | <u>(39,026)</u> |
| Net decrease in cash and cash equivalents | (55,861) |
| Cash and cash equivalents | |
| Balances—beginning of year | <u>385,680</u> |
| Balances—end of year | <u><u>\$ 329,819</u></u> |
| Reconciliation of operating loss to net cash used in operating activities: | |
| Operating loss | \$ (125,482) |
| Adjustments to reconcile operating loss to net cash used in operating activities | |
| Depreciation | 32,244 |
| Decrease in inventories | (4,443) |
| Decrease in accounts payable | <u>523</u> |
| Total adjustments | <u>28,324</u> |
| Net cash used in operating activities | <u><u>\$ (97,158)</u></u> |

Noncash Noncapital Financing Activities:

During the year, the District received \$46,913 of food commodities, within its Food Service Fund, from the U.S. Department of Agriculture.

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

| | Unemployment Compensation Trust | Private Purpose Fund | Agency Fund |
|---|------------------------------------|-------------------------|----------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 271,007 | \$ 4,211 | \$ 515,208 |
| LIABILITIES | | | |
| Payable to student groups | \$ - | \$ - | \$ 199,815 |
| Payroll deductions and withholdings | - | - | 315,393 |
| Total liabilities | - | - | \$ 515,208 |
| NET POSITION | | | |
| Held in trust for unemployment claims and other purposes | \$ 271,007 | \$ 4,211 | |

The accompanying notes to the basic financial statements are an integral part of this statement.

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

B-8

| | Unemployment Compensation Trust | Private Purpose Fund |
|------------------------------------|------------------------------------|-------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Plan members | \$ 57,883 | \$ - |
| Other | - | 35,884 |
| | 57,883 | 35,884 |
| Total Contributions | | |
| Investment earnings: | | |
| Interest | 15 | - |
| | 57,898 | 35,884 |
| Total additions | | |
| DEDUCTIONS | | |
| Quarterly contribution reports | 37,616 | - |
| Scholarships awarded | - | 36,555 |
| | 37,616 | 36,555 |
| Total deductions | | |
| Change in net position | 20,282 | (671) |
| Net position—beginning of the year | 250,725 | 4,882 |
| Net position—end of the year | \$ 271,007 | \$ 4,211 |

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District. The operations of the District include elementary, middle and high schools located in Metuchen, New Jersey.

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

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties (the user).

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

The statement of net position presents the financial condition of the governmental and business-type activities of the District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

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

Governmental Fund Types

The focus of governmental fund measurement is upon determination of financial position and changes in financial position, (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

General Fund: The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. 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 capital 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, if spending growth limitation adjustment had not been used.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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 and loans issued to finance major property acquisition, construction and improvement programs.

Proprietary Fund Type: 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 fund of the District:

Enterprise Fund: The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations, an after school program (the "Zone"), an integrated preschool program for 3 and 4 year olds, and an afterschool and summer program for students in grades 1 through 10, focusing on critical thinking skills. 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.

Additionally, the District reports:

Fiduciary Funds: The fiduciary funds are used to account for assets held by the District on behalf of others and includes the student activities fund, payroll agency fund and unemployment compensation insurance trust fund.

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

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality or county is required to remit to its school district the entire balance of taxes 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 monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

New Accounting Principles

The District adopted GASB Statement No. 72, *Fair Value Measurement and Application* for the year ended June 30, 2016. The objective of this statement is to address accounting and financial reporting issues related to fair value measurements and to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District implemented the accounting and reporting requirements of GASB No. 72 as of July 1, 2015. This implementation did not materially change the District's accounting and reporting policies.

The District adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* for the year ended June 30, 2016. The primary objective of this statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (“GAAP”). This statement reduces the GAAP hierarchy to two categories of authoritative literature and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The District implemented the accounting and financial reporting requirements as of July 1, 2015. This implementation did not materially change the District's accounting and reporting policies.

The District adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* for the year ended June 30, 2016. Statement No. 79, permits qualifying external investment pools to measure pool investments, which function similarly to private sector money market funds, at amortized cost. The statement also establishes additional disclosure requirements, which includes information about any limitations or restrictions on participant withdrawals, for both the pool and its participants. The District implemented the accounting and reporting requirements of GASB No. 79 as of July 1, 2015. This implementation did not materially change the District's accounting and reporting policies.

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for special revenue funds as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by Board resolution. Budgetary transfers were made during the current and prior fiscal years; however, such transfers were not of a material amount. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Budgets/Budgetary Control: (Continued)

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

The General Fund budgetary revenue differs from the GAAP revenue due to the difference in revenue recognition of the final two state aid payments. These payments, which are recognized as revenue for budgeting purposes, must be excluded from revenue on the GAAP financial statements since the State records the payments in the subsequent fiscal year. 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.

However, for intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the final two state aid payments in subsequent fiscal year, school districts cannot recognize this revenue on the GAAP financial statements until the year the State records the payable.

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

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to the difference in revenue recognition of Schools Development Authority ("SDA") grant funds. On the budgetary basis, SDA grants are recognized in full when the grant is awarded. On the GAAP financial statement, SDA funds are recognized as they are expended and requested for reimbursement.

GASB 34 requires a reconciliation of inflows and outflows from the budgetary comparison schedules to the GAAP basis funds statements. The reconciliation between budgetary inflows and outflows and GAAP revenues and expenditures is detailed on Schedules C-3 in the required supplementary information section of this report.

D. Assets, Liabilities, and Equity:

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

New Jersey school districts are limited as to 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 Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks where 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.

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

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.

D. Assets, Liabilities, and Equity: (Continued)

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

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

Allowance for Uncollectible Accounts: No allowance for uncollectible accounts has been recorded as management believes all amounts are collectible.

Encumbrance Accounting: Under encumbrance accounting, purchase orders, contracts and/or other commitments that are issued in the current year that will be honored in the subsequent year are considered reservations of fund balance in order to reserve a portion of the applicable appropriation. Open encumbrances do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the Special Revenue Fund, are reported as restricted, committed, and/or assigned fund balances at fiscal year-end, depending on their level of restriction. 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 at the end of the current fiscal year.

Open encumbrances in the Special Revenue Fund are reflected in the balance sheet as unearned revenue at fiscal year-end in accordance with grant accounting procedures.

Inventories: Inventories, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Capital Assets: The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1993 are recorded at original cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The capitalization threshold used by school districts in the State of New Jersey is \$2,000. Capital assets are reflected as expenditures in the applicable governmental funds. Expenditures which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities and Equity: (Continued)

Capital Assets: (Continued)

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

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

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

Compensated Absences: The liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The entire compensated absence liability is reported on the District-wide financial statements.

District employees are granted personal days and vacation and sick leave in varying amounts under the District's employment contracts.

In the district-wide Statement of Net Position, compensated absences are reported as liabilities and are broken down between those that are due within one year and those payable beyond one year.

Pension: The District provides eligible employees with retirement benefits through the Public Employer's Retirement System (PERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PERS was established as of January 1, 1955, pursuant to the provisions of N.J.S.A 43:15A.

In addition, the District is a participant in the Teacher's Pension and Annuity Fund ("TPAF"), a governmental cost-sharing multiple-employer defined benefit plan with a special funding situation (the State of New Jersey is legally responsible for making 100% of the required employer contributions directly to the plan). TPAF was established as of January 1, 1955, pursuant to the provisions of N.J.S.A. 18A:66.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

Unearned Revenue: Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

Accrued Liabilities and Long-Term Obligations: All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. Bonds are recognized as a liability on the fund financial statements when due and paid.

Fund Balance Restrictions, Commitments, and Assignments:

The *restricted* fund balance category includes amounts constrained for specific purposes as stipulated by external parties, constitutional provision, or enabling legislation. At June 30, 2016, the District had restricted fund balances for capital reserve, emergency reserve, and maintenance reserve.

The *committed* fund balance classification includes amounts that can be used only for specific purposes as determined by formal action of the District's highest level of decision-making authority. The Board of Education has the authority to formally commit resources for specific purposes through a formal motion or resolution that is passed by a majority of the members for the Board of Education at a public meeting. Such process must also be used to remove or change the commitment of resources.

Amounts in the *assigned* fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. At June 30, 2016, the District had committed resources for year-end encumbrances and assigned resources for amounts designated for subsequent year's expenditures.

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The following is an analysis of the June 30, 2016 fund balance classifications:

General Fund: Of the \$4,197,718 fund balance at June 30, 2016, \$613,000 is restricted for capital reserve; \$300,000 is restricted for emergency reserve, \$398,000 is restricted for maintenance reserve; \$490,844 is committed and \$1,087,705 has been assigned for year-end encumbrances, \$474,207 is restricted for excess surplus and \$833,962 is unassigned.

Capital Projects Fund: The \$282,231 fund balance at June 30, 2016 is restricted for future capital expenditure.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the District's policy is generally to apply the expenditure to committed resources, then to assigned resources, and then to unassigned resources.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

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

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

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

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

Operating Revenues and Expenses: Proprietary Funds distinguish operating revenues/expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund. All revenues and expenses not meeting this definition are reported as non-operating.

Allocation of Indirect Expenses: The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are not reported separately in the statement of activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of the related program. Depreciation expense, where practicable, is specifically identified by function. Depreciation expenses that could not be attributed to a specific function are considered an indirect expense and are reported separately on the statement of activities as unallocated depreciation expense.

E. Management Estimates:

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Management Estimates: (Continued)

On-behalf TPAF Pensions and Social Security Payments: The District's contribution to the Teachers Pension and Annuity Fund (TPAF) and the District's share of social security related to TPAF members is made by the State of New Jersey on behalf of the Board. On-behalf payments have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24. On-behalf payments made by the State of New Jersey are not budgeted. These amounts are offset by related revenues and, as such, do not represent budgetary over expenditures.

F. Operating Costs - Enterprise Fund:

Certain operating costs, which are borne by the Board of Education, such as utilities, custodial and maintenance costs, general facility costs, etc. are not charged or otherwise allocated to the enterprise fund since these costs are not readily determinable.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a 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 savings 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:

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

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

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

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

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits: (Continued)

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000. The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which a government's deposits and investments are exposed to custodial credit risk. Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" (GASB 40), the District's operating cash accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. As of June 30, 2016, all of the District's deposits, except as noted below, were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

As of June 30, 2016, the carrying amount of the District's deposits for all funds was \$4,723,007 and the bank balance was \$6,635,851. All bank deposits, as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by GUDPA.

Permissible Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external fact;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Certain agreements for the repurchase of fully collateralized securities, provided they meet specific criteria detailed in the statute.

As of June 30, 2016, the District's Cash and Cash Equivalents held in permissible investments consisted of the following:

| | Cash and Cash Equivalents |
|---------------------------|------------------------------|
| Checking accounts | \$ 3,412,007 |
| Restricted (money market) | 1,311,000 |
| Total | \$ 4,723,007 |

Custodial Credit Risk: The investments are held separately from bank assets, at the Federal Reserve Bank. The District does not have a policy for custodial credit risk.

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

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Permissible Investments: (Continued)

Credit Risk: The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed above.

Interest Rate Risk: In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is minimal interest rate risk. The average maturity of the District's investments is less than one year.

3. CAPITAL RESERVE ACCOUNT:

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

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

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

| | | |
|--------------------------------|-----------|----------------|
| Beginning balance July 1, 2015 | \$ | 663,872 |
| Increased by deposit: | | 599,128 |
| Decreased by withdraws: | | 650,000 |
| Ending balance June 30, 2016 | \$ | 613,000 |

4. RECEIVABLES:

Governmental fund receivables at June 30, 2016, amounting to \$1,308,670, consisted of state and local aid receivables. Proprietary fund receivables at June 30, 2016 amounting to \$18,287, consisted of federal and state grant receivables. All receivables are considered collectible in full.

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

5. INTERFUND BALANCES / TRANSFERS:

On the fund financial statements, interfund loans are classified as interfund accounts receivable/payable on the respective balance sheets. Interfund loans between the governmental fund types are eliminated in the statement of net position while interfund loans between the governmental fund types and the fiduciary funds are reflected in the statement of net position as interfund accounts receivable/payable. Interfund loans between the governmental fund types and the proprietary fund types are reflected on the statement of net position as internal balances between governmental and business type activities. The following is a summary of interfund receivable and payable balances at June 30, 2016:

| | Due From Other Funds | Due to Other Funds |
|-----------------------|---------------------------------|-------------------------------|
| General Fund | \$ 932,713 | \$ 108,472 |
| Capital Projects Fund | 104,255 | 764,656 |
| Debt Service Fund | 3,886 | - |
| Enterprise Fund | - | 167,726 |
| Total | \$ 1,040,854 | \$ 1,040,854 |

The amounts due between funds are comprised of temporary interfund borrowings accumulated over time wherein a periodic "settling up" has yet to take place.

The following is a summary of internal balances at June 30, 2016:

| | |
|---|-----------|
| Due to General Fund from Enterprise Fund | \$167,726 |
| Due from Enterprise Fund to General Fund | 167,726 |
| Total Interfund Balance - Fund Financial Statements | |
| Elimination of Governmental Interfund Activities | \$ - |

6. INVENTORY:

Inventory in the Food Service Fund at June 30, 2016 consisted of \$6,893 in food commodities.

The value of federal donated commodities as reflected on Schedule B-5 and K-3 is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

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

7. CAPITAL ASSETS:

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Transfers</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|--------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets that are not being depreciated: | | | | |
| Land | \$ 178,952 | \$ - | \$ - | \$ 178,952 |
| Construction in progress | 1,451,319 | 450,567 | (1,901,886) | - |
| Total capital assets not being depreciated | <u>1,630,271</u> | <u>450,567</u> | <u>(1,901,886)</u> | <u>178,952</u> |
| Capital assets being depreciated: | | | | |
| Site and site improvements | 800,275 | - | - | 800,275 |
| Building and building improvements | 57,639,367 | 162,709 | 1,016,756 | 58,818,832 |
| Machinery and equipment | 3,100,735 | 239,008 | 885,130 | 4,224,873 |
| Totals at historical cost | <u>61,540,377</u> | <u>401,717</u> | <u>1,901,886</u> | <u>63,843,980</u> |
| Less accumulated depreciation for: | | | | |
| Site and site improvements | (800,275) | - | - | (800,275) |
| Building and improvements | (20,839,649) | (2,028,173) | - | (22,867,822) |
| Machinery and equipment | (2,859,793) | (18,731) | - | (2,878,524) |
| Total accumulated depreciation | <u>(24,499,717)</u> | <u>(2,046,904)</u> | <u>-</u> | <u>(26,546,621)</u> |
| Total capital assets being depreciated, net of accumulated depreciation | <u>37,040,660</u> | <u>(1,645,187)</u> | <u>1,901,886</u> | <u>37,297,359</u> |
| Government activities capital assets, net | <u>\$ 38,670,931</u> | <u>\$ (1,194,620)</u> | <u>\$ -</u> | <u>\$ 37,476,311</u> |
| Business-type activities: | | | | |
| Equipment | \$ 431,697 | \$ 39,026 | \$ - | \$ 470,723 |
| Less accumulated depreciation for: Equipment | <u>(336,657)</u> | <u>(32,244)</u> | <u>-</u> | <u>(368,901)</u> |
| Business-type activities capital assets, net | <u>\$ 95,040</u> | <u>\$ 6,782</u> | <u>\$ -</u> | <u>\$ 101,822</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------------|
| Regular programs instruction | \$ 778,293 |
| Special education program | 163,752 |
| Other instructional programs | 81,876 |
| School administrative services | 429,381 |
| Student and instruction related services | 61,407 |
| General administrative services | 143,283 |
| Plant operations and maintenance | 225,159 |
| Pupil transportation | <u>163,753</u> |
| Total depreciation expense | <u>\$ 2,046,904</u> |

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

8. LONG-TERM OBLIGATIONS:

Long-term obligations activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due Within One Year |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | | | | | |
| School construction | \$ 24,355,000 | \$ - | \$ 14,935,000 | \$ 9,420,000 | \$ 920,000 |
| School refunding | - | 12,085,000 | 265,000 | 11,820,000 | 800,000 |
| Subtotal | <u>24,355,000</u> | <u>12,085,000</u> | <u>15,200,000</u> | <u>21,240,000</u> | <u>1,720,000</u> |
| Original issue premium | - | 1,521,544 | 117,042 | 1,404,502 | 117,042 |
| Total bonds payable, net | 24,355,000 | 13,606,544 | 15,317,042 | 22,644,502 | 1,837,042 |
| Other liabilities | | | | | |
| Compensated absences | 1,016,171 | 57,258 | 118,921 | 954,508 | - |
| Capital lease obligation | 258,830 | - | 62,553 | 196,277 | 63,968 |
| Net pension liability (see note 9) | <u>7,834,707</u> | <u>1,670,233</u> | <u>-</u> | <u>9,504,940</u> | <u>-</u> |
| Total all governmental activities | <u>\$ 33,464,708</u> | <u>\$ 15,334,035</u> | <u>\$ 15,498,516</u> | <u>\$ 33,300,227</u> | <u>\$ 1,901,010</u> |

Bonds:

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

In August 2015, the District issued its Refunding Scholl Bonds in the principal amount of \$12,085,000, bearing interest at rates ranging between 2.00% and 5.00% per annum, with final maturity scheduled for 2027. The proceeds of the refunding school bonds were used towards (1) the current refunding of all of the outstanding callable refunding school bonds of the District issued in the principal amount of \$18,830,000, dated March 15, 2005 and maturing on or after September 15, 2016, and (2) to pay the costs of issuance of the refunding school bonds. This refunding decreased the District's total debt service payments by approximately \$1,745,000 over the next 11 years, resulting in a net economic gain of approximately \$1,380,000.

Debt Service Requirements:

| | Issue Dates | Original Issue Amount | Interest Rates | Date of Maturity | Principal Balance June 30, 2016 |
|---------------|----------------|-----------------------------|-------------------|---------------------|---------------------------------------|
| Bonds Payable | 3/15/2005 | \$17,247,000 | 4.125-4.500% | 8/15/2016 | \$ 890,000 |
| | 10/1/2012 | 8,620,000 | 2.125-4.000% | 8/15/2024 | 8,530,000 |
| | 8/15/2015 | 12,085,000 | 2.000-5.000% | 9/15/2027 | 11,820,000 |
| Total Bonds | | | | | <u>\$ 21,240,000</u> |

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

8. LONG-TERM OBLIGATIONS: (Continued)

Debt service requirements on serial bonds payable at June 30, 2016 are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|--------------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ 1,720,000 | \$ 781,938 | \$ 2,501,938 |
| 2018 | 1,785,000 | 724,256 | 2,509,256 |
| 2019 | 1,845,000 | 661,431 | 2,506,431 |
| 2020 | 1,910,000 | 596,381 | 2,506,381 |
| 2021 | 1,975,000 | 529,031 | 2,504,031 |
| 2022-2026 | 9,790,000 | 1,398,847 | 11,188,847 |
| 2027-2028 | 2,215,000 | 77,975 | 2,292,975 |
| | <u>\$ 21,240,000</u> | <u>\$ 4,769,859</u> | <u>\$ 26,009,859</u> |

Total interest expense on long-term debt in 2016 was \$803,556. No interest was capitalized (i.e. added to the carrying value of capital assets) in 2016.

The District's bonds payable are all secured (guaranteed) by the New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17, et. Seq.) in full. Since issuance of each of the District's respective bonds payable, the District has met each of its periodic debt service payment requirements.

Capital Lease Obligations:

The District leases equipment under the terms of capital leases. The economic substance of the leases is that the District is financing the acquisition of the equipment through such leases. The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2016:

| | |
|---|------------------|
| 2017 | \$ 67,087 |
| 2018 | 67,422 |
| 2019 | <u>67,756</u> |
| Total minimum lease payments | 202,265 |
| Less amount representing interest | <u>(5,988)</u> |
| Total present value of net minimum lease payments | 196,277 |
| Less amounts due within one year | <u>(63,968)</u> |
| Long-term | <u>\$132,309</u> |

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

9. PENSION PLANS:

Description of Plans:

All required employees of the District are covered by either the Public Employees' Retirement System ("PERS") or the Teachers' Pension and Annuity Fund ("TPAF") (cost-sharing multiple-employer defined benefit pension plans) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or by visiting www.state.nj.us/treasury/pensions/annrpts.shtml.

Teachers' Pension and Annuity Fund (TPAF)

Benefits Provided:

TPAF was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. 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. TPAF 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 District and the system's other related noncontributing employers.

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Service retirement benefits range from 1/55th of final average salary for each year of service credit is available to members upon reaching age 60 to 1/60th of final average salary for each year of service credit upon reaching age 62. Early retirement benefits are available to certain members before reaching age 60 with 25 or more years of service. Benefits are reduced by a fraction of a percentage for each month that a member retires prior to their retirement age. Deferred retirement is available to members who have at least 10 years of service credit and have not reached their service retirement age.

Contributions:

The contribution policy is set by N.J.S.A 18A:66 and requires contributions by active members and contributing employers. State legislature 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.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers (e.g. the District) are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers generally do not contribute directly to the plan, there is no net pension liability, deferred outflows or deferred inflows of resources to report in the District's governmental activity financial statements.

The District's proportionate share of employer contributions paid by the State for each of the past three years was \$2,629,142, \$2,075,453, and \$1,640,879 for the years ended June 30, 2016, 2015 and 2014, respectively.

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

9. PENSION PLANS: (Continued)

Contributions: (Continued)

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$2,629,142 to the TPAF for post-retirement medical benefits on behalf of the District. In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,127,963 during the fiscal year ended June 30, 2016, for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District's proportionate share of the TPAF net pension liability was 0%, which was the same as the District's proportionate share at June 30, 2015. The TPAF collective components of the net pension liability, recorded by the State of New Jersey were as follows:

| | |
|-----------------------------|--------------------------|
| Total pension liability | \$ 89,182,662,000 |
| Plan fiduciary net position | <u>25,604,797,560</u> |
| Net pension liability | <u>\$ 63,577,864,440</u> |

Actuarial Assumptions:

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

| | |
|---------------------------|--------------------------|
| Inflation rate | 2.50% |
| Salary increases | Vary based on experience |
| Investment rate of return | 7.90% |

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

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

9. PENSION PLANS: (Continued)

Long-Term Expected Rate of Return:

In accordance with State statute, the long-term expected rate of return on pension 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 class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| Cash | 5.00 % | 0.53 % |
| US Government bonds | 1.75 | 1.39 |
| US credit bonds | 13.50 | 2.72 |
| US Mortgages | 2.10 | 2.54 |
| US Inflation-indexed bonds | 1.50 | 1.47 |
| US High yield bonds | 2.00 | 4.57 |
| US Equity market | 27.25 | 5.63 |
| Foreign-developed equity | 12.00 | 6.22 |
| Emerging market equities | 6.40 | 8.46 |
| Private real estate property | 4.25 | 3.97 |
| Timber | 1.00 | 4.09 |
| Farmland | 1.00 | 4.61 |
| Private equity | 9.25 | 9.15 |
| Commodities | 1.00 | 3.58 |
| Hedge Funds – Multistrategy | 4.00 | 4.59 |
| Hedge Funds – Equity hedge | 4.00 | 5.68 |
| Hedge Funds – Distressed | 4.00 | 4.30 |
| | <u>100.00 %</u> | |

Discount Rate:

The discount rate used to measure the total pension liability was 4.13%. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

9. PENSION PLANS: (Continued)

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

The following presents the net pension liability of the State, calculated using the discount rate of 4.68 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.68 percent) or 1-percentage-point higher (5.68 percent) than the current rate:

| | 1% Decrease (3.13%) | Current Discount Rate (4.13%) | 1% Increase (5.13%) |
|-----------------------|------------------------------------|--|------------------------------------|
| Net pension liability | \$ 75,559,915,440 | \$ 63,577,864,440 | \$ 53,254,610,440 |

Public Employees' Retirement System (PERS)

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

As of June 30, 2016, the District reported the following amounts in the accompanying financial statements related to their participation in PERS:

| | Governmental Activities | Business Type Activity | Total |
|-------------------------------|------------------------------------|-----------------------------------|--------------|
| Deferred Outflow of Resources | \$ 1,910,784 | \$ - | \$ 1,910,784 |
| Net Pension Liability | 9,504,940 | - | 9,504,940 |
| Deferred Inflow of Resources | 152,821 | - | 152,821 |

Vesting and Benefit Provisions:

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for two percent 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.

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

9. PENSION PLANS: (Continued)

Contribution Requirements:

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The District's contributions amounted to \$338,663, \$345,376, and \$310,969 for the fiscal years ended June 30, 2016, 2015 and 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2016, the District reported a liability of \$9,504,940 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the June 30, 2014 actuarial valuation to June 30, 2015. The District's proportion of the PERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2015, the District's proportion was .0394%, which was a decrease from its proportion measured as of June 30, 2014 of .0418%.

For the year ended June 30, 2016, the District recognized pension expense of \$694,035. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Net difference between projected and actual earnings on pension plan investments | \$ - | \$ 152,821 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 317,747 | - |
| Changes in assumptions | 1,020,755 | - |
| Differences between expected and actual experience | 226,754 | - |
| District contributions subsequent to the measurement date | 345,528 | - |
| Total | \$ 1,910,784 | \$ 152,821 |

\$345,528 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

9. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | | |
|-----------------------|----|-------------------------|
| Years ending June 30: | | |
| 2017 | \$ | 243,082 |
| 2018 | | 243,082 |
| 2019 | | 243,082 |
| 2020 | | 243,082 |
| 2021 | | 243,082 |
| Thereafter | | <u>197,025</u> |
| Total | \$ | <u><u>1,412,435</u></u> |

Actuarial Assumptions

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

| | | |
|---------------------------|---|--------|
| Inflation rate | | 3.04% |
| Salary increases | 2.15 - 4.40% for 2012 - 2021 and 3.15 - 5.40% thereafter, based | |
| | | on age |
| Investment rate of return | | 7.90% |

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females), with adjustment 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.

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

9. PENSION PLANS (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 allocation as of June 30, 2014 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|--------------------------|---|
| Cash | 5.00 % | 1.04 % |
| US Treasuries | 1.75 | 1.64 |
| Investment grade credit | 10.00 | 1.79 |
| Mortgages | 2.10 | 1.62 |
| High yield bonds | 2.00 | 4.03 |
| Inflation-indexed bonds | 1.50 | 3.25 |
| Broad US equities | 27.25 | 8.52 |
| Developed foreign entities | 12.00 | 6.88 |
| Emerging market equities | 6.40 | 10.00 |
| Private equity | 9.25 | 12.41 |
| Hedge fund / absolute return | 12.00 | 4.72 |
| Real estate (property) | 2.00 | 6.83 |
| Commodities | 1.00 | 5.32 |
| Global debt ex US | 3.50 | (0.40) |
| REIT | 4.25 | 5.12 |
| | <u>100.00 %</u> | |

Discount Rate:

The discount rate used to measure the total pension liability was 4.90%. This single blended discount rates was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based 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 plans 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 total pension liability.

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

9. PENSION PLANS (Continued)

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

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

| | 1% Decrease (3.90%) | Current Discount Rate (4.90%) | 1% Increase (5.90%) |
|---|------------------------------------|--|------------------------------------|
| District's proportionate share of the net pension liability | \$ 11,467,293 | \$ 9,504,940 | \$ 7,862,449 |

10. POST-RETIREMENT BENEFITS:

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Public Laws 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate fund outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you go basis beginning in Fiscal Year 1994.

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

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015/divisioncombined.pdf>.

11. DEFERRED COMPENSATION:

The Board offers its employees a choice of various deferred compensation plans, defined contribution plans, created in accordance with Internal Revenue Code Section 403(b). The authority for establishing and amending these plans and the related contributions rests with the District's Board of Education. All eligible employees are eligible to participate. Employees can voluntarily contribute up to 100% of their salary, not to exceed the Internal Revenue Code Section 415 maximum. Employer contributions are not permitted. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

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

11. DEFERRED COMPENSATION: (Continued)

Deferred compensation plans are available from the following providers:

| | |
|-----------------------------|-------------------------------|
| Variable Life Insurance Co. | T.P.A.F. Supplemental Annuity |
| Equitable | P.E.R.S. Supplemental Annuity |
| Met Life | |
| USAA | |

During 2016, employees contributed \$756,938 to the plans.

12. COMPENSATED ABSENCES:

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

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

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

There is no liability for vested compensated absences of the proprietary fund types.

13. RISK MANAGEMENT:

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

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

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

| Fiscal Year | District Contributions | Employee Contributions | Interest Earned | Amount Reimbursed | Ending Balance |
|----------------|---------------------------|---------------------------|--------------------|----------------------|-------------------|
| 2015 - 2016 | \$ - | \$ 57,883 | \$ 15 | \$ 37,616 | \$ 271,007 |
| 2014 - 2015 | - | 51,651 | 11 | 27,517 | 250,725 |
| 2013 - 2014 | - | 52,013 | 10 | 33,913 | 226,580 |
| 2012 - 2013 | - | 52,090 | 89 | 54,016 | 208,470 |

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

14. OPERATING LEASES:

The District has a number of operating leases for copiers which expire at various dates in subsequent periods. Annual operating lease payments are based on usage is included in the General Fund budget and reflected as expenditures during the year of payment.

15. CONTINGENCIES

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures. Further, a significant reduction in the level of support, if this were to occur, may have an adverse effect on the District's programs and activities.

The District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

16. CALCULATION OF EXCESS SURPLUS:

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for 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 a portion of the General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. This District had \$474,207 in excess fund balance at June 30, 2016.

17. PENDING CHANGES IN ACCOUNTING PRINCIPLES

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. To the extent applicable, the District is required to adopt Statement No. 73 for its fiscal 2017 financial statements.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. To the extent applicable, the District is required to adopt Statement No. 74 for its fiscal 2017 financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. To the extent applicable, the District is required to adopt Statement No. 75 for its fiscal 2018 financial statements.

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

17. PENDING CHANGES IN ACCOUNTING PRINCIPLES (Continued)

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. To the extent applicable, the District is required to adopt Statement No. 75 for its fiscal 2017 financial statements.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, an amendment of GASB Statement No. 14. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. The District is required to adopt Statement No. 80 for its fiscal 2017 financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*, an amendment of GASB Statements No. 67, No. 68, and No. 73. This Statement addresses certain implementation issues related to (1) the presentation of payroll-related measures in required supplementary information; (2) selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee contribution requirements. The District is required to adopt Statement No. 82 for its fiscal 2017 financial statements.

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016**

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-------------------|-------------------|-----------------------------|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local tax levy | \$ 32,825,065 | \$ - | \$ 32,825,065 | \$ 32,825,065 | \$ - |
| Tuition | 95,000 | - | 95,000 | 64,637 | (30,363) |
| Transportation Fees from Individuals | 110,000 | - | 110,000 | 126,632 | 16,632 |
| Miscellaneous | 10,000 | - | 10,000 | 166,733 | 156,733 |
| Total - Local Sources | 33,040,065 | - | 33,040,065 | 33,183,067 | 143,002 |
| State Sources: | | | | | |
| Special education aid | 914,044 | - | 914,044 | 914,044 | - |
| Security | 35,358 | - | 35,358 | 35,358 | - |
| Transportation Aid | 59,865 | - | 59,865 | 59,865 | - |
| Other Aid | 42,150 | - | 42,150 | 42,150 | - |
| Extraordinary aid | - | - | - | 234,889 | 234,889 |
| Non Public Transportation Aid | - | - | - | 10,788 | 10,788 |
| TPAF pension (on-behalf - non-budgeted) | - | - | - | 2,629,142 | 2,629,142 |
| Reimbursed TPAF social security (reimbursed - non-budgeted) | - | - | - | 1,127,963 | 1,127,963 |
| Total State Sources | 1,051,417 | - | 1,051,417 | 5,054,199 | 4,002,782 |
| Federal Sources: | | | | | |
| Medicaid Reimbursement | 16,103 | - | 16,103 | 14,073 | (2,030) |
| Total - Federal Sources | 16,103 | - | 16,103 | 14,073 | (2,030) |
| TOTAL REVENUES | 34,107,585 | - | 34,107,585 | 38,251,339 | 4,143,754 |
| EXPENDITURES: | | | | | |
| CURRENT EXPENSE: | | | | | |
| Regular Programs - Instruction | | | | | |
| Preschool/Kindergarten - salaries of teachers | 438,423 | (53,394) | 385,029 | 382,086 | 2,943 |
| Grades 1-5 - salaries of teachers | 3,508,150 | 24,000 | 3,532,150 | 3,524,355 | 7,795 |
| Grades 6-8 - salaries of teachers | 3,010,150 | (58,000) | 2,952,150 | 2,947,887 | 4,263 |
| Grades 9-12 - salaries of teachers | 3,736,457 | (40,600) | 3,695,857 | 3,694,989 | 868 |
| General supplies | 697,958 | 111,382 | 809,340 | 751,003 | 58,337 |
| Textbooks | 196,800 | 36,634 | 233,434 | 212,530 | 20,904 |
| Total Regular Programs - Instruction | 11,587,938 | 20,022 | 11,607,960 | 11,512,850 | 95,110 |
| Special Education - Instruction | | | | | |
| Cognitive Mild | | | | | |
| Other Salaries for instruction | 774,560 | 71,672 | 846,232 | 846,231 | 1 |
| Total Cognitive Mild | 774,560 | 71,672 | 846,232 | 846,231 | 1 |
| Resource Room/Resource Center: | | | | | |
| Salaries of teachers | 1,753,079 | 64,059 | 1,817,138 | 1,817,137 | 1 |
| General supplies | 6,400 | 1,200 | 7,600 | 7,478 | 122 |
| Textbooks | 6,000 | - | 6,000 | 4,662 | 1,338 |
| Other objects | 2,000 | (1,200) | 800 | 406 | 394 |
| Total Resource Room/Resource Center | 1,767,479 | 64,059 | 1,831,538 | 1,829,683 | 1,855 |
| Preschool Disabilities - Part-Time: | | | | | |
| Salaries of teachers | 200,892 | - | 200,892 | 200,315 | 577 |
| Purchased technical services | 75,000 | 50,000 | 125,000 | 104,640 | 20,360 |
| General supplies | 6,500 | 14,089 | 20,589 | 20,576 | 13 |
| Total Preschool Disabilities - Part-Time | 282,392 | 64,089 | 346,481 | 325,531 | 20,950 |
| Home Instruction | | | | | |
| Salaries of teachers | 26,000 | 10,050 | 36,050 | 36,043 | 7 |
| Total Special Education Instruction | 2,850,431 | 209,870 | 3,060,301 | 3,037,488 | 22,813 |
| Basic Skills/Remedial - Instruction | | | | | |
| Salaries of teachers | 332,300 | 15,542 | 347,842 | 347,842 | - |
| General supplies | 3,000 | - | 3,000 | - | 3,000 |
| Total Basic Skills/Remedial - Instruction | 335,300 | 15,542 | 350,842 | 347,842 | 3,000 |

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016**

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|-------------------|-------------------|-----------------------------|
| Bilingual Education - Instruction | | | | | |
| Salaries of teachers | \$ 36,564 | \$ - | \$ 36,564 | \$ 35,876 | \$ 688 |
| General supplies | 500 | - | 500 | - | 500 |
| Total Bilingual Education - Instruction | <u>37,064</u> | <u>-</u> | <u>37,064</u> | <u>35,876</u> | <u>1,188</u> |
| School-Spon. Cocurricular Actvts. - Inst. | | | | | |
| Salaries | 166,318 | 9,836 | 176,154 | 176,153 | 1 |
| Supplies and materials | 17,213 | 25,964 | 43,177 | 16,979 | 26,198 |
| Total School-Spon. Cocurricular Actvts. - Inst. | <u>183,531</u> | <u>35,800</u> | <u>219,331</u> | <u>193,132</u> | <u>26,199</u> |
| School-Spon. Cocurricular Athletics - Inst. | | | | | |
| Salaries | 381,886 | 8,000 | 389,886 | 389,657 | 229 |
| Purchased services (300-500 series) | 38,900 | 3,600 | 42,500 | 42,417 | 83 |
| Supplies and materials | 69,492 | 629 | 70,121 | 69,616 | 505 |
| Other objects | 77,036 | 10,553 | 87,589 | 84,504 | 3,085 |
| Total School-Spon. Cocurricular Athletics - Inst. | <u>567,314</u> | <u>22,782</u> | <u>590,096</u> | <u>586,194</u> | <u>3,902</u> |
| Other Instructional Programs - Instruction | | | | | |
| Salaries | 3,000 | - | 3,000 | - | 3,000 |
| Total Other Special Instruction | <u>1,126,209</u> | <u>74,124</u> | <u>1,200,333</u> | <u>1,163,044</u> | <u>37,289</u> |
| TOTAL INSTRUCTION | <u>15,564,578</u> | <u>304,016</u> | <u>15,868,594</u> | <u>15,713,382</u> | <u>155,212</u> |
| UNDISTRIBUTED EXPENDITURES: | | | | | |
| Undistributed Expenditures - Instruction: | | | | | |
| Tuition to other LEAs within the state - regular | 68,572 | - | 68,572 | 40,880 | 27,692 |
| Tuition to other LEAs within the state - special | 536,795 | - | 536,795 | 479,114 | 57,681 |
| Tuition to private schools for the disabled - within state | 1,538,395 | (162,752) | 1,375,643 | 1,307,715 | 67,928 |
| Tuition - state facilities | 67,771 | - | 67,771 | 67,771 | - |
| Total Undistributed Expenditures - Instruction: | <u>2,211,533</u> | <u>(162,752)</u> | <u>2,048,781</u> | <u>1,895,480</u> | <u>153,301</u> |
| Undist. Expend. - Health Services | | | | | |
| Salaries | 317,257 | - | 317,257 | 254,117 | 63,140 |
| Purchased professional and technical services | 441,000 | 28,526 | 469,526 | 468,950 | 576 |
| Supplies and materials | 4,000 | - | 4,000 | 3,684 | 316 |
| Other objects | 4,300 | 1,554 | 5,854 | 5,703 | 151 |
| Total Undistributed Expenditures - Health Services | <u>766,557</u> | <u>30,080</u> | <u>796,637</u> | <u>732,454</u> | <u>64,183</u> |
| Undist. Expend. - Speech/Occupational Therapy, Physical Therapy & Related Services | | | | | |
| Salaries of other professional staff | 183,736 | 13,064 | 196,800 | 196,800 | - |
| Supplies and materials | 1,800 | - | 1,800 | 1,268 | 532 |
| Total Undist. Expend. - Speech/Occ Therapy, PT & Related Serv. | <u>185,536</u> | <u>13,064</u> | <u>198,600</u> | <u>198,068</u> | <u>532</u> |
| Undist. Expend. - Guidance Services | | | | | |
| Salaries of other professional staff | 612,211 | (40,000) | 572,211 | 566,596 | 5,615 |
| Salaries of secretaries and clerical assistants | 55,083 | 1,050 | 56,133 | 56,133 | - |
| Supplies and materials | 47,820 | 2,063 | 49,883 | 41,074 | 8,809 |
| Total Undist. Expend. - Guidance Services | <u>715,114</u> | <u>(36,887)</u> | <u>678,227</u> | <u>663,803</u> | <u>14,424</u> |
| Undist. Expend. - Child Study Teams | | | | | |
| Salaries of other professional staff | 759,615 | - | 759,615 | 738,274 | 21,341 |
| Salaries of secretarial and clerical assistants | 51,681 | 12,550 | 64,231 | 64,231 | - |
| Supplies and materials | 9,800 | - | 9,800 | 9,772 | 28 |
| Other objects | 6,160 | - | 6,160 | 1,078 | 5,082 |
| Total Undist. Expend. - Child Study Teams | <u>827,256</u> | <u>12,550</u> | <u>839,806</u> | <u>813,355</u> | <u>26,451</u> |
| Undist. Expend. - Improvement of Inst. Serv. | | | | | |
| Salaries of supervisor of instruction | 534,400 | 48,275 | 582,675 | 576,729 | 5,946 |
| Salaries of other professional staff | 48,275 | (48,275) | - | - | - |
| Purchased prof- educational services | 125,290 | 38,370 | 163,660 | 82,315 | 81,345 |
| Other objects | 3,800 | 581 | 4,381 | 3,953 | 428 |
| Total Undist. Expend. - Improvement of Inst. Serv. | <u>711,765</u> | <u>38,951</u> | <u>750,716</u> | <u>662,997</u> | <u>87,719</u> |

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016**

C-1

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|---|--------------------|---------------------|------------------|------------------|-----------------------------|
| Undist. Expend. - Edu. Media Serv./Sch. Library | | | | | |
| Salaries | \$ 221,520 | \$ - | \$ 221,520 | \$ 218,380 | \$ 3,140 |
| Salaries - Tech Coordinator | 84,054 | 4,687 | 88,741 | 88,741 | - |
| Supplies and materials | 52,915 | 480 | 53,395 | 46,566 | 6,829 |
| Other objects | 7,135 | - | 7,135 | 6,058 | 1,077 |
| Total Undist. Expend. - Edu. Media Serv./Sch. Library | <u>365,624</u> | <u>5,167</u> | <u>370,791</u> | <u>359,745</u> | <u>11,046</u> |
| Total Student and Instruction Related Services | <u>3,571,852</u> | <u>62,925</u> | <u>3,634,777</u> | <u>3,430,422</u> | <u>204,355</u> |
| Undist. Expend. - Supp. Serv. - General Admin. | | | | | |
| Salaries | 223,143 | (50) | 223,093 | 212,195 | 10,898 |
| Legal services | 88,315 | 50 | 88,365 | 81,358 | 7,007 |
| Audit Services | 43,488 | - | 43,488 | 42,000 | 1,488 |
| Purchased technical services | 16,500 | 65,677 | 82,177 | 55,903 | 26,274 |
| Communications/telephone | 103,300 | 11,856 | 115,156 | 68,420 | 46,736 |
| | 450 | - | 450 | 175 | 275 |
| Supplies and materials | 16,500 | 1,500 | 18,000 | 17,663 | 337 |
| Miscellaneous expenditures | 77,000 | 10,144 | 87,144 | 80,824 | 6,320 |
| Total Undist. Expend. - Supp. Serv. - General Admin. | <u>568,696</u> | <u>89,177</u> | <u>657,873</u> | <u>558,538</u> | <u>99,060</u> |
| Undist. Expend. - Support Serv. - School Admin. | | | | | |
| Salaries of principals/assistant principals | 846,338 | 500 | 846,838 | 846,838 | - |
| Salaries of secretarial and clerical assistants | 512,733 | 1,804 | 514,537 | 513,215 | 1,322 |
| Other purchased services (400-500 series) | 34,000 | - | 34,000 | 32,492 | 1,508 |
| Supplies and materials | 17,050 | - | 17,050 | 7,426 | 9,624 |
| Other objects | 111,645 | 30,127 | 141,772 | 116,224 | 25,548 |
| Total Undist. Expend. - Support Serv. - School Admin. | <u>1,521,766</u> | <u>32,431</u> | <u>1,554,197</u> | <u>1,516,195</u> | <u>38,002</u> |
| Undist. Expend. - Central Services | | | | | |
| Salaries | 348,198 | 10,280 | 358,478 | 357,012 | 1,466 |
| Interest on Current Loan | 5,144 | - | 5,144 | 4,208 | 936 |
| Miscellaneous expenditures | 2,000 | - | 2,000 | 1,855 | 145 |
| Total Undist. Expend. - Central Services | <u>355,342</u> | <u>10,280</u> | <u>365,622</u> | <u>363,075</u> | <u>2,547</u> |
| Undist. Expend. - Admin. Info Tech. | | | | | |
| Salaries | 103,344 | 707 | 104,051 | 104,051 | - |
| Other purchased services (400-500 series) | 32,500 | 6,500 | 39,000 | 32,670 | 6,330 |
| Total Undist. Expend. - Admin. Info Tech | <u>135,844</u> | <u>7,207</u> | <u>143,051</u> | <u>136,721</u> | <u>6,330</u> |
| Total Other Administrative Services | <u>2,012,952</u> | <u>49,918</u> | <u>2,062,870</u> | <u>2,015,991</u> | <u>46,879</u> |
| Undist. Expend. -Required Maintenance for School Facilities | | | | | |
| Salaries | 105,451 | 7,000 | 112,451 | 112,228 | 223 |
| Cleaning, repair, and maintenance services | 120,000 | 323,713 | 443,713 | 428,638 | 15,075 |
| General supplies | 55,000 | 6,000 | 61,000 | 59,119 | 1,881 |
| Total Undist. Expend. -Required Maintenance for School Facilities | <u>280,451</u> | <u>336,713</u> | <u>617,164</u> | <u>599,985</u> | <u>17,179</u> |
| Undist. Expend. - Custodial Services | | | | | |
| Salaries | 1,133,766 | (20,000) | 1,113,766 | 1,081,186 | 32,580 |
| Cleaning, repair and maintenance services | 98,900 | 4,620 | 103,520 | 96,901 | 6,619 |
| Other purchased property services | 48,700 | 2,707 | 51,407 | 50,913 | 494 |
| Insurance | 205,800 | 40,000 | 245,800 | 245,586 | 214 |
| General supplies | 105,000 | 17,075 | 122,075 | 120,237 | 1,838 |
| Energy (heat and electricity) | 545,550 | (7,000) | 538,550 | 509,884 | 28,666 |
| Other objects | 37,900 | 11,775 | 49,675 | 39,742 | 9,933 |
| Total Undist. Expend. - Custodial Services | <u>2,175,616</u> | <u>49,177</u> | <u>2,224,793</u> | <u>2,144,449</u> | <u>80,344</u> |
| Undistributed Expenses - Care and Upkeep of Grounds | | | | | |
| Salaries | 115,026 | 300 | 115,326 | 115,302 | 24 |
| Cleaning,Repair, and Maintenance Services | 36,625 | 3,200 | 39,825 | 35,723 | 4,102 |
| Total Undist. Expend. - Care and Upkeep of Grounds | <u>151,651</u> | <u>3,500</u> | <u>155,151</u> | <u>151,025</u> | <u>4,126</u> |
| Total Maintenance, Custodial and Grounds (plant operations and maintenance) | <u>2,607,718</u> | <u>389,390</u> | <u>2,997,108</u> | <u>2,895,459</u> | <u>101,649</u> |
| Undist. Expend. - Student Transportation Serv. | | | | | |
| Sal. for pup.trans. (bet. home and school) - special | 199,493 | (12,000) | 187,493 | 182,722 | 4,771 |
| Sal. For Pup. Trans. (Other than Bet. Home and School) | 71,020 | 24,750 | 95,770 | 95,673 | 97 |
| Other Purchased Professional and Technical Services | - | - | - | - | - |
| Cleaning, Repair and Maintenance Services | 42,000 | - | 42,000 | 31,993 | 10,007 |
| Contract services - (between home and school) - vendors | 520,845 | (12,000) | 508,845 | 433,387 | 75,458 |
| Contr Serv (Spl. Ed. Students) - Vendors | 820,246 | - | 820,246 | 715,240 | 105,006 |
| Contr services - aid in lieu payments | 53,040 | - | 53,040 | 49,990 | 3,050 |
| Misc. Purchased Serv. - Transportation | 70,000 | - | 70,000 | 59,779 | 10,221 |
| Supplies and Materials | 4,200 | - | 4,200 | 3,618 | 582 |
| Total Undist. Expend. - Student Transportation Serv. | <u>1,780,844</u> | <u>750</u> | <u>1,781,594</u> | <u>1,572,402</u> | <u>209,192</u> |

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016**

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|---------------------|-----------------------|-----------------------|---------------------|-----------------------------|
| Unallocated benefits: | | | | | |
| Social security contributions | \$ 383,985 | \$ 21,000 | \$ 404,985 | \$ 395,906 | \$ 9,079 |
| Other benefits | 335,863 | 48,052 | 383,915 | 375,272 | 8,643 |
| Workmen's compensation | 166,953 | - | 166,953 | 155,810 | 11,143 |
| Health benefits | 4,381,841 | (405,083) | 3,976,758 | 3,667,138 | 309,620 |
| Tuition Reimbursement | 26,000 | - | 26,000 | 18,054 | 7,946 |
| Other Employee Benefits | 70,000 | 49,000 | 119,000 | 118,921 | 79 |
| Total Unallocated benefits | <u>5,364,642</u> | <u>(287,031)</u> | <u>5,077,611</u> | <u>4,731,101</u> | <u>346,431</u> |
| On-behalf TPAF pension contributions (non- budgeted) | - | - | - | 2,629,142 | (2,629,142) |
| Reimbursed TPAF social security contributions (non-budgeted) | - | - | - | 1,127,963 | (1,127,963) |
| Total On-Behalf Payments | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,757,105</u> | <u>(3,757,105)</u> |
| TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS | <u>5,364,642</u> | <u>(287,031)</u> | <u>5,077,611</u> | <u>8,488,206</u> | <u>(3,410,674)</u> |
| TOTAL UNDISTRIBUTED EXPENDITURES | <u>18,118,237</u> | <u>142,377</u> | <u>18,260,614</u> | <u>20,856,498</u> | <u>(2,596,238)</u> |
| TOTAL GENERAL CURRENT EXPENSE | <u>33,682,815</u> | <u>446,393</u> | <u>34,129,208</u> | <u>36,569,880</u> | <u>(2,441,026)</u> |
| CAPITAL OUTLAY | | | | | |
| Equipment | | | | | |
| Undistributed expenditures equipment | 303,546 | 109,798 | 413,344 | 309,551 | 103,793 |
| Total Equipment | <u>303,546</u> | <u>109,798</u> | <u>413,344</u> | <u>309,551</u> | <u>103,793</u> |
| Facilities Acquisition and Construction Services | | | | | |
| Other Purchased Prof. & Tech. Serv. | 62,551 | 60,000 | 122,551 | 62,550 | 60,001 |
| Construction services | 202,000 | 982,396 | 1,184,396 | 356,750 | 827,646 |
| General Supplies | - | - | - | - | - |
| Land and Improvements | - | - | - | - | - |
| Lease Purchase Agreement - Principal | - | - | - | - | - |
| Buildings Other than Lease Purchase Agreement | - | - | - | - | - |
| Other Objects | 100,314 | - | 100,314 | 100,314 | - |
| Transfer to Capital Projects | - | - | - | - | - |
| Total Facilities Acquisition and Construction Services | <u>364,865</u> | <u>1,042,396</u> | <u>1,407,261</u> | <u>519,614</u> | <u>887,647</u> |
| TOTAL CAPITAL OUTLAY | <u>668,411</u> | <u>1,152,194</u> | <u>1,820,605</u> | <u>829,165</u> | <u>991,440</u> |
| Transfer of Funds to Charter Schools | 33,159 | - | 33,159 | 22,106 | 11,053 |
| TOTAL EXPENDITURES | <u>34,384,385</u> | <u>1,598,587</u> | <u>35,982,972</u> | <u>37,421,151</u> | <u>(1,438,533)</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | <u>(276,800)</u> | <u>(1,598,587)</u> | <u>(1,875,387)</u> | <u>830,188</u> | <u>2,705,221</u> |
| Fund Balance, July 1 | <u>(340,000)</u> | <u>(772,518)</u> | <u>(1,112,518)</u> | <u>3,452,526</u> | <u>4,565,044</u> |
| Fund Balance, June 30 | <u>\$ (616,800)</u> | <u>\$ (2,371,105)</u> | <u>\$ (2,987,905)</u> | <u>4,282,714</u> | <u>\$ 7,270,265</u> |
| Recapitulation: | | | | | |
| Restricted Fund Balance: | | | | | |
| Capital Reserve | | | | \$ 613,000 | |
| Maintenance Reserve | | | | 398,000 | |
| Emergency reserve | | | | 300,000 | |
| Excess Surplus- Current Year | | | | 474,207 | |
| Committed Fund Balance | | | | | |
| Year- End Encumbrances | | | | 1,087,705 | |
| Assigned Fund Balance | | | | | |
| Designated for Subsequent Year's Expenditures | | | | 490,844 | |
| Unassigned Fund Balance | | | | <u>918,958</u> | |
| | | | | 4,282,714 | |
| Reconciliation to Governmental Funds Statements (GAAP): | | | | | |
| Last two State Aid Payment not recognized on GAAP basis | | | | <u>(84,996)</u> | |
| Fund Balance per Governmental Funds (GAAP) | | | | <u>\$ 4,197,718</u> | |

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

C-2

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Final to Actual |
|--|--------------------|---------------------|------------------|------------------|-----------------------------|
| REVENUES: | | | | | |
| State sources | \$ 406,949 | \$ - | \$ 406,949 | \$ 406,949 | \$ - |
| Federal sources | 862,542 | - | 862,542 | 862,542 | - |
| TOTAL REVENUES | 1,269,491 | - | 1,269,491 | 1,269,491 | - |
| EXPENDITURES: | | | | | |
| Instruction | | | | | |
| Salaries of teachers | 392,759 | - | 392,759 | 392,759 | - |
| Purchased professional - educational services | 142,117 | - | 142,117 | 142,117 | - |
| Other purchased services (400-500 series) | 47,402 | - | 47,402 | 47,402 | - |
| General supplies | 29,536 | - | 29,536 | 29,536 | - |
| Textbooks | 75,094 | - | 75,094 | 75,094 | - |
| Total Instruction | 1,035,347 | - | 1,035,347 | 1,035,347 | - |
| Support Services | | | | | |
| Salaries of other professional staff | 19,955 | - | 19,955 | 19,955 | - |
| Personal services - employee benefits | 38,617 | - | 38,617 | 38,617 | - |
| Purchased professional - educational services | 112,333 | - | 112,333 | 112,333 | - |
| Other purchased professional services | 13,230 | - | 13,230 | 13,230 | - |
| Other purchased Services (400-500 series) | 825 | - | 825 | 825 | - |
| Total Support Services | 234,144 | - | 234,144 | 234,144 | - |
| Facilities acquisition and const. serv.: | | | | | |
| Instructional Equipment | - | - | - | - | - |
| Total facilities acquisition and const. serv. | - | - | - | - | - |
| TOTAL EXPENDITURES | 1,269,491 | - | 1,269,491 | 1,269,491 | - |
| Excess (Deficiency) of Revenues Over (Under) | | | | | |
| Expenditures and Other Financing Sources (Uses) | \$ - | \$ - | \$ - | \$ - | \$ - |

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

**METUCHEN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

| | General Fund | Special Revenue Fund |
|---|----------------------|----------------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule | \$ 38,251,339 | \$ 1,269,491 |
| Difference - budget to GAAP: | | |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements | (84,996) | - |
| State aid payment recognized for GAAP statements not for budgetary purposes. | 86,756 | - |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | <u>\$ 38,253,099</u> | <u>\$ 1,269,491</u> |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | \$ 37,421,151 | \$ 1,269,491 |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$ 37,421,151</u> | <u>\$ 1,269,491</u> |

REQUIRED SUPPLEMENTARY INFORMATION - PART III

 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS
 Year Ended June 30, 2016

Last 10 Fiscal Years
 (Dollar amounts in thousands)

| | 2016 | 2015 |
|---|--------------|--------------|
| District's proportion of the net pension liability | 0.0394% | 0.0418% |
| District's proportionate share of the net pension liability | \$ 9,504,940 | \$ 7,834,707 |
| District's covered-employee payroll | \$ 2,788,576 | \$ 2,845,142 |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 340.85% | 275.37% |
| Plan fiduciary net position as a percentage of the total pension liability | 38.21% | 42.74% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of District Contributions - PERS
Year Ended June 30, 2016

Last 10 Fiscal Years*
(Dollar amounts in thousands)

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|---------------------|---------------------|
| Contractually required contribution | \$ 338,663 | \$ 344,972 | \$ 301,637 |
| Contributions in relation to the contractually required contribution | <u>338,663</u> | <u>344,972</u> | <u>301,637</u> |
| Contribution deficiency (excess) | <u>\$ 677,326</u> | <u>\$ 689,944</u> | <u>\$ 603,274</u> |
| District's covered-employee payroll | <u>\$ 2,788,576</u> | <u>\$ 2,845,142</u> | <u>\$ 2,839,397</u> |
| Contributions as a percentage of covered-employee payroll | <u>12.14%</u> | <u>12.12%</u> | <u>10.62%</u> |

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
 Year Ended June 30, 2016

Last 10 Fiscal Years
 (Dollar amounts in thousands)

| | <u>2016</u> | <u>2015</u> |
|---|--------------------------|--------------------------|
| District's proportion of the net pension liability | 0.00% | 0.00% |
| District's proportionate share of the net pension liability | \$ - | \$ - |
| State's proportionate share of the net pension liability | <u>63,577,864,440</u> | <u>53,813,067,539</u> |
| Total | <u>\$ 63,577,864,440</u> | <u>\$ 53,813,067,539</u> |
| District's covered-employee payroll | <u>\$ 15,455,439</u> | <u>\$ 14,910,351</u> |
| District's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 0.00% | 0.00% |
| Plan fiduciary net position as a percentage of the total pension liability | 28.71% | 33.64% |

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of special revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

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

E-1

| | New Jersey Nonpublic Aid | | | |
|--|--------------------------|------------------------|---------------|---------------------|
| | Textbooks | Technology Services | Security | Nursing Services |
| REVENUES: | | | | |
| State sources | \$ 75,094 | \$ 34,323 | \$ 33,004 | \$ 115,842 |
| Federal sources | - | - | - | - |
| Total Revenues | 75,094 | 34,323 | 33,004 | 115,842 |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of teachers | - | - | - | - |
| Other salaries for instruction | - | - | - | - |
| Purchased professional - educational services | - | - | - | - |
| Purchased professional and technical services | - | - | - | 115,842 |
| Tuition | - | - | 33,004 | - |
| Other purchased services (400 - 500 series) | - | 34,323 | - | - |
| General supplies | - | - | - | - |
| Other objects | - | - | - | - |
| Textbooks | 75,094 | - | - | - |
| Total instruction | 75,094 | 34,323 | 33,004 | 115,842 |
| Support services: | | | | |
| Salaries of other professional staff | - | - | - | - |
| Other salaries | - | - | - | - |
| Personal services - employee benefits | - | - | - | - |
| Purchased professional - educational services | - | - | - | - |
| Other purchased professional services | - | - | - | - |
| Purchased technical services | - | - | - | - |
| Rentals | - | - | - | - |
| Other Purchased Services (400-500 series) | - | - | - | - |
| Tuition | - | - | - | - |
| Supplies and materials | - | - | - | - |
| Total support services | - | - | - | - |
| Facilities acquisition and const. serv.: | | | | |
| Instructional Equipment | - | - | - | - |
| Total facilities acquisition and const. serv. | - | - | - | - |
| TOTAL EXPENDITURES | 75,094 | 34,323 | 33,004 | 115,842 |
| Excess (deficiency) of revenues over expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

| | Title I Part A | Title I Part A CO | Title II Part A | Title IIA CO |
|--|-------------------|----------------------|--------------------|-----------------|
| REVENUES: | | | | |
| State sources | \$ - | \$ - | \$ - | \$ - |
| Federal sources | 103,184 | 6,546 | 33,659 | 8,401 |
| Total Revenues | 103,184 | 6,546 | 33,659 | 8,401 |
| EXPENDITURES: | | | | |
| Instruction: | | | | |
| Salaries of teachers | 71,760 | - | - | - |
| Other salaries for instruction | - | - | - | - |
| Purchased professional - educational services | - | - | - | - |
| Purchased professional and technical services | - | - | - | - |
| Tuition | - | - | - | - |
| Other purchased services (400 - 500 series) | - | - | - | - |
| General supplies | 3,848 | - | 2,578 | - |
| Other objects | - | - | - | - |
| Textbooks | - | - | - | - |
| Total instruction | 75,608 | - | 2,578 | - |
| Support services: | | | | |
| Salaries of other professional staff | - | - | - | - |
| Other salaries | 5,171 | - | - | - |
| Personal services - employee benefits | 5,921 | - | 2,015 | - |
| Purchased professional - educational services | - | - | - | - |
| Other purchased professional services | 4,400 | - | 6,088 | - |
| Purchased technical services | 6,354 | 6,546 | 22,153 | 8,401 |
| Rentals | - | - | - | - |
| Other Purchased Services (400-500 series) | - | - | 825 | - |
| Tuition | - | - | - | - |
| Supplies and materials | 5,730 | - | - | - |
| Total support services | 27,576 | 6,546 | 31,081 | 8,401 |
| Facilities acquisition and const. serv.: | | | | |
| Instructional Equipment | - | - | - | - |
| Total facilities acquisition and const. serv. | - | - | - | - |
| TOTAL EXPENDITURES | 103,184 | 6,546 | 33,659 | 8,401 |
| Excess (deficiency) of revenues over expenditures | \$ - | \$ - | \$ - | \$ - |

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

| I.D.E.A. | | | | | | | |
|---------------------|-----------------|------------------|------------------------|---------------------------------|-------------|----------------------------|-------------|
| Title III Part A | Title III CO | Basic Regular | Basic Regular CO | Achievement Coaches Grant | Preschool | Preschool Current CO | Totals |
| \$ - | \$ - | \$ - | \$ - | \$ 6,569 | \$ - | \$ - | \$ 406,949 |
| 12,894 | 37 | 596,396 | 72,431 | - | 15,897 | 13,097 | 862,542 |
| 12,894 | 37 | 596,396 | 72,431 | 6,569 | 15,897 | 13,097 | 1,269,491 |
| 241 | - | 320,758 | - | - | - | - | 392,759 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 142,117 |
| - | - | 127,162 | 72,431 | - | - | - | 315,435 |
| - | - | - | - | - | - | - | 33,004 |
| - | - | - | - | - | 13,079 | - | 47,402 |
| 12,653 | 37 | 9,140 | - | 1,280 | - | - | 29,536 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 75,094 |
| 12,894 | 37 | 457,060 | 72,431 | 1,280 | 13,079 | - | 1,035,347 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | 1,687 | 13,097 | 19,955 |
| - | - | 24,862 | - | 4,688 | 1,131 | - | 38,617 |
| - | - | 112,333 | - | - | - | - | 112,333 |
| - | - | 2,141 | - | 601 | - | - | 13,230 |
| - | - | - | - | - | - | - | 43,454 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 825 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | 5,730 |
| - | - | 139,336 | - | 5,289 | 2,818 | 13,097 | 234,144 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 12,894 | 37 | 596,396 | 72,431 | 6,569 | 15,897 | 13,097 | 1,269,491 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**CAPITAL PROJECTS FUND
DETAILS STATEMENT**

The Capital Projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds.

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| <u>Project Title/Issue</u> | <u>Approval Date</u> | <u>Revised Budgetary Appropriations</u> | <u>GAAP Expenditures to Date</u> | | <u>Unexpended Appropriations June 30, 2016</u> |
|-----------------------------|----------------------|---|--------------------------------------|-------------------------|--|
| | | | <u>Prior Years</u> | <u>Current Year</u> | |
| Edgar Boiler Replacement | April 28th 2014 | \$ 410,147 | \$ 246,448 | \$ - | \$ 163,699 |
| Emergency Generator | July 15th 2015 | 141,777 | - | 17,103 | 124,774 |
| Campbell Boiler Replacement | April 28th 2014 | 296,944 | 178,462 | | 118,482 |
| Totals | | <u>\$ 848,868</u> | <u>\$ 424,910</u> | <u>\$ 17,103</u> | <u>\$ 406,955</u> |

**METUCHEN 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 and Other Financing Sources

| | | |
|-----------------------------------|----|--------|
| Federal sources - grants | \$ | 17,003 |
| State sources - grants | | - |
| Bond proceeds and transfers | | - |
| Lease proceeds | | - |
| Contribution from private sources | | - |
| Transfer from capital reserve | | - |
| Transfer from capital outlay | | - |
| Interest income | | - |
| Total revenues | | 17,003 |

Expenditures and Other Financing Uses

| | | |
|---|----|---------|
| Purchased professional and technical services | | 17,003 |
| Construction services | | - |
| State fees | | - |
| Total expenditures | | 17,003 |
| Excess (deficiency) of revenues over (under) expenditures | | - |
| Fund balance - beginning | | 282,231 |
| Fund balance - ending | \$ | 282,231 |

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
EDGAR BOILERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|---------------|--------------|------------|-------------------------------|
| Revenues and Other Financing Sources | | | | |
| Interest income | \$ - | | \$ - | \$ - |
| State sources - grants | 164,059 | - | 164,059 | 164,059 |
| Transfer capital outlay | 60,473 | - | 60,473 | 60,473 |
| Leasing proceeds | 185,615 | - | 185,615 | 185,615 |
| Total revenues | 410,147 | - | 410,147 | 410,147 |
| Expenditures and Other Financing Uses | | | | |
| Purchased professional and technical services | 41,965 | - | 41,965 | 41,965 |
| Construction services | 204,483 | - | 204,483 | 204,483 |
| Total expenditures | 246,448 | - | 246,448 | 246,448 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 163,699 | \$ - | \$ 163,699 | \$ 163,699 |

Additional Project Information:

| | |
|--|------------------|
| Project Number | 3120-070-14-1002 |
| Grant Date/Letter of Notification | April 28 2014 |
| Bond Authorization/Referendum Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Project Authorized Cost | \$410,147 |
| Additional Authorized Cost | \$0 |
| Revised Authorized Cost | \$410,147 |
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 5% |
| Original Target Completion Date | November 1 2014 |
| Actual Completion Date | |

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
CAMPBELL BOILERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|---------------|--------------|------------|-------------------------------|
| Revenues and Other Financing Sources | | | | |
| Interest income | \$ - | | \$ - | \$ - |
| State sources - grants | 118,778 | - | 118,778 | 118,778 |
| Transfer capital outlay | 43,782 | - | 43,782 | 43,782 |
| Leasing proceeds | 134,384 | - | 134,384 | 134,384 |
| Total revenues | 296,944 | - | 296,944 | 296,944 |
| Expenditures and Other Financing Uses | | | | |
| Purchased professional and technical services | 30,389 | - | 30,389 | 30,389 |
| Construction services | 148,073 | - | 148,073 | 148,073 |
| Total expenditures | 178,462 | - | 178,462 | 178,462 |
| Excess (deficiency) of revenues over (under) expenditures | \$ 118,482 | \$ - | \$ 118,482 | \$ 118,482 |

Additional Project Information:

| | |
|--|------------------|
| Project Number | 3120-060-14-1001 |
| Grant Date/Letter of Notification | March 28 2014 |
| Bond Authorization/Referendum Date | N/A |
| Bonds Authorized | N/A |
| Bonds Issued | N/A |
| Original Project Authorized Cost | \$296,944 |
| Additional Authorized Cost | \$0 |
| Revised Authorized Cost | \$296,944 |
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 5% |
| Original Target Completion Date | November 1 2014 |
| Actual Completion Date | |

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
Emergency Generator
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| | Prior Periods | Current Year | Totals | Revised Authorized Cost |
|--|---------------|--------------|--------|-------------------------------|
| Revenues and Other Financing Sources | | | | |
| Interest income | \$ - | \$ - | \$ - | \$ - |
| State sources - grants | - | - | - | - |
| Transfer capital outlay | - | - | - | - |
| Federal grant | - | 17,003 | 17,003 | 17,003 |
| Total revenues | - | 17,003 | 17,003 | 17,003 |
| Expenditures and Other Financing Uses | | | | |
| Purchased professional and technical services | - | 17,003 | 17,003 | 17,003 |
| Construction services | - | - | - | - |
| Total expenditures | - | 17,003 | 17,003 | 17,003 |
| Excess (deficiency) of revenues over (under) expenditures | \$ - | \$ - | \$ - | \$ - |

Additional Project Information:

| | |
|--|------------------------|
| Project Number | PDMC-PJ-02NJ-1867-251R |
| Grant Date/Letter of Notification | 4/13/2015 |
| Bond Authorization/Referendum Date | 4/18/2018 |
| Bonds Authorized | \$0 |
| Bonds Issued | \$0 |
| Original Project Authorized Cost | \$157,530 |
| Additional Authorized Cost | \$0 |
| Revised Authorized Cost | \$157,530 |
| Percentage Increase Over Original Authorized Cost | 0% |
| Percentage Completion | 0% |
| Original Target Completion Date | 0 |
| Actual Completion Date | |

**ENTERPRISE FUND
DETAIL STATEMENTS**

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

Food Service Fund - This fund provides for the operation of food services in all schools within the District.

After School Program Fund (The Zone) - This fund provides for the operation of an after-school program which was initially funded by an operating grant and is referred within the District as "The Zone."

Integrated preSchool Program – This fund provides for the operation of a preschool program for three and four year olds.

Stream – This fund provides for an afterschool and summer program for students in grades 1 – 10, focusing on critical thinking skills.

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016**

G-1

| | Enterprise Funds | | | | Total |
|-------------------------------------|-------------------|------------------|-------------------------|------------------|-------------------|
| | Food Service | The Zone | Integrated PreSchool | Stream | |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 7,779 | \$ 232,203 | \$ 39,725 | \$ 50,112 | \$ 329,819 |
| Accounts receivable: | | | | | - |
| Federal | 17,485 | - | - | - | 17,485 |
| State | 802 | - | - | - | 802 |
| Inventories | 6,893 | - | - | - | 6,893 |
| Total current assets | 32,959 | 232,203 | 39,725 | 50,112 | 354,999 |
| Noncurrent assets: | | | | | |
| Furniture, machinery & equipment | 470,723 | - | - | - | 470,723 |
| Less accumulated depreciation | 368,901 | - | - | - | 368,901 |
| Total noncurrent assets | 101,822 | - | - | - | 101,822 |
| TOTAL ASSETS | 134,781 | 232,203 | 39,725 | 50,112 | 456,821 |
| LIABILITIES AND NET POSITION | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 5,604 | - | - | - | 5,604 |
| Interfund payable | - | 136,669 | 13,204 | 17,853 | 167,726 |
| Total current liabilities | 5,604 | 136,669 | 13,204 | 17,853 | 173,330 |
| Total liabilities | 5,604 | 136,669 | 13,204 | 17,853 | 173,330 |
| NET POSITION | | | | | |
| Net investment in capital assets | 101,822 | - | - | - | 101,822 |
| Unrestricted | 27,355 | 95,534 | 26,521 | 32,259 | 181,669 |
| Total net position | \$ 129,177 | \$ 95,534 | \$ 26,521 | \$ 32,259 | \$ 283,491 |

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

G-2

| | Enterprise Funds | | | | Total |
|---------------------------------------|-------------------|------------------|-------------------------|------------------|-------------------|
| | Food Service | The Zone | Integrated preSchool | Stream | |
| OPERATING REVENUES: | | | | | |
| Local sources: | | | | | |
| Food service sales | \$ 427,937 | \$ - | \$ - | \$ - | \$ 427,937 |
| Registration fees | - | 148,474 | 39,725 | 167,828 | 356,027 |
| Total Operating revenues | 427,937 | 148,474 | 39,725 | 167,828 | 783,964 |
| OPERATING EXPENSES: | | | | | |
| Salaries | 151,452 | 126,957 | 13,204 | 112,042 | 403,655 |
| Employee benefits | 59,454 | 9,712 | - | 8,571 | 77,737 |
| Cost of sales | 292,365 | - | - | - | 292,365 |
| Supplies and materials | 25,607 | 7,789 | - | 14,956 | 48,352 |
| Repairs and maintenance | 24,261 | - | - | - | 24,261 |
| Insurance | 1,810 | - | - | - | 1,810 |
| Management service fee | 20,853 | - | - | - | 20,853 |
| Miscellaneous | 8,169 | - | - | - | 8,169 |
| Depreciation | 32,244 | - | - | - | 32,244 |
| Total operating expenses | 616,215 | 144,458 | 13,204 | 135,569 | 909,446 |
| OPERATING INCOME (LOSS) | (188,278) | 4,016 | 26,521 | 32,259 | (125,482) |
| NONOPERATING REVENUES: | | | | | |
| State sources: | | | | | |
| State school lunch program | 4,675 | - | - | - | 4,675 |
| Federal sources: | | | | | |
| National school lunch program | 98,425 | - | - | - | 98,425 |
| Food Distribution Program | 46,913 | - | - | - | 46,913 |
| TOTAL NONOPERATING REVENUES | 150,013 | - | - | - | 150,013 |
| CHANGE IN NET POSITION | (38,265) | 4,016 | 26,521 | 32,259 | 24,531 |
| TOTAL NET POSITION - BEGINNING | 167,442 | 91,518 | - | - | 258,960 |
| TOTAL NET POSITION - ENDING | \$ 129,177 | \$ 95,534 | \$ 26,521 | \$ 32,259 | \$ 283,491 |

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

G-3

| | Enterprise Funds | | | | Total |
|--|---------------------|-------------------|----------------------|------------------|--------------------|
| | Food Service | The Zone | Integrated PreSchool | Stream | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers | \$ 427,937 | \$ 148,474 | \$ 39,725 | \$ 167,828 | \$ 783,964 |
| Payments to employees | (151,452) | (126,957) | (13,204) | (112,042) | (403,655) |
| Payments for employee benefits | (59,454) | (9,712) | - | (8,571) | (77,737) |
| Payments to suppliers | (376,985) | (7,789) | - | (14,956) | (399,730) |
| Net cash (used in) provided by operating activities | <u>(159,954)</u> | <u>4,016</u> | <u>26,521</u> | <u>32,259</u> | <u>(97,158)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| State Sources | 4,258 | - | - | - | 4,258 |
| Federal Sources | 132,957 | - | - | - | 132,957 |
| Local - Interfund change | 39,117 | (127,066) | 13,204 | 17,853 | (56,892) |
| Net cash provided by (used in) non-capital financing activities | <u>176,332</u> | <u>(127,066)</u> | <u>13,204</u> | <u>17,853</u> | <u>80,323</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Purchases of capital assets | (39,026) | - | - | - | (39,026) |
| Net increase (decrease) in cash and cash equivalents | (22,648) | (123,050) | - | 50,112 | (55,861) |
| Cash and cash equivalents—beginning of year | <u>30,427</u> | <u>355,253</u> | <u>39,725</u> | <u>46,508</u> | <u>385,680</u> |
| Cash and cash equivalents—end of year | <u>\$ 7,779</u> | <u>\$ 232,203</u> | <u>\$ 39,725</u> | <u>\$ 96,620</u> | <u>\$ 329,819</u> |
| Reconciliation of operating (loss) income to net cash (used in) provided by operating activities: | | | | | |
| Operating (loss) income | \$ (188,278) | \$ 4,016 | \$ 26,521 | \$ 32,259 | \$ (125,482) |
| Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities | | | | | |
| Depreciation | 32,244 | - | - | - | 32,244 |
| Increase in inventories | (4,443) | - | - | - | (4,443) |
| Increase in accounts payable | 523 | - | - | - | 523 |
| Total adjustments | <u>28,324</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>28,324</u> |
| Net cash (used in) provided by operating activities | <u>\$ (159,954)</u> | <u>\$ 4,016</u> | <u>\$ 26,521</u> | <u>\$ 32,259</u> | <u>\$ (97,158)</u> |

Noncash Noncapital Financing Activities:

During the year, the District received \$46,913 of food commodities, within its Food Service Fund, from the U.S. Department of Agriculture.

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

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

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

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

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

**METUCHEN SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2016**

| | Trust Funds | | | Agency Fund | Total |
|-------------------------------------|------------------------------------|-------------------------|---------------------|----------------|------------|
| | Unemployment Compensation Trust | Private Purpose Fund | Total Trust Fund | | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 271,007 | \$ 4,211 | \$ 275,218 | \$ 515,208 | \$ 790,426 |
| LIABILITIES | | | | | |
| Payable to student groups | \$ - | \$ - | \$ - | \$ 199,815 | \$ 199,815 |
| Payroll deductions and withholdings | - | - | - | 315,393 | 315,393 |
| Total liabilities | - | - | - | 515,208 | 515,208 |
| NET ASSETS | | | | | |
| Reserved | 271,007 | 4,211 | 275,218 | - | 275,218 |
| Total net position | 271,007 | 4,211 | 275,218 | - | 275,218 |
| Total liabilities and net position | \$ 271,007 | \$ 4,211 | \$ 275,218 | \$ 515,208 | \$ 790,426 |

**METUCHEN SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016**

| | <u>Unemployment Compensation Trust</u> | <u>Private Purpose Fund</u> | <u>Total Trust Funds</u> |
|------------------------------------|--|---------------------------------|------------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Plan member | \$ 57,883 | \$ - | \$ 57,883 |
| Other | - | 35,884 | 35,884 |
| Total Contributions | <u>57,883</u> | <u>35,884</u> | <u>93,767</u> |
| Investment earnings: | | | |
| Interest | 15 | - | 15 |
| Net investment earnings | <u>15</u> | <u>-</u> | <u>15</u> |
| Total additions | <u>57,898</u> | <u>35,884</u> | <u>93,782</u> |
| DEDUCTIONS | | | |
| Quarterly contribution reports | 37,616 | - | 37,616 |
| Projects Awarded | - | 36,555 | 36,555 |
| Total deductions | <u>37,616</u> | <u>36,555</u> | <u>74,171</u> |
| Change in net position | 20,282 | (671) | 19,611 |
| Net position—beginning of the year | <u>250,725</u> | <u>4,882</u> | <u>255,607</u> |
| Net position—end of the year | <u>\$ 271,007</u> | <u>\$ 4,211</u> | <u>\$ 275,218</u> |

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

H-3

| | <u>Balance July 1, 2015</u> | <u>Cash Receipts</u> | <u>Cash Disbursements</u> | <u>Balance June 30, 2016</u> |
|---------------------------------|---------------------------------|--------------------------|-------------------------------|----------------------------------|
| ELEMENTARY SCHOOLS: | | | | |
| Campbell | \$ 25,423 | \$ 48,153 | \$ 40,895 | \$ 32,681 |
| Edgar | 58,189 | 97,782 | 103,441 | 52,530 |
| Moss | 2,863 | 2,141 | 1,867 | 3,137 |
| TOTAL ELEMENTARY SCHOOLS | <u>86,475</u> | <u>148,076</u> | <u>146,203</u> | <u>88,348</u> |
| SENIOR HIGH SCHOOL: | | | | |
| General account | 56,824 | 204,740 | 190,221 | 71,343 |
| Staff account | 38,275 | 70,473 | 68,961 | 39,787 |
| Athletic account | 743 | 69,720 | 70,126 | 337 |
| TOTAL SENIOR HIGH SCHOOL | <u>95,842</u> | <u>344,933</u> | <u>329,308</u> | <u>111,467</u> |
| TOTAL ALL SCHOOLS | <u><u>\$ 182,317</u></u> | <u><u>\$ 493,009</u></u> | <u><u>\$ 475,511</u></u> | <u><u>\$ 199,815</u></u> |

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

| | Balance July 1, 2015 | Additions | Deletions | Balance June 30, 2016 |
|-------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 300,559 | \$ 11,365,531 | \$ 11,350,697 | \$ 315,393 |
| TOTAL ASSETS | \$ 300,559 | \$ 11,365,531 | \$ 11,350,697 | \$ 315,393 |
| | | | | |
| LIABILITIES: | | | | |
| Payroll deductions and withholdings | \$ 269,610 | \$ 11,330,010 | \$ 11,319,913 | \$ 279,707 |
| Section 125 Plan | 30,949 | 35,521 | 30,784 | 35,686 |
| TOTAL LIABILITIES | \$ 300,559 | \$ 11,365,531 | \$ 11,350,697 | \$ 315,393 |

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.

**METUCHEN SCHOOL DISTRICT
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
AS OF JUNE 30, 2016**

| Issue | Date of Issue | Amount of Issue | Annual Maturities | | Interest Rate | Balance July 1, 2015 | Issued | Retired | Balance June 30, 2016 |
|---|---------------|-----------------|-------------------|------------|---------------|----------------------|----------------------|----------------------|-----------------------|
| | | | Date | Amount | | | | | |
| Construction of renovations and improvements to the High School and Edgar School - | 3/15/2005 | \$ 17,247,000 | 8/15/2015 | \$ 855,000 | 4.125% | \$ 1,745,000 | \$ - | \$ 855,000 | \$ 890,000 |
| | | | 8/15/2016 | 890,000 | 4.125% | | | | |
| Construction of renovations and improvements to the High School and Edgar School - Reissue | 10/1/2012 | 8,620,000 | 8/15/2015 | 30,000 | 3.000% | 8,560,000 | - | 30,000 | 8,530,000 |
| | | | 8/15/2016 | 30,000 | 3.000% | | | | |
| | | | 8/15/2017 | 965,000 | 3.000% | | | | |
| | | | 8/15/2018 | 990,000 | 3.000% | | | | |
| | | | 8/15/2019 | 1,020,000 | 3.000% | | | | |
| | | | 8/15/2020 | 1,050,000 | 3.000% | | | | |
| | | | 8/15/2021 | 1,090,000 | 4.000% | | | | |
| | | | 8/15/2022 | 1,125,000 | 2.125% | | | | |
| | | | 8/15/2023 | 1,125,000 | 4.000% | | | | |
| | | | 8/15/2024 | 1,135,000 | 2.500% | | | | |
| Construction of renovations and improvements to the High School, Edgar School, Campbell School, and Moss School - Reissue | 3/15/2005 | 18,830,000 | 8/15/2015 | 845,000 | 4.250% | 14,050,000 | - | 14,050,000 | - |
| | | | 8/15/2016 | 885,000 | 4.250% | | | | |
| | | | 8/15/2017 | 920,000 | 4.250% | | | | |
| | | | 8/15/2018 | 960,000 | 4.250% | | | | |
| | | | 8/15/2019 | 1,000,000 | 4.250% | | | | |
| | | | 8/15/2020 | 1,045,000 | 4.250% | | | | |
| | | | 8/15/2021 | 1,090,000 | 4.375% | | | | |
| | | | 8/15/2022 | 1,130,000 | 4.500% | | | | |
| | | | 8/15/2023 | 1,185,000 | 4.500% | | | | |
| | | | 8/15/2024 | 1,230,000 | 4.500% | | | | |
| | | | 8/15/2025 | 1,285,000 | 4.500% | | | | |
| | | | 8/15/2026 | 1,210,000 | 4.500% | | | | |
| | | | 8/15/2027 | 1,265,000 | 4.500% | | | | |
| Construction of renovations and improvements to the High School, Edgar School, Campbell School, and Moss School - Reissue | 8/15/2015 | 12,085,000 | 9/15/2015 | 265,000 | 2.000% | - | 12,085,000 | 265,000 | 11,820,000 |
| | | | 9/15/2016 | 800,000 | 2.000% | | | | |
| | | | 9/15/2017 | 820,000 | 4.000% | | | | |
| | | | 9/16/2018 | 855,000 | 4.000% | | | | |
| | | | 09/152019 | 890,000 | 4.000% | | | | |
| | | | 9/17/2020 | 925,000 | 4.000% | | | | |
| | | | 09/152021 | 970,000 | 5.000% | | | | |
| | | | 9/18/2022 | 1,010,000 | 5.000% | | | | |
| | | | 09/152023 | 1,065,000 | 5.000% | | | | |
| | | | 9/19/2024 | 1,105,000 | 5.000% | | | | |
| | | | 09/152025 | 1,165,000 | 5.000% | | | | |
| | | | 9/20/2026 | 1,085,000 | 5.000% | | | | |
| | | | 09/152027 | 1,130,000 | 3.000% | | | | |
| | | | | | | <u>\$ 24,355,000</u> | <u>\$ 12,085,000</u> | <u>\$ 15,200,000</u> | <u>\$ 21,240,000</u> |

**METUCHEN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
YEAR ENDED JUNE 30, 2016**

| <u>Purpose</u> | <u>Date of Lease</u> | <u>Term of Lease</u> | <u>Amount of Original Lease</u> | | <u>Interest Rate</u> | <u>Balance July 1, 2015</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2016</u> |
|----------------|----------------------|----------------------|---------------------------------|-----------------|----------------------|-----------------------------|---------------|----------------|------------------------------|
| | | | <u>Principal</u> | <u>Interest</u> | | | | | |
| Boilers | 3/14/2014 | 5 Years | \$ 319,999 | \$ 15,488 | 1.73% | \$ 258,830 | \$ - | \$ 62,553 | \$ 196,277 |

**METUCHEN 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 Favorable (Unfavorable) |
|--|--------------------|---------------------|-----------------|--------------|---|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 2,383,161 | \$ - | \$ 2,383,161 | \$ 2,383,161 | \$ - |
| State Sources: | | | | | |
| Debt Service Aid Type II | 262,960 | - | 262,960 | 262,960 | - |
| Total - State Sources | 262,960 | - | 262,960 | 262,960 | - |
| Total Revenues | 2,646,121 | - | 2,646,121 | 2,646,121 | - |
| EXPENDITURES: | | | | | |
| Regular Debt Service: | | | | | |
| Interest | 916,121 | - | 916,121 | 647,235 | 268,886 |
| Bond issuance costs | - | - | - | 111,125 | (111,125) |
| Redemption of Principal | 1,730,000 | - | 1,730,000 | 1,995,000 | (265,000) |
| Total Regular Debt Service | 2,646,121 | - | 2,646,121 | 2,753,360 | (107,239) |
| Total expenditures | 2,646,121 | - | 2,646,121 | 2,753,360 | (107,239) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from issuance of school refunding bonds | - | - | - | 12,085,000 | 12,085,000 |
| Premium from issuance of school refunding bonds | - | - | - | 1,521,544 | 1,521,544 |
| Current refunding payment to bond trustee | - | - | - | (13,495,419) | (13,495,419) |
| Total other financing sources (uses) | - | - | - | 111,125 | 111,125 |
| Excess of Revenues Over Expenditures | - | - | - | 3,886 | 3,886 |
| Fund Balance, July 1 | - | - | - | - | - |
| Fund Balance, June 30 | \$ - | \$ - | \$ - | \$ 3,886 | \$ 3,886 |

**STATISTICAL SECTION
(UNAUDITED)**

| <u>Contents</u> | <u>Pages</u> |
|---|---------------------|
| Financial Trends | 85-90 |
| <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p> | |
| Revenue Capacity | 91-95 |
| <p>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</p> | |
| Debt Capacity | 96-99 |
| <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p> | |
| Demographic and Economic Information | 100-101 |
| <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p> | |
| Operating Information | 102-108 |
| <p>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.</p> | |

**METUCHEN SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| Governmental activities | | | | | | | | | | |
| Net investment in capital assets | \$ 13,736,842 | \$ 13,592,414 | 14,872,869 | \$ 14,183,680 | \$ 12,768,423 | \$ 13,273,256 | \$ 13,389,354 | \$ 14,827,053 | \$ 14,315,931 | \$ 14,831,779 |
| Restricted | 1,517,109 | 2,284,305 | 1,132,758 | 1,886,269 | 1,564,181 | 2,242,985 | 1,756,385 | 1,993,016 | 2,086,947 | 3,649,873 |
| Unrestricted | (2,963,446) | (869,734) | (669,199) | (1,159,444) | 1,477,386 | 760,551 | 719,470 | (1,159,444) | (7,508,373) | (8,282,092) |
| Total governmental activities net position | \$ 12,290,505 | \$ 15,006,985 | \$ 15,336,428 | \$ 14,910,505 | \$ 15,809,990 | \$ 16,276,792 | 15,865,209 | \$ 15,660,625 | \$ 8,894,505 | \$ 10,199,560 |
| Business-type activities | | | | | | | | | | |
| Net investment in capital assets | \$ 27,970 | \$ 3,763 | \$ 7,314 | \$ 10,077 | \$ 7,510 | \$ 68,823 | 87,943 | \$ 81,345 | \$ 95,040 | \$ 101,822 |
| Restricted | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 150,599 | 140,608 | 140,608 | 172,571 | 211,489 | 139,668 | 123,352 | 170,497 | 163,920 | 181,669 |
| Total business-type activities net position | \$ 178,569 | \$ 144,371 | \$ 147,922 | \$ 182,648 | \$ 218,999 | \$ 208,491 | \$ 211,295 | \$ 251,842 | \$ 258,960 | \$ 283,491 |
| District-wide | | | | | | | | | | |
| Net investment in capital assets | \$ 13,764,812 | \$ 13,596,177 | \$ 14,880,183 | \$ 14,193,757 | \$ 12,775,933 | \$ 13,342,079 | 13,477,297 | \$ 14,908,398 | \$ 14,410,971 | \$ 14,933,601 |
| Restricted | 1,517,109 | 2,284,305 | 1,132,758 | 1,886,269 | 1,564,181 | 2,242,985 | 1,756,385 | 1,993,016 | 2,086,947 | 3,649,873 |
| Unrestricted | (2,812,847) | (729,126) | (528,591) | (986,873) | 1,688,875 | 900,219 | 842,822 | (988,947) | (7,344,453) | (8,100,423) |
| Total district net position | \$ 12,469,074 | \$ 15,151,356 | \$ 15,484,350 | \$ 15,093,153 | \$ 16,028,989 | \$ 16,485,283 | \$ 16,076,504 | \$ 15,912,467 | \$ 9,153,465 | \$ 10,483,051 |

NOTE: During the District's fiscal year ended June 30, 2015, Governmental Accounting Standards Board Statement No 68, *Accounting and Financial Reporting for Pensions*. The impact added its proportionate share of its PERS Liability (\$7,834,707), which increased the governmental activities unrestricted net position deficit.

Source: CAFR Schedule A-1

**METUCHEN SCHOOL DISTRICT
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)**

| | Fiscal Year Ending June 30, | | | | | | | | | |
|---|-----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Expenses | | | | | | | | | | |
| Governmental activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 14,044,589 | \$ 14,436,619 | \$ 14,502,213 | \$ 14,958,271 | \$ 15,185,472 | \$ 15,197,916 | \$ 16,350,357 | \$ 16,395,357 | \$ 17,325,592 | \$ 18,275,035 |
| Special education | 2,171,992 | 2,362,289 | 2,609,258 | 2,722,563 | 2,792,351 | 3,342,126 | 3,478,398 | 3,575,539 | 3,792,555 | 4,162,646 |
| Other special education | 1,359,722 | 1,370,434 | 1,458,200 | 1,442,781 | 1,300,399 | 1,312,671 | 1,359,558 | 1,408,774 | 1,395,546 | 1,469,636 |
| Support Services: | | | | | | | | | | |
| Instruction | 1,581,980 | 1,699,526 | 1,942,786 | 1,978,134 | 2,080,871 | 2,123,690 | 2,213,443 | 2,406,025 | 2,156,707 | 1,917,586 |
| Student & instruction related services | 4,723,169 | 4,951,068 | 5,054,313 | 5,501,557 | 5,292,895 | 5,565,989 | 5,729,187 | 5,787,180 | 5,134,970 | 5,049,519 |
| General administrative services | 1,504,225 | 1,567,883 | 676,491 | 704,007 | 674,779 | 594,523 | 686,105 | 820,142 | 725,554 | 696,323 |
| School administrative services | 869,861 | 940,459 | 1,611,235 | 1,880,846 | 1,532,536 | 1,601,176 | 2,047,836 | 2,138,112 | 2,341,479 | 2,499,079 |
| Plant operations and maintenance | 3,519,516 | 3,417,091 | 3,517,879 | 3,471,358 | 3,200,865 | 3,369,258 | 3,505,495 | 3,539,246 | 3,678,707 | 3,923,137 |
| Pupil transportation | 1,384,683 | 1,494,459 | 1,621,844 | 1,885,349 | 1,792,852 | 2,039,465 | 2,173,458 | 2,105,130 | 2,047,847 | 1,992,972 |
| Business and other support services | 116,382 | 119,880 | 398,759 | 96,212 | 435,726 | 488,338 | 158,114 | 153,072 | 154,165 | 91,871 |
| Special Schools | 19,688 | - | - | 18,665 | - | - | - | - | - | - |
| Interest on long-term debt | 1,761,966 | 1,732,811 | 1,298,436 | 1,847,096 | 1,670,129 | 1,693,164 | 1,337,057 | 1,090,274 | 970,012 | 1,040,251 |
| Capital outlay | 58,080 | 56,720 | 58,200 | - | - | - | - | - | - | - |
| Unallocated depreciation | - | - | - | - | - | - | - | - | - | - |
| Total governmental activities expenses | 33,115,853 | 34,203,239 | 34,749,614 | 36,506,839 | 35,938,875 | 37,328,316 | 39,039,008 | 39,418,851 | 39,723,134 | 41,121,055 |
| Business-type activities: | | | | | | | | | | |
| Food service | 400,001 | 421,240 | 388,276 | 446,367 | 429,930 | 472,876 | 504,956 | 539,389 | 584,238 | 616,215 |
| After school program | 155,033 | 166,395 | 160,378 | 127,345 | 152,656 | 158,248 | 139,712 | 128,591 | 140,342 | 144,458 |
| STREAM | - | - | - | - | - | - | - | - | - | 13,204 |
| PreSchool Program | - | - | - | - | - | - | - | - | - | 135,569 |
| Total business-type activities expense | 555,034 | 587,635 | 548,654 | 573,712 | 582,586 | 631,124 | 644,668 | 667,980 | 724,580 | 909,446 |
| Total district expenses | \$ 33,670,887 | \$ 34,790,874 | \$ 35,298,268 | \$ 37,080,551 | \$ 36,521,461 | \$ 37,959,440 | \$ 39,683,676 | \$ 40,086,831 | \$ 40,447,714 | \$ 42,030,501 |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Regular programs | \$ 20,650 | \$ 84,393 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special schools | - | - | - | - | - | - | - | - | - | - |
| Operating grants and contributions | 2,676,121 | 1,448,867 | 2,538,877 | 1,716,584 | 1,635,978 | 1,436,133 | 1,376,200 | 1,379,211 | 1,453,271 | 1,532,451 |
| Total governmental activities program revenues | 2,696,771 | 1,533,260 | 2,538,877 | 1,716,584 | 1,635,978 | 1,436,133 | 1,376,200 | 1,379,211 | 1,453,271 | 1,532,451 |
| Business-type activities: | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Food service | 331,236 | 328,755 | 310,618 | 350,334 | 349,458 | 377,529 | 382,444 | 417,444 | 426,853 | 427,937 |
| After school program | 153,292 | 138,646 | 125,948 | 141,611 | 156,830 | 127,587 | 136,732 | 161,430 | 180,815 | 148,474 |
| Stream | - | - | - | - | - | - | - | - | - | 39,725 |
| PreSchool program | - | - | - | - | - | - | - | - | - | 187,828 |
| Operating grants and contributions | 78,253 | 84,303 | 114,152 | 116,240 | 112,649 | 115,500 | 128,296 | 125,707 | 124,030 | 150,013 |
| Total business-type activities program revenues | 562,781 | 551,704 | 550,718 | 608,185 | 618,937 | 620,616 | 647,472 | 704,581 | 731,698 | 933,977 |
| Total district program revenues | \$ 3,259,552 | \$ 2,084,964 | \$ 3,089,595 | \$ 2,324,769 | \$ 2,254,915 | \$ 2,056,749 | \$ 2,023,672 | \$ 2,083,792 | \$ 2,184,969 | \$ 2,466,428 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental activities | \$ (30,419,082) | \$ (32,669,979) | \$ (32,210,737) | \$ (34,790,255) | \$ (34,302,897) | \$ (35,892,183) | \$ (37,662,808) | \$ (38,039,640) | \$ (38,269,863) | \$ (39,588,604) |
| Business-type activities | 7,747 | (35,931) | 2,064 | 34,473 | 36,351 | (10,508) | 2,804 | 36,601 | 7,118 | 24,531 |
| Total district-wide net expense | \$ (30,411,335) | \$ (32,705,910) | \$ (32,208,673) | \$ (34,755,782) | \$ (34,266,546) | \$ (35,902,691) | \$ (37,660,004) | \$ (38,003,039) | \$ (38,262,745) | \$ (39,564,073) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes levied for general purposes, net | \$ 25,051,544 | \$ 26,278,575 | \$ 27,170,726 | \$ 28,194,381 | \$ 29,272,156 | \$ 29,819,545 | \$ 30,367,802 | \$ 30,972,158 | \$ 32,181,436 | \$ 32,825,065 |
| Taxes levied for debt service | 2,380,140 | 2,402,096 | 2,424,253 | 2,408,334 | 2,449,459 | 2,455,048 | 2,453,395 | 2,381,877 | 2,302,219 | 2,383,161 |
| Federal and state aid not restricted | 11,401,907 | 5,537,582 | 2,794,228 | 2,551,952 | 2,705,926 | 3,763,986 | 4,239,306 | 4,228,349 | 4,471,564 | 5,087,035 |
| Payments in lieu of taxes | - | - | - | 1,123,672 | - | - | - | - | - | - |
| Investment earnings | 461,901 | 1,149,890 | 5,417 | 63 | - | - | - | - | - | - |
| Miscellaneous income | 154,917 | 18,326 | 145,556 | 171,786 | 244,044 | 320,406 | 190,721 | 252,673 | 199,537 | 598,398 |
| Transfers | - | - | - | 444,941 | - | - | - | - | - | - |
| Total governmental activities | 39,450,409 | 35,386,469 | 32,540,180 | 34,895,129 | 34,671,585 | 36,358,985 | \$ 37,251,224 | \$ 37,835,057 | 39,154,756 | 40,893,659 |
| Business-type activities: | | | | | | | | | | |
| Investment earnings | 5,890 | 2,938 | 275 | 253 | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - |
| Total business-type activities | 5,890 | 2,938 | 275 | 253 | - | - | - | - | - | - |
| Total district-wide | \$ 39,456,299 | \$ 35,389,407 | \$ 32,540,455 | \$ 34,895,382 | \$ 34,671,585 | \$ 36,358,985 | 37,251,224 | 37,835,057 | \$ 39,154,756 | \$ 40,893,659 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 9,031,327 | \$ 2,716,490 | \$ 329,443 | \$ 104,874 | \$ 368,688 | \$ 466,802 | \$ (411,584) | \$ (204,583) | \$ 884,893 | \$ 1,305,055 |
| Business-type activities | 13,637 | (32,993) | 2,339 | 34,726 | 36,351 | (10,508) | 2,804 | 36,601 | 7,118 | 24,531 |
| Total district | \$ 9,044,964 | \$ 2,683,497 | \$ 331,782 | \$ 139,600 | \$ 405,039 | \$ 456,294 | \$ (408,780) | \$ (167,982) | \$ 892,011 | \$ 1,329,586 |

Source: CAFR Schedule A-2

**METUCHEN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 1,027,782 | \$ 1,931,833 | \$ 677,009 | \$ 985,213 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 972,411 | 965,231 | 1,372,867 | 580,509 | - | - | - | - | - | - |
| Non-spendable | - | - | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | 744,899 | 2,084,423 | 768,365 | 913,872 | 1,804,716 | 1,785,207 |
| Committed | - | - | - | - | 214,674 | 201,775 | 1,337,407 | 772,517 | 459,391 | 1,087,705 |
| Assigned | - | - | - | - | 600,000 | 357,706 | 497,230 | 220,000 | 280,000 | 490,844 |
| Unassigned | - | - | - | - | 794,281 | 760,551 | 719,470 | 821,473 | 821,663 | 833,962 |
| Total general fund | <u>\$ 2,000,193</u> | <u>\$ 2,897,064</u> | <u>\$ 2,049,876</u> | <u>\$ 1,565,722</u> | <u>\$ 2,353,854</u> | <u>\$ 3,404,455</u> | <u>\$ 3,322,472</u> | <u>\$ 2,727,862</u> | <u>\$ 3,365,770</u> | <u>\$ 4,197,718</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue fund | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Capital projects fund | 9,574,057 | 1,348,019 | 831,658 | 896,448 | - | - | - | - | - | - |
| Debt service fund | 3,388 | - | - | 86,627 | - | - | - | - | - | - |
| Permanent fund | - | - | - | - | - | - | - | - | - | - |
| Restricted | - | - | - | - | - | - | 86,629 | 86,629 | 282,231 | 282,231 |
| Assigned | - | - | - | - | 621,698 | 617,090 | - | 645,092 | - | - |
| Unassigned, reported in: | | | | | | | | | | |
| Special revenue fund | - | - | - | - | - | - | - | - | - | - |
| Capital projects fund | - | - | - | - | - | - | - | - | - | - |
| Debt service fund | - | - | - | - | - | - | - | - | - | 3,886 |
| Permanent fund | - | - | - | - | - | - | - | - | - | - |
| Total all other governmental funds | <u>\$ 9,577,445</u> | <u>\$ 1,348,019</u> | <u>\$ 831,658</u> | <u>\$ 983,075</u> | <u>\$ 621,698</u> | <u>\$ 617,090</u> | <u>\$ 86,629</u> | <u>\$ 731,721</u> | <u>\$ 282,231</u> | <u>\$ 286,117</u> |

Note: During 2011, the District adopted GASB Statement No. 54. Prior fund balances were not restated.

**METUCHEN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|------------------------|-----------------------|-----------------------|---------------------|-------------------|---------------------|---------------------|-------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Tax levy | \$ 27,431,684 | \$ 28,680,671 | \$ 29,594,979 | \$ 30,602,715 | \$ 31,721,615 | \$ 32,274,593 | \$ 32,821,197 | \$ 33,354,035 | \$ 34,483,655 | \$ 35,208,226 |
| Tuition charges | 20,650 | 84,383 | - | - | - | 165,825 | - | - | - | - |
| Interest earnings | 461,901 | 1,149,890 | 5,417 | 63 | - | - | - | - | - | - |
| Adult school | - | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 230,867 | 18,326 | 145,556 | 171,786 | 244,045 | 154,581 | 252,546 | 252,432 | 199,842 | 358,002 |
| State sources | 5,325,035 | 5,419,843 | 4,615,993 | 4,319,030 | 3,242,836 | 4,027,530 | 4,862,983 | 4,851,808 | 5,178,192 | 5,725,868 |
| Federal sources | 639,941 | 716,654 | 717,112 | 994,262 | 1,018,714 | 890,389 | 752,523 | 755,752 | 746,643 | 893,618 |
| Total revenue | 34,110,078 | 36,069,767 | 35,079,057 | 36,087,856 | 36,227,210 | 37,512,918 | 38,689,249 | 39,214,027 | 40,608,332 | 42,185,714 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | 9,876,641 | 10,178,614 | 10,617,659 | 10,948,023 | 10,726,949 | 11,005,651 | 10,786,662 | 10,926,652 | 11,916,406 | 12,548,197 |
| Special education instruction | 1,544,044 | 1,584,167 | 1,894,829 | 1,985,999 | 1,930,022 | 2,344,905 | 2,359,733 | 2,494,205 | 2,701,516 | 3,037,488 |
| Other special instruction | 1,152,574 | 1,159,503 | 1,264,739 | 1,208,484 | 1,044,426 | 1,043,678 | 1,063,003 | 1,114,160 | 1,098,004 | 1,163,044 |
| Support Services: | | | | | | | | | | |
| Tuition | 1,581,980 | 1,699,526 | 1,942,786 | 1,978,134 | 2,060,871 | 2,123,690 | 2,213,443 | 2,406,025 | 2,156,707 | 1,917,586 |
| Student & instruction related services | 3,832,685 | 4,041,024 | 4,280,292 | 4,449,665 | 4,092,461 | 3,580,722 | 4,373,107 | 4,447,183 | 3,780,917 | 3,664,566 |
| School administrative services | 568,946 | 622,787 | 604,480 | 589,327 | 552,171 | 585,593 | 553,730 | 555,737 | 583,522 | 558,538 |
| Other administrative services | 1,421,317 | 1,459,235 | 1,603,381 | 1,460,782 | 1,492,134 | 1,525,306 | 1,598,850 | 1,658,896 | 1,854,484 | 2,015,991 |
| Plant operations and maintenance | 2,807,025 | 2,723,357 | 2,845,886 | 2,562,907 | 2,309,343 | 2,442,222 | 2,478,228 | 2,544,364 | 2,583,870 | 2,895,459 |
| Pupil transportation | 1,169,727 | 1,273,059 | 1,419,148 | 1,586,804 | 1,460,790 | 1,684,070 | 1,785,740 | 1,730,203 | 1,668,592 | 1,572,402 |
| Unallocated employee benefits | 6,739,049 | 7,099,546 | 6,374,777 | 6,836,568 | 6,929,704 | 7,328,395 | 8,506,549 | 8,235,263 | 8,377,443 | 8,488,206 |
| Other support services | - | - | - | 18,665 | - | - | - | - | - | - |
| Special Schools | 19,688 | - | - | 2,500 | - | - | - | - | - | - |
| Capital outlay | 16,200,719 | 8,846,564 | 859,969 | 606,563 | 407,725 | 79,681 | 462,712 | 766,228 | 1,046,613 | 846,168 |
| Debt service: | | | | | | | | | | |
| Principal | 1,170,000 | 1,280,000 | 1,280,000 | 1,320,000 | 1,370,000 | 1,440,000 | 1,495,000 | 1,590,000 | 1,665,000 | 1,995,000 |
| Interest and other charges | 1,562,649 | 1,509,940 | 1,454,660 | 1,397,740 | 1,341,840 | 1,283,012 | 1,134,936 | 1,054,628 | 986,840 | 647,235 |
| Bond issuance costs | - | - | - | - | - | - | - | - | - | 111,125 |
| Total expenditures | 49,647,044 | 43,477,322 | 36,442,606 | 36,952,161 | 35,718,436 | 36,466,925 | 38,811,693 | 39,523,544 | 40,419,914 | 41,461,005 |
| Excess (Deficiency) of revenues over (under) expenditures | (15,536,966) | (7,407,555) | (1,363,549) | (864,305) | 508,774 | 1,045,993 | (122,444) | (309,517) | 188,418 | 724,709 |
| Other Financing sources (uses) | | | | | | | | | | |
| Bond proceeds | - | - | - | - | - | - | - | - | - | - |
| Lease proceeds | - | - | - | - | - | - | - | - | - | - |
| Payment to refunded debt escrow agent | - | - | - | - | - | - | (9,630,507) | - | - | (13,495,419) |
| Refunding bonds | - | - | - | - | - | - | 8,620,000 | 319,999 | - | 12,085,000 |
| Reoffering premium | - | - | - | - | - | - | 666,107 | - | - | 1,521,544 |
| Discount | - | - | - | - | - | - | (43,100) | - | - | - |
| Costs of issuance | - | - | - | - | - | - | (62,500) | - | - | - |
| Transfer Capital Outlay | - | - | - | 444,941 | - | - | - | - | - | - |
| Transfers in | - | - | - | 218,592 | - | - | - | - | - | - |
| Transfers out | - | - | - | (218,592) | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | 444,941 | - | - | (450,000) | 319,999 | - | 111,125 |
| Net change in fund balances | \$ (15,536,966) | \$ (7,407,555) | \$ (1,363,549) | \$ (419,364) | \$ 508,774 | \$ 1,045,993 | \$ (572,444) | \$ 10,482 | \$ 188,418 | \$ 835,834 |
| Debt service as a percentage of noncapital expenditures | 8.2% | 8.1% | 7.7% | 7.5% | 7.7% | 7.5% | 6.9% | 6.8% | 6.7% | 6.5% |

**METUCHEN SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)**

| Fiscal Year Ended June 30, | Interest Earned | Tuition | Rentals | Telephone Commissions | Adult Education |
|-------------------------------|-----------------|-----------|-----------|--------------------------|-----------------|
| 2007 | \$ - | \$ 84,383 | \$ 18,326 | \$ - | \$ - |
| 2008 | 111,651 | 84,383 | 18,326 | - | - |
| 2009 | 30,008 | 96,498 | 11,565 | - | - |
| 2010 | 15,558 | 124,727 | 14,500 | - | - |
| 2011 | 1,525 | 185,525 | 14,500 | - | - |
| 2012 | - | 165,825 | 15,000 | - | - |
| 2013 | - | 132,494 | 11,922 | - | - |
| 2014 | - | 127,087 | 12,252 | - | - |
| 2015 | - | 85,958 | 11,000 | - | - |
| 2016 | - | 64,637 | 11,000 | - | - |

Source: District records

**METUCHEN SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)**

| <u>Refunds</u> | <u>Transportation Fees</u> | <u>Insurance Claim Refund</u> | <u>Miscellaneous</u> | <u>Annual Totals</u> |
|----------------|--------------------------------|-----------------------------------|----------------------|----------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 102,709 |
| - | - | - | - | 214,360 |
| - | - | - | 7,485 | 145,556 |
| - | - | - | 17,001 | 171,786 |
| 15,970 | - | - | 26,525 | 244,045 |
| - | 108,865 | - | 30,725 | 320,415 |
| - | 108,130 | - | - | 252,546 |
| - | 110,243 | - | 2,850 | 252,432 |
| - | 102,804 | - | - | 199,762 |
| - | 126,632 | - | 155,733 | 358,002 |

**METUCHEN SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 UNAUDITED**

| Fiscal Year Ended June 30, | Vacant Land | Residential | Commercial | Industrial | Apartment |
|-------------------------------------|--------------|----------------|----------------|---------------|---------------|
| 2007 | \$ 7,203,100 | \$ 787,867,900 | \$ 113,813,500 | \$ 38,424,600 | \$ 19,118,500 |
| 2008 | 7,471,400 | 791,612,800 | 113,083,100 | 37,991,600 | 17,342,100 |
| 2009 | 7,282,500 | 797,274,400 | 111,598,800 | 39,117,800 | 17,171,200 |
| 2010 | 9,762,200 | 795,616,400 | 109,058,200 | 39,401,800 | 16,709,200 |
| 2011 | 9,349,400 | 796,856,500 | 110,288,000 | 39,145,500 | 16,258,800 |
| 2012 | 8,891,700 | 797,570,600 | 110,815,100 | 38,296,000 | 16,258,800 |
| 2013 | 8,719,600 | 795,065,000 | 109,058,500 | 37,736,900 | 16,183,300 |
| 2014 | 8,509,000 | 802,952,900 | 108,942,000 | 37,676,400 | 15,883,800 |
| 2015 | 9,286,700 | 807,914,500 | 109,292,700 | 36,460,500 | 17,617,700 |
| 2016 | 13,660,700 | 814,437,600 | 109,677,600 | 36,412,600 | 17,852,000 |

N/A - Information not currently available.

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

(1) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

(2) Tax rates are per \$100

**METUCHEN SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 UNAUDITED**

| <u>Total Assessed Value</u> | Less: Tax- Exempt Property | Public Utilities (1) | Net Valuation Taxable | Total Direct School Tax Rate (2) | Estimated Actual (County Equalized Value) |
|-----------------------------|-------------------------------------|----------------------|-----------------------|--|---|
| \$ 966,427,600 | \$ - | N/A | \$ 966,427,600 | 2.890 | \$ 2,284,158,828 |
| 967,501,000 | - | \$ 3,619,308 | 971,120,308 | 3.000 | 2,294,167,852 |
| 972,444,700 | - | 3,562,397 | 976,007,097 | 3.090 | 2,286,157,845 |
| 970,547,800 | - | 3,600,009 | 974,147,809 | 3.199 | 2,345,197,193 |
| 971,898,200 | - | 3,474,360 | 975,372,560 | 3.281 | 2,298,237,066 |
| 971,832,200 | - | 3,635,750 | 975,467,950 | 3.337 | 2,209,826,687 |
| 966,763,300 | - | 2,910,399 | 969,673,699 | 3.412 | 2,153,706,989 |
| 973,964,100 | - | 2,910,399 | 976,874,499 | 3.490 | 2,121,701,671 |
| 980,572,100 | - | - | 980,572,100 | 3.554 | 2,190,249,757 |
| 992,040,500 | - | - | 992,040,500 | 3.660 | 2,272,195,373 |

**METUCHEN SCHOOL DISTRICT
DIRECT AND OVERLAPPING TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED**

(Rate Per \$100 of Assessed Value)

| Fiscal Year Ended June 30, | Metuchen Board of Education | | | Overlapping Rates | | |
|-------------------------------------|-----------------------------|--|--------------|-------------------|---------------------|--|
| | Basic Rate (1) | General Obligation Debt Service (2) | Total Direct | Borough | Middlesex County | Total Direct & Overlapping Tax Rate |
| 2007 | 2.590 | 0.300 | 2.890 | 0.830 | 0.660 | 4.380 |
| 2008 | 2.750 | 0.250 | 3.000 | 0.920 | 0.678 | 4.598 |
| 2009 | 2.800 | 0.250 | 3.050 | 0.959 | 0.729 | 4.738 |
| 2010 | 2.890 | 0.250 | 3.140 | 1.034 | 0.713 | 4.887 |
| 2011 | 3.057 | 0.250 | 3.307 | 1.072 | 0.790 | 5.169 |
| 2012 | 3.110 | 0.250 | 3.360 | 1.098 | 0.831 | 5.289 |
| 2013 | 3.190 | 0.240 | 3.430 | 1.127 | 0.850 | 5.407 |
| 2014 | 3.235 | 0.240 | 3.475 | 1.150 | 0.867 | 5.492 |
| 2015 | 3.314 | 0.240 | 3.554 | 1.205 | 0.883 | 5.642 |
| 2016 | 3.430 | 0.230 | 3.660 | 1.256 | 0.880 | 5.796 |

Source: District Records and Municipal Tax Collector

(1) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

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

**METUCHEN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS PRIOR
UNAUDITED**

| Taxpayer | 2016 | | 2007 | | |
|-------------------------------------|------------------------------|--|------------------------------|------|--|
| | Taxable Assessed Value | % of Total District Net Assessed Value | Taxable Assessed Value | Rank | % of Total District Net Assessed Value |
| Metuchen at Homestead LLC | \$ 5,080,000 | 0.52% | | | |
| P & V Warehouse & Distribution Co. | 4,198,800 | 0.43% | 4,198,800 | 3 | 0.43% |
| Redfield Village Apartments | 3,800,000 | 0.39% | 3,800,000 | 4 | 0.53% |
| Metuchen Manor Apartments | 3,500,000 | 0.36% | 3,526,500 | 5 | 0.36% |
| District at Metuchen/Bluestone 31st | 3,000,000 | 0.31% | | | |
| Extra Space Storage | 3,000,000 | 0.31% | | | |
| Metuchen I | 2,672,000 | 0.27% | 1,346,400 | 12 | 0.16% |
| Bridgee and Middlesex | 2,200,000 | 0.23% | | | |
| Whippany Office Park LLC | 2,200,000 | 0.23% | | | |
| New Wincup Holdings | 2,100,000 | 0.22% | 2,013,500 | 8 | 0.28% |
| Homestead Village Apartments | | | 5,542,000 | 1 | 0.57% |
| Bell Atlantic (Equipment) | | | 4,251,461 | 2 | 0.56% |
| Extra Space Storage | | | 3,264,500 | 6 | 0.34% |
| Franco Brothers Realty | | | 2,910,300 | 7 | 0.30% |
| Prospect Realty | | | 1,989,700 | 9 | 0.21% |
| Mainstreet Metuchen | | | 1,515,000 | 10 | 0.00% |
| Total | \$ 31,750,800 | 3.26% | \$ 34,358,161 | | 1.76% |

**METUCHEN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTION
LAST TEN FISCAL YEARS
UNAUDITED**

| Fiscal Year Ended | Taxes Levied for the Fiscal Year | Collected within the Fiscal Year of the | |
|-------------------------|-------------------------------------|---|-----------------------|
| | | Amount | Percentage of Levy |
| 2007 | \$ 27,431,684 | \$ 27,431,684 | 100.00% |
| 2008 | 28,680,671 | 28,680,671 | 100.00% |
| 2009 | 29,594,979 | 29,594,979 | 100.00% |
| 2010 | 30,602,715 | 30,602,715 | 100.00% |
| 2011 | 31,721,615 | 31,721,615 | 100.00% |
| 2012 | 32,274,593 | 32,274,593 | 100.00% |
| 2013 | 32,821,197 | 32,821,197 | 100.00% |
| 2014 | 33,354,035 | 33,354,035 | 100.00% |
| 2015 | 34,483,655 | 34,483,655 | 100.00% |
| 2016 | 35,208,226 | 35,208,226 | 100.00% |

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

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

**METUCHEN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

| Fiscal Year Ended June 30, | Governmental Activities | | | | Business-Type Activities | | Total District | Percentage of Personal Income (1) | Per Capita (1) |
|-------------------------------|--------------------------------|----------------------------------|----------------|--------------------------------------|-----------------------------|---------------|----------------|---|----------------|
| | General Obligation Bonds | Certificates of Participation | Capital Leases | Bond Anticipation Notes (BANs) | Capital Leases | | | | |
| 2007 | \$ 35,697,000 | \$ - | \$ - | \$ - | \$ - | \$ 35,697,000 | N/A | \$ 2,667 | |
| 2008 | 34,492,000 | - | - | - | - | 34,492,000 | N/A | 2,646 | |
| 2009 | 33,287,000 | - | - | - | - | 33,287,000 | N/A | 2,560 | |
| 2010 | 31,892,000 | - | - | - | - | 31,892,000 | N/A | 2,444 | |
| 2011 | 30,522,000 | - | - | - | - | 30,522,000 | N/A | 2,331 | |
| 2012 | 29,082,000 | - | - | - | - | 29,082,000 | N/A | 2,140 | |
| 2013 | 27,610,000 | - | - | - | - | 27,610,000 | N/A | 2,023 | |
| 2014 | 26,020,000 | - | 319,999 | - | - | 26,339,999 | N/A | 1,924 | |
| 2015 | 24,355,000 | - | 258,830 | - | - | 24,613,830 | N/A | 1,789 | |
| 2016 | 21,240,000 | - | 196,277 | - | - | 21,436,277 | N/A | 1,550 | |

N/A - Information not currently available.

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

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

**METUCHEN SCHOOL DISTRICT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED**

| Fiscal Year Ended June 30, | General Bonded Debt Outstanding | | | Percentage of Actual Taxable Value (1) of Property | Per Capita (2) |
|-------------------------------|---------------------------------|------------|---|---|----------------|
| | General Obligation Bonds | Deductions | Net General Bonded Debt Outstanding | | |
| 2007 | \$ 35,697,000 | \$ - | \$ 35,697,000 | 3.69% | \$ 2,739 |
| 2008 | 34,492,000 | - | 34,492,000 | 3.55% | 2,652 |
| 2009 | 33,212,000 | - | 33,212,000 | N/A | 2,546 |
| 2010 | 31,892,000 | - | 31,892,000 | N/A | 2,435 |
| 2011 | 30,522,000 | - | 30,522,000 | N/A | 2,246 |
| 2012 | 29,082,000 | - | 29,082,000 | N/A | 2,131 |
| 2013 | 27,610,000 | - | 27,610,000 | N/A | 2,017 |
| 2014 | 26,020,000 | - | 26,020,000 | N/A | 1,891 |
| 2015 | 24,355,000 | - | 24,355,000 | N/A | 1,762 |
| 2016 | 21,240,000 | - | 21,240,000 | N/A | 1,530 |

N/A - Information not currently available.

(1) See Exhibit NJ J-6 for property tax data.

(2) Population data can be found in Exhibit NJ J-14.

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

**METUCHEN SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016
UNAUDITED**

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable (1)</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Debt repaid with property taxes | | | |
| Metuchen Borough | \$ 22,125,000 | 100% | \$ 22,125,000 |
| Other debt | | | |
| Metuchen Borough | 18,145,100 | 100% | 18,145,100 |
| Middlesex County | 687,525,015 | 2.200% | <u>15,125,550</u> |
| Sub-total overlapping debt | | | 55,395,650 |
| School District debt | | | |
| Metuchen Board of Education | 21,240,000 | 100% | <u>21,240,000</u> |
| Total direct and overlapping debt | | | <u><u>\$ 76,635,650</u></u> |

Sources: Debt outstanding provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Metuchen. 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.

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

**METUCHEN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Debt limit | \$ 85,616,394 | \$ 85,422,457 | \$ 91,526,460 | \$ 92,270,235 | \$ 92,394,561 | \$ 91,376,813 | \$ 86,801,741 | \$ 85,673,065 | \$ 86,208,779 | \$ 86,398,173 |
| Total net debt applicable to limit | <u>35,697,000</u> | <u>34,492,000</u> | <u>33,212,000</u> | <u>31,892,000</u> | <u>30,522,000</u> | <u>29,082,000</u> | <u>26,475,000</u> | <u>26,339,999</u> | <u>24,613,830</u> | <u>21,436,277</u> |
| Legal debt margin | <u>\$ 49,919,394</u> | <u>\$ 50,930,457</u> | <u>\$ 58,314,460</u> | <u>\$ 60,378,235</u> | <u>\$ 61,872,561</u> | <u>\$ 62,294,813</u> | <u>\$ 60,326,741</u> | <u>\$ 59,333,066</u> | <u>\$ 61,594,949</u> | <u>\$ 64,961,896</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 41.69% | 40.38% | 36.29% | 34.56% | 33.03% | 31.83% | 30.50% | 30.74% | 28.55% | 24.81% |

| Source: | Year | Equalized Valuation Basis |
|---|------|------------------------------|
| Abstract of ratables and district records. Borough's Annual Debt Statement | 2014 | 2,121,701,671 |
| | 2015 | 2,190,249,757 |
| | 2016 | <u>2,167,911,524</u> |
| | | <u>\$ 6,479,862,952</u> |
| Average equalized valuation of taxable property | | <u>\$ 2,159,954,317</u> |
| Debt limit (4% of average equalization value) | \$ | 86,398,173 |
| Total net debt applicable to limit as of June 30, 2016 | | <u>-</u> |
| Legal debt margin | \$ | <u>86,398,173</u> |

**METUCHEN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

| Year | Population (1) | Personal Income (thousands of dollars) (2) | Per Capita Personal Income (3) | Unemployment Rate (4) |
|------|----------------|---|--------------------------------------|--------------------------|
| 2007 | 13,035 | N/A | N/A | 4.9% |
| 2008 | 13,005 | N/A | N/A | 4.3% |
| 2009 | 13,047 | N/A | N/A | 5.8% |
| 2010 | 13,096 | N/A | N/A | 7.8% |
| 2011 | 13,590 | N/A | N/A | 8.0% |
| 2012 | 13,648 | N/A | N/A | 8.7% |
| 2013 | 13,691 | N/A | N/A | 8.9% |
| 2014 | 13,759 | N/A | N/A | 4.3% |
| 2015 | 13,826 | N/A | N/A | 4.2% |
| 2016 | 13,886 | N/A | N/A | 3.7% |

N/A - Information not currently available.

(1) Population information provided by the NJ Department of Labor and Workforce

(2) Personal income has been estimated based upon the municipal population and per capita personal income presented.

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

(4) Unemployment data provided by the NJ Department of Labor and Workforce Development.

**METUCHEN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

| Employer | 2016 | | 2006 | |
|-----------------|------------------|---------------------------------------|------------------|---------------------------------------|
| | Employees | Percentage of Total Employment | Employees | Percentage of Total Employment |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |

N/A - Information not currently available.

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

| <u>Function/Program</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Instruction | | | | | | | | | | |
| Regular | 145 | 148 | 146 | 145 | 147 | 146 | 146 | 146 | 146 | 146 |
| Special education | 29 | 29 | 29 | 30 | 32 | 34 | 34 | 34 | 35 | 37 |
| Other instruction | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| Support Services: | | | | | | | | | | |
| General administrative services | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 |
| School administrative services | 17 | 17 | 17 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Business administrative services | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Plant operations and maintenance | 28 | 29 | 29 | 27 | 25 | 27 | 27 | 25 | 25 | 25 |
| Pupil transportation | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 |
| Total | <u>251</u> | <u>255</u> | <u>253</u> | <u>250</u> | <u>252</u> | <u>255</u> | <u>255</u> | <u>252</u> | <u>253</u> | <u>255</u> |

Source: District Personnel Records

**METUCHEN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

| Fiscal Year | Enrollment | Operating Expenditures (1) | Cost Per Pupil | Percentage Change | Teaching Staff (2) |
|----------------|------------|-------------------------------|----------------|----------------------|-----------------------|
| 2007 | 2,010 | \$ 30,758,127 | \$ 15,303 | 10.55% | 194 |
| 2008 | 2,050 | 31,190,279 | 15,215 | -0.58% | 195 |
| 2009 | 2,052 | 31,692,803 | 15,445 | 1.49% | 195 |
| 2010 | 2,055 | 31,677,192 | 15,415 | -0.19% | 194 |
| 2011 | 2,065 | 32,296,804 | 15,640 | 1.44% | 194 |
| 2012 | 2,149 | 33,664,232 | 15,665 | 0.16% | 194 |
| 2013 | 2,147 | 35,719,045 | 16,637 | 5.84% | 194 |
| 2014 | 2,146 | 35,700,487 | 16,636 | -0.01% | 196 |
| 2015 | 2,173 | 36,214,854 | 16,666 | 0.18% | 197 |
| 2016 | 2,236 | 36,569,880 | 16,355 | -1.90% | 197 |

N/A - Information not currently available.

Sources: District records

Note: Enrollment based on annual October district count.

- (1) Operating expenditures equal total expenditures less debt service and capital outlay.
- (2) Teaching staff includes only full-time equivalents of certificated staff.
- (3) Average daily enrollment & average daily attendance are obtained from the School Registers.

**METUCHEN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

| Pupil/Teacher Ratio | | | Average Daily Enrollment (ADE) (3) | Average Daily Attendance (ADA) (3) | % Change in Average Daily Enrollment | Student Attendance Percentage |
|---------------------|---------------|-------------|---|---|---|-------------------------------------|
| Elementary | Middle School | High School | | | | |
| 1:13 | 1:12 | 1:12 | 1,990 | 1,887 | 5.35% | 93.88% |
| 1:13 | 1:12 | 1:12 | 1,997 | 1,893 | 0.32% | 92.34% |
| 1:13 | 1:12 | 1:12 | 2,044 | 2,002 | 5.44% | 97.56% |
| 1:13 | 1:12 | 1:12 | 2,043 | 1,983 | -0.97% | 96.49% |
| 1:13 | 1:12 | 1:12 | 2,050 | 1,986 | 0.16% | 96.17% |
| 1:13 | 1:12 | 1:12 | 2,142 | 2,102 | 5.52% | 97.81% |
| 1:13 | 1:12 | 1:12 | 2,098 | 2,007 | -2.05% | 93.48% |
| 1:13 | 1:12 | 1:12 | 2,107 | 2,030 | 0.43% | 96.00% |
| 1:13 | 1:15 | 1:13 | 2,109 | 2,033 | 0.09% | 97.00% |
| 1:13 | 1:15 | 1:13 | 2,115 | 2,036 | 0.28% | 96.00% |

**METUCHEN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Moss School</u> | | | | | | | | | | |
| Square Feet | 29,711 | 29,711 | 29,711 | 29,711 | 29,711 | 29,711 | 29,711 | 29,711 | 29,711 | 29,711 |
| Capacity (students) | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 | 156 |
| Enrollment | 130 | 130 | 130 | 130 | 130 | 130 | 135 | 125 | 127 | 162 |
| <u>Campbell School</u> | | | | | | | | | | |
| Square Feet | 57,768 | 57,768 | 57,768 | 57,768 | 57,768 | 57,768 | 57,768 | 57,768 | 57,768 | 57,768 |
| Capacity (students) | 439 | 439 | 439 | 439 | 439 | 439 | 439 | 439 | 439 | 439 |
| Enrollment | 631 | 685 | 690 | 692 | 695 | 705 | 669 | 658 | 643 | 660 |
| <u>Edgar School</u> | | | | | | | | | | |
| Square Feet | 97,652 | 97,652 | 97,652 | 97,652 | 97,652 | 97,652 | 97,652 | 97,652 | 97,652 | 97,652 |
| Capacity (students) | 590 | 590 | 590 | 590 | 590 | 590 | 590 | 590 | 590 | 590 |
| Enrollment | 590 | 639 | 643 | 645 | 672 | 664 | 694 | 717 | 766 | 766 |
| <u>Metuchen High School</u> | | | | | | | | | | |
| Square Feet | 108,124 | 108,124 | 108,124 | 108,124 | 108,124 | 108,124 | 108,124 | 108,124 | 108,124 | 108,124 |
| Capacity (students) | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 | 617 |
| Enrollment | 638 | 621 | 608 | 603 | 611 | 614 | 627 | 646 | 654 | 655 |

N/A - Information not currently available.

Source: District's records

**METUCHEN SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
UNAUDITED**

| SCHOOL FACILITIES * | Square Ft | Percentage | PROJECT # (s) | Total | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------------|----------------|------------|---------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Moss School | 30,000 | 10% | N/A | \$ 478,159 | \$ 77,998 | \$ 73,194 | \$ 71,680 | \$ 44,392 | \$ 50,449 | \$ 31,198 | \$ 76,769 | \$ 52,479 | \$ 44,982 | \$ 43,683 |
| Campbell School | 57,000 | 20% | N/A | 894,439 | 113,997 | 97,323 | 119,467 | 143,109 | 138,356 | 70,176 | 111,936 | 100,075 | 85,464 | 82,996 |
| Edgar School | 92,000 | 32% | N/A | 1,046,180 | 208,995 | 110,522 | 191,148 | 85,902 | 126,208 | 74,619 | 88,228 | 160,558 | 137,939 | 133,956 |
| Metuchen High School | 113,000 | 39% | N/A | 1,106,290 | 198,995 | 119,914 | 95,574 | 166,777 | 150,136 | 49,365 | 127,868 | 197,661 | 169,426 | 164,534 |
| Total Expenditures | 292,000 | | | \$ 3,525,068 | \$ 599,985 | \$ 400,953 | \$ 477,869 | \$ 440,180 | \$ 465,149 | \$ 225,358 | \$ 404,801 | \$ 510,773 | \$ 437,811 | \$ 425,169 |

N/A - Information not currently unavailable

Source: District Records

* School facility as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Required maintenance, defined in N.J.A.C 6:24, The Educational Facilities Construction and Financing Act, includes expenditures for systems warranty purposes that are approved for repairs and replacements for the purpose of keeping a school facility open, comfortable and safe for use or in its original condition, including repairs and replacements to a school facility's heating, lighting, ventilation, security and other fixtures to keep the facility or fixtures in effective working condition. Required maintenance includes periodic or occasional inspection; adjustment, lubrication, and cleaning (non-janitorial) of buildings or fixtures; replacement of parts; and other actions to assure continuing service and to prevent breakdown.

**METUCHEN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

| <u>Company</u> | <u>Type of Coverage</u> | <u>2016 Coverage</u> | <u>2016 Deductible</u> |
|-------------------|--|---|----------------------------|
| NJSIG | Property Blanket Building & Contents Replacement Cost Values Boiler & Machinery | \$82,682,857 \$1,000,000 | \$5,000 |
| NJSIG | Flood - All Flood Zones other than A& B Earthquake | \$10,000,000 \$50,000,000 | \$10,000 |
| Steadfast Ins Co. | Pollution Liability | \$1,000,000 | \$25,000 |
| AIG | Pollution Liability -Mold | \$1,000,000 | \$10,000 |
| NJSIG | General Liability - Each Occurrence - General Aggregate - Products/Completed Operations - Personal Injury - Sexual Abuse Per Occurrence - Sexual Abuse Aggregate Limit - Medical Expense Limit (Excluding Students) - Employee Benefit Liability (EBL) - EBL Aggregate | \$11,000,000 N/A \$11,000,000 \$11,000,000 \$11,000,000 \$17,000,000 \$10,000 \$11,000,000 \$11,000,000 | \$1,000 |
| NJSIG | Automotive Coverage - Combined Single Limit - Hired/Non-Owned Autos - Uninsured & Underinsured - Personal Injury Protection - Medical Payments - Physical Damage - Hired Car Physical Damage maximum | \$11,000,000 \$11,000,000 \$1,000,000 \$250,000 \$1,000 \$110,000 | \$1,000 \$1,000 |
| NJSIG | Crime Coverage - Employee Dishonesty with Faithful Performance | \$50,000 | |
| RLI | - Superintendent's Bond | \$2,000 | |
| CNA | - Treasurer of School Monies | \$260,000 | |
| CNA | - Board Secretary/Business Admin. | \$50,000 | |

**METUCHEN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED**

| <u>Company</u> | <u>Type of Coverage</u> | <u>2016 Coverage</u> | <u>2016 Deductible</u> |
|-------------------------|--------------------------------------|--------------------------|----------------------------|
| Fireman's Fund | Catastrophic Umbrella Coverage | | |
| | - Occurrence Limit | \$50,000,000 | |
| | - Aggregate Limit | \$50,000,000 | |
| NJSIG | Educators Liability | | |
| | - Coverage A: Liability Limit | \$11,000,000 | |
| | - Coverage B: Each Claim | \$100,000 | |
| | - Coverage B: Total Limit | \$300,000 | |
| | - Deductible Each Claim | | \$5,000 |
| Markel Ins Co | Accident - Volunteer Workers | \$25,000 | |
| Monumental Life Ins Co. | Student Accident- Compulsory Program | | |
| | - Benefit Period | 10 years | |
| NJSIG | Workers Compensation | | |
| | - Employers Liability | \$2,000,000 | |
| | - Professional Employee Payroll | \$19,327,510 | |
| | - Non-Professional Employee Payroll | \$1,416,543 | |

Single Audit Section

**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
Metuchen School District
County of Middlesex, 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, each major fund, and the aggregate remaining fund information of Metuchen School District, in the County of Middlesex, 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 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 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 the 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500



Baker Tilly Virchow Krause, LLP

December 2, 2016
Iselin, New Jersey

**Independent Auditors' Report on Compliance
for Each Major Federal and State Program and
on Internal Control Over Compliance in
Accordance with the Uniform Guidance
and New Jersey OMB Circular 15-08**

Honorable President and Members
of the Board of Education
Metuchen School District
County of Middlesex, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards, the Uniform Guidance, and New Jersey 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, Metuchen 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 state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

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

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

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



Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500



Baker Tilly Virchow Krause, LLP

December 2, 2016
Iselin, New Jersey

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (K-3)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Federal Grantor/Pass-Through Grantor/ Program Title or Cluster | Federal CFDA Number | Federal FAIN Number | Grant or State Project Number | Program or Award Amount | Grant Period | |
|---|---------------------------|---------------------------|-------------------------------------|-------------------------------|--------------|----------|
| | | | | | From | To |
| U.S. Department of Education | | | | | | |
| Passed-through State Department of Education | | | | | | |
| Special Revenue Fund: | | | | | | |
| Title I Part A, Grants to Local Education Agencies, Carryover | 84.010 | S010A150030 | NCLB-xxxx-14 | \$ 107,825 | 07/01/14 | 06/30/15 |
| Title I Part A, Grants to Local Education Agencies | 84.010 | S010A150030 | NCLB-xxxx-15 | 111,331 | 07/01/15 | 06/30/16 |
| Total Title I Part A, Grants to Local Education Agencies | | | | | | |
| Title II, Part A, Supporting Effective Instruction State Grant, Carryover | 84.367 | S367A150029 | NCLB-xxxx-14 | 44,278 | 07/01/14 | 06/30/15 |
| Title II, Part A, Supporting Effective Instruction State Grant | 84.367 | S367A150029 | NCLB-xxxx-15 | 43,470 | 07/01/15 | 06/30/16 |
| Total Title II, Part A, Supporting Effective Instruction State Grant | | | | | | |
| Title III, English Language Acquisition State Grants, Carryover | 84.365 | S365A150030 | NCLB-xxxx-14 | 10,223 | 07/01/14 | 06/30/15 |
| Title III, English Language Acquisition State Grants | 84.365 | S365A150030 | NCLB-xxxx-15 | 12,971 | 07/01/15 | 06/30/16 |
| Total Title III, English Language Acquisition State Grants | | | | | | |
| Special Education Cluster (IDEA): | | | | | | |
| I.D.E.A. Special Education States Grant BASIC | 84.027 | S027A150100 | IDEA-xxxx-14 | 615,070 | 07/01/14 | 06/30/15 |
| I.D.E.A. Special Education States Grant BASIC | 84.027 | S027A150100 | IDEA-xxxx-15 | 641,600 | 07/01/15 | 06/30/16 |
| Total I.D.E.A. Special Education States Grant BASIC | | | | | | |
| I.D.E.A. Preschool | 84.173 | S173A150114 | IDEA-xxxx-14 | 15,513 | 07/01/14 | 06/30/15 |
| I.D.E.A. Preschool | 84.173 | S173A150114 | IDEA-xxxx-15 | 15,913 | 07/01/15 | 06/30/16 |
| Total I.D.E.A. Preschool | | | | | | |
| Total Special Education Cluster (IDEA) | | | | | | |
| Total Special Revenue Fund | | | | | | |
| Department of Homeland Security | | | | | | |
| Disaster grants - Public Assistance (Presidentially declared disasters) | 97.036 | N/A | N/A | 141,777 | 04/13/15 | 04/18/18 |
| Total Capital Projects Fund | | | | | | |
| U.S. Department of Agriculture | | | | | | |
| Passed-through State Department of Education | | | | | | |
| Enterprise Fund: | | | | | | |
| Healthy Hunger - free Kids Act | 10.592 | N/A | N/A | 6,184 | 07/01/14 | 06/30/15 |
| Healthy Hunger - free Kids Act - Carryover | 10.592 | N/A | N/A | 6,506 | 07/01/15 | 06/30/16 |
| Total Healthy Hunger - Free Kids Act | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| Food Donation | 10.555 | 1616NJ304N1099 | N/A | 46,913 | 07/01/15 | 06/30/16 |
| National School Lunch Program | 10.555 | 1616NJ304N1099 | N/A | 81,414 | 07/01/14 | 06/30/15 |
| National School Lunch Program, Carryover | 10.555 | 1616NJ304N1099 | N/A | 91,919 | 07/01/15 | 06/30/16 |
| Total National School Lunch Program/Child Nutrition Cluster | | | | | | |
| Total Enterprise Fund | | | | | | |
| Total Federal Financial Awards | | | | | | |

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (K-3) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| Accounts Receivable (Deferred) at June 30, 2015 | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures | Adjustments | Repayment of Prior Years' Balances | Accounts Receivable June 30, 2016 | Deferred Revenue | Due to Grantor At June 30, 2016 |
|---|------------------------------------|-------------------|---------------------------|-------------|--|---|---------------------|--|
| \$ 6,546 | \$ - | \$ 6,546 | \$ (6,546) | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 9,448 | (103,184) | - | - | 101,884 | (8,148) | - |
| <u>6,546</u> | <u>-</u> | <u>15,994</u> | <u>(109,730)</u> | <u>-</u> | <u>-</u> | <u>101,884</u> | <u>(8,148)</u> | <u>-</u> |
| 8,401 | - | - | (8,401) | - | - | 8,401 | - | - |
| - | - | - | (33,659) | - | - | 43,380 | (9,721) | - |
| <u>8,401</u> | <u>-</u> | <u>-</u> | <u>(42,060)</u> | <u>-</u> | <u>-</u> | <u>51,781</u> | <u>(9,721)</u> | <u>-</u> |
| (37) | - | - | (37) | - | - | 37 | - | - |
| - | - | 2,708 | (12,894) | - | - | 10,186 | - | - |
| <u>(37)</u> | <u>-</u> | <u>2,708</u> | <u>(12,931)</u> | <u>-</u> | <u>-</u> | <u>10,223</u> | <u>-</u> | <u>-</u> |
| 72,431 | - | 72,431 | (72,431) | - | - | - | - | - |
| - | - | 342,806 | (596,396) | - | - | 298,793 | (45,203) | - |
| <u>72,431</u> | <u>-</u> | <u>415,237</u> | <u>(668,827)</u> | <u>-</u> | <u>-</u> | <u>298,793</u> | <u>(45,203)</u> | <u>-</u> |
| 13,097 | - | - | (13,097) | - | - | 13,097 | - | - |
| - | - | - | (15,897) | - | - | 15,897 | - | - |
| <u>13,097</u> | <u>-</u> | <u>-</u> | <u>(28,994)</u> | <u>-</u> | <u>-</u> | <u>28,994</u> | <u>-</u> | <u>-</u> |
| 85,528 | - | 415,237 | (697,821) | - | - | 327,787 | (45,203) | - |
| <u>100,438</u> | <u>-</u> | <u>433,939</u> | <u>(862,542)</u> | <u>-</u> | <u>-</u> | <u>491,675</u> | <u>(63,072)</u> | <u>-</u> |
| - | - | - | (141,777) | - | - | 141,777 | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(141,777)</u> | <u>-</u> | <u>-</u> | <u>141,777</u> | <u>-</u> | <u>-</u> |
| 347 | - | 347 | - | - | - | - | - | - |
| - | - | 5,396 | (6,506) | - | - | 1,110 | - | - |
| <u>347</u> | <u>-</u> | <u>5,743</u> | <u>(6,506)</u> | <u>-</u> | <u>-</u> | <u>1,110</u> | <u>-</u> | <u>-</u> |
| - | - | 46,913 | (46,913) | - | - | - | - | - |
| 4,757 | - | 4,757 | - | - | - | - | - | - |
| - | - | 75,544 | (91,919) | - | - | 16,375 | - | - |
| <u>4,757</u> | <u>-</u> | <u>127,214</u> | <u>(138,832)</u> | <u>-</u> | <u>-</u> | <u>16,375</u> | <u>-</u> | <u>-</u> |
| 5,104 | - | 132,957 | (145,338) | - | - | 17,485 | - | - |
| <u>\$ 105,542</u> | <u>\$ -</u> | <u>\$ 566,896</u> | <u>\$ (1,149,657)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 650,937</u> | <u>\$ (63,072)</u> | <u>\$ -</u> |

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (K-4)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

| State Grantor/ Program Title | Grant or State Project Number | Program or Award Amount | Grant Period | | Accounts Receivable at June 30, 2015 | Carryover/ (Walkover) Amount |
|---|-------------------------------------|-------------------------------|--------------|----------|---|------------------------------------|
| | | | From | To | | |
| State Department of Education | | | | | | |
| General Fund: | | | | | | |
| State Aid - Public Cluster: | | | | | | |
| Special Education Categorical Aid Carryover | 495-034-5120-089 | \$ 914,044 | 07/01/14 | 06/30/15 | \$ 86,755 | \$ - |
| Special Education Categorical Aid | 495-034-5120-089 | 914,044 | 07/01/15 | 06/30/16 | - | - |
| Security Aid | 495-034-5120-084 | 35,358 | 07/01/15 | 06/30/16 | - | - |
| Transportation Aid | 495-034-5120-014 | 59,865 | 07/01/15 | 06/30/16 | - | - |
| Total State Aid - Public Cluster | | | | | <u>86,755</u> | <u>-</u> |
| Other Aids | | | | | | |
| Nonpublic School Trans. Costs, Carryover | 11-103-190 | 42,150 | 07/01/15 | 06/30/16 | - | - |
| Nonpublic School Trans. Costs | 10-103-190 | 10,614 | 07/01/14 | 06/30/15 | 10,614 | - |
| Extraordinary Special Education Costs Aid, Carryover | 10-103-190 | 10,788 | 07/01/15 | 06/30/16 | - | - |
| Extraordinary Special Education Costs Aid | 495-034-5120-044 | 234,798 | 07/01/14 | 06/30/15 | 237,061 | - |
| * On-behalf T.P.A.F. Pension/Medical | 495-034-5120-044 | 234,889 | 07/01/15 | 06/30/16 | - | - |
| Reimbursed T.P.A.F. Social Security Tax, Carryover | 100-034-5095-001 | 2,629,142 | 07/01/15 | 06/30/16 | - | - |
| Reimbursed T.P.A.F. Social Security Tax | 100-034-5095-002 | 1,101,182 | 07/01/14 | 06/30/15 | 54,674 | - |
| Reimbursed T.P.A.F. Social Security Tax | 100-034-5095-002 | | 07/01/15 | 06/30/16 | - | - |
| Total General Fund | | | | | <u>389,104</u> | <u>-</u> |
| Special Revenue Fund: | | | | | | |
| N.J. Nonpublic Aid: | | | | | | |
| Textbook Aid | 100-034-5120-064 | 77,600 | 07/01/15 | 06/30/16 | - | - |
| Nursing Services Aid | 100-034-5120-070 | 122,310 | 07/01/15 | 06/30/16 | - | - |
| Technology Initiative Aid | 100-034-5120-373 | 35,334 | 07/01/15 | 06/30/16 | - | - |
| Security | | 33,975 | 07/01/15 | 06/30/16 | - | - |
| Auxiliary Services: | | | | | | |
| Transportation Aid | 100-034-5120-067 | 12,273 | 07/01/15 | 06/30/16 | - | - |
| Compensatory Education | 100-034-5120-067 | 31,303 | 07/01/15 | 06/30/16 | - | - |
| Compensatory Education, Carryover | 100-034-5120-067 | 47,447 | 07/01/14 | 06/30/15 | 21,701 | - |
| English as a Second Language | 100-034-5120-067 | 10,353 | 07/01/15 | 06/30/16 | - | - |
| Supplemental Instruction | 100-034-5120-066 | 22,277 | 07/01/15 | 06/30/16 | - | - |
| Supplemental Instruction, Carryover | 100-034-5120-066 | 25,895 | 07/01/14 | 06/30/15 | 3,139 | - |
| Examination and Classification | 100-034-5120-066 | 43,812 | 07/01/15 | 06/30/16 | - | - |
| Examination and Classification, Carryover | 100-034-5120-066 | 51,337 | 07/01/14 | 06/30/15 | 7,389 | - |
| Corrective Speech | 100-034-5120-066 | 34,279 | 07/01/15 | 06/30/16 | - | - |
| Home Instruction, Carryover | 100-034-5120-067 | 1,805 | 07/01/14 | 06/30/15 | 1,805 | - |
| Coaches Grant | | 67,718 | 02/01/15 | 08/31/15 | 60,000 | - |
| Total Special Revenue Fund | | | | | <u>94,034</u> | <u>-</u> |
| Debt Service Fund: | | | | | | |
| Debt Service Aid Type II | 495-034-5120-075 | 262,960 | 07/01/15 | 06/30/16 | - | - |
| Total Debt Service Fund | | | | | <u>-</u> | <u>-</u> |
| State Department of Agriculture | | | | | | |
| Enterprise Fund: | | | | | | |
| National School Lunch Program (State Share)-Carryover | 100-034-5120-122 | 4,556 | 07/01/14 | 07/01/15 | 384 | - |
| National School Lunch Program (State Share) | 100-034-5120-122 | 4,674 | 07/01/15 | 06/30/16 | - | - |
| Total Enterprise Fund | | | | | <u>384</u> | <u>-</u> |
| Total State Financial Assistance | | | | | <u>\$ 483,522</u> | <u>\$ -</u> |

METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (K-4) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

| Cash Received | Budgetary Expenditures | Adjustments | Repayment of Prior Years' Balances | (Accounts Receivable) June 30, 2016 | Deferred Revenue | Due to Grantor At June 30, 2016 | MEMO | |
|---------------------|---------------------------|-------------|--|---|---------------------|--|-------------------------|-------------------------------------|
| | | | | | | | Budgetary Receivable | Cumulative Total Expenditures |
| \$ 86,755 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 829,079 | (914,044) | - | - | (84,965) | - | - | (84,965) | (914,044) |
| 35,358 | (35,358) | - | - | - | - | - | - | (35,358) |
| 59,865 | (59,865) | - | - | - | - | - | - | (59,865) |
| <u>1,011,057</u> | <u>(1,009,267)</u> | <u>-</u> | <u>-</u> | <u>(84,965)</u> | <u>-</u> | <u>-</u> | <u>(84,965)</u> | <u>(1,009,267)</u> |
| 42,150 | (42,150) | - | - | - | - | - | - | (42,150) |
| 10,614 | - | - | - | - | - | - | - | - |
| 10,788 | (10,788) | - | - | - | - | - | - | (10,788) |
| 237,061 | - | - | - | - | - | - | - | - |
| - | (234,889) | - | - | (234,889) | - | - | (234,889) | (234,889) |
| 2,629,142 | (2,629,142) | - | - | - | - | - | - | (2,629,142) |
| 54,674 | - | - | - | - | - | - | - | - |
| <u>1,072,495</u> | <u>(1,127,963)</u> | <u>-</u> | <u>-</u> | <u>(55,468)</u> | <u>-</u> | <u>-</u> | <u>(55,468)</u> | <u>(1,127,963)</u> |
| <u>5,067,981</u> | <u>(5,054,199)</u> | <u>-</u> | <u>-</u> | <u>(375,322)</u> | <u>-</u> | <u>-</u> | <u>(375,322)</u> | <u>(5,054,199)</u> |
| 77,600 | (75,094) | - | - | 2,506 | - | 2,506 | - | (75,094) |
| 122,310 | (115,842) | - | - | 6,468 | - | 6,468 | - | (115,842) |
| 35,334 | (34,323) | - | - | 1,011 | - | 1,011 | - | (34,323) |
| 33,975 | (33,004) | - | - | 971 | - | 971 | - | (33,004) |
| 12,273 | (12,273) | - | - | - | - | - | - | (12,273) |
| 31,303 | (27,919) | - | - | 3,384 | - | 3,384 | - | (27,919) |
| - | - | - | - | (21,701) | - | - | - | - |
| 10,353 | (10,353) | - | - | - | - | - | - | (10,353) |
| 22,277 | (22,277) | - | - | - | - | - | - | (22,277) |
| - | - | - | - | (3,139) | - | - | - | - |
| 43,812 | (38,360) | - | - | 5,452 | - | - | - | (38,360) |
| - | - | - | - | (7,389) | - | - | - | - |
| 34,279 | (30,935) | - | - | 3,344 | - | 3,344 | - | (30,935) |
| 1,805 | - | - | - | - | - | - | - | - |
| - | (6,569) | - | - | (66,569) | - | - | (66,569) | (6,569) |
| <u>425,321</u> | <u>(406,949)</u> | <u>-</u> | <u>-</u> | <u>(75,662)</u> | <u>-</u> | <u>17,684</u> | <u>(66,569)</u> | <u>(406,949)</u> |
| <u>262,960</u> | <u>(262,960)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(262,960)</u> |
| <u>262,960</u> | <u>(262,960)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(262,960)</u> |
| 384 | - | - | - | - | - | - | - | - |
| 4,420 | (4,673) | - | - | (253) | - | - | (253) | (4,673) |
| <u>4,804</u> | <u>(4,673)</u> | <u>-</u> | <u>-</u> | <u>(253)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,673)</u> |
| <u>\$ 5,761,066</u> | <u>\$ (5,728,781)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (451,237)</u> | <u>\$ -</u> | <u>\$ 17,684</u> | <u>\$ (441,891)</u> | <u>\$ (5,728,781)</u> |

Metuchen School District

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2016

1. General

The accompanying schedules of expenditures of federal and state financial assistance included federal and state award activity of the Metuchen School District (District). The District is defined in Note 1 to the District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards.

2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the modified accrual basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting, and those recorded in the Special Revenue Fund, which, for state purposes are presented using the budgetary basis of accounting and for federal purposes are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with or reconcile to amounts reported in the basic financial statements which present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements and schedules (RSI) are presented for the General Fund and Special Revenue Fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

Metuchen School District

Notes to Schedules of Expenditures of
Federal and State Awards

Year ended June 30, 2016

4. Relationship to Basic Financial Statements (continued)

The General Fund is presented in the accompanying schedules on the modified accrual basis of accounting with the exception of the revenue recognition of the last two state aid payments in the current year, which is mandated pursuant to NJSA 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the last two state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2. For GAAP purposes, those payments are not recognized until the subsequent year due to the state deferral and recording of the last two state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the last two state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$84,996 for the General Fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the General Fund and Special Revenue Fund. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|-------------------------------------|---------------------|---------------------|---------------------|
| General Fund | \$ 14,073 | \$ 5,055,959 | \$ 5,070,032 |
| Special Revenue Fund | 862,542 | 406,949 | 1,269,491 |
| Capital Projects Fund | 17,003 | - | 17,003 |
| Debt Service Fund | - | 262,960 | 262,960 |
| Proprietary Fund | 145,338 | 4,675 | 150,013 |
| Total Awards & Financial Assistance | <u>\$ 1,038,956</u> | <u>\$ 5,730,543</u> | <u>\$ 6,769,499</u> |

5. Relationship to Federal and State Financial Reports

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

6. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions respectively. TPAF Social Security and Post Retirement/Medical Benefits Contributions represent the amounts reimbursed by the State for the employer's share of social security contributions and Post Retirement/Medical Benefits for TPAF members for the year ended June 30, 2016. The TPAF post retirement/medical benefits expenditures are not subject to New Jersey OMB Circular 15-08.

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2016

Part I-Summary of Auditors' Results

Financial Statement Section

| | | | | |
|-------|---|-----------|---|--|
| (i) | Type of auditors' report issued: | | Unmodified | |
| <hr/> | | | | |
| (ii) | Internal control over financial reporting: | | | |
| | Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No | |
| | Significant deficiency(ies) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported | |
| (iii) | Noncompliance material to financial statements noted? | _____ Yes | _____ <input checked="" type="checkbox"/> No | |

Federal and State Awards Section

| | | | | |
|--------|--|---|---|-------------------|
| (viii) | Dollar threshold used to determine Type A programs: | | Federal - \$750,000 | State - \$750,000 |
| <hr/> | | | | |
| (ix) | Auditee qualified as low-risk auditee? | _____ <input checked="" type="checkbox"/> Yes | _____ No | |
| (v) | Type of auditors' report on compliance for major federal and state programs: | | Unmodified | |
| <hr/> | | | | |
| (iv) | Internal control over compliance for major federal and state programs: | | | |
| | Material weakness(es) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> No | |
| | Significant deficiency(ies) identified? | _____ Yes | _____ <input checked="" type="checkbox"/> None Reported | |
| (v) | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and New Jersey OMB Circular 15-08? | _____ Yes | _____ <input checked="" type="checkbox"/> No | |

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2016

Part I-Summary of Auditors Results (continued)

Federal and State Awards Section (continued)

(vii) Identification of major federal and state programs:

| <u>CFDA Number(s) or State Program Number</u> | <u>Name of Federal or State Program or Cluster</u> |
|---|---|
| Federal: | Special Education Cluster (IDEA): |
| 84.027 | Special Education - Grants to States (IDEA, Part B) |
| 84.173 | Special Education - Grants to States (IDEA Preschool) |
| State: | |
| 100-034-5095-002 | Reimbursed T.P.A.F. Social Security Tax State Aid – Public Cluster |
| 495-034-5120-089 | Special Education Categorical Aid |
| 495-034-5120-084 | Security Aid |
| 495-034-5120-014 | Transportation Aid |

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2016

Part II-Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2016

Part III-Federal and State Award Findings and Questioned Costs

No federal or state award findings and questioned costs noted that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance and New Jersey OMB Circular 15-08.

Metuchen School District
Summary Schedule of Prior Audit Findings

June 30, 2016

This section identifies the status of prior-year audit findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, the Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF FINDINGS

There were no prior-year audit findings for the fiscal year ended June 30, 2015 that we are required to report on.

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