

**SCHOOL DISTRICT
OF
THE TOWNSHIP OF MONTAGUE**

**Township of Montague School District
Board of Education
Montague, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

**Township of Montague School District
Board of Education**

Montague, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Township of Montague School District
Board of Education**

Finance Department

MONTAGUE TOWNSHIP SCHOOL DISTRICT
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INTRODUCTORY SECTION

**MONTAGUE TOWNSHIP SCHOOL DISTRICT
MONTAGUE ELEMENTARY SCHOOL**

475 Route 206

Montague, NJ 07827

V: 973 293 7131 / F: 973 293 3391

www.montagueschool.org

Janice L. Hodge

Chief School Administrator/Principal

Christopher Lessard

Interim Business Administrator/Bd. Secretary

Donna Pinzone

Assistant to the Chief School Administrator

Christopher Gregory

Assistant Principal

November 18, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Montague Township School District (the "District") for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate for preschool disabled and grade levels K through 12 with students in grades 7 through 12 being educated through sending-receiving relationships with the Port Jervis School District, Port Jervis, New York and the High Point Regional High School, Sussex, New Jersey. Additionally, students in grades 9 through 12 can attend Sussex County Technical School and there is also an optional 6th, 7th and 8th grade program at Sussex County Charter School for Montague resident students. Educational services include regular, vocational as well as special education for educationally

The Honorable President and Members of
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Montague Township School District
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disabled youngsters. There are also several students enrolled at Kittatiny Regional School District through the School Choice Program. The District completed the 2015-2016 fiscal year with a total number of Montague resident students, 454, enrolled at the various schools mentioned above.

2) MAJOR INITIATIVES: The Montague Board of Education continues to meet the educational needs of all Montague's children. During the 2015-2016 school year, Montague School was a K-7 grade span district and began transitioning to a PreK-8 district in September 2016.

3) ECONOMIC CONDITION AND OUTLOOK: The Township is experiencing very slight growth in the area of residential development and expansion, with a stabilization of commercial properties. The Township has undergone a re-valuation of all properties. The revaluation resulted in the net valuation of property to go from \$223.1 million to \$358.6 million effective in 2015. This does not affect the school tax levy but did change the tax rates, resulting in some property owners seeing an increase in their total tax while others saw a decrease. The most pressing economic issue facing the school district is the amount of tuition which is paid out to various schools. In the 2015-2016 budget, \$3,049,381 is the projected cost of tuitions paid to other schools, approximately 33% of the total school budget. This continuous payment of tuitions will be slowly reduced in the immediate future with the projected return of 7th and 8th grade students. The Board needs to develop a master plan as to maximize the utilization of the savings generated in maintaining the current facilities.

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

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

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

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

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

The Honorable President and Members of
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6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

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

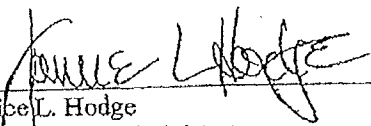
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the District's CAFR.

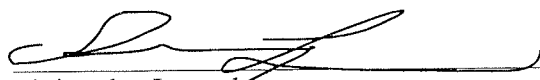
The District is a member of the New Jersey Schools Insurance Group ("NJSIG") which is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the pool is included in Note 10 to the Basic Financial Statements.

9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' Report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The Auditors' Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Montague 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.

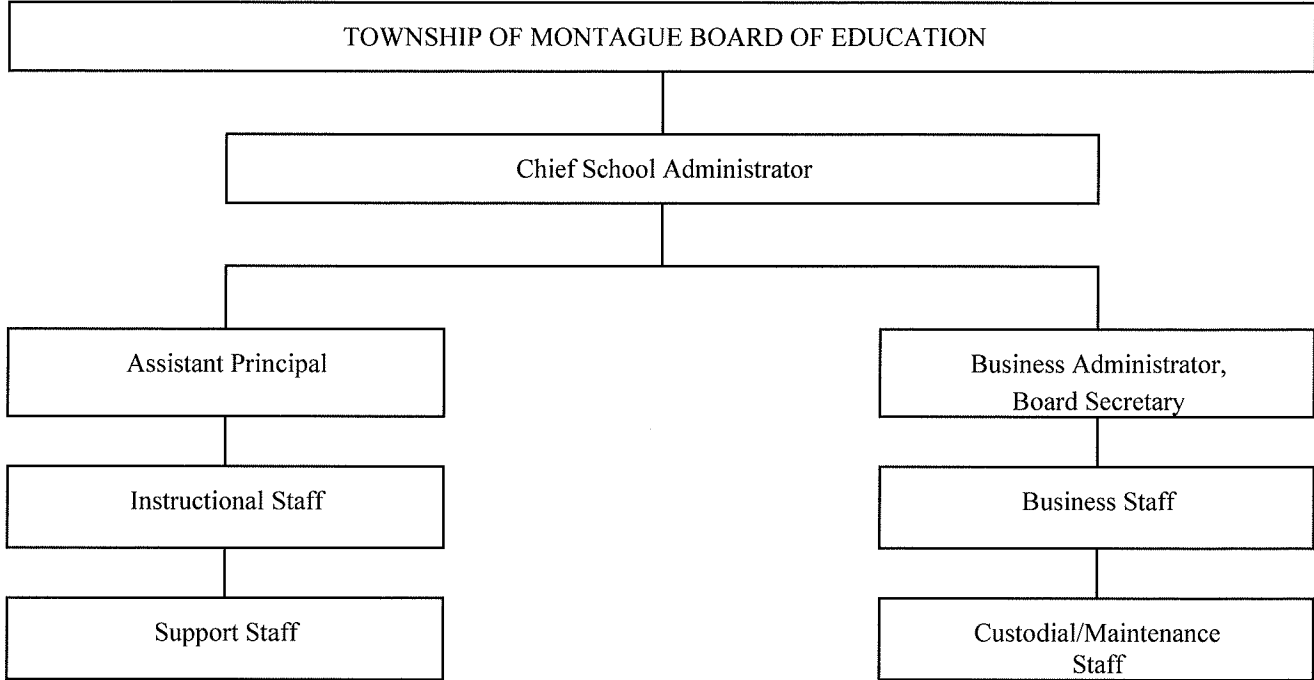
Respectfully submitted,


 Janice L. Hodge
 Chief School Administrator


 Christopher Lessard
 Interim Board Secretary/Business Administrator

Township of Montague Board of Education
Montague, New Jersey 07827

ORGANIZATIONAL CHART



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

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Tacia Johnson, President	2017
Sally Rogers Kurtzman, Vice President	2016
Diane Cole	2016
Linda Spinapolicc	2016
Emma Masset	2018
Glen Plotsky	2018
Gayle Andriac	2017

<u>Other Officials</u>	<u>Title</u>
Janice L. Hodge	Chief School Administrator
John W. Waycie	School Business Administrator/Board Secretary (to 2/29/16)
Janet MacKenzie	School Business Administrator/Board Secretary (3/1/16 - 9/6/16)
Christopher Lessard	Interim School Business Administrator/Board Secretary (11/17/16 - 12/31/16)
Michelle Lastarza	Treasurer of School Monies

**Montague Township School District
Consultants and Advisors**

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856-1320
and
Lawrence Business Park
11 Lawrence Road
Newton, New Jersey 07860

Attorneys

Adams, Gutierrez & Lattiboudere, LLC
1037 Raymond Boulevard, Suite 900
Newark, New Jersey 07102

Daniel Perez
93 Spring Street, Suite 505
Newton, New Jersey 07860

Kraemer and Corazza, Attorneys at Law
328 D Sparta Avenue
Sparta, New Jersey 07871

Official Depositories

Sussex Bank
399 Route 23
Franklin, New Jersey 07416

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

FINANCIAL SECTION



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

Independent Auditors' Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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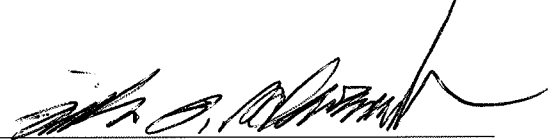
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey
November 18, 2016

NISIVOCCIA LLP



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

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

Financial Highlights

- The District's net position status decreased by \$150,778 on a district-wide basis.
- Enrollment in the District increased by 7 students and cost per pupil decreased by \$2,767.
- The District had a net increase in its outstanding long-term liabilities of 28.14 percent, primarily due to an increase in the net pension liability.

Overview of the Financial Statements

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

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

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

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

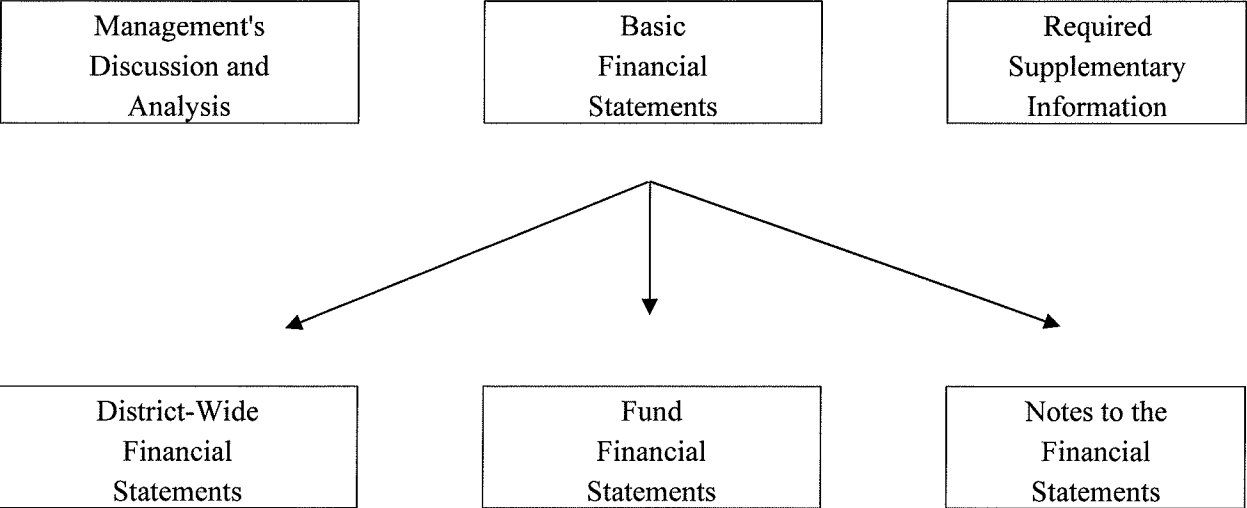


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

Fund Financial Statements

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

Notes to Basic Financial Statements

The notes to the basic financial statements 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 immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position decreased by 14.38%. Net position from governmental activities decreased by \$143,036 and net position from business-type activities decreased by \$7,742. Net investment in capital assets increased by \$4,895, restricted net position decreased by \$148,907 and unrestricted net position decreased by \$6,766.

Figure A-3
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2016
Current and							
Other Assets	\$ 1,210,865	\$ 1,319,425	\$ 39,562	\$ 42,446	\$ 1,250,427	\$ 1,361,871	-8.18%
Capital Assets, Net	1,641,163	1,714,421	8,567	9,414	1,649,730	1,723,835	-4.30%
Total Assets	<u>2,852,028</u>	<u>3,033,846</u>	<u>48,129</u>	<u>51,860</u>	<u>2,900,157</u>	<u>3,085,706</u>	-6.01%
Deferred Outflows of Resources	<u>394,576</u>	<u>31,547</u>			<u>394,576</u>	<u>31,547</u>	1150.76%
Long-Term Liabilities	1,563,308	1,219,989			1,563,308	1,219,989	28.14%
Other Liabilities	<u>796,655</u>	<u>778,057</u>	<u>11,274</u>	<u>7,263</u>	<u>807,929</u>	<u>785,320</u>	2.88%
Total Liabilities	<u>2,359,963</u>	<u>1,998,046</u>	<u>11,274</u>	<u>7,263</u>	<u>2,371,237</u>	<u>2,005,309</u>	18.25%
Deferred Inflows of Resources	<u>25,637</u>	<u>63,307</u>			<u>25,637</u>	<u>63,307</u>	-59.50%
Net Position:							
Net Investment in							
Capital Assets	1,641,163	1,635,421	8,567	9,414	1,649,730	1,644,835	0.30%
Restricted	217,703	366,610			217,703	366,610	-40.62%
Unrestricted/(Deficit)	<u>(997,862)</u>	<u>(997,991)</u>	<u>28,288</u>	<u>35,183</u>	<u>(969,574)</u>	<u>(962,808)</u>	-0.70%
Total Net Position	<u>\$ 861,004</u>	<u>\$ 1,004,040</u>	<u>\$ 36,855</u>	<u>\$ 44,597</u>	<u>\$ 897,859</u>	<u>\$ 1,048,637</u>	-14.38%

Changes in Net Position. The District's combined net position was \$897,859 on June 30, 2016, \$150,778 or 14.38% less than the prior year (See Figure A-3). Net investment in capital assets increased by \$4,895 due to the payment of \$79,000 in bond principal and capital acquisitions of \$61,740; offset by current year depreciation expense of \$120,172 and \$15,673 in deleted assets, net of accumulated depreciation. Restricted

net position decreased by \$148,907 due to a decrease in the Capital Reserve of \$151,648; offset by an increase in Debt Service Fund fund balance of \$2,741. Unrestricted net position decreased by \$6,766 due to a decrease in General Fund unassigned fund balance of \$60,012, an increase in compensated absences payable of \$9,724, an increase in net pension liability of \$412,595 and a decrease in business-type unrestricted net position of \$6,895; offset by an increase of \$35,601 in fund balance assigned for subsequent year's expenditures, an increase in General Fund encumbrances at year end of \$53,016, a decrease in accrued interest payable of \$2,187, an increase in the Capital Projects Fund committed fund balance of \$49,000, a decrease in investment gains in pensions of \$37,022, a decrease in changes in proportion in pensions of \$151,358, an increase in changes in pension assumptions of \$120,500 and an increase in difference between expected and actual pension experience of \$33,776. (See Figure A-3).

Figure A-4
Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total School District		Total
	2016	2015	2016	2015	2016	2015	Percentage Change 2016
Revenue:							
Program Revenue:							
Charges for Services			\$ 13,696	\$ 14,718	\$ 13,696	\$ 14,718	-6.94%
Grants and Contributions:							
Operating	\$ 2,395,326	\$ 2,284,675	85,688	87,362	2,481,014	2,372,037	4.59%
General Revenue:							
Property Taxes	5,903,110	5,792,022			5,903,110	5,792,022	1.92%
Federal and State Aid Not Restricted	2,244,711	2,245,946			2,244,711	2,245,946	-0.05%
Other	5,789	21,447	4	7	5,793	21,454	-73.00%
Total Revenue	10,548,936	10,344,090	99,388	102,087	10,648,324	10,446,177	1.94%
Expenses:							
Instruction	4,252,515	3,905,067			4,252,515	3,905,067	8.90%
Pupil and Instruction Services	3,662,932	4,075,329			3,662,932	4,075,329	-10.12%
Administrative and Business	748,472	626,576			748,472	626,576	19.45%
Maintenance and Operations	554,997	538,050			554,997	538,050	3.15%
Transportation	1,006,746	1,011,551			1,006,746	1,011,551	-0.48%
Other	466,310	594,079	107,130	98,249	573,440	692,328	-17.17%
Total Expenses	10,691,972	10,750,652	107,130	98,249	10,799,102	10,848,901	-0.46%
Transfer		1,748	-0-	-0-	-0-	1,748	-100.00%
Increase/(Decrease) in Net Position	\$ (143,036)	\$ (404,814)	\$ (7,742)	\$ 3,838	\$ (150,778)	\$ (400,976)	-62.40%

Revenue Sources. The District's total revenue for the 2015/2016 school year was \$10,648,324 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$5,903,110 of the total, or 55.44 percent (See Figure A-5). Another 44.38 percent came from state and federal aid, 0.13 percent came from charges for services and the remainder from other miscellaneous sources. The Montague Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

Figure A-5
Sources of Revenue for Fiscal Year 2016

Sources of Income:	<u>Amount</u>	<u>Percentage</u>
Grants and Contributions	\$ 2,481,014	23.30%
Property Taxes	5,903,110	55.44%
Unrestricted Federal and State Aid	2,244,711	21.08%
Charges for Services	13,696	0.13%
Other	5,793	0.05%
	<u>\$ 10,648,324</u>	<u>100.00%</u>

The total cost of all programs and services was \$10,799,102. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (82.62 percent) (See Figure A-6). The District's administrative and business activities accounted for 6.93 percent of total costs. It is important to note that depreciation of \$120,172 is included in expenses for the year.

Figure A-6
Expenses for Fiscal Year 2016

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 4,252,515	39.38%
Pupil and Instruction Services	3,662,932	33.92%
Administrative and Business	748,472	6.93%
Maintenance and Operations	554,997	5.14%
Transportation	1,006,746	9.32%
Other	573,440	5.31%
	<u>\$ 10,799,102</u>	<u>100.00%</u>

Governmental Activities

Maintaining existing programs with fluctuating enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health benefits costs places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

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

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

Figure A-7
Net Cost of Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 4,252,515	\$ 3,905,067	\$ 2,423,610	\$ 2,275,150
Pupil and Instruction Services	3,662,932	4,075,329	3,566,398	3,884,041
Administrative and Business	748,472	626,576	689,534	575,094
Maintenance and Operations	554,997	538,050	554,997	538,050
Transportation	1,006,746	1,011,551	595,797	599,563
Other	466,310	594,079	466,310	594,079
	<u>\$ 10,691,972</u>	<u>\$ 10,750,652</u>	<u>\$ 8,296,646</u>	<u>\$ 8,465,977</u>

- The cost of all governmental activities this year was \$10,691,972.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,395,326).
- Most of the District's costs, however, were financed by District taxpayers (\$5,903,110).
- A portion of governmental activities was financed with federal and state aid not restricted (\$2,244,711).
- The remainder of governmental activities funding came from private contributions, investment earnings and miscellaneous revenue.

Business-Type Activities

Net position from the District's business-type activities decreased by \$7,742 (Refer to Figure A-4) which is primarily due to an increase in the cost of sales.

Financial Analysis of the District's Funds

The District's financial situation declined due to difficult economic times which have a direct impact upon the District's revenue sources. The Township is experiencing very slight growth in the area of residential development and expansion, with a stabilization of commercial properties. The Township underwent a revaluation of all properties effective for 2015. The revaluation resulted in the net valuation of property going from \$223.1 million to \$358.6 million. This does not affect the school tax levy but did change the tax rates, resulting in some property owners seeing an increase in their total tax while others saw a decrease.

As a result, to maintain a stable financial position, the District must continue to practice sound fiscal management.

General Fund Budgetary Highlights

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

- Changes made within budgetary line items were in school-based needs for programs and textbooks, and increased maintenance, legal and other professional services.

Capital Asset and Long-Term Liability Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2016	2015	2016	2015	2016	2015	2016
Sites (Land)	\$ 45,148	\$ 45,148			\$ 45,148	\$ 45,148	0.00%
Site Improvements	33,271	35,152			33,271	35,152	-5.35%
Buildings and Building Improvements	1,477,059	1,521,464			1,477,059	1,521,464	-2.92%
Machinery and Equipment	85,685	112,657	\$ 8,567	\$ 9,414	94,252	122,071	-22.79%
Total Capital Assets (Net of Depreciation)	<u>\$ 1,641,163</u>	<u>\$ 1,714,421</u>	<u>\$ 8,567</u>	<u>\$ 9,414</u>	<u>\$ 1,649,730</u>	<u>\$ 1,723,835</u>	<u>-4.30%</u>

The District's overall capital assets (net of depreciation) decreased by \$74,105 due to current year depreciation expense of \$120,172 and \$15,673 in deleted assets, net of accumulated depreciation; offset by capital acquisitions of \$61,740. (More detailed information about the District's capital assets is presented in Note 5 to the basic financial statements.)

Long-term Liabilities

At year-end, the District had no general obligation bonds – a reduction of \$79,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the basic financial statements.)

Figure A-9

Outstanding Long-Term Liabilities

	Total School District		Total Percentage Change
	2016	2015	2016
General Obligation Bonds (Financed with Property Taxes)		\$ 79,000	-100.00%
Net Pension Liability	\$ 1,415,814	1,003,219	41.13%
Other Long-term Liabilities	147,494	137,770	7.06%
	<u>\$ 1,563,308</u>	<u>\$ 1,219,989</u>	<u>28.14%</u>

- The District finished paying down its bonded debt, retiring \$79,000 of outstanding bonds.
- The District's other long-term liabilities consist of compensated absences payable which increased \$9,724 during the year.
- In fiscal year 2016, the District had an increase of \$412,595 in the net pension liability.

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

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

- The volatility of heating gas and electric costs continue to be a concern that could potentially impact the District's future financial resources.
- The volatility of health costs continue to be a concern that could impact the District's financial resources.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Interim School Business Administrator at the Montague Board of Education, 475 Route 206, Montague, New Jersey 07827.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

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

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 870,986	\$ 27,246	\$ 898,232
Internal Balances	(85)	85	
Interfund Receivable - Fiduciary Fund	15,315		15,315
Receivable from Federal Government	23,476	12,090	35,566
Receivable from State Government	86,211	141	86,352
Restricted Cash and Cash Equivalents	214,962		214,962
Capital Assets, Net:			
Sites (Land)	45,148		45,148
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	1,596,015	8,567	1,604,582
Total Assets	<u>2,852,028</u>	<u>48,129</u>	<u>2,900,157</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Changes in Assumptions - Pensions	152,047		152,047
Changes in Proportion - Pensions	150,710		150,710
Difference Between Expected and Actual Experience - Pensions	33,776		33,776
District Contribution Subsequent to the Measurement Date - Pensions	58,043		58,043
Total Deferred Inflows of Resources	<u>394,576</u>		<u>394,576</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	792,602	11,274	803,876
Payable to Federal Government	312		312
Unearned Revenue	3,741		3,741
Noncurrent Liabilities:			
Due Within One Year	20,000		20,000
Due Beyond One Year	1,543,308		1,543,308
Total Liabilities	<u>2,359,963</u>	<u>11,274</u>	<u>2,371,237</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Investment Gains - Pensions	22,764		22,764
Changes in Proportion - Pensions	2,873		2,873
Total Deferred Inflows of Resources	<u>25,637</u>		<u>25,637</u>
<u>NET POSITION</u>			
Investment in Capital Assets	1,641,163	8,567	1,649,730
Restricted for:			
Capital Projects	43,318		43,318
Debt Service	2,741		2,741
Impact Aid Reserve	171,644		171,644
Unrestricted/(Deficit)	(997,862)	28,288	(969,574)
Total Net Position	<u>\$ 861,004</u>	<u>\$ 36,855</u>	<u>\$ 897,859</u>

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

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

Functions/Programs	Expenses	Program Revenues		Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 3,007,195		\$ 1,017,355	\$ (1,989,840)		\$ (1,989,840)
Special Education	871,760		684,865	(186,895)		(186,895)
Other Instruction	367,078		124,487	(242,591)		(242,591)
School-Sponsored Instruction	6,482		2,198	(4,284)		(4,284)
Support Services:						
Student & Instruction Related Services	3,662,932		96,534	(3,566,398)		(3,566,398)
General Administrative Services	387,956		26,593	(361,363)		(361,363)
School Administrative Services	177,903		32,345	(145,558)		(145,558)
Central Services	182,613			(182,613)		(182,613)
Plant Operations and Maintenance	554,997			(554,997)		(554,997)
Pupil Transportation	1,006,746		410,949	(595,797)		(595,797)
Interest on Long-Term Debt	2,474			(2,474)		(2,474)
Charter Schools	463,836			(463,836)		(463,836)
Total Governmental Activities	10,691,972		2,395,326	(8,296,646)		(8,296,646)
Business-Type Activities:						
Food Service	107,130	\$ 13,696	85,688		\$ (7,746)	(7,746)
Total Business-Type Activities	107,130	13,696	85,688		(7,746)	(7,746)
Total Primary Government	10,799,102	13,696	2,481,014	(8,296,646)	(7,746)	(8,304,392)

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

	Net (Expenses)/Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 5,780,732		\$ 5,780,732
Taxes Levied for Debt Service	122,378		122,378
Federal and State Aid Not Restricted	2,244,711		2,244,711
Investment Earnings	1,240	\$ 4	1,244
Miscellaneous Income	4,549		4,549
	8,153,610	4	8,153,614
Total General Revenues			
Change in Net Position	(143,036)	(7,742)	(150,778)
Net Position - Beginning	1,004,040	44,597	1,048,637
Net Position - Ending	\$ 861,004	\$ 36,855	\$ 897,859

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 782,324	\$ 5,589	\$ 80,332	\$ 2,741	\$ 870,986
Interfund Receivable	15,315				15,315
Receivables from Federal Government		23,476			23,476
Receivables from State Government	86,211				86,211
Restricted Cash and Cash Equivalents:					
Capital Reserve Account	43,318				43,318
Impact Aid Reserve Account	171,644				171,644
Total Assets	\$ 1,098,812	\$ 29,065	\$ 80,332	\$ 2,741	\$ 1,210,950
LIABILITIES AND FUND BALANCES					
Liabilities:					
Interfund Payable	\$ 85				\$ 85
Payable to Federal Government		\$ 312			312
Accounts Payable	705,806	28,753			734,559
Unearned Revenue	3,741				3,741
Total Liabilities	709,632	29,065			738,697
Fund Balances:					
Restricted:					
Capital Reserve Account	43,318				43,318
Impact Aid General Fund Reserve Account	171,644				171,644
Debt Service				\$ 2,741	2,741
Committed			\$ 80,332		80,332
Assigned:					
Year-End Encumbrances	134,827				134,827
For Subsequent Year's Expenditures	39,391				39,391
Unassigned/(Deficit)					
Total Fund Balances	389,180		80,332	2,741	472,253
Total Liabilities and Fund Balances	\$ 1,098,812	\$ 29,065	\$ 80,332	\$ 2,741	

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 \$4,474,145 and the accumulated depreciation is \$2,832,982.	\$ 1,641,163
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds (see Note 6).	(147,494)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,415,814)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	152,047
Changes in Proportions - Pensions	150,710
Difference Between Expected and Actual Experience - Pensions	33,776
Investment Gains - Pensions	(22,764)
Changes in Proportions - Pensions	(2,873)
Net Position of Governmental Activities	\$ 861,004

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 5,780,732			\$ 122,378	\$ 5,903,110
Interest Earned	1,240				1,240
Miscellaneous	4,549				4,549
Total - Local Sources	5,786,521			122,378	5,908,899
State Sources	3,402,499			15,032	3,417,531
Federal Sources	178,898	\$ 294,729			473,627
Total Revenues	9,367,918	294,729		137,410	9,800,057
EXPENDITURES					
Current:					
Regular Instruction	1,523,599	122,900			1,646,499
Special Education Instruction	373,453	99,220			472,673
Other Special Instruction	178,410				178,410
School Sponsored Instruction	3,150				3,150
Support Services and Undistributed Costs:					
Student and Other Instruction Related Services	3,359,336	72,609			3,431,945
General Administrative Services	324,650				324,650
School Administrative Services	87,358				87,358
Central Services	134,660				134,660
Plant Operations and Maintenance	437,925				437,925
Pupil Transportation	962,829				962,829
Unallocated Benefits	1,569,409				1,569,409

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Transfer to Charter Schools	\$ 463,836				\$ 463,836
Debt Service:					
Principal				\$ 128,000	128,000
Interest and Other Charges				4,661	4,661
Capital Outlay	74,354				74,354
Total Expenditures	9,492,969	\$ 294,729		132,661	9,920,359
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(125,051)			4,749	(120,302)
OTHER FINANCING SOURCES					
Notes Funded by Budget Appropriation			\$ 49,000		49,000
Total Other Financing Sources			49,000		49,000
Net Change in Fund Balances	(125,051)		49,000	4,749	(71,302)
Fund Balance/ (Deficit) —July 1	514,231	-0-	31,332	(2,008)	543,555
Fund Balance —June 30	\$ 389,180	\$ -0-	\$ 80,332	\$ 2,741	\$ 472,253

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

TOWNSHIP OF MONTAGUE 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 Exhibit B-2) \$ (71,302)

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 and deletion of capital assets differs from capital outlays in the period.

	Depreciation expense	\$ (119,325)	
	Deletion of Capital Assets, net of Accumulated Depreciation	(15,673)	
	Capital Outlays	<u>61,740</u>	(73,258)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+). (9,724)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 2,187

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 79,000

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability		(412,595)	
Change in Deferred Outflows:			
Changes in Assumptions		120,500	
Changes in Proportion		150,710	
Difference Between Expected and Actual Experience - Pensions		33,776	
Change in Deferred Inflows:			
Changes in Proportion		37,022	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>648</u>	

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (143,036)

Exhibit B-4

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 27,246
Interfund Receivable - General Fund	85
Intergovernmental Receivable:	
Federal	12,090
State	141
	39,562
Total Current Assets	39,562
Non-Current Assets:	
Capital Assets	25,670
Less: Accumulated Depreciation	(17,103)
	8,567
Total Non-Current Assets	8,567
Total Assets	48,129
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	11,274
	11,274
Total Current Liabilities	11,274
NET POSITION:	
Investment in Capital Assets	8,567
Unrestricted	28,288
	36,855
Total Net Position	\$ 36,855

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

Exhibit B-5

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

	Business-Type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales:	
Reimbursable Programs	\$ 12,464
Non-Reimbursable Programs	1,232
	13,696
Total Operating Revenue	13,696
Operating Expenses:	
Cost of Sales:	
Reimbursable Programs	67,791
Non-Reimbursable Programs	6,704
Supplies, Insurance & Other Costs	14,968
Miscellaneous Expenditures	16,820
Depreciation Expense	847
	107,130
Total Operating Expenses	107,130
Operating Loss	(93,434)
Non-Operating Revenue:	
Local Sources:	
Interest Income	4
State Sources:	
State School Lunch Program	894
Federal Sources:	
National School Lunch Program	39,839
School Breakfast Program	34,191
Food Distribution Program	10,764
	85,692
Total Non-Operating Revenue	85,692
Change in Net Position	(7,742)
Net Position - Beginning of Year	44,597
Net Position - End of Year	\$ 36,855

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

Exhibit B-6

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

	Business-Type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 13,668
Payments to Suppliers for Goods and Services	(91,508)
Net Cash Used for Operating Activities	(77,840)
Cash Flows from Noncapital and Financing Activities:	
State Sources	1,020
Federal Sources	84,779
Net Cash Provided by Noncapital Financing Activities	85,799
Cash Flows from Investment Activities:	
Interest Income	4
Net Cash Provided by Investing Activities	4
Net Increase in Cash and Cash Equivalents	7,963
Cash and Cash Equivalents, July 1	19,283
Cash and Cash Equivalents, June 30	\$ 27,246
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (93,434)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	847
Food Distribution Program	10,764
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(28)
Increase in Accounts Payable	4,011
Net Cash Used for Operating Activities	\$ (77,840)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized U.S.D.A. Commodities through the Food Distribution Program valued at \$10,764.

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

Exhibit B-7

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

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:				
Cash and Cash Equivalents	\$ 164,143	\$ 25	\$ 2,084	\$ 1,471
Total Assets	<u>164,143</u>	<u>25</u>	<u>2,084</u>	<u>1,471</u>
LIABILITIES:				
Payroll Deductions and Withholdings	17,859			
Accrued Salaries and Wages	130,509			
Interfund Payable - General Fund	13,631		1,684	
Due to Student Groups	2,144			
Total Liabilities	<u>164,143</u>		<u>1,684</u>	
NET POSITION:				
Restricted for Scholarships				1,471
Restricted for Flexible Spending Claims			400	
Held in Trust for Unemployment Claims		25		
Total Net Position	<u>\$ -0-</u>	<u>\$ 25</u>	<u>\$ 400</u>	<u>\$ 1,471</u>

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

Exhibit B-8

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

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan Member		\$ 2,100	
Budget Appropriation	\$ 10,000	364	
Investment Earnings:			
Interest			\$ 1
Total Contributions	10,000	2,464	1
Total Additions	10,000	2,464	1
DEDUCTIONS:			
Unemployment Claims	11,596		
Flexible Spending Claims		2,198	
Administrative Charges		300	
Total Deductions	11,596	2,498	
Change in Net Position	(1,596)	(34)	1
Net Position - Beginning of the Year	1,621	434	1,470
Net Position - End of the Year	\$ 25	\$ 400	\$ 1,471

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

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

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

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Unemployment Compensation Insurance Trust Fund and Private Purpose Scholarship Fund.

C. Measurement Focus and Basis of Accounting:

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

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

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

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

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

(Continued)

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

D. Budgets/Budgetary Control:

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,357,881	\$ 294,729
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	268,463	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(258,426)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 9,367,918	\$ 294,729

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

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,492,969	\$ 294,729
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,492,969	\$ 294,729

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

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

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

(Continued)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

K. Capital Assets:

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

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

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Site Improvements	15 to 30 years
Machinery and Equipment	5 to 20 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016, the amount earned by these employees, but not disbursed was \$130,509.

N. Compensated Absences:

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

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

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

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

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$430,297 General Fund fund balance at June 30, 2016, \$134,827 is assigned for encumbrances; \$39,391 of assigned fund balance has been appropriated and included as anticipated revenue for the fiscal year ending June 30, 2016, which is \$44,882 less than the budgetary assigned fund balance due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2017; \$43,318 is restricted in the capital reserve account; \$171,644 is restricted in the impact aid general fund reserve account and \$-0- is unassigned fund balance deficit which is \$213,544 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2017.

Capital Projects Fund: The Capital Projects fund balance at June 30, 2016 of \$80,332 is committed.

Debt Service Fund: The \$2,741 fund balance in the Debt Service Fund at June 30, 2016 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had no excess surplus.

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$258,426, \$213,544 in unassigned fund balance and \$44,882 in assigned fund balance for subsequent year's expenditures, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the related state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

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

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

Q. Fund Balance Restrictions, Commitments, and Assignments:

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

In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve, an impact aid general fund reserve and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources at June 30, 2016 in the Capital Projects Fund.

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

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for changes in assumptions in pensions, changes in proportion in pensions, the difference between expected and actual pension experience and the District contribution subsequent to the measurement date related to pensions at June 30, 2016.

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

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

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

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

R. Net Position: (Cont'd)

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

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

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

S. Deficit Net Position:

The District has a deficit in unrestricted net position of \$997,862 in governmental activities, which is due to \$147,494 of compensated absences payable, investment gains in pensions of \$22,764, changes in proportion in pensions of \$2,873 and the net pension liability of \$1,415,814; net of \$39,391 of fund balance assigned for subsequent year's expenditures, \$134,827 fund balance assigned for encumbrances, \$80,332 committed fund balance in the Capital Projects Fund, changes in pension assumptions of \$152,047, changes in proportion in pensions of \$150,710 and the difference between expected and actual pension experience of \$33,776.

The deficit in Governmental Activities does not indicate that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

T. Revenue - Exchange and Nonexchange Transactions:

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

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

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

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

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (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;

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

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

Investments: (Cont'd)

- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; and
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash and Cash Equivalents</u>		
		<u>Capital Reserve Account</u>	<u>Impact Aid Reserve Account</u>	<u>Total</u>
Checking and Savings Accounts	\$ 1,014,989	\$ 43,318	\$ 171,644	\$ 1,229,951
New Jersey Cash Management Fund	<u>50,966</u>			<u>50,966</u>
	<u>\$ 1,065,955</u>	<u>\$ 43,318</u>	<u>\$ 171,644</u>	<u>\$ 1,280,917</u>

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$1,280,917 and the bank balance was \$1,979,872. The \$50,966 in the New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District on September 27, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question on the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1g, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2015	\$ 194,966
Add:	
Interest Earnings	154
Less:	
Budgeted Withdrawal from Capital Reserve	<u>(151,802)</u>
Ending Balance, June 30, 2016	<u>\$ 43,318</u>

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

NOTE 5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 45,148			\$ 45,148
Total Capital Assets Not Being Depreciated	<u>45,148</u>			<u>45,148</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	3,603,484	\$ 61,740		3,665,224
Site Improvements	137,392			137,392
Machinery and Equipment	654,573		\$ (28,192)	626,381
Total Capital Assets Being Depreciated	<u>4,395,449</u>	<u>61,740</u>	<u>(28,192)</u>	<u>4,428,997</u>
Governmental Activities Capital Assets	<u>4,440,597</u>	<u>61,740</u>	<u>(28,192)</u>	<u>4,474,145</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(2,082,020)	(106,145)		(2,188,165)
Site Improvements	(102,240)	(1,881)		(104,121)
Machinery and Equipment	(541,916)	(11,299)	12,519	(540,696)
	<u>(2,726,176)</u>	<u>(119,325)</u>	<u>12,519</u>	<u>(2,832,982)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 1,714,421</u>	<u>\$ (57,585)</u>	<u>\$ (15,673)</u>	<u>\$ 1,641,163</u>

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

NOTE 5. CAPITAL ASSETS (Cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 25,670			\$ 25,670
Less Accumulated Depreciation	(16,256)	\$ (847)		(17,103)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 9,414</u>	<u>\$ (847)</u>	<u>\$ -0-</u>	<u>\$ 8,567</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 24,754
Special Education	6,068
Other Instruction	2,899
School Sponsored Instruction	52
Student and Instruction Related Services	53,913
General Administrative Services	5,274
School Administrative Services	1,419
Central Services	2,187
Plant Operations and Maintenance	7,115
Pupil Transportation	15,644
	<u>\$ 119,325</u>

NOTE 6. LONG-TERM LIABILITIES

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

	<u>Balance 6/30/2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance 6/30/2016</u>
Serial Bonds Payable	\$ 79,000		\$ 79,000	
Net Pension Liability	1,003,219	\$ 412,595		\$ 1,415,814
Compensated Absences Payable	137,770	35,591	25,867	147,494
	<u>\$ 1,219,989</u>	<u>\$ 448,186</u>	<u>\$ 104,867</u>	<u>\$ 1,563,308</u>

A. Bonds Payable:

The Board had no bonds payable as of June 30, 2016.

B. Bonds Authorized But Not Issued:

The Board had no bonds authorized but not issued as of June 30, 2016.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable as of June 30, 2016.

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

(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance is \$20,000 and the long-term liability balance of compensated absences is \$127,494. The General Fund will be used to liquidate compensated absences payable. The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$1,415,814. See Note 8 for further information on the PERS.

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District did not make any transfers to the capital outlay accounts.

NOTE 8. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

The following represents the membership tiers for PERS:

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$54,224 for fiscal year 2016.

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

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

At June 30, 2016, the District reported a liability of \$1,415,814 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.006%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$124,160. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 30,307	
	2015	5.72	121,740	
Difference Between Expected and Actual Experience	2015	5.72	33,776	
Changes in Proportion	2014	6.44		\$ 2,873
	2015	5.72	150,710	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		52,780
	2015	5.00		(30,016)
Contribution Made Subsequent to the Measurement Date	2014	6.44		
	2015	1.00	58,043	
			<u>\$ 394,576</u>	<u>\$ 25,637</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2016	\$ 29,685
2017	29,685
2018	29,685
2019	47,278
2020	26,726
	<u>\$ 163,059</u>

Actuarial Assumptions

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions (Cont'd)

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

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

Long Term Expected Rate of Return

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate

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

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

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease 3.90%	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 1,759,683	\$ 1,415,814	\$ 1,127,516

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided

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

The following represents the membership tiers for TPAF:

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

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

Contributions

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District.

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

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

During the fiscal year ended 2016, the State of New Jersey contributed \$200,456 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$949,335.

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

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$15,547,829. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.025%, which was a decrease of 0.001% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>15,547,829</u>
Total	<u>\$ 15,547,829</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$949,335 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

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

	<u>Year of</u> <u>Deferral</u>	<u>Amortization</u> <u>Period</u> <u>in Years</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes in Assumptions	2014	8.5	\$ 1,999,074,013	
	2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience	2014	8.3	321,224,871	
	2015	8.5		\$ 19,039,817
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0		1,305,927,430
	2015	5.0		<u>(770,568,242)</u>
			<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

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

Actuarial Assumptions

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

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

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US 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 Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF (Cont'd)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 18,478,014	\$ 15,547,829	\$ 13,023,300

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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

For DCRP, the District recognized pension expense of \$533 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$1,033 for the year ended June 30, 2016.

NOTE 9. POST-RETIREMENT BENEFITS

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

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

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

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$238,687, \$211,127 and \$175,293 for the fiscal year ended June 30, 2016, 2015 and 2014, respectively.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health care coverage through Horizon Blue Cross Blue Shield of New Jersey.

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

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group (“NJSIG”). This public entity risk management pool provided general liability, property and automobile coverage and workers’ compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

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

Selected, summarized financial information for the Fund as of June 30, 2016 is as follows:

	New Jersey School Insurance Group
Total Assets	\$ 311,014,416
Net Position	\$ 68,222,364
Total Revenue	\$ 124,872,219
Total Expenses	\$ 113,965,181
Change in Net Position	\$ 10,907,038
Member Dividends	\$ -0-

Financial statements for the Group are available at the Group’s Executive Director’s Office:

New Jersey Schools Insurance Group
600 Midlantic Drive
Mount Laurel, NJ 08054
(609) 386-6060
www.njsig.org

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

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the “Benefit Reimbursement Method”. Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State. The following is a summary of District contributions, interest earned, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s expendable trust fund for the current and previous two years.

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 10,000	\$ -0-	\$ -0-	\$ 11,596	\$ 25
2014-2015	12,000	1	-0-	11,990	1,621
2013-2014	10,000	1	-0-	12,406	1,610

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2016 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 15,315	\$ 85
Proprietary Fund - Food Service Fund	85	
Fiduciary Fund - Payroll Agency Fund		13,631
Fiduciary Fund - Flexible Spending Trust		1,684
	<u>\$ 15,400</u>	<u>\$ 15,400</u>

The interfund receivable in the General Fund is comprised of \$13,631 due from the Payroll Agency Fund for employee health benefit contributions and accumulated interest and \$1,684 due from the Flexible Spending Trust for unclaimed balances. The receivable due from the General Fund to the Food Service Fund is for the state subsidy reimbursements from fiscal years 2015 and 2016.

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

NOTE 13. DEFERRED COMPENSATION

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

AXA Equitable Financial
Lincoln Life Financial

NOTE 14. TAX CALENDAR

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

Taxes are collected by the constituent municipality and are remitted to the school district on a predetermined mutually agreed-upon schedule.

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

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

Grant Programs

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

Encumbrances

At June 30, 2016, the District had \$134,827 of encumbrances in the General Fund.

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

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable existed on the various balance sheets as of June 30, 2016:

	<u>Governmental Funds</u>		District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Activities	<u>Business-Type Activities</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>			<u>Food Service Fund</u>
Due to State of New Jersey			\$ 58,043	\$ 58,043	
Vendors	\$ 705,806	\$ 28,753		734,559	\$ 11,274
	<u>\$ 705,806</u>	<u>\$ 28,753</u>	<u>\$ 58,043</u>	<u>\$ 792,602</u>	<u>\$ 11,274</u>

NOTE 17. IMPACT AID GENERAL FUND RESERVE ACCOUNT

An impact aid general fund reserve account was established by the District on June 24, 2015. Impact Aid revenue received from the federal government under section 8002 or 8003 of the Elementary and Secondary Education Act of 1965 can be used for any legal purpose without restriction. The reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Impact Aid provides financial assistance to school districts affected by federal activities. Because federal property is exempt from local property taxes, Impact Aid helps to replace lost revenue that would otherwise be available to pay for educating children who live on federal property or whose parents work on federal property.

A board of education may appropriate federal impact aid funds to establish or supplement the reserve account in the district's annual budget, or through a transfer by a two-thirds affirmative vote of the authorized membership of the board between June 1 and June 30, for withdrawal in any subsequent school year. Any transfer to the reserve account shall not exceed the total amount of federal impact aid received in the fiscal year. The board, at its discretion, may use the funds in the reserve account to finance the district's general fund or to finance school facilities projects, in a manner consistent with federal law. The total amount of funds on deposit in the reserve account shall not be limited.

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

Beginning Balance, July 1, 2015	\$ 171,644
Ending Balance, June 30, 2016	<u>\$ 171,644</u>

**SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION**

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

	Fiscal Year Ending June 30,	
	2015	2016
District's proportion of the net pension liability	0.0053582936%	0.0063070832%
District's proportionate share of the net pension liability	\$ 1,003,219	\$ 1,415,814
District's covered employee payroll	\$ 397,514	\$ 432,817
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	252.37%	327.12%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

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

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 44,173	\$ 54,224
Contributions in relation to the contractually required contribution	<u>(44,173)</u>	<u>(54,224)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 432,817	\$ 358,746
Contributions as a percentage of covered employee payroll	10.21%	15.11%

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

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

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0252718611%	0.0245993334%
State's proportionate share of the net pension liability attributable to the District	\$ 13,506,987	\$ 15,547,829
District's covered employee payroll	\$ 2,495,206	\$ 2,531,867
State's proportionate share of the net pension liability attributable to the District as a percentage of the covered employee payroll	541.32%	614.09%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

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

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TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 726,803	\$ 949,335
Contributions in relation to the contractually required contribution	<u>(132,993)</u>	<u>(200,456)</u>
Contribution deficiency/(excess)	<u>\$ 593,810</u>	<u>\$ 748,879</u>
District's covered employee payroll	\$ 2,531,867	\$ 2,402,629
Contributions as a percentage of covered employee payroll	5.25%	8.34%

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

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

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

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

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

**BUDGETARY COMPARISON SCHEDULES
(UNAUDITED)**

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,780,732		\$ 5,780,732	\$ 5,780,732	
Interest on Investments				1,086	\$ 1,086
Interest on Capital Reserve				154	154
Unrestricted Miscellaneous Revenues				4,549	4,549
Total Local Sources	<u>5,780,732</u>		<u>5,780,732</u>	<u>5,786,521</u>	<u>5,789</u>
State Sources:					
Categorical Special Education Aid	257,132		257,132	257,132	
Equalization Aid	1,906,677		1,906,677	1,906,677	
Categorical Security Aid	100,706		100,706	100,706	
Adjustment Aid	26,780		26,780	26,780	
Categorical Transportation Aid	398,801		398,801	398,801	
Other State Aids	9,020		9,020	9,020	
Extraordinary Aid		\$ 66,978	66,978	66,978	
Nonpublic Transportation				10,665	10,665
On-behalf TPAF Pension (non-budgeted)				200,456	200,456
On-behalf TPAF Post Retirement Contributions (non-budgeted)				238,687	238,687
Reimbursed TPAF Social Security Contributions (non-budgeted)				176,560	176,560
Total State Sources	<u>2,699,116</u>	<u>66,978</u>	<u>2,766,094</u>	<u>3,392,462</u>	<u>626,368</u>
Federal Sources:					
Impact Aid	75,000	94,257	169,257	171,213	1,956
Medicaid Assistance Program	9,516		9,516	7,685	(1,831)
Total Federal Sources	<u>84,516</u>	<u>94,257</u>	<u>178,773</u>	<u>178,898</u>	<u>125</u>
TOTAL REVENUES	<u>8,564,364</u>	<u>161,235</u>	<u>8,725,599</u>	<u>9,357,881</u>	<u>632,282</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 144,821	\$ (5,249)	\$ 139,572	\$ 139,572	
Grades 1-5 - Salaries of Teachers	974,384	(315,524)	658,860	658,139	\$ 721
Grades 6-8 - Salaries of Teachers	167,556	214,353	381,909	381,909	
Regular Programs - Home Instruction:					
Salaries of Teachers	1,644	(879)	765	765	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	126,386	(24,864)	101,522	101,522	
Purchased Professional - Educational Services	2,000	443	2,443	2,443	
Purchased Technical Services	54,350	(4,934)	49,416	49,416	
Other Purchased Services (400-500 Series)		450	450	450	
General Supplies	95,171	85,376	180,547	176,051	4,496
Textbooks	2,000	(2,000)			
Other Objects	5,325	8,007	13,332	13,332	
Total Regular Programs - Instruction	<u>1,573,637</u>	<u>(44,821)</u>	<u>1,528,816</u>	<u>1,523,599</u>	<u>5,217</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	226,260	(87,004)	139,256	139,256	
Total Learning and/or Language Disabilities	<u>226,260</u>	<u>(87,004)</u>	<u>139,256</u>	<u>139,256</u>	
Resource Room/Resource Center:					
Salaries of Teachers	152,637	27,517	180,154	178,702	1,452
Total Resource Room/Resource Center	<u>152,637</u>	<u>27,517</u>	<u>180,154</u>	<u>178,702</u>	<u>1,452</u>

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Preschool Handicapped - Part Time:					
Salaries of Teachers	\$ 55,495		\$ 55,495	\$ 55,495	
Other Salaries for Instruction	28,043	\$ (24,049)	3,994		\$ 3,994
Total Preschool Handicapped - Part Time	<u>83,538</u>	<u>(24,049)</u>	<u>59,489</u>	<u>55,495</u>	<u>3,994</u>
Total Special Education Instruction	<u>462,435</u>	<u>(83,536)</u>	<u>378,899</u>	<u>373,453</u>	<u>5,446</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	175,791	(31,668)	144,123	144,123	
Total Basic Skills/Remedial - Instruction	<u>175,791</u>	<u>(31,668)</u>	<u>144,123</u>	<u>144,123</u>	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	8,300	(5,150)	3,150	3,150	
Total School-Sponsored Cocurricular Activities - Instruction	<u>8,300</u>	<u>(5,150)</u>	<u>3,150</u>	<u>3,150</u>	
Other Instructional Programs - Instruction					
Salaries	32,784	1,504	34,288	34,287	1
Total Other Instructional Programs - Instruction	<u>32,784</u>	<u>1,504</u>	<u>34,288</u>	<u>34,287</u>	<u>1</u>
Total Instruction	<u>2,252,947</u>	<u>(163,671)</u>	<u>2,089,276</u>	<u>2,078,612</u>	<u>10,664</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	1,479,462	(243,602)	1,235,860	1,235,860	
Tuition to Other LEAs Within the State - Special	330,535	539,754	870,289	841,866	28,423
Tuition to County Vocational School District - Regular	168,000	(20,790)	147,210	147,210	
Tuition to CSSD & Reg. Day Schools		20,664	20,664	20,664	
Tuition to Private Schools for the Handicapped - Within State	196,291	(196,181)	110	109	1
Tuition to Private Schools for the Handicapped - Outside State	433,833	(9,913)	423,920	423,864	56

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Instruction: (Cont'd)					
Tuition - State Facilities	\$ 35,465		\$ 35,465	\$ 35,465	
Total Instruction	<u>2,643,586</u>	<u>\$ 89,932</u>	<u>2,733,518</u>	<u>2,705,038</u>	<u>\$ 28,480</u>
Health Services:					
Salaries	63,675		63,675	63,675	
Purchased Professional and Technical Services		846	846	846	
Supplies and Materials	125	150	275	275	
Total Health Services	<u>63,800</u>	<u>996</u>	<u>64,796</u>	<u>64,796</u>	
Other Support Services - Students - Speech, OT, PT and Related Services:					
Purchased Professional - Educational Services		1,900	1,900	1,900	
Total Other Support Services - Students - Speech, OT, PT and Related Services		<u>1,900</u>	<u>1,900</u>	<u>1,900</u>	
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	113,988	166,883	280,871	276,837	4,034
Total Other Support Services - Students - Extraordinary Services	<u>113,988</u>	<u>166,883</u>	<u>280,871</u>	<u>276,837</u>	<u>4,034</u>
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	247,119	(44,264)	202,855	199,388	3,467
Salaries of Secretarial and Clerical Assistants	41,748	(11,843)	29,905	26,076	3,829
Purchased Professional - Educational Services	600	220	820	820	
Supplies and Materials		3,463	3,463	3,428	35
Other Objects		150	150	150	
Total Other Support Services - Students - Child Study Team	<u>289,467</u>	<u>(52,274)</u>	<u>237,193</u>	<u>229,862</u>	<u>7,331</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 34,288	\$ 7,672	\$ 41,960	\$ 41,958	\$ 2
Total Improvement of Instructional Services	<u>34,288</u>	<u>7,672</u>	<u>41,960</u>	<u>41,958</u>	<u>2</u>
Educational Media Services/School Library:					
Salaries	34,288		34,288	34,288	
Supplies and Materials	750	49	799	799	
Total Educational Media Services/School Library	<u>35,038</u>	<u>49</u>	<u>35,087</u>	<u>35,087</u>	
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	2,300	231	2,531	2,531	
Other Purchased Services (400-500 series)	450	818	1,268	1,268	
Other Objects		59	59	59	
Total Instructional Staff Training Services	<u>2,750</u>	<u>1,108</u>	<u>3,858</u>	<u>3,858</u>	
Support Services - General Administration:					
Salaries	148,045	(27,135)	120,910	120,909	1
Legal Services	18,409	128,076	146,485	138,103	8,382
Audit Fees	21,930	826	22,756	22,755	1
Other Purchased Professional Services	4,500	(3,415)	1,085	1,085	
Communications/Telephone	12,095	(2,125)	9,970	9,870	100
BOE Other Purchased Services	2,500	8,545	11,045	11,045	
Miscellaneous Purchased Services (400-500 series)	11,000	100	11,100	7,250	3,850
General Supplies	1,000	(1,000)			
Miscellaneous Expenditures	2,779	3,222	6,001	5,641	360
BOE Membership Dues and Fees	4,500	3,493	7,993	7,992	1
Total Support Services - General Administration	<u>226,758</u>	<u>110,587</u>	<u>337,345</u>	<u>324,650</u>	<u>12,695</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Undistributed Expenditures:					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	\$ 83,395	\$ 1,073	\$ 84,468	\$ 84,468	
Salaries of Secretarial and Clerical Assistants	1,762	1,128	2,890	2,890	
Total Support Services - School Administration	<u>85,157</u>	<u>2,201</u>	<u>87,358</u>	<u>87,358</u>	
Central Services:					
Salaries	138,245	(12,632)	125,613	125,613	
Purchased Professional Services	3,500	264	3,764	3,314	\$ 450
Purchased Technical Services		4,797	4,797	4,796	1
Supplies and Materials	1,024	(87)	937	937	
Total Central Services	<u>142,769</u>	<u>(7,658)</u>	<u>135,111</u>	<u>134,660</u>	<u>451</u>
Required Maintenance for School Facilities:					
Salaries	30,217	503	30,720	30,720	
Cleaning, Repair and Maintenance Services	32,875	29,045	61,920	61,920	
General Supplies	7,740	(6,151)	1,589	1,589	
Total Required Maintenance of School Facilities	<u>70,832</u>	<u>23,397</u>	<u>94,229</u>	<u>94,229</u>	
Custodial Services:					
Salaries	152,488	48,984	201,472	201,472	
Purchased Professional and Technical Services	7,500	4,360	11,860	11,860	
Cleaning, Repair and Maintenance Services	23,551	9,901	33,452	32,452	1,000
Insurance	28,854	(4,736)	24,118	24,118	
General Supplies	16,900	3,449	20,349	20,201	148
Energy (Electricity)	139,000	(85,047)	53,953	53,593	360
Total Custodial Services	<u>368,293</u>	<u>(23,089)</u>	<u>345,204</u>	<u>343,696</u>	<u>1,508</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Student Transportation Services:					
Salary for Pupil Transportation (Between Home & School) - Regular	\$ 68,000	\$ (2,172)	\$ 65,828	\$ 65,828	
Salary for Pupil Transportation (Between Home & School) - Special Education	2,386	(2,386)			
Contracted Services:					
Between Home and School - Vendors	483,250	(26,278)	456,972	452,716	\$ 4,256
Between Home and School - Joint Agreements	14,269	759	15,028	15,028	
Special Education Students - Vendors	322,458	84,963	407,421	405,703	1,718
Aid in Lieu - Nonpublic Schools	26,500	(2,946)	23,554	23,554	
Total Student Transportation Services	<u>916,863</u>	<u>51,940</u>	<u>968,803</u>	<u>962,829</u>	<u>5,974</u>
Undistributed Expenditures:					
Unallocated Benefits:					
Social Security Contributions	54,150	(10,285)	43,865	43,865	
Other Retirement Contributions - PERS	64,605	(10,352)	54,253	54,224	29
Other Retirement Contributions - Regular		533	533	533	
Unemployment Compensation	12,000	(2,000)	10,000	10,000	
Workmen's Compensation	33,245	(6,244)	27,001	27,000	1
Health Benefits	792,642	(41,567)	751,075	738,203	12,872
Tuition Reimbursement	28,312	(847)	27,465	27,465	
Other Employee Benefits	2,000	50,416	52,416	52,416	
Total Unallocated Benefits	<u>986,954</u>	<u>(20,346)</u>	<u>966,608</u>	<u>953,706</u>	<u>12,902</u>
On-Behalf Contributions:					
On-behalf TPAF Pension (non-budgeted)				200,456	(200,456)
On-behalf TPAF Post Retirement Contributions (non-budgeted)				238,687	(238,687)
Reimbursed TPAF Social Security Contributions (non-budgeted)				176,560	(176,560)
Total On-Behalf Contributions				<u>615,703</u>	<u>(615,703)</u>
Total Undistributed Expenses	<u>5,980,543</u>	<u>353,298</u>	<u>6,333,841</u>	<u>6,876,167</u>	<u>(542,326)</u>

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

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
TOTAL GENERAL CURRENT EXPENSE	\$ 8,233,490	\$ 189,627	\$ 8,423,117	\$ 8,954,779	\$ (531,662)
CAPITAL OUTLAY:					
Facilities Acquisition and Construction Services:					
Assessment of Debt Service on SDA Funding	993		993	993	
Construction Services	<u>151,749</u>		<u>151,749</u>	<u>73,361</u>	<u>78,388</u>
Total Facilities Acquisition and Construction Services	<u>152,742</u>		<u>152,742</u>	<u>74,354</u>	<u>78,388</u>
TOTAL CAPITAL OUTLAY	<u>152,742</u>		<u>152,742</u>	<u>74,354</u>	<u>78,388</u>
Transfer of Funds to Charter Schools	<u>411,745</u>	<u>52,091</u>	<u>463,836</u>	<u>463,836</u>	
TOTAL EXPENDITURES	<u>8,797,977</u>	<u>241,718</u>	<u>9,039,695</u>	<u>9,492,969</u>	<u>(453,274)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(233,613)	(80,483)	(314,096)	(135,088)	179,008
Fund Balance, July 1	<u>782,694</u>		<u>782,694</u>	<u>782,694</u>	
Fund Balance, June 30	<u>\$ 549,081</u>	<u>\$ (80,483)</u>	<u>\$ 468,598</u>	<u>\$ 647,606</u>	<u>\$ 179,008</u>
<u>Recapitulation:</u>					
Restricted:					
Capital Reserve				\$ 43,318	
Impact Aid General Fund Reserve				171,644	
Assigned:					
Year-End Encumbrances				134,827	
For Subsequent Year's Expenditures				84,273	
Unassigned Fund Balance				<u>213,544</u>	
				647,606	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>(258,426)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 389,180</u>	

MONTAGUE TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 201,000	\$ 95,001	\$ 296,001	\$ 294,729	\$ (1,272)
Total Revenues	<u>201,000</u>	<u>95,001</u>	<u>296,001</u>	<u>294,729</u>	<u>(1,272)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers		115,307	115,307	115,287	20
Purchased Professional and Technical Services	70,000	(70,000)			
Other Purchased Services	7,000	638	7,638	7,613	25
Tuition	124,000	(24,780)	99,220	99,220	
Total Instruction	<u>201,000</u>	<u>21,165</u>	<u>222,165</u>	<u>222,120</u>	<u>45</u>
Support Services:					
Personal Services - Employee Benefits		29,980	29,980	28,753	1,227
Purchased Professional-Educational Services		43,856	43,856	43,856	
Total Support Services		<u>73,836</u>	<u>73,836</u>	<u>72,609</u>	<u>1,227</u>
Total Expenditures	<u>\$ 201,000</u>	<u>\$ 95,001</u>	<u>\$ 296,001</u>	<u>\$ 294,729</u>	<u>\$ 1,272</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,357,881	\$ 294,729
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	268,463	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(258,426)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 9,367,918</u>	<u>\$ 294,729</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 9,492,969</u>	<u>\$ 294,729</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,492,969</u>	<u>\$ 294,729</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

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

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

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

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

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

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

	No Child Left Behind		Rural Education Achievement Program		I.D.E.A.		Total
	Title I	Title IIA	FY 2016	FY 2015	Basic	Preschool	
	REVENUE:						
Federal Sources	\$ 144,040	\$ 7,613	\$ 21,441	\$ 22,415	\$ 95,004	\$ 4,216	294,729
Total Revenue	144,040	7,613	21,441	22,415	95,004	4,216	294,729
EXPENDITURES:							
Instruction:							
Salaries of Teachers	115,287						115,287
Other Purchased Services		7,613					7,613
Tuition					95,004	4,216	99,220
Total Instruction	115,287	7,613			95,004	4,216	222,120
Support Services:							
Personal Services - Employee Benefits	28,753						28,753
Purchased Professional - Educational Services			21,441	22,415			43,856
Total Support Services	28,753		21,441	22,415			72,609
Total Expenditures	\$ 144,040	\$ 7,613	\$ 21,441	\$ 22,415	\$ 95,004	\$ 4,216	\$ 294,729

CAPITAL PROJECTS FUND

Exhibit F-1

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

Revenue and Other Financing Sources:	
Budget Appropriation	<u>\$ 49,000</u>
Total Revenue and Other Financing Sources	<u>49,000</u>
Excess/(Deficiency) of Revenue and Other Financing Sources	
Over/(Under) Expenditures and Other Financing Uses	49,000
Fund Balance - Beginning	<u>31,332</u>
Fund Balance - Ending	<u><u>\$ 80,332</u></u>

Exhibit F-1a

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
REPAIR AND PARTIAL REPLACEMENT OF ROOF
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 107,147		\$ 107,147	\$ 158,050
Budget Appropriation	188,075	\$ 49,000	237,075	237,075
Total Revenue and Other Financing Sources	<u>295,222</u>	<u>49,000</u>	<u>344,222</u>	<u>395,125</u>
Expenditures:				
Purchased Professional and Technical Services	39,090		39,090	76,375
Construction Services	224,800		224,800	318,750
Total Expenditures	<u>263,890</u>	<u>-0-</u>	<u>263,890</u>	<u>395,125</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 31,332</u>	<u>\$ 49,000</u>	<u>\$ 80,332</u>	<u>\$ -0-</u>
Additional Project Information:				
Project Number(s)	3300-050-09-1001			
Grant Date	3/4/2009			
Original Authorized Cost	\$ 395,125			
Change Orders	-0-			
Revised Authorized Cost	\$ 395,125			
Change Order Percentage	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/2010			
Revised Completion Date	6/30/2011			

MONTAGUE TOWNSHIP SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF TEMPORARY NOTES PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Purpose</u>	<u>Original Issue</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance June 30, 2015</u>	<u>Matured</u>
Repair and Partial Replacement of Roof- Montague Elementary School	\$ 237,075	8/5/2014	8/4/2015	1.05%	\$ 49,000	\$ 49,000
					<u>\$ 49,000</u>	<u>\$ 49,000</u>

PROPRIETARY FUNDS

Exhibit G-1

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds
	Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 27,246
Interfund Receivable - General Fund	85
Intergovernmental Receivable:	
Federal	12,090
State	141
	39,562
Total Current Assets	39,562
Non-Current Assets:	
Capital Assets	25,670
Less: Accumulated Depreciation	(17,103)
	8,567
Total Non-Current Assets	8,567
Total Assets	48,129
LIABILITIES:	
Current Liabilities:	
Accounts Payable - Vendors	11,274
	11,274
Total Current Liabilities	11,274
NET POSITION:	
Investment in Capital Assets	8,567
Unrestricted	28,288
	36,855
Total Net Position	\$ 36,855

Exhibit G-2

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

	Business-Type Activities - Enterprise Funds Food Service
Operating Revenue:	
Local Sources:	
Daily Sales:	
Reimbursable Programs	\$ 12,464
Non-Reimbursable Programs	1,232
	13,696
Total Operating Revenue	13,696
Operating Expenses:	
Cost of Sales:	
Reimbursable Programs	67,791
Non-Reimbursable Programs	6,704
Supplies, Insurance & Other Costs	14,968
Miscellaneous Expenditures	16,820
Depreciation Expense	847
	107,130
Total Operating Expenses	107,130
Operating Loss	(93,434)
Non-Operating Revenue:	
Local Sources:	
Interest Income	4
State Sources:	
State School Lunch Program	894
Federal Sources:	
National School Lunch Program	39,839
School Breakfast Program	34,191
Food Distribution Program	10,764
	85,692
Total Non-Operating Revenue	85,692
Change in Net Position	(7,742)
Net Position - Beginning of Year	44,597
Net Position - End of Year	\$ 36,855

Exhibit G-3

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

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 13,668
Payments to Suppliers for Goods and Services	(91,508)
Net Cash Used for Operating Activities	(77,840)
Cash Flows from Noncapital and Financing Activities:	
State Sources	1,020
Federal Sources	84,779
Net Cash Provided by Noncapital Financing Activities	85,799
Cash Flows from Investment Activities:	
Interest Income	4
Net Cash Provided by Investing Activities	4
Net Increase in Cash and Cash Equivalents	7,963
Cash and Cash Equivalents, July 1	19,283
Cash and Cash Equivalents, June 30	\$ 27,246
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (93,434)
Net Cash Used for Operating Activities:	
Depreciation	847
Food Distribution Program	10,764
Changes in Assets and Liabilities:	
(Increase) in Interfund Receivable	(28)
Increase in Accounts Payable	4,011
Net Cash Used for Operating Activities	\$ (77,840)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized U.S.D.A. Commodities through the Food Distribution Program valued at \$10,764.

FIDUCIARY FUNDS

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

	<u>Student Activity</u>	<u>Agency Payroll</u>	<u>Total</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:						
Cash and Cash Equivalents	\$ 2,144	\$ 161,999	\$ 164,143	\$ 25	\$ 2,084	\$ 1,471
Total Assets	<u>2,144</u>	<u>161,999</u>	<u>164,143</u>	<u>25</u>	<u>2,084</u>	<u>1,471</u>
LIABILITIES:						
Payroll Deductions and Withholdings		17,859	17,859			
Accrued Salaries and Wages		130,509	130,509			
Interfund Payable - General Fund		13,631	13,631		1,684	
Due to Student Groups	2,144		2,144			
Total Liabilities	<u>2,144</u>	<u>161,999</u>	<u>164,143</u>		<u>1,684</u>	
NET POSITION:						
Held in Trust for Unemployment Claims				25		
Restricted for Flexible Spending Claims					400	
Restricted for Scholarships						1,471
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 25</u>	<u>\$ 400</u>	<u>\$ 1,471</u>

Exhibit H-2

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

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ADDITIONS:			
Contributions:			
Plan Members		\$ 2,100	
Budget Appropriation	\$ 10,000	364	
Investment Earnings:			
Interest			\$ 1
Total Contributions	<u>10,000</u>	<u>2,464</u>	<u>1</u>
Total Additions	<u>10,000</u>	<u>2,464</u>	<u>1</u>
DEDUCTIONS:			
Unemployment Claims	11,596		
Flexible Spending Claims		2,198	
Administrative Charges		300	
Total Deductions	<u>11,596</u>	<u>2,498</u>	
Change in Net Position	(1,596)	(34)	1
Net Position - Beginning of the Year	<u>1,621</u>	<u>434</u>	<u>1,470</u>
Net Position - End of the Year	<u>\$ 25</u>	<u>\$ 400</u>	<u>\$ 1,471</u>

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 1,048	\$ 1,595	\$ 499	\$ 2,144
Total Assets	<u>\$ 1,048</u>	<u>\$ 1,595</u>	<u>\$ 499</u>	<u>\$ 2,144</u>
LIABILITIES:				
Due to Student Groups	\$ 1,048	\$ 1,595	\$ 499	\$ 2,144
Total Liabilities	<u>\$ 1,048</u>	<u>\$ 1,595</u>	<u>\$ 499</u>	<u>\$ 2,144</u>

Exhibit H-4

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 166,640	\$ 4,658,144	\$ 4,662,785	\$ 161,999
Total Assets	<u>\$ 166,640</u>	<u>\$ 4,658,144</u>	<u>\$ 4,662,785</u>	<u>\$ 161,999</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 38,843	\$ 4,387,811	\$ 4,408,795	\$ 17,859
Accrued Salaries and Wages - Summer Pay	126,478	130,496	126,465	130,509
Interfund Payable - General Fund	<u>1,319</u>	<u>139,837</u>	<u>127,525</u>	<u>13,631</u>
Total Liabilities	<u>\$ 166,640</u>	<u>\$ 4,658,144</u>	<u>\$ 4,662,785</u>	<u>\$ 161,999</u>

LONG-TERM DEBT

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Purpose	Date of Issue	Original Issue	Balance June 30, 2015	Matured
Building Improvements	02/15/96	\$ 1,199,000	\$ 79,000	\$ 79,000
			<u>\$ 79,000</u>	<u>\$ 79,000</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 122,378		\$ 122,378	\$ 122,378	
State Aid:					
Debt Service Aid	15,032		15,032	15,032	
Total Revenues	<u>137,410</u>		<u>137,410</u>	<u>137,410</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	9,410		9,410	4,661	\$ 4,749
Redemption of Principal	128,000		128,000	128,000	
Total Regular Debt Service	<u>137,410</u>		<u>137,410</u>	<u>132,661</u>	<u>4,749</u>
Total Expenditures	<u>137,410</u>		<u>137,410</u>	<u>132,661</u>	<u>4,749</u>
Excess of Revenues Over Expenditures				4,749	4,749
Fund Balance, July 1 / (Deficit)	<u>(2,008)</u>		<u>(2,008)</u>	<u>(2,008)</u>	
Fund Balance, June 30 / (Deficit)	<u>\$ (2,008)</u>	<u>\$ -0-</u>	<u>\$ (2,008)</u>	<u>\$ 2,741</u>	<u>\$ 4,749</u>
Recapitulation:					
Restricted				<u>\$ 2,741</u>	

STATISTICAL SECTION

STATISTICAL SECTION
(Unaudited)

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

Contents

Exhibit

Financial Trends

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

J-1 thru J-5

Revenue Capacity

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

J-6 thru J-9

Debt Capacity

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

J-10 thru J-13

Demographic and Economic Information

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

J-14 thru J-15

Operating Information

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

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 1,479,829	\$ 1,438,185	\$ 1,425,190	\$ 1,385,800	\$ 1,610,304	\$ 1,612,432	\$ 1,708,946	\$ 1,678,271	\$ 1,635,421	\$1,641,163
Restricted	13,932	13,982	62,013	204,452	173,490	210,789	167,712	167,802	366,610	217,703
Unrestricted / (Deficit)	147,689	124,563	(196,012)	(55,022)	35,298	460,526	365,556	(437,219)	(997,991)	(997,862)
Total governmental activities net position	<u>\$ 1,641,450</u>	<u>\$ 1,576,730</u>	<u>\$ 1,291,191</u>	<u>\$ 1,535,230</u>	<u>\$ 1,819,092</u>	<u>\$ 2,283,747</u>	<u>\$ 2,242,214</u>	<u>\$ 1,408,854</u>	<u>\$ 1,004,040</u>	<u>\$ 861,004</u>
Business-type Activities:										
Investment in Capital Assets	\$ 8,578	\$ 7,231	\$ 3,625	\$ 3,334	\$ 3,043	\$ 4,956	\$ 4,521	\$ 10,261	\$ 9,414	\$ 8,567
Unrestricted	19,551	17,153	15,141	24,114	35,936	34,544	37,718	30,498	35,183	28,288
Total business-type activities net position	<u>\$ 28,129</u>	<u>\$ 24,384</u>	<u>\$ 18,766</u>	<u>\$ 27,448</u>	<u>\$ 38,979</u>	<u>\$ 39,500</u>	<u>\$ 42,239</u>	<u>\$ 40,759</u>	<u>\$ 44,597</u>	<u>\$ 36,855</u>
District-wide:										
Net Investment in Capital Assets	\$ 1,488,407	\$ 1,445,416	\$ 1,428,815	\$ 1,389,134	\$ 1,613,347	\$ 1,617,388	\$ 1,713,467	\$ 1,688,532	\$ 1,644,835	\$1,649,730
Restricted	13,932	13,982	62,013	204,452	173,490	210,789	167,712	167,802	366,610	217,703
Unrestricted / (Deficit)	167,240	141,716	(180,871)	(30,908)	71,234	495,070	403,274	(406,721)	(962,808)	(969,574)
Total District Net Position	<u>\$ 1,669,579</u>	<u>\$ 1,601,114</u>	<u>\$ 1,309,957</u>	<u>\$ 1,562,678</u>	<u>\$ 1,858,071</u>	<u>\$ 2,323,247</u>	<u>\$ 2,284,453</u>	<u>\$ 1,449,613</u>	<u>\$ 1,048,637</u>	<u>\$ 897,859</u>

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
Instruction:										
Regular	\$ 4,010,859	\$ 3,700,336	\$ 2,385,007	\$ 2,330,524	\$ 2,231,773	\$ 2,298,956	\$ 2,372,899	\$ 2,307,831	\$ 2,998,252	\$ 3,007,195
Special Education	1,749,893	1,867,738	787,052	748,757	784,326	572,636	786,905	770,358	801,762	871,760
Other Special Instruction	127,896	247,095	168,837	180,228	221,075	253,641	254,279	280,339	41,492	367,078
School-Sponsored Instruction	4,602	4,564	125,111	124,326	93,154	106,353	124,272	132,455	63,561	6,482
Support Services:										
Student & Instruction Related Services	528,669	639,425	3,133,971	2,919,162	2,587,292	2,819,372	3,125,710	2,630,728	4,075,329	3,662,932
General Administrative Services	429,852	270,079	257,755	296,462	293,982	383,838	324,532	336,638	276,959	387,956
School Administrative Services	150,389	215,920	126,550	97,247	106,341	108,593	126,779	127,090	172,573	177,903
Central Services	238,545	176,298	121,423	125,235	123,846	202,833	211,743	201,156	177,044	182,613
Administration Information Technology			46,540	48,535	59,688					
Plant Operations and Maintenance	526,563	600,721	541,326	533,232	504,207	521,967	570,642	590,550	538,050	554,997
Pupil Transportation	733,985	788,756	789,202	747,527	725,546	848,952	861,388	929,334	1,011,551	1,006,746
Charter Schools			467,372	540,851	919,957	726,638	702,967	761,756	573,397	463,836
Capital Outlay							993	17,184		
Interest on Long-term Debt	36,566	33,317	29,906	26,395	28,666	25,558	17,493	15,607	3,498	2,474
Total Governmental Activities Expenses	8,537,819	8,544,249	8,980,052	8,718,481	8,679,853	8,869,337	9,479,609	9,084,835	10,750,652	10,691,972
Business-type Activities:										
Food Service	157,528	161,097	187,660	116,080	95,254	108,235	107,825	107,342	98,249	107,130
Total Business-type Activities Expenses	157,528	161,097	187,660	116,080	95,254	108,235	107,825	107,342	98,249	107,130
Total District Expenses	8,695,347	8,705,346	9,167,712	8,834,561	8,775,107	8,977,572	9,587,434	9,192,177	10,848,901	10,799,102
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	1,618,766	1,551,559	1,200,022	1,258,605	1,340,307	1,377,013	1,481,482	1,373,284	2,284,675	2,395,326
Capital Grants and Contributions					105,556					
Total Governmental Activities Program Revenues	1,618,766	1,551,559	1,200,022	1,258,605	1,445,863	1,377,013	1,481,482	1,373,284	2,284,675	2,395,326

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 34,753	\$ 32,224	\$ 32,993	\$ 28,703	\$ 27,168	\$ 23,184	\$ 21,623	\$ 17,416	\$ 14,718	\$ 13,696
Operating Grants and Contributions	61,858	59,649	76,191	80,636	79,558	83,244	88,933	88,435	87,362	85,688
Total Business-type Activities Revenues	96,611	91,873	109,184	109,339	106,726	106,428	110,556	105,851	102,080	99,384
Total District Program Revenues	1,715,377	1,643,432	1,309,206	1,367,944	1,552,589	1,483,441	1,592,038	1,479,135	2,386,755	2,494,710
Net (Expense)/Revenue										
Governmental Activities	(6,919,053)	(6,992,690)	(7,780,030)	(7,459,876)	(7,233,990)	(7,492,324)	(7,998,127)	(7,711,551)	(8,465,977)	(8,296,646)
Business-type Activities	(60,917)	(69,224)	(78,476)	(6,741)	11,472	(1,807)	2,731	(1,491)	3,831	(7,746)
Total District-wide Net (Expense)/Revenue	(6,979,970)	(7,061,914)	(7,858,506)	(7,466,617)	(7,222,518)	(7,494,131)	(7,995,396)	(7,713,042)	(8,462,146)	(8,304,392)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net										
	4,941,024	4,976,774	5,083,322	5,286,654	5,298,120	5,404,082	5,447,314	5,556,260	5,667,385	5,780,732
Taxes Levied for Debt Service			75,727	76,977	77,086	130,469	123,414	124,525	124,637	122,378
Unrestricted Grants and Contributions	1,898,475	1,962,287	2,391,852	2,329,279	2,114,510	2,381,601	2,361,340	2,220,065	2,245,946	2,244,711
Investment Earnings	69,098	45,957	431	172	31	2,922	1,749	2,423	1,174	1,240
Miscellaneous Income	37,036	8,185	15,823	26,133	28,105	40,181	22,777	3,163	20,273	4,549
Transfers	(53,577)	(65,233)	(72,664)	(15,300)		(2,276)			1,748	
Total Governmental Activities	6,892,056	6,927,970	7,494,491	7,703,915	7,517,852	7,956,979	7,956,594	7,906,436	8,061,163	8,153,610
Business-type Activities:										
Investment Earnings	449	246	194	123	59	52	8	11	7	4
Transfers	53,678	65,233	72,664	15,300		2,276				
Total Business-type Activities	54,127	65,479	72,858	15,423	59	2,328	8	11	7	4
Total District-wide	6,946,183	6,993,449	7,567,349	7,719,338	7,517,911	7,959,307	7,956,602	7,906,447	8,061,170	8,153,614

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Change in Net Position										
Governmental Activities	\$ (26,997)	\$ (64,720)	\$ (285,539)	\$ 244,039	\$ 283,862	\$ 464,655	\$ (41,533)	\$ 194,885	\$ (404,814)	\$ (143,036)
Business-type Activities	(6,790)	(3,745)	(5,618)	8,682	11,531	521	2,739	(1,480)	3,838	(7,742)
Total District	<u>\$ (33,787)</u>	<u>\$ (68,465)</u>	<u>\$ (291,157)</u>	<u>\$ 252,721</u>	<u>\$ 295,393</u>	<u>\$ 465,176</u>	<u>\$ (38,794)</u>	<u>\$ 193,405</u>	<u>\$ (400,976)</u>	<u>\$ (150,778)</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
(modified accrual basis of accounting)
 UNAUDITED

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 129,950	\$ 84,863	\$ 62,009	\$ 204,449						
Unrestricted/(Deficit)	180,807	220,169	(40,458)	91,773						
Restricted					\$ 152,576	\$ 210,760	\$ 167,687	\$ 167,802	\$ 366,610	\$ 214,962
Assigned					179,244	370,616	252,135	556,989	85,601	174,218
Unassigned					186,927	361,530	344,274	212,471	62,020	
Total General Fund	\$ 310,757	\$ 305,032	\$ 21,551	\$ 296,222	\$ 518,747	\$ 942,906	\$ 764,096	\$ 937,262	\$ 514,231	\$ 389,180
All Other Governmental Funds:										
Unreserved/(Deficit)	\$ 1	\$ (3,961)	\$ 4	\$ 3						
Restricted							\$ 25			\$ 2,741
Committed									\$ 31,332	80,332
Unassigned / (Deficit)					\$ (158,330)	\$ (112,730)	(68,409)	\$ (21,917)	(2,008)	
Total All Other Governmental Funds	\$ 1	\$ (3,961)	\$ 4	\$ 3	\$ (158,330)	\$ (112,730)	\$ (68,384)	\$ (21,917)	\$ 29,324	\$ 83,073
Total All Governmental Funds:										
Reserved	\$ 129,950	\$ 84,863	\$ 62,009	\$ 204,449						
Unrestricted/(Deficit)	180,808	216,208	(40,454)	91,776						
Restricted					\$ 152,576	\$ 210,760	\$ 167,712	\$ 167,802	\$ 366,610	\$ 217,703
Committed									31,332	80,332
Assigned					179,244	370,616	252,135	556,989	85,601	174,218
Unassigned					186,927	248,800	275,865	190,554	60,012	
Total All Governmental Funds	\$ 310,758	\$ 301,071	\$ 21,555	\$ 296,225	\$ 518,747	\$ 830,176	\$ 695,712	\$ 915,345	\$ 543,555	\$ 472,253

Source: School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 4,941,024	\$ 4,976,774	\$ 5,159,049	\$ 5,363,631	\$ 5,375,206	\$ 5,534,551	\$ 5,570,728	\$ 5,680,785	\$ 5,792,022	\$ 5,903,110
Interest Earnings	69,098	45,957	431	172	28,136	85	153	115	1,174	1,240
Miscellaneous	37,036	8,185	15,823	26,133		42,918	24,373	5,471	20,273	4,549
State Sources	3,061,078	3,179,989	3,242,018	2,981,201	3,066,642	3,101,513	3,295,621	3,273,397	3,324,954	3,417,531
Federal Sources	456,163	333,857	349,856	606,683	493,731	657,101	558,284	319,952	611,857	473,627
Total Revenues	8,564,399	8,544,762	8,767,177	8,977,820	8,963,715	9,336,168	9,449,159	9,279,720	9,750,280	9,800,057
Expenditures										
Instruction:										
Regular Instruction	3,973,178	3,636,114	1,670,131	1,636,549	1,598,512	1,649,861	1,681,813	1,663,814	1,806,233	1,646,499
Special Education Instruction	1,731,688	1,843,096	561,338	551,668	608,627	441,953	568,109	555,804	429,140	472,673
Other Special Instruction	124,608	240,263	166,061	177,038	215,119	248,082	249,755	275,142	40,838	178,410
School Sponsored Activities and Athletics	4,522	4,479	29,258	30,975	3,599	3,250	3,775	3,600	3,850	3,150
Support Services:										
Student & Instruction Related Services	522,973	621,000	2,912,793	2,705,455	2,420,156	2,611,494	2,871,226	2,455,315	3,851,721	3,431,945
General Administrative Services	422,932	265,191	209,342	250,328	242,437	331,468	263,365	287,355	228,093	324,650
School Administrative Services	146,049	209,673	84,850	70,009	74,345	75,685	85,648	87,301	92,236	87,358
Central Services	238,509	170,172	88,413	93,019	93,413	153,594	159,799	155,401	131,922	134,660
Administration Information Technology			33,278	35,552	44,794					
Plant Operations and Maintenance	516,486	591,329	457,961	450,019	442,502	466,601	502,796	515,093	455,828	437,925
Pupil Transportation	732,951	787,314	761,943	717,329	694,822	824,317	837,060	901,123	972,826	962,829
Unallocated Benefits			1,394,175	1,310,574	1,182,010	1,154,015	1,398,148	1,302,601	1,432,413	1,569,409
Charter Schools			467,372	540,851	919,957	726,638	702,967	761,756	573,397	463,836
Capital Outlay	193,018	20,988	40,929	20,711	265,133	75,055	161,964	993	15,953	74,354
Debt Service:										
Principal	60,000	65,000	65,000	70,000	70,000	120,575	121,500	127,500	128,500	128,000
Interest and Other Charges	37,748	34,597	31,185	27,773	24,097	27,220	22,198	14,789	9,368	4,661
Total Expenditures	8,704,662	8,489,216	8,974,029	8,687,850	8,899,523	8,909,808	9,630,123	9,107,587	10,172,318	9,920,359

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (140,263)	\$ 55,546	\$ (206,852)	\$ 289,970	\$ 64,192	\$ 426,360	\$ (180,964)	\$ 172,133	\$ (422,038)	\$ (120,302)
Other Financing Sources (Uses)										
Premium on Temporary Note Funded by Budget Appropriation Transfers	(53,577)	(65,233)	(72,664)	15,300		100 45,575 (2,276)	46,500	47,500	48,500 1,748	49,000
Total Other Financing Sources (Uses)	(53,577)	(65,233)	(72,664)	15,300	-0-	43,399	46,500	47,500	50,248	49,000
Net Change in Fund Balances	\$ (193,840)	\$ (9,687)	\$ (279,516)	\$ 305,270	\$ 64,192	\$ 469,759	\$ (134,464)	\$ 219,633	\$ (371,790)	\$ (71,302)
Debt Service as a Percentage of Noncapital Expenditures	1.15%	1.18%	1.08%	1.13%	1.09%	1.67%	1.52%	1.56%	1.36%	1.35%

Source: School District Financial Reports.

Exhibit J-5

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2007	\$ 69,098		\$ 37,036	\$ 106,134
2008	45,957		8,185	54,142
2009	11,561	\$ 89	4,604	16,254
2010	16,759	374	9,172	26,305
2011	6,425		21,711	28,136
2012	2,922	28,402	11,679	43,003
2013	1,749	4,537	18,240	24,526
2014	2,423		3,163	5,586
2015	1,174	6,269	14,004	21,447
2016	1,240		4,549	5,789

Source: Township of Montague School District records.

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

<u>Year Ended</u> <u>December 31,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed</u> <u>Value</u>	<u>Add:</u> <u>Public</u> <u>Utilities</u> ^a	<u>Net Valuation</u> <u>Taxable</u>	<u>Tax-Exempt</u> <u>Property</u>	<u>Total Direct</u> <u>School Tax</u> <u>Rate</u> ^b	<u>Estimated Actual</u> <u>(County Equalized</u> <u>Value)</u>
2006	\$ 15,167,800	\$ 166,148,500	\$ 8,584,600	\$ 1,004,660	\$ 21,686,900	\$ 2,136,600	\$ 420,000	\$ 215,149,060	\$ 770,279	\$ 215,919,339	\$ 53,247,150	\$ 2.144	\$ 391,060,312
2007	14,648,400	171,705,250	8,584,600	1,036,760	21,961,400	2,136,600	420,000	220,493,010	677,937	221,170,947	53,268,150	2.241	452,907,438
2008	14,229,190	176,080,600	8,697,200	1,108,910	22,412,400	2,136,600	420,000	225,084,900	686,971	225,771,871	53,343,350	2.246	479,040,677
2009	13,386,140	177,610,600	9,137,800	1,223,170	22,500,100	2,136,600	420,000	226,414,410	545,181	226,959,591	53,982,550	2.318	481,711,730
2010	13,010,940	179,655,000	8,751,800	1,189,920	22,778,000	2,136,600	420,000	227,942,260	592,314	228,534,574	54,002,850	2.349	453,597,230
2011	12,562,400	180,529,800	8,853,900	1,095,460	21,018,300	2,136,600	420,000	226,616,460	646,537	227,262,997	54,457,950	2.390	410,086,506
2012	11,832,000	179,693,200	9,455,700	1,290,860	21,018,300	2,136,600	420,000	225,846,660	692,194	226,538,854	54,975,550	2.471	374,978,952
2013	11,878,750	179,701,043	9,339,100	1,146,042	18,932,540	1,899,300	420,000	223,316,775	683,418	224,000,193	55,757,350	2.471	333,192,269
2014	10,862,850	180,125,043	9,638,000	1,159,342	19,083,140	1,899,300	420,000	223,187,675	-0-	223,187,675	55,586,950	2.597	333,175,171
2015	* 16,354,600	263,029,600	14,750,900	1,208,000	35,023,300	27,828,900	448,000	358,643,300	-0-	358,643,300	82,880,000	1.615	342,264,384

* - Revaluation became effective in this year.

a - Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

b - Tax rates are per \$100.

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.

Source: Municipal Tax Assessor.

Exhibit J-7

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

Year Ended December 31,	Township of Montague School District Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Township of Montague	Sussex County	
2006	\$ 2.120	\$ 0.024	\$ 2.144	\$ 0.374	\$ 0.792	\$ 3.310
2007	2.215	0.026	2.241	0.392	0.837	3.470
2008	2.213	0.033	2.246	0.400	0.818	3.464
2009	2.285	0.033	2.318	0.440	0.807	3.565
2010	2.315	0.034	2.349	0.469	0.803	3.621
2011	2.334	0.056	2.390	0.476	0.768	3.634
2012	2.416	0.055	2.471	0.497	0.769	3.737
2013	2.417	0.054	2.471	0.524	0.756	3.751
2014	2.541	0.056	2.597	0.547	0.780	3.924
2015	* 1.582	0.033	1.615	0.389	0.492	2.496

* - Revaluation became effective in this year.

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

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

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

Source: Municipal Tax Collector and School Business Administrator.

Exhibit J-8

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

Taxpayer	2015		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Tenneco Inc	\$ 25,700,000	1	7.17%
Tri State Mall Assoc. - 10 Rt. 23	12,028,700	2	3.35%
LAC Realty Corp.	1,479,500	3	0.41%
McDonald Corp.	1,324,800	4	0.37%
Petrozino LLC	1,291,800	5	0.36%
General Equities Inc.	1,262,600	6	0.35%
Ponky LLC	1,125,300	7	0.31%
442 Montague LLC	799,200	8	0.22%
ADPP Enterprises, Inc.	773,600	9	0.22%
Tri State Mall Assoc. - 20 Rt. 23	771,400	10	0.22%
Total	<u>\$ 46,556,900</u>		<u>12.98%</u>

Taxpayer	2006		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
INFORMATION IS NOT AVAILABLE			

INFORMATION IS NOT AVAILABLE

Exhibit J-9

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 4,941,024	\$ 4,941,024	100.00%	\$ -0-
2008	4,976,774	4,976,774	100.00%	-0-
2009	5,159,049	5,159,049	100.00%	-0-
2010	5,363,631	5,363,631	100.00%	-0-
2011	5,375,206	5,375,206	100.00%	-0-
2012	5,534,551	5,521,439	99.76%	13,112
2013	5,570,728	5,570,728	100.00%	-0-
2014	5,680,785	5,680,785	100.00%	-0-
2015	5,792,022	5,792,022	100.00%	-0-
2016	5,903,110	5,903,110	100.00%	-0-

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

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

Exhibit J-10

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Bond Anticipation Notes (BANs)			
2007	\$ 659,000	\$ -0-	\$ 659,000	0.37%	\$ 172.38
2008	594,000	-0-	594,000	0.34%	153.69
2009	529,000	-0-	529,000	0.29%	135.99
2010	459,000	-0-	459,000	0.26%	117.51
2011	389,000	237,075	626,075	0.35%	161.78
2012	314,000	191,500	505,500	0.27%	130.96
2013	239,000	145,000	384,000	0.20%	100.18
2014	159,000	97,500	256,500	0.13%	67.43
2015	79,000	49,000	128,000	0.06%	33.83
2016	-0-	-0-	-0-	0.00%	-0-

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

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

Source: School District Financial Reports.

Exhibit J-11

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

Fiscal Year Ended June 30,	<u>General Bonded Debt Outstanding</u>		Percentage of Actual Taxable Value ^a of Property	<u>Per Capita ^b</u>
	<u>General Obligation Bonds</u>	<u>Net General Bonded Debt Outstanding</u>		
2007	\$ 659,000	\$ 659,000	0.305%	\$ 172.38
2008	594,000	594,000	0.269%	153.69
2009	529,000	529,000	0.234%	135.99
2010	459,000	459,000	0.202%	117.51
2011	389,000	389,000	0.170%	100.52
2012	314,000	314,000	0.138%	81.35
2013	239,000	239,000	0.106%	62.35
2014	159,000	159,000	0.071%	41.80
2015	79,000	79,000	0.035%	20.88
2016	-0-	-0-	0.000%	-0-

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

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

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

Source: School District Financial Reports.

Exhibit J-12

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Township of Montague	\$ 452,520	100.00%	\$ 452,520
Sussex County General Obligation Debt	112,567,827	2.00 %	<u>2,253,197</u>
Subtotal, Overlapping Debt			2,705,717
Township of Montague School District Direct Debt			<u>79,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 2,784,717</u></u>

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

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

Year Ended December 31,	Equalized Valuation Basis
2015	\$ 352,544,284
2014	319,295,672
2013	332,173,610
	\$1,004,013,566
Average Equalized Valuation of Taxable Property	\$ 334,671,189
Debt Limit (2.5% of Average Equalization Value)	\$ 8,366,780 a
Net Bonded School Debt	-0-
Legal Debt Margin	\$ 8,366,780

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 9,251,672	\$ 10,748,014	\$ 11,561,878	\$ 11,633,766	\$ 11,149,744
Total Net Debt Applicable to Limit	659,000	594,000	529,000	459,000	389,000
Legal Debt Margin	\$ 8,592,672	\$ 10,154,014	\$ 11,032,878	\$ 11,174,766	\$ 10,760,744
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.12%	5.53%	4.58%	3.95%	3.49%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 10,294,423	\$ 8,798,852	\$ 8,798,852	\$ 8,335,111	\$ 8,366,780
Total Net Debt Applicable to Limit	314,000	239,000	159,000	79,000	-0-
Legal Debt Margin	\$ 9,980,423	\$ 8,559,852	\$ 8,639,852	\$ 8,256,111	\$ 8,366,780
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	3.05%	2.72%	1.81%	0.95%	0.00%

a - Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts.

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

Exhibit J-14

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

Year	Population ^a	Sussex County Per Capita Personal Income ^b	Personal Income ^c	Unemployment Rate ^d
2007	3,865	\$ 45,638	\$ 176,390,870	7.60%
2008	3,890	47,416	184,448,240	9.60%
2009	3,906	46,021	179,758,026	15.50%
2010	3,870	46,659	180,570,330	16.40%
2011	3,860	48,471	187,098,060	16.00%
2012	3,833	50,169	192,297,777	15.90%
2013	3,804	50,534	192,231,336	13.00%
2014	3,784	52,851	199,988,184	6.80%
2015	3,751	52,851 **	198,244,101	5.80%
2016	3,751 *	52,851 **	198,244,101 ***	N/A

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

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

*** - Latest available population data (2015) and latest available Sussex County per capita personal income (2014) was used for calculation purposes.

N/A - Information not available

Source:

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

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

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

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

Exhibit J-15

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

Employer	2015		
	Employees	Rank (Optional)	Percentage of Total Employment
Newton Medical Center	5,000	1	6.80%
Selective Insurance	5,000	2	6.80%
Mountain Creek Resort	1,000	3	1.36%
Thor Labs	1,000	4	1.36%
County of Sussex	1,000	5	1.36%
Ames Rubber Corp.	500	6	0.68%
Raider Express	500	7	0.68%
Sussex County Community College	500	8	0.68%
Mountain Creek Waterpark	250	9	0.34%
A&P Food Store	250	10	0.34%
	<u>15,000</u>		<u>20.41%</u>
Total Employment	<u>73,505</u>		
Employer	2006		
	Employees	Rank (Optional)	Percentage of Total Employment
Mountain Creek/ Intrawest	1,247	1	1.54%
Crystal Springs Golf and Spa Resort	1,154	2	1.43%
Newton Memorial Hospital	1,109	3	1.37%
Selective Insurance	954	4	1.18%
County of Sussex	770	5	0.95%
Andover Sub Acute and Rehab Center	700	6	0.86%
Ronetco Supermarkets, Inc. (Shop Rite)	672	7	0.83%
Vernon Township Board of Education	664	8	0.82%
Sparta Board of Education	557	9	0.69%
Sussex County Community College	516	10	0.64%
	<u>8,343</u>		<u>10.31%</u>
Total Employment	<u>80,951</u>		

Source: Sussex County Chamber of Commerce

TOWNSHIP OF MONTAGUE 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	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5	23.5	23.5
Special Education	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.5	3.5
Other Instruction	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Support Services:										
Student & Instruction Related Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General Administrative Services	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
School Administrative Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	3.5	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5
Pupil Transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Food Service	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Total	<u>50.5</u>	<u>50.5</u>	<u>50.5</u>	<u>49.5</u>	<u>48.5</u>	<u>48.5</u>	<u>48.5</u>	<u>48.5</u>	<u>46.5</u>	<u>45.5</u>

Source: District Personnel Records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	302	\$ 8,413,896	\$ 27,861	14.39%	30.0	10:1	299.3	290.5	-3.08%	97.06%
2008	316	8,368,631	26,483	-4.94%	30.0	9:1	282.4	273.3	-5.65%	96.78%
2009	302	8,836,915	29,261	10.49%	30.0	10:1	291.2	284.3	3.12%	97.63%
2010	299	8,569,366	28,660	-2.05%	30.0	10:1	290.4	284.7	-0.27%	98.04%
2011	302	8,540,293	28,279	-1.33%	28.0	11:1	302.1	294.5	4.03%	97.48%
2012	293	8,686,958	29,628	4.77%	28.0	10:1	293.2	281.4	-2.95%	95.98%
2013	273	9,324,461	34,156	15.28%	28.0	10:1	273.0	264.8	-6.89%	97.00%
2014	259	8,964,305	34,611	1.33%	28.0	9:1	259.2	250.2	-5.05%	96.53%
2015	219	10,018,497	45,747	32.17%	26.0	9:1	216.1	206.1	-16.63%	95.37%
2016	226	9,713,344	42,979	-6.05%	26.0	9:1	212.6	199.7	-1.62%	93.92%

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

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

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

d - Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Note: Enrollment based on annual October District count.

Source: Township of Montague School District records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

<u>District Building</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>
Elementary School										
Square Feet	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010
Capacity (students)	327	327	327	327	327	327	327	327	327	327
Enrollment	302	316	302	299	302	293	273	259	219	226

Number of Schools at June 30, 2016

 Elementary = 1

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

Source: Township of Montague School District Facilities Office.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures - Required Maintenance
 For School Facilities - Account #11-000-261-XXX:

<u>School Facilities*</u>	Fiscal Year Ended June 30,				
	2012	2013	2014	2015	2016
Montague Elementary School	\$ 85,925	\$ 79,877	\$ 96,998	\$ 88,903	\$ 94,229

<u>School Facilities*</u>	Fiscal Year Ended June 30,				
	2007	2008	2009	2010	2011
Montague Elementary School	\$ 50,405	\$ 120,572	\$ 96,245	\$ 48,930	\$ 112,109

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

Source: Township of Montague School District records.

Exhibit J-20

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSIG		
Property - Blanket Building and Contents	\$ 16,000,000	\$ 5,000
Commercial General Liability	16,000,000	
Commercial Automobile	16,000,000	
Board of Education Liability	16,000,000	10,000
Public Employee Dishonesty Bond	500,000	1,000
Workers Compensation	Statutory	
Selective Insurance Surety Bonds:		
School Business Administrator/Board Secretary	200,000	
Treasurer of School Monies	200,000	

Source: Township of Montague School District records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Township of Montague School District, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

Compliance and Other Matters

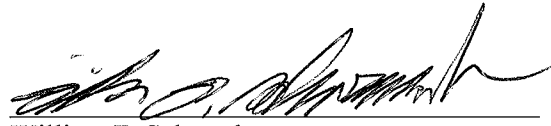
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of this Report

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

Mount Arlington, New Jersey
November 18, 2016

NISIVOCIA LLP



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



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

Independent Auditors' Report

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

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

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

Report on Internal Control Over Compliance

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

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

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

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

Mount Arlington, New Jersey
November 18, 2016

NISIVOCCIA LLP



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

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

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Balance at June 30, 2016			Amounts Provided to Subrecipients
					Budgetary Accounts Receivable	Due to Grantor	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Due to Grantor	
U.S. Department of Agriculture:											
Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
Food Distribution Program	10.555	N/A	7/1/15-6/30/16	\$ 10,764			\$ 10,764	\$ (10,764)			
School Breakfast Program	10.553	N/A	7/1/15-6/30/16	34,191			28,434	(34,191)	\$ (5,757)		
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	37,487	\$ (11,144)		11,144				
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	39,839			33,506	(39,839)	(6,333)		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	39,599	(11,695)		11,695				
Total Child Nutrition Cluster/U.S. Department of Agriculture					(22,839)		95,543	(84,794)	(12,090)		
U.S. Department of Education:											
Special Revenue Fund:											
Rural Education Achievement Program	84.358	S358A153713	7/1/15-9/30/17	21,441			21,441	(21,441)			
Rural Education Achievement Program	84.358	S358A143713	7/1/14-9/30/16	22,415			22,415	(22,415)			
Total Rural Education Achievement Program							43,856	(43,856)			
Passed-through State Department of Education:											
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA330016	7/1/15-6/30/16	95,004			95,004	(95,004)			
I.D.E.A. Preschool	84.173	IDEA330016	7/1/15-6/30/16	4,216			4,216	(4,216)			
I.D.E.A. Preschool	84.173	IDEA330015	7/1/14-6/30/15	4,188	(4,188)		4,188				
Total Special Education Cluster					(4,188)		103,408	(99,220)			
No Child Left Behind:											
Title I	84.010	NCLB330016	7/1/15-6/30/16	145,287			120,564	(144,040)	(23,476)		
Title I	84.010	NCLB330015	7/1/14-6/30/15	278,535	(13,576)		13,576				
Title I	84.010	NCLB330014	7/1/13-6/30/14	150,143		\$ 287				\$ 287	
Total Title I					(13,576)	287	134,140	(144,040)	(23,476)	287	
Title IIA	84.367	NCLB330016	7/1/15-6/30/16	7,638			7,638	(7,613)		25	
Total Special Revenue Fund					(17,764)	287	289,042	(294,729)	(23,476)	312	
General Fund:											
Impact Aid	84.041	40-NJ-XXXX-4401	7/1/15-6/30/16	171,213			171,213	(171,213)			
Total U.S. Department of Education					(17,764)	287	460,255	(465,942)	(23,476)	312	
U.S. Department of Health and Human Services:											
General Fund:											
Medicaid Assistance Program	93.778	N/A	7/1/15-6/30/16	7,685			7,685	(7,685)			
Total U.S. Department of Health and Human Services							7,685	(7,685)			
Total Federal Awards					\$ (40,603)	\$ 287	\$ 563,483	\$ (558,421)	\$ (35,566)	\$ 312	\$ -0-

N/A - Not Available/Applicable

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

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

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015		Budgetary Expenditures	Balance June 30, 2016		MEMO	
				Budgetary Accounts Receivable	Cash Received		GAAP Accounts Receivable	Budgetary Receivable	Cumulative Total Expenditures	
State Department of Education:										
General Fund State Aid:										
Categorical Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 257,132		\$ 232,513	\$ (257,132)		\$ (24,619)	\$ 257,132	
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	1,906,677		1,724,123	(1,906,677)		(182,554)	1,906,677	
Categorical Security Aid	16-495-034-5120-084	7/1/15-6/30/16	100,706		91,064	(100,706)		(9,642)	100,706	
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	26,780		24,216	(26,780)		(2,564)	26,780	
Categorical Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	398,801		360,618	(398,801)		(38,183)	398,801	
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	4,510		4,078	(4,510)		(432)	4,510	
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	4,510		4,078	(4,510)		(432)	4,510	
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15-6/30/16	66,978			(66,978)	\$ (66,978)	(66,978)	66,978	
Excess Nonpublic Transportation Costs	16-495-034-5120-014	7/1/15-6/30/16	10,665			(10,665)	(10,665)	(10,665)	10,665	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15-6/30/16	176,560		167,992	(176,560)	(8,568)	(8,568)	176,560	
Categorical Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	257,132	\$ (25,575)	25,575				257,132	
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	1,906,677	(189,643)	189,643				1,906,677	
Categorical Security Aid	15-495-034-5120-084	7/1/14-6/30/15	100,706	(10,017)	10,017				100,706	
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	26,780	(2,664)	2,664				26,780	
Categorical Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	398,801	(39,666)	39,666				398,801	
PARCC Readiness	15-495-034-5120-098	7/1/14-6/30/15	4,510	(449)	449				4,510	
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	4,510	(449)	449				4,510	
Extraordinary Special Education Costs Aid	15-495-034-5120-044	7/1/14-6/30/15	67,367	(67,367)	67,367				67,367	
Excess Nonpublic Transportation Costs	15-495-034-5120-014	7/1/14-6/30/15	13,116	(13,116)	13,116				13,116	
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	7/1/14-6/30/15	185,689	(17,656)	17,656				185,689	
Subtotal - General Fund				(366,602)	2,975,284	(2,953,319)	(86,211)	(344,637)	5,918,607	
Debt Service Fund Aid:										
Debt Service Aid - State Support	16-100-034-5120-125	7/1/15-6/30/16	15,032		15,032	(15,032)			15,032	
Subtotal - Debt Service Fund					15,032	(15,032)			15,032	
Food Service Fund:										
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	894		753	(894)	(141)	(141)	894	
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	932	(267)	267				932	
Subtotal - Food Service Fund				(267)	1,020	(894)	(141)	(141)	1,826	
Total State Department of Education				(366,869)	2,991,336	(2,969,245)	(86,352)	(344,778)	5,935,465	
Total State Awards				\$ (366,869)	\$ 2,991,336	\$ (2,969,245)	\$ (86,352)	\$ (344,778)	\$ 6,574,190	

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented on the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$10,037 for the General Fund and \$-0- for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include on-behalf TPAF Pension and Post Retirement Contributions revenue of \$200,456 and \$238,687 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 178,898	\$ 3,402,499	\$ 3,581,397
Special Revenue Fund	294,729		294,729
Debt Service Fund		15,032	15,032
Food Service Enterprise Fund	<u>84,794</u>	<u>894</u>	<u>85,688</u>
Total Awards	<u>\$ 558,421</u>	<u>\$ 3,418,425</u>	<u>\$ 3,976,846</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2016. Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

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

Summary of Auditors' Results:

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

C.F.D.A. / State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
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State:

Categorical Special

Education Aid	16-495-034-5120-089	7/1/15-6/30/16	\$ 257,132	\$ 257,132
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	1,906,677	1,906,677
Categorical Security Aid	16-495-034-5120-084	7/1/15-6/30/16	100,706	100,706
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	26,780	26,780
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	4,510	4,510
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	4,510	4,510

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

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

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

Status of Prior Year Findings:

There were no prior year audit findings.