

SCHOOL DISTRICT

OF

NEPTUNE CITY

Neptune City Board of Education
Neptune, New Jersey

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

NEPTUNE CITY SCHOOL DISTRICT

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INTRODUCTORY SECTION

Neptune City Board of Education

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Christine Oppgaard
President
William Folk
Bd. Sec./Bus. Admin.
Anthony Susino
Gordon Cousins
Marissa Smith

Debra Mercera, Ed. D.
Chief School Administrator

Anthony Susino
Vice-President
David Calhoun
Antonio Lopez
Michelle Lewis
Lisa Houllier
Christina Mordant

December 1, 2016

Honorable President and
Members of the Board of Education
Neptune City School District
Monmouth County, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report (CAFR) of the Neptune City School District (District) for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information. The statistical section includes selected financial 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 the Single Audit Act of 1984 and the US Office of Management and Budget Circular Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and questioned costs are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES:

Neptune City School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 14. All funds and account groups of the District are included in this report. The Neptune City Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The District has a sending-receiving relationship with Neptune Township School District for grades 9-12 that includes regular, vocational and special education for handicapped youngsters. Other opportunities available to high school students are Red Bank Regional High School for Performing Arts, Marine Academy of Science and Technology (MAST), High Technology High School, Academy of Allied Health and Science, Communications High School and Bio-technology High School.

The District completed the 2015-2016 fiscal year with an average daily enrollment of 363 students, which is sixteen students less than the previous year's average daily enrollment. The following details the changes in the student enrollment of the District over the last five years.

Average Daily Enrollment (K-8)

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	<u>Percent Change</u>
2016	363	4.2%
2015	379	4.3%
2014	396	2.5%
2013	406	2.8%
2012	395	1.5%

2) ECONOMIC CONDITION AND OUTLOOK:

The Borough of Neptune City is located in the southeastern quadrant of Monmouth County and is comprised of 576 acres or approximately .9 square miles. The community is considered fully developed and is predominantly residential.

3) MAJOR INITIATIVES:

Free and appropriate public education for all children is a cornerstone of a democratic society that values the worth and dignity of each individual. The primary goal of the Neptune City School District is to offer educational opportunities to each young person that will enable him/her to function politically, economically and socially in a fast changing complex world. To achieve this goal, the District provides a planned program of learning that incorporates lessons and experiences, both in and out of the classroom, into the curriculum. The District appreciates the need for continuous improvement of the instructional program and will strive relentlessly to provide an educational system that assists every pupil to reach his/her potential.

Through the utilization of modern technology and scientific advancements in today's world, the students have been afforded many opportunities. The integration of technology into the curriculum is being emphasized and achieved. In addition, the District has recognized the advantage of offering a

structured education to children at an early age and has therefore established a tuition based pre-school program for four year olds.

The District has begun a program to educate its students with special needs in the least restrictive environment, their resident district. In keeping with that philosophy, the District has established an integrated Pre-school class.

4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

5) BUDGETARY CONTROLS:

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

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

6) ACCOUNTING SYSTEM AND REPORTS:

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

7) DEBT ADMINISTRATION:

At June 30, 2016, the District had outstanding debt of \$6,170,000.00.

8) CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 2. 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. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, and fidelity bonds.

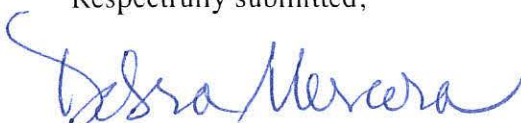
10) OTHER INFORMATION:

A) Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Alvino and Shechter, CPAs, was selected by the Board’s audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, as amended by the Single Audit Act Amendments of 1996, and the related OMB Circular Uniform Guidance and New Jersey OMB Circular 15-08. The auditor’s report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

11) ACKNOWLEDGMENTS:

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

Respectfully submitted,

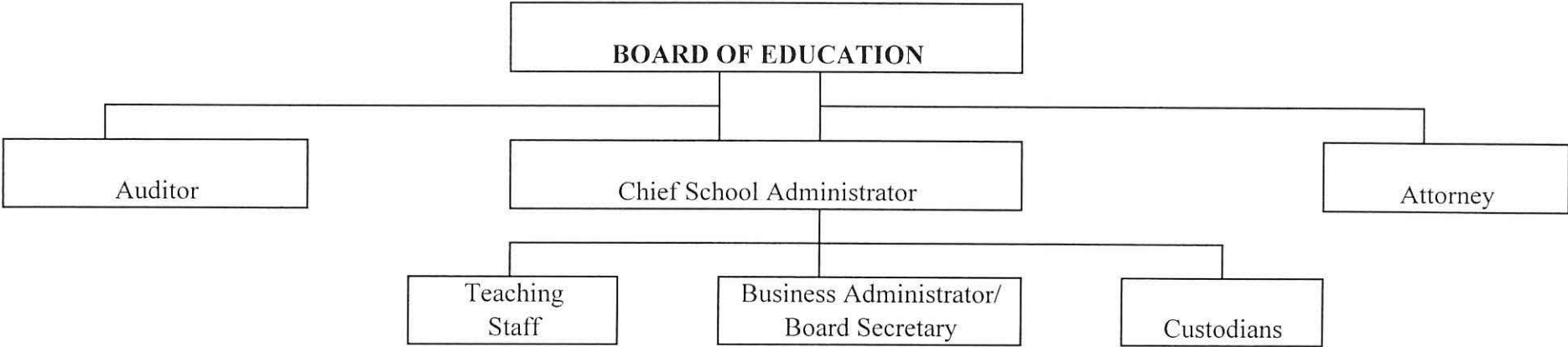


Debra Mercora, Ed. D.
Chief School Administrator



William Folk
Board Secretary/Business Administrator

NEPTUNE CITY BOARD OF EDUCATION
ORGANIZATIONAL CHART



NEPTUNE CITY BOARD OF EDUCATION

ROSTER OF OFFICIALS JUNE 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Christine Oppegaard - President	2018
Anthony Susino - Vice President	2017
Lisa Houllier	2016
David Calhoun	2017
Antonio Lopez	2018
Michelle Lewis	2017
Christina Mordaunt	2018
Gordon Cousins	2016
Marissa Smith	2016
<u>Other Officials</u>	
Debra Mercora, Ed. D. - Chief School Administrator/Treasurer	
William Folk - Board Secretary/School Business Administrator	
Sanford D. Brown, Esq. - Solicitor	

NEPTUNE CITY BOARD OF EDUCATION

CONSULTANTS AND ADVISORS

AUDIT FIRM

Allen B. Shechter, CPA, RMA, PSA
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Neptune, NJ 07753

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OFFICIAL DEPOSITORIES

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Member

American Institute of Certified Public Accountants
New Jersey Society of Certified Public Accountants
PCPS of the AICPA Division of CPA Firms

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Neptune City Board of Education
County of Monmouth, 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 Neptune City School District (the "District") in the County of Monmouth, 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.

Auditor's 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.

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 Neptune City School District, in the County of Monmouth, 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, budgetary comparison information and pension information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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 introductory section, supplementary information such as the combining and individual non-major fund financial statements section, statistical section, schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*", 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 schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relates 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 schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 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.

Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

November 30, 2016
Neptune, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**NEPTUNE CITY PUBLIC SCHOOL DISTRICT
NEPTUNE CITY, NEW JERSEY**

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

(Unaudited)

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

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Government Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2015-2016) and the prior year (2014-2015) is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for the 2015-2016 fiscal year are as follows:

In total, net position increased \$454,550 primarily due to unexpended appropriations.

General revenues were \$9,030,990 which represents 84.9% of revenues for the year. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$1,602,664 or 15.1% of total revenues of \$10,633,654.

The School District had \$10,179,104 in expenses and only \$1,602,664 was offset by program specific charges for services, grants or contributions. General revenues (primarily taxes and State of New Jersey and Federal Aid) of \$9,030,800 were adequate to provide for these programs.

The General Fund had \$8,831,769 in revenues and \$8,594,025 in expenditures. The General Fund's balance increased \$237,744 from June 2015. This increase was anticipated by the Board of Education.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during the 2015-2016 fiscal year?” The *Statement of Net Position and the Statement of Activities* helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year’s revenues and expenses regardless of when cash is received or paid.

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

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

Governmental activities – All of the School District’s programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 19. Fund financial reports provide detailed information about the School District’s funds. The School District uses many funds to account for a multitude of financial transactions. The School District’s governmental funds are the General Fund, Special Revenue Fund and Capital Projects Fund.

Governmental Funds

The School District’s activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs, The relationship (or differences) between governmental activities (reported in the *Statement of Net Position and the Statement of Activities*) and the governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, those statements are essentially the same.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 27 to 50 of this report.

The School District as a Whole

Recall that the *Statement of Net Position* provides the perspective of the School District as a whole. Net Position may serve over time as a useful indicator of a government's financial position.

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

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

Table 1
Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Current and Other Assets	\$1,627,436	\$1,165,078
Capital Assets, Net	\$9,538,325	\$9,743,045
Total Assets	<u>\$11,165,761</u>	<u>\$10,908,123</u>
Deferred Outflows of Resources	<u>\$483,354</u>	<u>\$208,673</u>
Liabilities		
Current Liabilities	\$976,327	\$333,230
Long-Term Liabilities	<u>\$7,699,164</u>	<u>\$8,238,006</u>
Total Liabilities	<u>\$8,675,491</u>	<u>\$8,571,236</u>
Deferred Inflows of Resources	<u>\$57,766</u>	<u>\$84,252</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	\$3,368,325	\$2,983,045
Restricted	\$720,973	\$496,349
Unrestricted (Deficit)	<u>\$(1,173,440)</u>	<u>\$(1,018,086)</u>
Total Net Position	<u>\$2,915,858</u>	<u>\$2,461,308</u>

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

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$52,566	\$57,500
Operating Grants and Contributions	\$1,550,098	\$1,246,325
Capital Grants and Contributions	\$0	\$0
General Revenues		
Property Taxes	\$6,581,715	\$6,461,619
Grants and Entitlements	\$2,400,615	\$2,361,027
Other	<u>\$48,660</u>	<u>\$43,603</u>
Total Revenues	<u>\$10,633,654</u>	<u>\$10,170,074</u>
Program Expenses		
Instruction	\$3,729,735	\$3,414,833
Support Services		
Pupils and Instructional Staff	\$4,658,799	\$4,761,345
General Administration, School Administration, Business Operations and Maintenance of Facilities	\$990,923	\$1,037,468
Pupil Transportation	\$174,782	\$184,646
Food Service	\$151,164	\$148,438
Other	<u>\$473,701</u>	<u>\$485,252</u>
Total Expenses	<u>\$10,179,104</u>	<u>\$10,031,982</u>
Increase (Decrease) in Net Position Before Other Items	\$454,550	\$138,092
Other Decrease	<u>\$0</u>	<u>\$0</u>
Increase (Decrease) in Net Position	<u>\$454,550</u>	<u>\$138,092</u>

Governmental Activities

The unique nature of property taxes in New Jersey may create the need to annually seek voter approval for the School District operations. Effective with the 2012-2013 budget, voter approval is only necessary when seeking to exceed the state imposed property tax levy CAP. Property taxes made up 66.8 percent of revenues for governmental activities for the Neptune City Public School District for the fiscal year 2016. Federal and state grants accounted for another 32.6 percent of revenues.

Program expenses include instruction that comprises 36.6 percent of the total expenses. Support services comprise 55.6 percent of total expenses.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services for the year ended June 30, 2016. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions

	Total Cost of Services <u>2016</u>	Net Cost of Services <u>2016</u>	Total Cost of Services <u>2015</u>	Net Cost of Services <u>2015</u>
Instruction	\$3,729,735	\$2,655,280	\$3,414,833	\$2,548,921
Support Services				
Pupils and Instructional Staff	\$4,658,799	\$4,383,225	\$4,761,345	\$4,546,914
General Administration, School Administration, Business Operations and Maintenance of Facilities	\$990,923	\$912,568	\$1,037,468	\$976,518
Pupil Transportation	\$174,782	\$174,782	\$184,646	\$184,646
Food Service	\$151,164	\$(23,117)	\$148,438	\$(14,096)
Other	<u>\$473,701</u>	<u>\$473,701</u>	<u>\$485,252</u>	<u>\$485,253</u>
Total Expenses	<u>\$10,179,104</u>	<u>\$8,576,439</u>	<u>\$10,031,982</u>	<u>\$8,728,156</u>

Table 3

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

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

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

Maintenance of facilities activities involves keeping the school grounds, buildings and equipment in an effective working condition.

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

The dependence upon tax revenues is apparent. The community, as a whole, is the primary support for the Neptune City Public School District.

The School District's Funds

Information about the School District's governmental funds starts on page 19. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$9,848,198 and expenditures of \$9,701,450.

At the end of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$1,104,617. Of this fund balance, \$232,341 is unassigned which is available for spending at the Board's discretion. The remainder of fund balance is restricted or assigned to indicate that it is not available for spending because it has already been committed 1) to liquidate contracts and purchase orders of the prior period (\$3,591), 2) for capital reserve (\$11,361), 3) for excess surplus (\$366,255), 4) for excess surplus designated for subsequent year's expenditures (\$343,355), 5) assigned to be designated for subsequent year's expenditures and included as anticipated revenue for the year ending June 30, 2017 (\$147,712), 6)

General Fund Budgeting Highlights

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

During the course of the fiscal 2016 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems designed to tightly control total program budgets but provide flexibility for program management. Revisions in the budget were made to recognize revenues and expenditures that were not anticipated and to prevent over expenditures in specific expense accounts.

Capital Assets

At the end of the 2016 fiscal year, the School District had \$9,524,108 invested in buildings, furniture and equipment and vehicles. Table 4 shows fiscal 2016 balances.

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2016</u>	<u>2015</u>
Land	\$30,000	\$30,000
Construction in Progress	0	0
Buildings and Improvements	\$9,483,626	\$9,688,034
Machinery and Equipment	\$10,482	\$11,842
Trucks	<u>0</u>	<u>0</u>
Totals	<u>\$9,524,108</u>	<u>\$9,729,876</u>

Debt Administration

At June 30, 2016, the School District had \$8,237,489 as outstanding debt. This amount consisted of compensated absences (\$68,325), bonds payable (\$6,170,000), unamortized bond premiums (\$357,103) and net pension liability (\$1,642,061).

As of June 30, 2016, the School District's legal debt margin was \$8,747,524. For more detailed information, please refer to the *Notes to the Financial Statements*.

For the Future

The Neptune City Public School District is in good financial condition presently. The Borough of Neptune City is primarily a residential community, thus the burden is on the homeowner to fund the taxes needed to operate the school. Other funding sources have increased minimally and future finances will be with challenges. The decrease in Fund Balance available to be utilized in future budgets and level state funding will cause difficulty to comply with the CAP on tax levies as mandated by the State of New Jersey.

The Borough of Neptune City has designated an area in the Eastern section of the Borough as in need of redevelopment. This may affect the School District, however, such effect cannot be accurately projected at this time.

In conclusion, the Neptune City Public School District has committed itself to financial excellence for many years. The School District plans to continue its system of sound financial planning, budgeting and internal controls to meet the challenges of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information, contact William Folk, School Business Administrator/Board Secretary at Neptune City Board of Education, 210 West Sylvania Avenue, Neptune City, NJ 07753.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

NEPTUNE CITY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	1,231,713.67	100,428.15	1,332,141.82
Receivables, Net	244,897.49	35,647.73	280,545.22
Inventory	.00	3,388.28	3,388.28
Restricted Assets:			
Capital Reserve Account - Cash	11,361.36	.00	11,361.36
Capital Assets, Net: (Note 5)	<u>9,524,107.95</u>	<u>14,216.94</u>	<u>9,538,324.89</u>
Total Assets	<u>11,012,080.47</u>	<u>153,681.10</u>	<u>11,165,761.57</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Loss on Refunding Debt	121,106.25	.00	121,106.25
Deferred Outflows Related to Pensions	<u>362,248.00</u>	<u>.00</u>	<u>362,248.00</u>
Total Deferred Outflows of Resources	<u>483,354.25</u>	<u>.00</u>	<u>483,354.25</u>
LIABILITIES:			
Accounts Payable	335,643.29	21,598.66	357,241.95
Other Payable	36,592.03	920.81	37,512.84
Accrued Interest	32,127.22	.00	32,127.22
Unearned Revenue	11,120.00	.00	11,120.00
Noncurrent Liabilities: (Note 6)			
Due Within One Year	538,325.00	.00	538,325.00
Due Beyond One Year	<u>7,699,163.95</u>	<u>.00</u>	<u>7,699,163.95</u>
Total Liabilities	<u>8,652,971.49</u>	<u>22,519.47</u>	<u>8,675,490.96</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows Related to Pensions	56,432.00	.00	56,432.00
Deferred Commodities Revenue	<u>.00</u>	<u>1,334.44</u>	<u>1,334.44</u>
Total Deferred Inflows of Resources	<u>56,432.00</u>	<u>1,334.44</u>	<u>57,766.44</u>
NET POSITION:			
Invested in Capital Assets, Net of Related Debt	3,354,107.95	14,216.94	3,368,324.89
Restricted for:			
Debt Service	1.59	.00	1.59
Other Purposes	720,972.00	.00	720,972.00
Unrestricted (Deficit)	<u>(1,289,050.31)</u>	<u>115,610.25</u>	<u>(1,173,440.06)</u>
Total Net Position	<u>\$ 2,786,031.23</u>	<u>129,827.19</u>	<u>2,915,858.42</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEPTUNE CITY SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Exhibit A-2

Functions/Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes In Net Position		
		Indirect Expense Allocation	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES:								
Instruction:								
Regular Instruction	1,605,291.07	1,233,348.43	7,982.50	831,409.07	.00	(1,999,247.93)	.00	(1,999,247.93)
Special Education Instruction	402,318.56	408,250.48	.00	235,063.01	.00	(575,506.03)	.00	(575,506.03)
Other Special Instruction	38,032.37	.00	.00	.00	.00	(38,032.37)	.00	(38,032.37)
Other Instruction	42,494.07	.00	.00	.00	.00	(42,494.07)	.00	(42,494.07)
Support Services:								
Tuition	3,601,873.60	.00	.00	.00	.00	(3,601,873.60)	.00	(3,601,873.60)
Student & Instruction Related Services	738,153.88	318,771.82	.00	275,574.04	.00	(781,351.66)	.00	(781,351.66)
General Administration	190,409.07	180,996.75	.00	78,354.34	.00	(293,051.48)	.00	(293,051.48)
School Administrative Services	82,287.14	28,912.37	.00	.00	.00	(111,199.51)	.00	(111,199.51)
Central Services	142,446.80	.00	.00	.00	.00	(142,446.80)	.00	(142,446.80)
Administration Technology-Information	2,037.95	.00	.00	.00	.00	(2,037.95)	.00	(2,037.95)
Plant Operations and Maintenance	307,751.88	56,080.56	.00	.00	.00	(363,832.44)	.00	(363,832.44)
Pupil Transportation	174,781.45	.00	.00	.00	.00	(174,781.45)	.00	(174,781.45)
Unallocated Employee Benefits	2,226,360.41	(2,226,360.41)	.00	.00	.00	(.00)	.00	(.00)
Charter Schools	4,843.00	.00	.00	.00	.00	(4,843.00)	.00	(4,843.00)
Interest on Long-Term Debt & Other Changes	264,588.93	.00	.00	.00	.00	(264,588.93)	.00	(264,588.93)
Unallocated Depreciation	204,268.82	.00	.00	.00	.00	(204,268.82)	.00	(204,268.82)
Total Governmental Activities	<u>\$10,027,939.00</u>	<u>.00</u>	<u>7,982.50</u>	<u>1,420,400.46</u>	<u>.00</u>	<u>(8,599,556.04)</u>	<u>.00</u>	<u>(8,599,556.04)</u>
BUSINESS-TYPE ACTIVITIES:								
Food Service	151,164.64	.00	44,583.54	129,697.64	.00	.00	23,116.54	23,116.54
Total Business-Type Activities	<u>151,164.64</u>	<u>.00</u>	<u>44,583.54</u>	<u>129,697.64</u>	<u>.00</u>	<u>.00</u>	<u>23,116.54</u>	<u>23,116.54</u>
Total Primary Government	<u>\$10,179,103.64</u>	<u>.00</u>	<u>52,566.04</u>	<u>1,550,098.10</u>	<u>.00</u>	<u>(8,599,556.04)</u>	<u>23,116.54</u>	<u>(8,576,439.50)</u>
GENERAL REVENUES:								
Taxes:								
Property Taxes Levied for General Purposes, Net						6,044,911.00	.00	6,044,911.00
Taxes Levied for Debt Service						536,804.00	.00	536,804.00
State Aid Not Restricted						2,400,615.00	.00	2,400,615.00
Investment Earnings						2,595.27	189.86	2,785.13
Miscellaneous Income						45,874.59	.00	45,874.59
Total General Revenues						<u>9,030,799.86</u>	<u>189.86</u>	<u>9,030,989.72</u>
Change in Net Position						431,243.82	23,306.40	454,550.22
Net Position - Beginning of Year						<u>2,354,787.41</u>	<u>106,520.79</u>	<u>2,461,308.20</u>
Net Position - Ending of Year						<u>\$2,786,031.23</u>	<u>129,827.19</u>	<u>2,915,858.42</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

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

NEPTUNE CITY SCHOOL DISTRICT**Balance Sheet
Governmental Funds
June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund</u>
ASSETS:				
Cash and Cash Equivalents	1,231,712.08	.00	1.59	1,231,713.67
Interfunds Receivable	4,788.23	.00	.00	4,788.23
Receivables from Other Governments	189,122.49	55,775.00	.00	244,897.49
Restricted Cash and Cash Equivalents	<u>11,361.36</u>	<u>.00</u>	<u>.00</u>	<u>11,361.36</u>
Total Assets	<u>\$1,436,984.16</u>	<u>55,775.00</u>	<u>1.59</u>	<u>1,492,760.75</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	299,176.52	36,466.77	.00	335,643.29
Interfunds Payable	33,192.03	8,188.23	.00	41,380.26
Unearned Revenue	<u>.00</u>	<u>11,120.00</u>	<u>.00</u>	<u>11,120.00</u>
Total Liabilities	<u>332,368.55</u>	<u>55,775.00</u>	<u>.00</u>	<u>388,143.55</u>
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	366,255.54	.00	.00	366,255.54
Excess Surplus - Prior Year - Designated for Subsequent Year's Expenditures	343,355.10	.00	.00	343,355.10
Capital Reserve	11,361.36	.00	.00	11,361.36
Debt Service	.00	.00	1.59	1.59
Assigned for:				
Designated by BOE for Subsequent Year's Expenditures	147,711.90	.00	.00	147,711.90
Other Purposes	3,590.71	.00	.00	3,590.71
Unassigned:				
General Fund	<u>232,341.00</u>	<u>.00</u>	<u>.00</u>	<u>232,341.00</u>
Total Fund Balances	<u>1,104,615.61</u>	<u>.00</u>	<u>1.59</u>	<u>1,104,617.20</u>
Total Liabilities and Fund Balances	<u>\$1,436,984.16</u>	<u>55,775.00</u>	<u>1.59</u>	

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 governmental funds. The cost of the assets is \$11,909,512.05 and the accumulated depreciation is \$(2,385,404.10) (See Note 5).

9,524,107.95

Deferred outflows and inflows of resources are applicable to future periods and therefore not reported in the funds.

Deferred Outflows of Resources from Pensions (Note 10)	362,248.00	
Loss on Refunding Debt (Note 6)	121,106.25	
Deferred Inflows of Resources from Pensions (Note 10)	<u>(56,432.00)</u>	426,922.25

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (See Note 6)

(8,237,488.95)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an interest expenditure is reported when due.

(32,127.22)

Net Position of Government Funds

\$2,786,031.23

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund</u>
REVENUES:				
Local Sources:				
Local Tax Levy	6,044,911.00	.00	536,804.00	6,581,715.00
Tuition from Individuals	7,982.50	.00	.00	7,982.50
Interest Earned on Capital Reserve	45.35	.00	.00	45.35
Interest Earned on Investments	2,549.92	.00	.00	2,549.92
Miscellaneous	<u>45,874.59</u>	<u>.00</u>	<u>.00</u>	<u>45,874.59</u>
Total - Local Sources	6,101,363.36	.00	536,804.00	6,638,167.36
State Sources	2,730,405.66	.00	178,562.00	2,908,967.66
Federal Sources	<u>.00</u>	<u>301,062.80</u>	<u>.00</u>	<u>301,062.80</u>
Total Revenues	<u>8,831,769.02</u>	<u>301,062.80</u>	<u>715,366.00</u>	<u>9,848,197.82</u>
EXPENDITURES:				
Current:				
Regular Instruction	1,462,770.22	148,607.00	.00	1,611,377.22
Special Education Instruction	402,318.56	.00	.00	402,318.56
Other Special Instruction	38,032.37	.00	.00	38,032.37
Other Instruction	42,494.07	.00	.00	42,494.07
Support Services:				
Tuition	3,601,873.60	.00	.00	3,601,873.60
Student & Instruction Related Services	578,198.08	152,455.80	.00	730,653.88
General Administration	189,869.87	.00	.00	189,869.87
School Administrative Services	82,287.14	.00	.00	82,287.14
Central Services	142,446.80	.00	.00	142,446.80
Administration Information Technology	2,037.95	.00	.00	2,037.95
Plant Operations and Maintenance	306,930.88	.00	.00	306,930.88
Pupil Transportation	180,781.45	.00	.00	180,781.45
Employee Benefits	1,559,141.41	.00	.00	1,559,141.41
Transfer to Charter Schools	4,843.00	.00	.00	4,843.00
Debt Service:				
Principal	.00	.00	445,000.00	445,000.00
Interest and Other Charges	.00	.00	270,365.67	270,365.67
Cost of Issuance	.00	.00	90,996.70	90,996.70
Capital Outlay	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>
Total Expenditures	<u>8,594,025.40</u>	<u>301,062.80</u>	<u>806,362.37</u>	<u>9,701,450.57</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>237,743.62</u>	<u>.00</u>	<u>(90,996.37)</u>	<u>146,747.25</u>
OTHER FINANCING SOURCES (USES):				
Payment to Escrow Agents	.00	.00	(5,976,106.25)	(5,976,106.25)
Refunding Bond Proceeds	.00	.00	5,710,000.00	5,710,000.00
Premium on Issuance of Refunding Bonds	<u>.00</u>	<u>.00</u>	<u>357,102.95</u>	<u>357,102.95</u>
Total Other Financing Sources and Uses	<u>.00</u>	<u>.00</u>	<u>90,996.70</u>	<u>90,996.70</u>
Net Change in Fund Balances	237,743.62	.00	.33	237,743.95
Fund Balance - July 1	<u>866,871.99</u>	<u>.00</u>	<u>1.26</u>	<u>866,873.25</u>
Fund Balance - June 30	<u>\$1,104,615.61</u>	<u>.00</u>	<u>1.59</u>	<u>1,104,617.20</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

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

Total net change in fund balances - governmental funds (from B-2) 237,743.95

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, on 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 capital outlays exceeded depreciation in the current fiscal year.

Depreciation Expense	(205,767.87)	
Capital Outlay	<u>.00</u>	(205,767.87)

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. 445,000.00

In the statement of activities, certain operating expenses, e.g., compensated absences (vacation and sick pay) 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. 4,725.00

Issuance of Debt is an Other Financing Source in the Governmental Funds, but the issuance increases long-term liabilities in the statement of net position and is not reported in the statement of activities.

Refunding Bond Proceeds	(5,710,000.00)	
Payments to Escrow Agent	5,976,106.25	
Premium on Issuance of Refunding Bonds	<u>(357,102.95)</u>	(90,996.70)

District pension contribution are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension Expense - PERS Contribution -2016	62,889.00	
State Share of Unfunded TPAF Pension Expense	774,341.00	
Unfunded TPAF Pension Expense	(774,341.00)	
Pension Expense	<u>(119,123.00)</u>	<u>(56,234.00)</u>

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements an interest expenditure is reported when due. 96,773.44

Change in net position of governmental activities \$ 431,243.82

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEPTUNE CITY SCHOOL DISTRICT
Statements of Fund Net Position
Proprietary Funds
June 30, 2016

Food Service Fund

ASSETS:

Current Assets:

Cash and Cash Equivalents	100,428.15
Accounts Receivable:	
State	116.85
Federal	6,884.58
Interfund	24,666.47
Other	3,979.83
Inventories	<u>3,388.28</u>

Total Current Assets 139,464.16

Noncurrent Assets:

Equipment	74,980.08
Less Accumulated Depreciation	<u>(60,763.14)</u>

Total Noncurrent Assets 14,216.94

Total Assets 153,681.10

LIABILITIES:

Current Liabilities:

Accounts Payable	21,598.66
Prepaid Accounts	<u>920.81</u>

Total Current Liabilities 22,519.47

DEFERRED INFLOWS OF RESOURCES:

Deferred Commodities Revenue	<u>1,334.44</u>
------------------------------	-----------------

Total Deferred Inflows of Resources	<u>1,334.44</u>
-------------------------------------	-----------------

NET POSITION:

Net Investment in Capital Assets	14,216.94
Unrestricted	<u>115,610.25</u>

Total Net Position \$129,827.19

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

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

	<u>Food Service Fund</u>
OPERATING REVENUES:	
Local Sources:	
Daily Sales - Reimbursable Programs	29,540.45
Daily Sales - Non-Reimbursable Programs	7,990.54
Satellite Sales - Non-Reimbursable Programs	<u>7,052.55</u>
Total Operating Revenues	<u>44,583.54</u>
OPERATING EXPENSES:	
Food Service Costs:	
Cost of Food	76,834.20
Wages	41,553.69
Payroll Taxes and Benefits	6,285.87
Insurance	4,069.25
Supplies	7,049.68
Miscellaneous	3,227.87
Management Fee	<u>8,080.00</u>
	147,100.56
Other Expenses:	
Supplies	2,011.76
Depreciation	<u>2,052.32</u>
Total Operating Expenses	<u>151,164.64</u>
Operating Loss	<u>(106,581.10)</u>
NON-OPERATING REVENUES:	
State Sources:	
State School Lunch Program	1,971.35
Federal Sources:	
National School Lunch Program	96,358.54
School Breakfast Program	19,433.95
Food Distribution Program (Non-Cash)	11,933.80
Interest Earnings	<u>189.86</u>
Total Non-Operating Revenues	<u>129,887.50</u>
Income Before Contributions and Transfers	23,306.40
Operating Transfer In: Board Contribution	<u>.00</u>
Change in Net Position	23,306.40
Total Net Position - July 1	<u>106,520.79</u>
Total Net Position - June 30	<u>\$129,827.19</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEPTUNE CITY SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Food Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from Daily and Satellite Sales	44,173.00
Payments to Food Service Vendor	(127,112.60)
Payments for Other Expenses	<u>(2,011.76)</u>
Net Cash Used for Operating Activities	<u>(84,951.36)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State Reimbursements	1,998.53
Federal Reimbursements	116,759.49
Interfunds	<u>.10</u>
Net Cash Provided by Non-Capital Financing Activities	<u>118,758.12</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on Investments	189.86
Purchase of Equipment	<u>(3,100.00)</u>
Net Cash Provided by Investing Activities	<u>(2,910.14)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	30,896.62
Cash and Cash Equivalents - July 1	<u>69,531.53</u>
Cash and Cash Equivalents - June 30	<u>\$ 100,428.15</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>(106,581.10)</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation	2,052.32
Food Distribution Program - Federal Assistance (Non-Cash)	12,744.29
(Increase) Decrease in Inventories	(1,847.28)
Increase (Decrease) in Accounts Payable	9,090.95
(Increase) Decrease in Other Accounts Receivable	(603.02)
Increase (Decrease) in Prepaid Accounts	<u>192.48</u>
Total Adjustments	<u>21,629.74</u>
Net Cash Used for Operating Activities	<u>\$ (84,951.36)</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEPTUNE CITY SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Agency Fund</u>
ASSETS:		
Cash and Cash Equivalents	134,662.80	6,648.62
Accounts Receivable:		
Payroll Service Vendor	2,083.35	.00
Interfunds	<u>6,464.11</u>	<u>5,461.45</u>
Total Assets	<u>143,210.26</u>	<u>12,110.07</u>
LIABILITIES:		
Accounts Payable	.00	635.12
Payroll Deductions and Withholdings	.00	1,489.15
Due to Student Groups	<u>.00</u>	<u>9,985.80</u>
Total Liabilities	<u>.00</u>	<u>12,110.07</u>
NET POSITION:		
Held in Trust for Unemployment Claims and Other Purposes	<u>143,210.26</u>	
Total Net Position	<u>\$143,210.26</u>	

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NEPTUNE CITY SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Plan Member	5,652.11
Board Contributions	<u>10,000.00</u>
Total Contributions	<u>15,652.11</u>
Investment Earnings:	
Interest	<u>503.54</u>
Net Investment Earnings	<u>503.54</u>
Total Additions	<u>16,155.65</u>
DEDUCTIONS:	
Unemployment Claims	<u>8,221.12</u>
Total Deductions	<u>8,221.12</u>
Change in Net Position	7,934.53
Net Position - July 1	<u>135,275.73</u>
Net Position - June 30	<u>\$143,210.26</u>

The accompanying Notes to Basic Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The Neptune City School District is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials who are responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

A. Reporting Entity:

The Neptune City School District is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three year-terms. The purpose of the District is to educate students in grades K-8.

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

- the organization is legally separate (can sue or be sued in their own name)
- the district holds the corporate powers of the organization
- the district appoints a voting majority of the organization's board
- the district is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the district
- there is a fiscal dependency by the organization on the district

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

B. New Accounting Standards:

During fiscal year 2016, the District adopted the following GASB statements:

- GASB Statement No. 72, *Fair Value Measurement and Application*. The objective of this Statement is to address accounting and financial reporting issues related to fair value measurements. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB 68, and amendments to certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. Implementation of this Statement did not impact the District's financial statements.
- GASB Statement No. 76, *The Hierarchy of General Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify - in the context of the governmental financial reporting environment - the hierarchy of generally accepted accounting principles. Implementation of this Statement did not impact the District's financial statements.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. New Accounting Standards (Cont'd):

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for the year ended June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The District does not expect this Statement to impact its financial statements.
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the year ended June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The District does not expect this Statement to impact its financial statements.
- GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the year ended June 30, 2017. The objective of this Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The District does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the year ended June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The District does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will be effective for the year ended June 30, 2017. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. The District does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, will be effective for the year ended June 30, 2018. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No 14, *The Financial Reporting Entity, as amended*. The District does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, will be effective for the year ended June 30, 2018. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The District does not expect this Statement to impact the District's financial statements.
- GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73*, will be effective for the year ended June 30, 2018. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The District has not yet determined the potential impact on the District's financial statements.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation:

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

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

Fund Financial Statements: During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary, and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB Statement 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 all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the capital outlay subfund.

As required by the 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 revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The enterprise fund accounts for all revenues 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 (ie. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

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

Basis of Accounting:

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

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

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

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

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 budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. The Board voted to adopt P.L. 2001 c.202 effective January 17, 2012, which eliminated the annual voter referendum on budgets which meet the statutory tax levy cap limitations and the board of education members are elected at the November general election. Budgets are prepared using the modified accrual basis of accounting except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1.

All budget amendments/transfers must be approved by School Board resolution. All budget 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 GAAP with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as presented in the Notes to Required Supplementary Information. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at year end.

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

E. Encumbrances:

Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in Governmental Funds, other than the Special Revenue Fund, are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and service.

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

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

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

Cash, Cash Equivalents, and Investments:

Cash and cash equivalents include cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. The Board classifies certificates of deposit which have maturity dates of less than three months from date of purchase as investments and are stated at cost.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Cash, Cash Equivalents, and Investments (Cont'd):

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

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 Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Interfund Transactions:

Transfers between governmental and business-type activities on the District-Wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as Interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and as 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 or governmental and agency funds, which are presented as internal balances.

Bond Premiums

Bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in systematic and rational method, as a component of interest expense. Bond premiums are presented as an adjustment of the face amount of the bonds on the government-wide statement of net position.

Allowance for Uncollectible Accounts:

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

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The general fixed assets acquired or constructed prior to June 30, 1992 are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. The cost of normal maintenance and repairs is not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.00.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Capital Assets (Cont'd):

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Land Improvements	20
Office & Computer Equipment	5
Furniture	10
Other Equipment	10
Trucks	5

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

Unearned Revenue:

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned.

Accrued Liabilities and Long-Term Obligations:

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

Accrued Liabilities and Long-Term Obligations:

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

Net Position:

Net position represent the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Fund Balance:

Beginning with the fiscal year 2011, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definition". The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted - The restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources either by being (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which, for the School District, is the Board of Education. Such formal action consists of an affirmative vote by the Board of Education, memorialized by the adoption of a resolution. Once committed, amounts cannot be used for any other purpose unless the Board of Education removes, or changes, the specified use by taking the same type of action (resolution) it employed to previously commit these amounts.

Assigned - The assigned fund balance classification includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by either the Board of Education or by the business administrator, to which the Board of Education has delegated the authority to assign amounts to be used for specific purposes. Such authority of the business administrator is established by way of a formal job description for the position, approved by the Board of Education.

Unassigned - The unassigned fund balance classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, it is the policy of the School District to spend restricted fund balance first. Moreover, when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the policy of the School District to spend fund balances, if appropriate, in the following order: committed, assigned, then unassigned.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category, deferred loss on refunding of debt and deferred outflows related to pensions.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Deferred Outflows/Inflows of Resources (Cont'd):

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items, deferred inflows related to pensions and deferred commodities revenue, that qualify for reporting in this category. The latter item is reported in both the district-wide and the propriety funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

Revenues - Exchange and Nonexchange Transactions:

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

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

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

Operating Revenue and Expenses:

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

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and pension benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function is reported separately on the Statement of Activities.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Cont'd):

Management Estimates:

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

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The District is governed by the deposit and investment limitations of New Jersey state law. The deposits and investments held at June 30, 2016, and reported at fair value, are as follows:

<u>Type</u>	<u>Rating</u>	<u>Maturities</u>	<u>Carrying Value</u>
Deposits:			
Demand Deposits			1,343,503.18
Investments:			
None			<u>.00</u>
Total deposits and investments			<u>\$1,343,503.18</u>
Reconciliation of Statement of Net Position			
Current:			
Cash and Cash Equivalents			1,332,141.82
Restricted:			
Capital Reserve Account			<u>11,361.36</u>
			<u>\$1,343,503.18</u>

Custodial Credit Risk - Deposits in financial institutions, reported as components of cash, cash equivalents, and investments had a bank balance of \$1,084,295.18 at June 30, 2016. Of the bank balance \$500,000.00 was fully insured by depository insurance and \$479,541.05 was secured by a collateral pool held by the bank, but not in the District's name, as required by New Jersey statutes.

Investment Interest Rate Risk - The District has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk - The District has no investment policy that limits its investment choices other than the limitation of state law as follows:

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 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 obligations bear a fixed rate of interest not dependent on any index or other external factor.
4. Bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located;
5. Bonds or other obligations, having a maturity date of not more than 397 days from the date of purchase, approved by the Division of Investment in the Department of Treasury for investment by school district;

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Investment Credit Risk (Cont'd):

6. Local governments investment pools;
7. Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281; or
8. Agreements for the repurchase of fully collateralized securities.

Concentration of Investment Credit Risk - The District places no limit on the amount it may invest in any one issuer. At June 30, 2016, the District had no investments.

NOTE 3. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Borough of Neptune City Board of Education by inclusion of \$1.00 on September 26, 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.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both.. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning balance, July 1, 2015	\$11,316.01
Interest earnings	45.35
Deposits	
Approved by budget	.00
Withdrawals	
Board resolution	.00
Ending balance, June 30, 2016	<u>\$11,361.36</u>

NOTE 4. RECEIVABLES

Receivables at June 30, 2016, consisted of interfund and intergovernmental accounts. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>District-Wide Financial Statements</u>
State Aid	189,122.49	189,239.34
Federal Aid	55,775.00	62,659.58
Interfunds	4,788.23	24,666.47
Other	.00	3,979.83
Gross Receivables	249,685.72	280,545.22
Less: Allowance for Uncollectibles	.00	.00
Total Receivables, Net	<u>\$249,685.72</u>	<u>280,545.22</u>

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Transfers or Additions</u>	<u>Transfers or Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	30,000.00	.00	.00	30,000.00
Total	<u>30,000.00</u>	<u>.00</u>	<u>.00</u>	<u>30,000.00</u>
Capital assets being depreciated:				
Site improvements	22,325.00	.00	.00	22,325.00
Building and building improvements	11,453,549.38	.00	.00	11,453,549.38
Machinery and equipment	398,637.67	.00	.00	398,637.67
Truck	5,000.00	.00	.00	5,000.00
Total capital assets being depreciated	<u>11,876,512.05</u>	<u>.00</u>	<u>.00</u>	<u>11,879,512.05</u>
Total at historical cost	<u>11,909,512.05</u>	<u>.00</u>	<u>.00</u>	<u>11,909,512.05</u>
Less accumulated depreciation for:				
Site Improvements	(22,325.00)	(.00)	.00	(22,325.00)
Building and improvements	(1,765,515.26)	(204,407.67)	.00	(1,969,922.93)
Machinery and equipment	(386,795.97)	(1,360.20)	.00	(388,156.17)
Truck	(5,000.00)	(.00)	.00	(5,000.00)
Total accumulated depreciation	<u>(2,179,636.23)</u>	<u>(205,767.87)</u>	<u>.00</u>	<u>(2,385,404.10)</u>
Governmental activity capital assets, net	<u>\$ 9,729,875.82</u>	<u>(205,767.87)</u>	<u>.00</u>	<u>9,524,107.95</u>
Business-Type Activities:				
Capital assets being depreciated:				
Equipment	71,880.08	3,100.00	.00	74,980.08
Less accumulated depreciation	<u>(58,710.82)</u>	<u>(2,052.32)</u>	<u>.00</u>	<u>(60,763.14)</u>
Enterprise fund capital assets, net	<u>\$ 13,169.26</u>	<u>1,047.68</u>	<u>.00</u>	<u>14,216.94</u>

Depreciation expense was charged to the following governmental programs:

Instruction	138.85
Support Services - Administration	539.20
Operation and Maintenance of Plant Services	821.00
Unallocated	<u>204,268.82</u>
Total	<u>\$205,767.87</u>

6. LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Change in long-term obligations for the year ended June 30, 2016, are as follows:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	6,760,000.00	5,710,000.00	(6,300,000.00)	6,170,000.00	525,000.00
Add: Unamortized Premium	.00	357,102.95	.00	357,102.95	.00
Bonds Payable, Net	6,760,000.00	6,067,102.95	(6,300,000.00)	6,527,102.95	525,000.00
Compensated absences	73,050.00	7,500.00	(12,225.00)	68,325.00	13,325.00
Net Pension Liability	<u>1,404,956.00</u>	<u>237,105.00</u>	<u>(.00)</u>	<u>1,642,061.00</u>	<u>.00</u>
	<u>\$8,238,006.00</u>	<u>6,311,707.95</u>	<u>(6,312,225.00)</u>	<u>8,237,488.95</u>	<u>538,325.00</u>

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

6. LONG-TERM OBLIGATIONS (CONT'D)

For governmental activities, the liability for compensated absences are generally liquidated by the general fund.

	Government Activities			Principal Balance
	Issue Date	Interest Rates	Date of Maturity	June 30, 2016
2006 School District Bonds	06/01/2006	4.125%-4.200%	07/15/2016	460,000.00
2016 Refunding Bonds	05/11/2016	3.000%	01/15/2027	<u>5,710,000.00</u>
Total Bonds				<u><u>\$6,170,000.00</u></u>

B. Debt Service Requirements:

Principal and interest on bonds payable at June 30, 2016 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	525,000.00	124,615.83	649,615.83
2018	490,000.00	162,000.00	652,000.00
2019	505,000.00	147,075.00	652,075.00
2020	520,000.00	131,700.00	651,700.00
2021-2025	2,855,000.00	410,625.00	3,265,625.00
2026-2027	<u>1,275,000.00</u>	<u>38,475.00</u>	<u>1,313,475.00</u>
	<u><u>\$6,170,000.00</u></u>	<u><u>1,014,490.83</u></u>	<u><u>7,184,490.83</u></u>

C. Bonds Authorized But Not Issued: The District has no authorized but not issued bonds at June 30, 2016.

D. Long-Term Debt Defeasance: On May 11, 2016, the District issued refunding bonds in the amount of \$5,710,000.00. The bonds were issued to refund \$5,855,000.00 of its June 1, 2006 School District Bonds and pay issuance costs. The refunding bond bear an interest of 3.00% with principal maturities due July 15, 2027.

As a result of the above transaction, the \$5,855,000.00 of the 2006 District School Bond issue is considered to be defeased and the liability for this debt has been removed from the governmental activities column of the statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$121,106.25. This amount has been reported as a Deferred Outflow of Resources on the financial statements and will be amortized over the remaining life of the new debt issued. The refunding program decreased total debt service by \$679,859.20 and resulted in a net present value economic savings of \$615,462.79. The economic savings is the difference between the present values of the debt service payments on the old and new debt.

NOTE 7. FUND BALANCE APPROPRIATED

General Fund - Of the \$1,104,615.61 General Fund fund balance at June 30, 2016, \$366,255.54 has been restricted for excess surplus; \$343,355.10 has been restricted for excess surplus at June 30, 2015 and has been appropriated and included as anticipated revenue for the year ending June 30, 2017; \$11,361.36 has been restricted for the Capital Reserve Account; \$3,590.71 of encumbrances for outstanding purchase orders have been assigned for other purposes; \$147,711.90 has been assigned to be designated for subsequent year's expenditures and included as anticipated revenue for the year ending June 30, 2017; and \$232,341.00 is unassigned.

NOTE 8. 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 1997 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$366,255.54.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 9. CONTINGENT LIABILITIES

Grant Programs:

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

NOTE 10. PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund (TPAF) was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Summary of Significant Accounting Policies - For purpose 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 Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, the district (employer) is 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 district (employer) does 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 district. However, the state's portion of the net pension liability that was associated with the district was \$12,681,851 as measured on June 30, 2015.

For the year ended June 30, 2016, the District recognized pension expense of \$774,341 and revenue of \$774,341 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

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

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>06/30/2014</u>	<u>06/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	1,763,205,593	554,399,005
Collective net pension liability (Nonemployer- State of New Jersey)	\$53,446,745,367	63,204,270,305
State's portion of the net pension liability that was associated with the district	10,556,769	12,681,851
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.0197519398%	0.0200648642%

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:	2.50%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table 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.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

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 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 Pension and Benefits, the board of trustees and the actuaries. 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%	1.47%
US Inflation-Indexed Bonds	1.50%	4.57%
US High Yield Bonds	2.00%	5.63%
US Equity Market	27.25%	6.22%
Foreign-Developed Equity	12.00%	8.46%
Emerging Market Equities	6.40%	3.97%
Private Real Estate Property	4.25%	4.09%
Timber	1.00%	4.61%
Farmland	1.00%	9.15%
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. The discount rate used to measure the State's 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 (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>.

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

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

Summary of Significant Accounting Policies - 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 PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 \$1,642,061 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 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 position liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the year ended June 30, 2015. At June 30, 2015, the District's proportion was 0.0073149556% which was an decrease of 0.0001890573 from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized in the district-wide statements of activities (accrual basis) pension expense of \$119,123. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	39,174	-
Changes of assumptions	176,344	-
Net difference between projected and actual earnings on pension plan investments	-	26,401
Changes in proportion and differences between District contributions and proportionate share of contributions	83,841	30,031
District contributions subsequent to the measurement date	<u>62,889</u>	<u>-</u>
Total	<u>\$362,248</u>	<u>\$56,432</u>

\$62,889 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (ie. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30</u>
2017	\$46,831
2018	46,831
2019	46,830
2020	67,761
2021	<u>34,674</u>
Total	<u>\$242,927</u>

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

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

Additional Information:

Local Group Collective balances at June 30, 2014 and 2015 are as follows:

	<u>06/30/2014</u>	<u>06/30/2015</u>
Collective deferred outflows of resources	\$1,032,618,058	\$2,946,265,815
Collective deferred inflows of resources	1,726,631,532	360,920,604
Collective net pension liability (Non State - Local Group)	18,722,735,003	22,447,996,119
District's portion of net pension liability	1,404,956	1,642,061
District's portion %	0.0075040105%	0.0073149556%

The collective 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:	3.04%
Salary Increases	
2012-2013:	2.15%-4.40% based on age
Thereafter:	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	1.04%
US Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign 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 US	3.50%	-0.40%
REIT	4.25%	5.12%

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

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 7.90%, and a municipal bond rate of 3.80% and as of June 30, 2015, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90%) or 1-percentage-point higher (5.90%) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(3.90%)</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>(4.90%)</u>	<u>1%</u> <u>Increase</u> <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$2,040,881	\$1,642,061	\$1,307,693

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pension and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N.J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. Member contributions are matched by a 3% employer contribution. For the year ended June 30, 2016, employee contributions total \$2,767.40, and the District recognized pension expense of \$1,509.60. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

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

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 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.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011, made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- New members of the PERS hired on or after June 28, 2011, (Tier 5 members), will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in PERS is increased from age 63 to 65 for Tier 5 members.
- The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011, (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.06% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 7.06% and the PERS rate is 7.06% of covered payroll.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 10. PENSION PLANS (CONT'D)

Contribution Requirements (Cont'd)

The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Liability</u>
6/30/16	62,889	100%	1,642,061
6/30/15	61,862	100%	1,404,956
6/30/14	51,747	100%	1,312,561

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Liability</u>
6/30/16	163,356	100%	-
6/30/15	108,478	100%	-
6/30/14	83,559	100%	-

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$194,512.00 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$150,494.66 during the year ended June 30, 2016, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in the fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 11. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. 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 pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

GASB Statement No. 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the State of New Jersey and as such, no district OPEB liability exists.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 12. COMPENSATED ABSENCES

The District accounts for compensated absences (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 who are employed for ten months are entitled to ten paid sick leave days per fiscal school year. District employees who are employed for twelve months are entitled to twelve paid sick leave days per fiscal school year. Unused sick leave may be accumulated and carried forward to the subsequent years. Upon retirement and who have not less than twenty (20) years of service in the District, the District shall pay the employee for unused sick leave in accordance with the Districts' agreements with the various employee unions.

The entire liability for compensated absences is reported in the District-Wide Statements of Net Position.

NOTE 13. DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permits 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
 Siracusa Benefits Program
 Lincoln Financial

NOTE 14. RISK MANAGEMENT

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

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

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

<u>Fiscal Year</u>	<u>Interest Earnings/ District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	10,503.54	5,652.11	8,221.12	143,210.26
2014-2015	555.55	5,340.24	20,417.56	135,275.73
2013-2014	584.33	5,441.83	12,515.88	149,797.50

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 15. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at June 30, 2016 consisted of the following individual fund receivable and payables:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund:		
Special Revenue Fund	4,788.23	.00
Unemployment Compensation Trust	.00	6,464.11**
Food Service Fund	.00	24,666.47**
Agency Fund	.00	2,061.45**
Special Revenue Fund:		
General Fund	.00	4,788.23
Agency Fund	.00	3,400.00**
Food Service Fund:		
General Fund	24,666.47*	.00
Unemployment Compensation Trust:		
General Fund	6,464.11	.00
Agency Fund:		
Special Revenue Fund	3,400.00	.00
General Fund	<u>2,061.45</u>	<u>.00</u>
	<u>\$41,380.26</u>	<u>41,380.26</u>

All of the above interfunds represent short-term loans.

*Reported as a receivable on the District-Wide statement of net position.

**Reported as a payable on the District-Wide statement of net position.

The District had no operating transfers during the year ended June 30, 2016.

NOTE 16. INVENTORY

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

Food	2,402.29
Supplies	<u>985.99</u>
	<u>\$3,388.28</u>

NOTE 17. DEFICIT UNRESTRICTED NET POSITION

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of (\$1,289,050.31) existed as of June 30, 2016 for governmental activities. The primary causes of this deficit is the District not recognizing the receivable for the last two state aid payments and the recording of the long-term liability for compensated absences and net pension. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred. However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences and pension liabilities that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 18. OPERATING LEASES

The District leases two photo copiers under noncancelable operating leases spanning 60 months. Total lease payments for the fiscal year ended June 30, 2016 were \$21,245.73. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal</u> <u>Year Ending June 30</u>	<u>Total</u>
2017	18,188.52
2018	18,188.52
2019	18,188.52
2020	18,188.82
2021	<u>12,125.68</u>
	<u>\$84,879.76</u>

NOTE 19. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and November 30, 2016, the date that the financial statements were available to be issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

NEPTUNE CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	6,044,911.00	0.00	6,044,911.00	6,044,911.00	0.00
Tuition from Individuals	11,000.00	0.00	11,000.00	7,982.50	(3,017.50)
Interest Earned on Capital Reserve Funds	0.00	0.00	0.00	45.35	45.35
Miscellaneous	6,974.00	0.00	6,974.00	48,424.51	41,450.51
Total - Local Sources	6,062,885.00	0.00	6,062,885.00	6,101,363.36	38,478.36
State Sources:					
Equalization Aid	1,564,270.00	0.00	1,564,270.00	1,564,270.00	0.00
Special Education Categorical Aid	344,076.00	0.00	344,076.00	344,076.00	0.00
Security Aid	28,851.00	0.00	28,851.00	28,851.00	0.00
Transportation Aid	25,030.00	0.00	25,030.00	25,030.00	0.00
Under Adequacy Aid	64,701.00	0.00	64,701.00	64,701.00	0.00
Extraordinary Special Education Costs Aid	120,000.00	0.00	120,000.00	181,778.00	61,778.00
PARCC Readiness Aid	6,050.00	0.00	6,050.00	6,050.00	0.00
Per Pupil Growth Aid	6,050.00	0.00	6,050.00	6,050.00	0.00
TPAF - Post Retirement Medical (On-Behalf - Non-Budgeted)	0.00	0.00	0.00	194,512.00	194,512.00
Teacher's Pension & Annuity Fund (On-Behalf-Non-Budgeted)	0.00	0.00	0.00	163,356.00	163,356.00
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	0.00	0.00	0.00	150,494.66	150,494.66
Total State Sources	2,159,028.00	0.00	2,159,028.00	2,729,168.66	570,140.66
Total Revenues	8,221,913.00	0.00	8,221,913.00	8,830,532.02	608,619.02
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	46,679.00	0.00	46,679.00	45,704.31	974.69
Kindergarten - Salaries of Teachers	153,806.00	0.00	153,806.00	150,524.68	3,281.32
Grades 1-5 - Salaries of Teachers	698,285.00	(25,300.00)	672,985.00	661,224.60	11,760.40
Grades 6-8 - Salaries of Teachers	465,687.00	51,300.00	516,987.00	494,621.24	22,365.76
Regular Programs - Home Instruction:					
Salaries of Teachers	3,075.00	0.00	3,075.00	0.00	3,075.00
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	43,675.00	5,000.00	48,675.00	45,714.50	2,960.50
Purchased Professional-Educational Services	3,000.00	0.00	3,000.00	0.00	3,000.00
Other Purchased Services (400-500 series)	22,500.00	0.00	22,500.00	17,949.09	4,550.91
General Supplies	54,000.00	0.00	54,000.00	32,170.72	21,829.28
Textbooks	35,000.00	(13,500.00)	21,500.00	2,573.84	18,926.16
Other Objects	14,692.00	0.00	14,692.00	12,287.24	2,404.76
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,540,399.00	17,500.00	1,557,899.00	1,462,770.22	95,128.78
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	98,074.00	0.00	98,074.00	96,638.35	1,435.65
Other Salaries for Instruction	54,151.00	(13,200.00)	40,951.00	37,380.35	3,570.65
General Supplies	500.00	0.00	500.00	0.00	500.00
Total Learning and/or Language Disabilities	152,725.00	(13,200.00)	139,525.00	134,018.70	5,506.30
Resource Room/Resource Center:					
Salaries of Teachers	291,705.00	(21,000.00)	270,705.00	263,345.26	7,359.74
General Supplies	1,000.00	0.00	1,000.00	0.00	1,000.00
Total Resource Room/Resource Center	292,705.00	(21,000.00)	271,705.00	263,345.26	8,359.74
Preschool Disabilities - Part-Time:					
Salaries of Teachers	7,431.00	0.00	7,431.00	2,924.60	4,506.40
Other Salaries for Instruction	1,538.00	500.00	2,038.00	2,030.00	8.00
General Supplies	200.00	0.00	200.00	0.00	200.00
Total Preschool Disabilities - Part-Time	9,169.00	500.00	9,669.00	4,954.60	4,714.40
TOTAL SPECIAL EDUCATION - INSTRUCTION	454,599.00	(33,700.00)	420,899.00	402,318.56	18,580.44
Basic Skills/Remedial - Instruction					
Salaries of Teachers	26,666.00	0.00	26,666.00	9,311.80	17,354.20
General Supplies	1,000.00	0.00	1,000.00	0.00	1,000.00
Total Basic Skills/Remedial - Instruction	27,666.00	0.00	27,666.00	9,311.80	18,354.20

NEPTUNE CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
Bilingual Education - Instruction					
Salaries of Teachers	30,745.00	0.00	30,745.00	28,077.57	2,667.43
General Supplies	800.00	0.00	800.00	643.00	157.00
Total Bilingual Education - Instruction	31,545.00	0.00	31,545.00	28,720.57	2,824.43
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	17,223.00	0.00	17,223.00	14,193.44	3,029.56
Supplies and Materials	1,500.00	0.00	1,500.00	1,000.00	500.00
Other Objects	750.00	0.00	750.00	385.00	365.00
Total School-Spon. Cocurricular Actvts. - Inst.	19,473.00	0.00	19,473.00	15,578.44	3,894.56
School-Spon. Cocurricular Athletics - Inst.					
Salaries	21,448.00	0.00	21,448.00	20,416.81	1,031.19
Purchased Services (300-500 series)	5,000.00	900.00	5,900.00	4,549.00	1,351.00
Supplies and Materials	4,000.00	0.00	4,000.00	749.82	3,250.18
Other Objects	2,500.00	0.00	2,500.00	1,200.00	1,300.00
Total School-Spon. Cocurricular Athletics - Inst.	32,948.00	900.00	33,848.00	26,915.63	6,932.37
TOTAL INSTRUCTION AND AT-RISK PROGRAMS	2,106,630.00	(15,300.00)	2,091,330.00	1,945,615.22	145,714.78
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Regular	1,761,838.00	6,000.00	1,767,838.00	1,767,197.94	640.06
Tuition to Other LEAs Within the State - Special	398,120.00	(15,000.00)	383,120.00	380,511.00	2,609.00
Tuition to County Voc. School Dist. - Regular	62,025.00	24,200.00	86,225.00	84,219.00	2,006.00
Tuition to County Voc. School Dist. - Special	15,900.00	0.00	15,900.00	14,290.00	1,610.00
Tuition to CSSD & Reg. Day Schools	62,475.00	0.00	62,475.00	62,475.00	0.00
Tuition to Private Schools for the Disabled - Within State	1,274,647.00	9,000.00	1,283,647.00	1,270,981.66	12,665.34
Tuition State Facilities	22,199.00	0.00	22,199.00	22,199.00	0.00
Total Undistributed Expenditures - Instruction:	3,597,204.00	24,200.00	3,621,404.00	3,601,873.60	19,530.40
Undistributed Expend. - Attend. & Social Work					
Salaries	20,111.00	(1,000.00)	19,111.00	15,859.89	3,251.11
Purchased Professional and Technical Services	2,000.00	0.00	2,000.00	0.00	2,000.00
Supplies and Materials	200.00	0.00	200.00	0.00	200.00
Other Objects	200.00	0.00	200.00	0.00	200.00
Total Undistributed Expend. - Attend. & Social Work	22,511.00	(1,000.00)	21,511.00	15,859.89	5,651.11
Undist. Expend. - Health Services					
Salaries	50,640.00	5,500.00	56,140.00	56,061.86	78.14
Purchased Professional and Technical Services	6,700.00	950.00	7,650.00	7,628.95	21.05
Supplies and Materials	2,000.00	(650.00)	1,350.00	1,168.40	181.60
Other Objects	800.00	(300.00)	500.00	115.00	385.00
Total Undistributed Expenditures - Health Services	60,140.00	5,500.00	65,640.00	64,974.21	665.79
Undist. Expend. - Speech/Occupational Therapy, Physical Therapy & Related Serv.					
Salaries	137,743.00	13,450.00	151,193.00	144,094.43	7,098.57
Purchased Professional - Educational Services	60,000.00	6,100.00	66,100.00	65,545.08	554.92
Supplies and Materials	700.00	(250.00)	450.00	192.95	257.05
Total Undist. Expend. - Speech/Occ Therapy, PT & Related Serv.	198,443.00	19,300.00	217,743.00	209,832.46	7,910.54
Other Support Services - Students - Extraordinary					
Purchased Professional - Educational Services	95,000.00	61,500.00	156,500.00	156,391.29	108.71
Total Support Services - Students - Extraordinary	95,000.00	61,500.00	156,500.00	156,391.29	108.71

NEPTUNE CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
Undist. Expend. - Child Study Teams					
Salaries of Other Professional Staff	117,162.00	0.00	117,162.00	115,029.55	2,132.45
Salaries of Secretarial and Clerical Assistants	11,449.00	0.00	11,449.00	9,285.00	2,164.00
Purchased Professional - Educational Services	1,600.00	2,300.00	3,900.00	1,074.75	2,825.25
Other Purchased Prof. and Tech. Services	1,800.00	300.00	2,100.00	2,062.93	37.07
Supplies and Materials	2,000.00	(1,600.00)	400.00	400.00	0.00
Total Undist. Expend. - Child Study Teams	134,011.00	1,000.00	135,011.00	127,852.23	7,158.77
Undist. Expend. - Edu. Media Serv./Sch. Library					
Supplies and Materials	1,000.00	0.00	1,000.00	0.00	1,000.00
Total Undist. Expend. - Edu. Media Serv./Sch. Library	1,000.00	0.00	1,000.00	0.00	1,000.00
Undist. Expend. - Instructional Staff Training Serv.					
Other Purchased Services (400-500 series)	5,000.00	4,100.00	9,100.00	3,288.00	5,812.00
Total Undist. Expend. - Instructional Staff Training Serv.	5,000.00	4,100.00	9,100.00	3,288.00	5,812.00
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	130,000.00	601.00	130,601.00	130,600.08	0.92
Legal Services	10,000.00	(4,926.00)	5,074.00	2,177.25	2,896.75
Audit Fees	13,875.00	0.00	13,875.00	13,875.00	0.00
Other Purchased Professional Services	5,000.00	0.00	5,000.00	0.00	5,000.00
Purchased Technical Services	6,000.00	0.00	6,000.00	4,245.00	1,755.00
Communications/Telephone	11,000.00	325.00	11,325.00	11,309.12	15.88
BOE Other Purchased Services	3,000.00	0.00	3,000.00	524.52	2,475.48
Miscellaneous Purchased Services (400-500 series other than 530/585)	11,000.00	0.00	11,000.00	10,685.68	314.32
General Supplies	3,000.00	(100.00)	2,900.00	67.25	2,832.75
Miscellaneous Expenditures	12,100.00	2,200.00	14,300.00	12,406.85	1,893.15
BOE Membership Dues and Fees	4,500.00	0.00	4,500.00	3,979.12	520.88
Total Undist. Expend. - Supp. Serv. - General Admin.	209,475.00	(1,900.00)	207,575.00	189,869.87	17,705.13
Undist. Expend. - Support Serv. - School Admin.					
Salaries of Secretarial and Clerical Assistants	72,785.00	2,800.00	75,585.00	73,405.99	2,179.01
Supplies and Materials	2,000.00	0.00	2,000.00	595.28	1,404.72
Other Objects	15,000.00	(2,800.00)	12,200.00	8,285.87	3,914.13
Total Undist. Expend. - Support Serv. - School Admin.	89,785.00	0.00	89,785.00	82,287.14	7,497.86
Undistributed Expenditures - Central Services					
Salaries	130,000.00	1.00	130,001.00	130,000.08	0.92
Purchased Professional Services	8,000.00	125.00	8,125.00	8,111.73	13.27
Supplies and Materials	2,000.00	(726.00)	1,274.00	323.36	950.64
Miscellaneous Expenditures	3,500.00	600.00	4,100.00	4,011.63	88.37
Total Undistributed Expenditures - Central Services	143,500.00	0.00	143,500.00	142,446.80	1,053.20
Undistributed Expenditures - Admin. Info. Tech.					
Purchased Technical Services	3,000.00	0.00	3,000.00	2,037.95	962.05
Total Undistributed Expenditures - Admin. Info. Tech.	3,000.00	0.00	3,000.00	2,037.95	962.05
Undist. Expend. -Required Maintenance for School Facilities					
Salaries	41,175.00	0.00	41,175.00	40,146.68	1,028.32
Cleaning, Repair, and Maintenance Services	5,000.00	0.00	5,000.00	4,018.96	981.04
Total Undist. Expend. -Required Maintenance for School Facilities	46,175.00	0.00	46,175.00	44,165.64	2,009.36
Undist. Expend. - Other Operation & Maintenance of Plant Services					
Salaries	122,282.00	0.00	122,282.00	102,236.98	20,045.02
Cleaning, Repair and Maintenance Services	30,000.00	0.00	30,000.00	25,663.10	4,336.90
Other Purchased Property Services	5,000.00	0.00	5,000.00	4,585.52	414.48
Insurance	31,000.00	0.00	31,000.00	28,680.48	2,319.52
General Supplies	18,000.00	271.88	18,271.88	16,669.37	1,602.51
Energy (Natural Gas)	36,000.00	(12,500.00)	23,500.00	16,107.30	7,392.70
Energy (Electricity)	65,000.00	(12,500.00)	52,500.00	55,831.01	(3,331.01)
Other Objects	13,500.00	0.00	13,500.00	12,991.48	508.52
Total Undist. Expend. - Other Operation & Maintenance of Plant Serv.	320,782.00	(24,728.12)	296,053.88	262,765.24	33,288.64
Total Undist. Expend. - Oper. & Maint. Of Plant Services	366,957.00	(24,728.12)	342,228.88	306,930.88	35,298.00

NEPTUNE CITY SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
EXPENDITURES (Continued):					
Current Expense (Continued):					
Undist. Expend. - Student Transportation Serv.					
Contract Services (Other than Between Home & School) - Vendors	19,000.00	0.00	19,000.00	10,889.00	8,111.00
Contract Services - (Between Home and Sch) - Joint Agrmts	75,000.00	(15,000.00)	60,000.00	41,137.83	18,862.17
Contr Serv (Spl. Ed. Students) - Vendors	6,000.00	0.00	6,000.00	0.00	6,000.00
Contr Serv (Spl. Ed. Students) - Joint Agrmt	135,000.00	0.00	135,000.00	128,754.62	6,245.38
Total Undist. Expend. - Student Transportation Serv.	235,000.00	(15,000.00)	220,000.00	180,781.45	39,218.55
UNALLOCATED BENEFITS					
Social Security Contributions	80,000.00	0.00	80,000.00	55,762.94	24,237.06
Other Retirement Contributions - PERS	68,000.00	0.00	68,000.00	64,398.60	3,601.40
Unemployment Compensation	10,000.00	0.00	10,000.00	10,000.00	0.00
Workmen's Compensation	35,000.00	2,200.00	37,200.00	37,198.01	1.99
Health Benefits	978,000.00	(55,600.00)	922,400.00	871,994.20	50,405.80
Tuition Reimbursement	3,000.00	(3,000.00)	0.00	0.00	0.00
Unused Sick Payment to Terminated/Retired Staff	22,000.00	0.00	22,000.00	11,425.00	10,575.00
TOTAL UNALLOCATED BENEFITS	1,196,000.00	(56,400.00)	1,139,600.00	1,050,778.75	88,821.25
On-behalf TPAF Pension Contributions (non-budgeted)	0.00	0.00	0.00	163,356.00	(163,356.00)
On-behalf TPAF OPEB (Post Retire. Medical) Contrib.(non-budgeted)	0.00	0.00	0.00	194,512.00	(194,512.00)
Reimbursed TPAF Social Security Contributions (non-budgeted)	0.00	0.00	0.00	150,494.66	(150,494.66)
TOTAL ON-BEHALF CONTRIBUTIONS	0.00	0.00	0.00	508,362.66	(508,362.66)
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	1,196,000.00	(56,400.00)	1,139,600.00	1,559,141.41	(419,541.41)
TOTAL UNDISTRIBUTED EXPENDITURES	6,357,026.00	16,571.88	6,373,597.88	6,643,567.18	(269,969.30)
TOTAL GENERAL CURRENT EXPENSE	8,463,656.00	1,271.88	8,464,927.88	8,589,182.40	(124,254.52)
CAPITAL OUTLAY					
Equipment					
Undistributed Expenditures - Instruction	5,000.00	0.00	5,000.00	0.00	5,000.00
Undistributed Expenditures - General Administration	3,000.00	0.00	3,000.00	0.00	3,000.00
Undistributed Expenditures- Custodial Services	3,000.00	0.00	3,000.00	0.00	3,000.00
Total Equipment	11,000.00	0.00	11,000.00	0.00	11,000.00
					3,000.00
TOTAL CAPITAL OUTLAY	11,000.00	0.00	11,000.00	0.00	11,000.00
Transfer of Funds to Charter Schools	28,843.00	32,305.00	61,148.00	4,843.00	56,305.00
TOTAL EXPENDITURES	8,503,499.00	33,576.88	8,537,075.88	8,594,025.40	(56,949.52)
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(281,586.00)	(33,576.88)	(315,162.88)	236,506.62	551,669.50
Fund Balance, July 1	1,067,545.99	0.00	1,067,545.99	1,067,545.99	0.00
Fund Balance, June 30	785,959.99	(33,576.88)	752,383.11	1,304,052.61	551,669.50
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				11,361.36	
Excess Surplus - Designated for Subsequent Year's Expenditures				343,355.10	
Excess Surplus - Current Year				366,255.54	
Assigned Fund Balance:					
Year-End Encumbrances				3,590.71	
Designated for Subsequent Year's Expenditures				147,711.90	
Unassigned Fund Balance				431,778.00	
				1,304,052.61	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not recognized on GAAP basis				(199,437.00)	
Fund Balance per Governmental Funds (GAAP)				1,104,615.61	

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

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	211,531.00	91,262.00	302,793.00	280,528.00	22,265.00
Total Revenues	211,531.00	91,262.00	302,793.00	280,528.00	22,265.00
EXPENDITURES:					
Instruction					
Salaries of Teachers	67,561.00	22,901.00	90,462.00	90,462.00	.00
Other Salaries for Instruction	.00	11,500.00	11,500.00	11,500.00	.00
Tuition	.00	44,645.00	44,645.00	44,645.00	.00
Other Purchased Services	.00	2,000.00	2,000.00	2,000.00	.00
General Supplies	.00	33,385.00	33,385.00	11,120.00	22,265.00
Total Instruction	67,561.00	114,431.00	181,992.00	159,727.00	22,265.00
Support Services					
Salaries of Other Professional Staff	75,000.00	(19,244.00)	55,756.00	55,756.00	.00
Salaries of Secretarial & Clerical Asst.	15,000.00	.00	15,000.00	15,000.00	.00
Other Salaries	10,000.00	(10,000.00)	.00	.00	.00
Personal Services - Employee Benefits	43,970.00	6,075.00	50,045.00	50,045.00	.00
Total Support Services	143,970.00	(23,169.00)	120,801.00	120,801.00	.00
Total Expenditures	211,531.00	91,262.00	302,793.00	280,528.00	22,265.00
Total Outflows	211,531.00	91,262.00	302,793.00	280,528.00	22,265.00
Excess of Revenues Over Expenditures	\$.00	.00	.00	.00	.00

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART II**

NEPTUNE CITY SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2016

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	8,830,532.02	280,528.00
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2015	.00	31,654.80
Encumbrances, June 30, 2016	.00	(11,120.00)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	200,674.00	.00
State aid payments recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(199,437.00)</u>	<u>(.00)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>8,831,769.02</u>	<u>301,062.80</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	8,594,025.40	280,528.00
Differences - budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Encumbrances, June 30, 2015	.00	31,654.80
Encumbrances, June 30, 2016	<u>.00</u>	<u>(11,120.00)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	<u>\$8,594,025.40</u>	<u>301,062.80</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

NEPTUNE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Position Liability - PERS
Last Ten Fiscal Years*

Public Employees' Retirement System (PERS)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.0073149556%	0.0075040129%	0.0068677376%							
District's proportionate share of the net pension liability (asset)	\$ 1,642,061	\$ 1,404,956	\$ 1,312,561							
District's covered-employee payroll	\$493,069	\$467,778	\$464,448							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	333.03%	300.34%	282.61%							
Plan fiduciary net position as a percentage of the total pension liability (local)	47.93%	52.08%	48.72%							

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

NEPTUNE SCHOOL DISTRICT
Schedule of District's Contribution - PERS
Last Ten Fiscal Years*

Public Employees' Retirement System (PERS)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 62,889	\$ 61,862	\$ 51,747							
Contribution in relation to the contractually required contribution	<u>(62,889)</u>	<u>(61,862)</u>	<u>(51,747)</u>							
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>							
District's covered-employee payroll	\$ 493,069	\$ 467,784	\$ 464,448							
Contributions as a percentage of covered-employee payroll	12.75%	13.22%	11.14%							

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

NEPTUNE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
Last Ten Fiscal Years*

Teachers' Pension and Annuity Fund (TPAF)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A							
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A							
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 12,681,851</u>	<u>\$ 10,556,769</u>	<u>\$ 10,909,795</u>							
Total	<u><u>\$ 12,681,851</u></u>	<u><u>\$ 10,556,769</u></u>	<u><u>\$ 10,909,795</u></u>							
District's covered-employee payroll	\$ 2,057,787	\$ 1,849,528	\$ 1,789,046							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A							
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%							

* Until a full ten year trend is compiled, information will be presented for those years for which information is available.

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

NEPTUNE CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART III
PENSION SCHEDULES
June 30, 2016

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. 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 services, except for medical benefits, which vest after 25 years of service or under the disability 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.

Changes of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table 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.

Public Employees' Retirement System (PERS)

Changes of benefit terms. 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.

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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

	<u>Title II Part A</u> <u>Teacher and</u> <u>Principal</u> <u>Training</u>	<u>Title I</u> <u>Part A</u> <u>2015-16</u>	<u>IDEA Part B</u> <u>Basic</u> <u>2015-16</u>	<u>IDEA Part B</u> <u>Preschool</u> <u>2015-16</u>	<u>Totals</u> <u>2016</u>
REVENUES:					
Federal Sources	<u>26,275.00</u>	<u>105,020.00</u>	<u>143,426.00</u>	<u>5,807.00</u>	<u>280,528.00</u>
Total Revenues	<u>26,275.00</u>	<u>105,020.00</u>	<u>143,426.00</u>	<u>5,807.00</u>	<u>280,528.00</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	20,853.00	65,000.00	.00	4,609.00	90,462.00
Other Services for Instruction	.00	.00	11,500.00	.00	11,500.00
Tuition	.00	.00	44,645.00	.00	44,645.00
Other Purchase Services	.00	2,000.00	.00	.00	2,000.00
General Supplies	<u>.00</u>	<u>11,120.00</u>	<u>.00</u>	<u>.00</u>	<u>11,120.00</u>
Total Instruction	<u>20,853.00</u>	<u>78,120.00</u>	<u>56,145.00</u>	<u>4,609.00</u>	<u>159,727.00</u>
Support Services:					
Salaries of Other Professional Staff	.00	.00	55,756.00	.00	55,756.00
Salaries of Secretarial & Clerical Assistants	.00	.00	15,000.00	.00	15,000.00
Personal Services - Employee Benefits	<u>5,422.00</u>	<u>26,900.00</u>	<u>16,525.00</u>	<u>1,198.00</u>	<u>50,045.00</u>
Total Support Services	<u>5,422.00</u>	<u>26,900.00</u>	<u>87,281.00</u>	<u>1,198.00</u>	<u>120,801.00</u>
Total Expenditures	<u>26,275.00</u>	<u>105,020.00</u>	<u>143,426.00</u>	<u>5,807.00</u>	<u>280,528.00</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>	<u>.00</u>

FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

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

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

NEPTUNE CITY SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Trust</u>	<u>Agency</u>		
	<u>Unemployment Compensation</u>	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Fund</u>
ASSETS:				
Cash and Cash Equivalents	134,662.80	5,159.47	1,489.15	6,648.62
Accounts Receivable:				
Payroll Service Vendor	2,083.35	.00	.00	.00
Interfunds	<u>6,464.11</u>	<u>5,461.45</u>	<u>.00</u>	<u>5,461.45</u>
Total Assets	<u>143,210.26</u>	<u>10,620.92</u>	<u>1,489.15</u>	<u>12,110.07</u>
LIABILITIES:				
Account Payable	.00	635.12	.00	635.12
Payroll Deductions and Withholdings	.00	.00	1,489.15	1,489.15
Due to Student Groups	<u>.00</u>	<u>9,985.80</u>	<u>.00</u>	<u>9,985.80</u>
Total Liabilities	<u>.00</u>	<u>10,620.92</u>	<u>1,489.15</u>	<u>12,110.07</u>
NET POSITION:				
Held in Trust for Unemployment Claims and Other Purposes	<u>143,210.26</u>			
Total Net Position	<u>\$143,210.26</u>			

NEPTUNE CITY SCHOOL DISTRICT
Schedule of Receipts and Disbursements
Student Activity Agency Fund
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Woodrow Wilson School	<u>916.51</u>	<u>28,391.75</u>	<u>24,148.79</u>	<u>5,159.47</u>
Total	<u>\$916.51</u>	<u>28,391.75</u>	<u>24,148.79</u>	<u>5,159.47</u>

NEPTUNE CITY SCHOOL DISTRICT
Schedule of Receipts and Disbursements
Payroll Agency Fund
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Payroll Deductions and Withholdings	<u>2,682.33</u>	<u>1,502,597.78</u>	<u>1,503,790.96</u>	<u>1,489.15</u>
Total	<u>\$2,682.33</u>	<u>1,502,597.78</u>	<u>1,503,790.96</u>	<u>1,489.15</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding.

NEPTUNE CITY SCHOOL DISTRICT
Long-Term Debt
Schedule of Bonds Payable
Year Ended June 30, 2016

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>					
School District Bonds	June 1, 2006	\$9,772,000.00	07/15/2016	460,000.00	4.125%	6,760,000.00	.00	6,300,000.00	460,000.00
School Refunding Bonds Series 2016	May 11, 2016	\$5,710,000.00	07/15/2016	65,000.00	3.000%	.00	5,710,000.00	.00	5,710,000.00
			07/15/2017	490,000.00	3.000%				
			07/15/2018	505,000.00	3.000%				
			07/15/2019	520,000.00	3.000%				
			07/15/2020	535,000.00	3.000%				
			07/15/2021	555,000.00	3.000%				
			07/15/2022	570,000.00	3.000%				
			07/15/2023	590,000.00	3.000%				
			07/15/2024	605,000.00	3.000%				
			07/15/2025	630,000.00	3.000%				
			07/15/2026	645,000.00	3.000%				
						<u>\$6,760,000.00</u>	<u>5,710,000.00</u>	<u>6,300,000.00</u>	<u>6,170,000.00</u>
								445,000.00	
								<u>5,855,000.00</u>	
								<u>\$6,300,000.00</u>	

Paid by Budget
 Refunded Bonds

NEPTUNE CITY 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 Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	536,804.00	.00	536,804.00	536,804.00	.00
State Sources:					
Debt Service Aid Type II	178,562.00	.00	178,562.00	178,562.00	.00
Total State Sources	178,562.00	.00	178,562.00	178,562.00	.00
Total Revenues	715,366.00	.00	715,366.00	715,366.00	.00
EXPENDITURES:					
Regular Debt Service:					
Interest	270,366.00	.00	270,366.00	270,365.67	.33
Redemption of Principal	445,000.00	.00	445,000.00	445,000.00	.00
Total Regular Debt Service	715,366.00	.00	715,366.00	715,365.67	.33
Total Expenditures	715,366.00	.00	715,366.00	715,365.67	.33
Excess (Deficiency) of Revenues Under Expenditures	.00	.00	.00	.33	.33
Fund Balance - July 1	1.26	.00	1.26	1.26	.00
Fund Balance - June 30	<u>\$ 1.26</u>	<u>.00</u>	<u>1.26</u>	<u>1.59</u>	<u>.33</u>

STATISTICAL SECTION (Unaudited)

Neptune City Board of Education
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
Unaudited

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 137,998	\$ 133,631	\$ 129,765	\$ 1,471,503	\$ 1,876,435	\$ 2,234,516	\$ 2,522,664	\$ 2,747,843	\$ 2,969,876	\$ 3,354,108
Restricted	2,341,270	2,300,669	1,766,766	1,404,602	1,610,577	1,379,441	860,533	513,022	496,349	720,973
Unrestricted	630,588	1,042,258	1,446,682	127,228	126,100	168,152	412,500	230,867	(1,111,438)	(1,289,050)
Total governmental activities net position	<u>\$ 3,109,856</u>	<u>\$ 3,476,558</u>	<u>\$ 3,343,213</u>	<u>\$ 3,003,333</u>	<u>\$ 3,613,112</u>	<u>\$ 3,782,109</u>	<u>\$ 3,795,697</u>	<u>\$ 3,491,732</u>	<u>\$ 2,354,787</u>	<u>\$ 2,786,031</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,590	\$ 1,513	\$ 792	\$ 1,591	\$ 1,310	\$ 1,030	\$ 16,934	\$ 15,041	\$ 13,169	\$ 14,217
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	19,177	21,573	30,860	47,768	69,951	94,433	83,961	77,257	93,352	115,610
Total business-type activities net position	<u>\$ 21,767</u>	<u>\$ 23,086</u>	<u>\$ 31,652</u>	<u>\$ 49,359</u>	<u>\$ 71,261</u>	<u>\$ 95,463</u>	<u>\$ 100,895</u>	<u>\$ 92,298</u>	<u>\$ 106,521</u>	<u>\$ 129,827</u>
District-wide										
Invested in capital assets, net of related debt	\$ 140,588	\$ 135,144	\$ 130,557	\$ 1,473,094	\$ 1,877,745	\$ 2,235,546	\$ 2,539,598	\$ 2,762,884	\$ 2,983,045	\$ 3,368,325
Restricted	2,341,270	2,300,669	1,766,766	1,404,602	1,610,577	1,379,441	860,533	513,022	496,349	720,973
Unrestricted	649,765	1,063,831	1,477,542	174,996	196,051	262,585	496,461	308,124	(1,018,086)	(1,173,440)
Total district net position	<u>\$ 3,131,623</u>	<u>\$ 3,499,644</u>	<u>\$ 3,374,865</u>	<u>\$ 3,052,692</u>	<u>\$ 3,684,373</u>	<u>\$ 3,877,572</u>	<u>\$ 3,896,592</u>	<u>\$ 3,584,030</u>	<u>\$ 2,461,308</u>	<u>\$ 2,915,858</u>

Source: CAFR Schedule A-1

Neptune City Board of Education
Changes in Net Assets/Net Position
Last Ten Fiscal Years
(modified accrual basis of accounting)
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,497,925	\$ 2,393,370	\$ 2,418,256	\$ 2,670,350	\$ 2,262,074	\$ 2,437,829	\$ 2,546,270	\$ 2,499,454	\$ 2,716,913	\$ 2,838,640
Special education	336,860	350,189	366,030	402,900	488,776	471,375	579,817	526,615	613,797	810,569
Other special education	-	-	-	122,621	134,976	145,485	72,210	123,593	49,723	38,032
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	148,172	149,143	188,019	46,772	42,138	43,373	44,692	41,913	34,400	42,494
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	2,076,627	2,217,374	2,588,579	2,427,076	2,315,945	2,930,650	3,221,975	3,536,811	3,852,571	3,601,874
Student & instruction related services	663,179	637,080	657,549	656,765	709,150	722,105	712,864	834,599	908,773	1,056,926
General/Business administrative services	424,977	490,816	310,608	289,810	429,743	328,353	311,473	303,208	388,469	371,406
School administrative services	242,620	245,923	206,921	260,287	115,787	245,936	261,519	249,402	275,744	255,684
Plant operations and maintenance	308,618	326,933	379,282	375,886	375,289	360,739	359,534	386,144	373,255	363,832
Pupil transportation	265,183	288,782	302,395	264,153	198,846	197,187	222,790	207,490	184,646	174,781
Special Schools	-	-	-	-	-	-	-	-	-	-
Charter Schools	-	-	-	-	45,776	21,491	25,629	34,957	-	4,843
Interest on long-term debt	402,910	389,779	375,430	360,991	346,159	330,716	314,654	297,774	280,984	264,589
Unallocated depreciation	1,565	1,566	1,566	1,566	1,566	1,566	102,120	204,012	204,269	204,269
Total governmental activities expenses	7,368,636	7,490,955	7,794,635	7,879,177	7,466,225	8,236,805	8,775,547	9,245,972	9,883,544	10,027,939
Business-type activities:										
Food service	118,535	118,334	129,069	133,149	128,335	135,108	143,865	155,832	148,438	151,165
Child Care	-	-	-	-	-	-	-	-	-	-
Total business-type activities expense	118,535	118,334	129,069	133,149	128,335	135,108	143,865	155,832	148,438	151,165
Total district expenses	\$7,487,171	\$7,609,289	\$7,923,704	\$8,012,326	\$7,594,560	\$8,371,913	\$8,919,412	\$9,401,804	\$10,031,982	\$10,179,104
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	-	-	-	-	-	-	-	29,518	9,900	7,983
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Business and other support services	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	-	-	-	319,411	312,745	652,179	733,357	657,717	1,131,392	1,420,400
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	-	-	-	319,411	312,745	652,179	733,357	687,235	1,141,292	1,428,383

Neptune City Board of Education
 Changes in Net Assets/Net Position
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 Unaudited

Exhibit J-2
 (Continued)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services										
Food service	69,804	62,202	70,381	75,807	79,019	68,627	52,413	49,131	47,601	44,583
Child care	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	48,208	53,909	63,677	74,969	71,054	90,431	96,642	97,786	114,933	129,698
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	118,012	116,111	134,058	150,776	150,073	159,058	149,055	146,917	162,534	174,281
Total district program revenues	\$ 118,012	\$ 116,111	\$ 134,058	\$ 150,776	\$ 150,073	\$ 159,058	\$ 149,055	\$ 146,917	\$ 162,534	\$ 174,281
Net (Expense)/Revenue										
Governmental activities	\$ (7,368,636)	\$ (7,490,955)	\$ (7,794,635)	\$ (7,559,766)	\$ (7,153,480)	\$ (7,584,626)	\$ (8,042,190)	\$ (8,558,737)	\$ (8,742,252)	\$ (8,599,556)
Business-type activities	(523)	(2,223)	4,989	17,627	21,738	23,950	5,190	(8,915)	14,096	23,116
Total district-wide net expense	\$ (7,369,159)	\$ (7,493,178)	\$ (7,789,646)	\$ (7,542,139)	\$ (7,131,742)	\$ (7,560,676)	\$ (8,037,000)	\$ (8,567,652)	\$ (8,728,156)	\$ (8,576,440)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 4,406,498	\$ 4,492,518	\$ 4,646,313	\$ 4,646,327	\$ 4,917,380	\$ 5,033,670	\$ 5,197,941	\$ 5,354,700	\$ 5,926,358	\$ 6,044,911
Taxes levied for debt service	250,000	297,242	10,965	334,300	528,109	534,324	534,105	536,928	535,261	536,804
Unrestricted grants and contributions	2,416,942	2,757,424	2,871,885	2,197,984	2,306,551	2,186,821	2,282,208	2,338,857	2,361,027	2,400,615
Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-
Investment earnings	564,667	303,355	80,967	17,749	6,295	6,382	4,658	3,316	2,806	2,595
Miscellaneous income	10,310	10,478	54,652	23,527	4,924	7,468	36,867	20,971	40,669	45,875
Transfers	(3,000)	(3,360)	(3,491)	-	-	-	-	-	-	-
Total governmental activities	7,645,417	7,857,657	7,661,291	7,219,887	7,763,259	7,768,665	8,055,779	8,254,772	8,866,121	9,030,800
Business-type activities:										
Investment earnings	220	181	86	79	166	252	241	195	127	190
Transfers	3,000	3,360	3,491	-	-	-	-	-	-	-
Total business-type activities	3,220	3,541	3,577	79	166	252	241	195	127	190
Total district-wide	\$ 7,648,637	\$ 7,861,198	\$ 7,664,868	\$ 7,219,966	\$ 7,763,425	\$ 7,768,917	\$ 8,056,020	\$ 8,254,967	\$ 8,866,248	\$ 9,030,990
Change in Net Position										
Governmental activities	\$ 276,781	\$ 366,702	\$ (133,344)	\$ (339,879)	\$ 609,779	\$ 184,039	\$ 13,589	\$ (303,965)	\$ 123,869	\$ 431,244
Business-type activities	2,697	1,318	8,566	17,706	21,904	24,202	5,431	(8,720)	14,223	23,306
Total district	\$ 279,478	\$ 368,020	\$ (124,778)	\$ (322,173)	\$ 631,683	\$ 208,241	\$ 19,020	\$ (312,685)	\$ 138,092	\$ 454,550

Source: CAFR Schedule A-2

Neptune City Board of Education
 Fund Balances - Governmental Funds
 Last Ten Years
 (modified accrual basis of accounting)
 Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved/Restricted	\$ 2,153,344	\$ 1,933,373	\$ 1,851,123	\$ 1,403,619	\$ 1,606,218	\$ 1,377,712	\$ 860,533	\$ 513,021	\$ 496,347	\$ 720,972
Unreserved/Assigned/Unassigned	244,071	359,660	399,801	336,146	362,788	388,047	635,458	453,194	370,525	383,644
Total general fund	<u>\$ 2,397,415</u>	<u>\$ 2,293,033</u>	<u>\$ 2,250,924</u>	<u>\$ 1,739,765</u>	<u>\$ 1,969,006</u>	<u>\$ 1,765,759</u>	<u>\$ 1,495,991</u>	<u>\$ 966,215</u>	<u>\$ 866,872</u>	<u>\$ 1,104,616</u>
All Other Governmental Funds										
Reserved/Restricted	\$ 6,439,890	\$ 962,103	\$ 15,500	\$ -	\$ 4,359	\$ -	\$ -	\$ 1	\$ 1	\$ 2
Unreserved/Assigned/Unassigned, reported in:										
Special Revenue Fund	(1,692)	(1,692)	-	-	-	-	-	-	-	-
Capital Projects Fund	1,104,605	767,260	122,793	56,896	-	1,534	1,534	-	-	-
Debt Service Fund	541,112	638,692	178,476	7,456	-	195	195	-	-	-
Permanent Fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 8,083,915</u>	<u>\$ 2,366,363</u>	<u>\$ 316,769</u>	<u>\$ 64,352</u>	<u>\$ 4,359</u>	<u>\$ 1,729</u>	<u>\$ 1,729</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 2</u>

Source: CAFR Schedule B-1

Neptune City Board of Education
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 4,656,498	\$ 4,789,760	\$ 4,657,278	\$ 4,980,627	\$ 5,445,489	\$ 5,567,994	\$ 5,732,046	\$ 5,891,628	\$ 6,461,619	\$ 6,581,715
Tuition charges	-	-	-	-	-	-	-	29,518	9,900	7,982
Interest earnings	564,668	303,355	80,967	17,749	6,295	6,382	4,658	3,316	2,806	2,595
Miscellaneous	10,310	10,478	54,652	23,527	4,924	7,468	36,867	20,971	40,669	45,875
State sources	2,152,908	2,533,250	2,575,950	1,793,802	2,319,944	2,477,291	2,723,294	2,702,925	2,772,162	2,908,968
Federal sources	264,033	224,173	295,934	723,593	299,352	361,709	292,271	293,649	260,682	301,063
Total revenue	7,648,417	7,861,016	7,664,781	7,539,297	8,076,004	8,420,844	8,789,136	8,942,007	9,547,838	9,848,198
Expenditures										
Instruction										
Regular Instruction	1,659,772	1,663,033	1,675,306	1,950,317	1,669,272	1,641,101	1,692,057	1,730,999	1,635,941	1,611,377
Special education instruction	211,460	231,891	250,899	274,413	268,657	279,859	376,483	350,064	355,576	402,319
Other special instruction	-	-	-	-	-	-	-	123,593	49,723	38,032
Vocational education	-	-	-	-	-	-	-	-	-	-
Other instruction	148,172	149,143	188,019	169,392	177,114	188,858	116,902	41,913	34,400	42,494
Nonpublic school programs	-	-	-	-	-	-	-	-	-	-
Adult/continuing education programs	-	-	-	-	-	-	-	-	-	-
Support Services:										
Tuition	2,076,627	2,217,374	2,588,579	2,427,076	2,315,945	2,930,651	3,221,975	3,536,811	3,852,572	3,601,874
Student & instruction related services	547,480	524,077	557,137	536,465	572,197	605,515	582,097	623,980	638,037	730,654
General administrative services	313,110	368,906	204,906	194,561	199,013	214,501	192,174	193,048	221,541	189,870
School Administrative services	172,166	179,951	209,769	231,469	227,083	235,247	234,431	224,020	245,162	226,772
Business administrative services	-	-	-	-	-	-	-	-	-	-
Plant operations and maintenance	265,814	293,593	331,325	333,559	332,475	312,171	307,145	332,406	313,066	306,931
Pupil transportation	265,182	288,782	302,395	264,153	198,846	197,186	222,790	207,490	184,646	180,782
Unallocated employee benefits	1,294,673	1,199,179	1,121,539	1,122,459	1,134,116	1,285,262	1,374,269	1,335,910	1,400,408	1,559,141
Special Schools	-	-	-	-	-	-	-	-	-	-
Charter Schools	-	-	-	-	45,776	21,491	25,629	34,957	-	4,843
Capital outlay	2,290,266	5,815,132	1,591,070	81,397	53,291	2,070	2,650	21,060	2,800	-
Debt service:										
Principal	-	-	350,000	350,000	360,000	375,000	390,000	410,000	425,000	445,000
Interest and other charges	251,246	748,529	382,050	367,613	352,969	337,809	322,031	305,531	288,309	361,362
Total expenditures	9,495,968	13,679,590	9,752,994	8,302,874	7,906,754	8,626,721	9,060,633	9,471,782	9,647,181	9,701,451
Excess (Deficiency) of revenues over (under) expenditures	(1,847,551)	(5,818,574)	(2,088,213)	(763,577)	169,250	(205,877)	(271,497)	(529,775)	(99,343)	146,747
Other Financing sources (uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Capital leases (non-budgeted)	-	-	-	-	-	-	-	-	-	-
Proceeds of refunding debt	-	-	-	-	-	-	-	-	-	5,710,000
Payments to escrow agent	-	-	-	-	-	-	-	-	-	(5,976,106)
Original issue premium	-	-	-	-	-	-	-	-	-	357,103
Transfers in	504,860	257,580	45,897	1,559	195	-	-	-	-	-
Transfers out	(504,860)	(260,940)	(49,387)	(1,559)	(195)	-	-	-	-	-
Total other financing sources (uses)	(3,000)	(3,360)	(3,490)	-	-	-	-	-	-	90,997
Net change in fund balances	\$ (1,850,551)	\$ (5,821,934)	\$ (2,091,703)	\$ (763,577)	\$ 169,250	\$ (205,877)	\$ (271,497)	\$ (529,775)	\$ (99,343)	\$ 237,744
Debt service as a percentage of noncapital expenditures	3.5%	9.5%	9.0%	8.7%	9.1%	8.3%	7.9%	7.6%	8.0%	9.0%

Source: CAFR Schedule B-2

Neptune City Board of Education
 General Fund Other Local Revenue by Source
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Interest on Investments	Tuition Revenue	Rentals	Misc.	Total
2007	59,808	-	-	10,310	70,118
2008	45,775	-	-	10,478	56,253
2009	80,967	-	-	54,652	135,619
2010	17,749	-	-	23,527	41,276
2011	6,239	-	-	4,924	11,163
2012	6,382	-	-	7,468	13,850
2013	4,658	-	-	36,867	41,525
2014	3,361	29,518	-	20,926	53,805
2015	2,805	9,900	-	40,669	53,374
2016	2,595	7,982	-	45,875	56,452

Source: District Records

Neptune City Board of Education
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2007	4,374,800	311,953,800	0	0	75,532,100	10,480,800	29,192,800	431,534,300	20,362,900	347,553	431,881,853	1.109	558,255,576
2008	4,003,400	312,758,500	0	0	77,940,700	10,480,800	29,192,800	434,376,200	20,217,700	353,158	434,729,358	1.072	589,849,108
2009	4,003,400	311,930,900	0	0	75,474,900	10,480,800	29,192,800	431,082,800	20,217,700	385,808	431,468,608	1.154	582,527,332
2010	3,920,700	313,448,500	0	0	75,933,900	10,480,800	29,192,800	432,976,700	19,968,800	436,119	433,412,819	1.257	565,479,990
2011	3,949,100	313,842,900	0	0	75,217,600	10,480,800	29,192,800	432,683,200	19,959,300	455,919	433,139,119	1.286	542,707,042
2012	3,580,700	315,236,700	0	0	75,789,600	10,480,800	29,192,800	434,280,600	20,117,200	483,536	434,764,136	1.318	534,163,258
2013	3,483,100	314,357,500	0	0	77,218,200	10,480,800	29,192,800	434,732,400	19,221,500	0	434,732,400	1.355	500,721,595
2014	4,499,400	310,885,000	0	0	76,607,800	10,480,800	29,192,800	431,665,800	19,221,500	0	431,665,800	1.413	483,153,441
2015	5,821,300	364,329,400	0	0	106,096,700	9,819,500	46,898,200	532,965,100	26,046,200	0	532,965,100	1.303	492,258,152
2016	4,352,000	374,923,500	0	0	103,560,900	9,375,300	48,960,600	541,172,300	27,058,700	0	541,172,300	1.248	528,621,442

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Neptune City Board of Education
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**
(rate per \$100 of assessed value)
Unaudited

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Fiscal Year Ended June 30,	Neptune City Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Borough of Neptune City	Library/Other	Monmouth County	
2007	1.040	0.069	1.109	0.797	0.018	0.336	2.260
2008	1.068	0.003	1.071	0.878	0.019	0.333	2.301
2009	1.077	0.077	1.154	0.913	0.018	0.335	2.421
2010	1.135	0.122	1.257	0.955	0.018	0.341	2.571
2011	1.163	0.123	1.286	1.020	0.018	0.352	2.664
2012	1.195	0.123	1.318	1.054	0.019	0.345	2.736
2013	1.212	0.123	1.355	1.084	0.020	0.357	2.816
2014	1.290	0.123	1.413	1.121	0.020	0.333	2.887
2015	1.180	0.123	1.303	0.943	0.017	0.271	2.534
2016	1.148	0.100	1.248	0.949	0.018	0.275	2.490

Source: District Records and Municipal Tax Collector

Note:

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

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.

Neptune City Board of Education
Principal Property TaxPayers*
Current Year and Ten Years Ago
Unaudited

Exhibit J-8

Taxpayer	2016			2006		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Brighton Arms Apartments, LLC	\$ 33,544,500	1	6.20%	\$ 19,272,000	1	4.47%
Neptune Realty Associates	12,500,000	2	2.31%	11,701,600	2	2.71%
Neptune City Complex, LLC	6,900,000	3	1.28%	-		0.00%
Hampshire Assoc.	6,703,600	4	1.24%	4,080,000	6	0.95%
Sylvania 33 Associates, LP	6,410,600	5	1.18%	3,242,700	8	0.75%
JSMD Inc.	6,393,500	6	1.18%	5,388,600	4	1.25%
Coral Harbor Property, LLC	5,339,300	7	0.99%	-		0.00%
TFH Publicaions Inc	4,208,400	8	0.78%	-		0.00%
Rosko-Phil Oxford, LLC	4,156,700	9	0.77%	2,971,700	10	0.69%
Jumping Brook Enterprises, Inc.	3,506,500	10	0.66%	2,998,500	9	0.70%
Neptune City Complex, LLC	-			7,274,500	3	1.69%
Neptune City Stores, LLC	-			4,686,600	5	1.09%
Jersey Shore Convalescent Center	-			3,884,500	7	0.90%
Total	\$ 89,663,100		16.59%	\$ 65,500,700		15.20%

Source: District CAFR & Municipal Tax Assessor

Neptune City Board of Education
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	4,656,498	4,656,498	100.00%	-
2008	4,789,760	4,789,760	100.00%	-
2009	4,657,278	4,657,278	100.00%	-
2010	4,980,627	4,980,627	100.00%	-
2011	5,445,489	5,445,489	100.00%	-
2012	5,567,994	5,567,994	100.00%	-
2013	5,732,046	5,732,046	100.00%	-
2014	5,891,628	5,891,628	100.00%	-
2015	6,101,619	6,101,619	100.00%	-
2016	6,581,715	6,581,715	100.00%	-

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

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

Neptune City Board of Education
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	9,772,000	-	-	-	-	9,772,000	N/A	58,622.00	
2008	9,420,000	-	-	-	-	9,420,000	N/A	59,915.00	
2009	9,070,000	-	-	-	-	9,070,000	N/A	57,337.00	
2010	8,720,000	-	-	-	-	8,720,000	N/A	57,873.00	
2011	8,360,000	-	-	-	-	8,360,000	N/A	61,039.00	
2012	7,985,000	-	-	-	-	7,985,000	N/A	63,001.00	
2013	7,595,000	-	-	-	-	7,595,000	N/A	63,067.00	
2014	7,185,000	-	-	-	-	7,185,000	N/A	66,019.00	
2015	6,760,000	-	-	-	-	6,760,000	N/A	N/A	
2016	6,170,000	-	-	-	-	6,170,000	N/A	N/A	

Source: District CAFR Schedules I-1, I-2

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

^a See Exhibit NJ J-13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Neptune City Board of Education
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	9,772,000	-	9,772,000	2.26%	58,622
2008	9,420,000	-	9,420,000	2.17%	59,915
2009	9,070,000	-	9,070,000	2.10%	57,337
2010	8,720,000	-	8,720,000	2.01%	57,873
2011	8,360,000	-	8,360,000	1.93%	61,039
2012	7,985,000	-	7,985,000	1.84%	63,001
2013	7,595,000	-	7,595,000	1.75%	63,067
2014	7,185,000	-	7,185,000	1.66%	66,019
2015	6,760,000	-	6,760,000	1.26%	N/A
2016	6,170,000	-	6,170,000	1.14%	N/A

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14

Neptune City Board of Education
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2016
 Unaudited

Exhibit J-12

<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			
Borough of Neptune City	3,092,100	100.000%	3,113,200
Other debt			
Monmouth County	479,236,724	0.456%	<u>2,186,836</u>
Subtotal, overlapping debt			5,300,036
Neptune City School District Direct Debt			<u>6,170,000</u>
Total direct and overlapping debt			<u><u>\$ 11,470,036</u></u>

Sources: Neptune City Finance Officer, Monmouth County Finance Office

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

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

**Neptune City Board of Education
Legal Debt Margin Information
Last Ten Fiscal Years
Unaudited**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis	
	2015	521,961,381
	2014	486,110,135
	2013	<u>483,680,908</u>
	[A]	<u>\$ 1,491,752,424</u>
Average equalized valuation of taxable property	[A/3]	\$ 497,250,808
Debt limit (3 % of average equalization value)	[B]	14,917,524 ^a
Net bonded school debt	[C]	<u>6,170,000</u>
Legal debt margin	[B-C]	<u>\$ 8,747,524</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>
Debt limit	\$ 14,866,786	\$ 16,246,093	\$ 17,166,574	16,801,814	16,801,814	16,261,873	15,645,596	15,091,758	14,668,502	14,917,524
Total net debt applicable to limit	<u>9,772,000</u>	<u>9,420,000</u>	<u>9,070,000</u>	<u>8,360,000</u>	<u>8,360,000</u>	<u>7,985,000</u>	<u>7,595,000</u>	<u>7,185,000</u>	<u>6,760,000</u>	<u>6,170,000</u>
Legal debt margin	<u>\$ 5,094,786</u>	<u>\$ 6,826,093</u>	<u>\$ 8,096,574</u>	<u>\$ 8,441,814</u>	<u>\$ 8,441,814</u>	<u>\$ 8,276,873</u>	<u>\$ 8,050,596</u>	<u>\$ 7,906,758</u>	<u>\$ 7,908,502</u>	<u>\$ 8,747,524</u>
Total net debt applicable to the limit as a percentage of debt limit	65.73%	57.98%	52.84%	49.76%	49.76%	49.10%	48.54%	47.61%	46.09%	41.36%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts

**Neptune City Board of Education
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited**

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2007	5,144	-	58,622	3.8%
2008	5,111	-	59,915	5.0%
2009	5,100	-	57,337	8.1%
2010	4,868	-	57,873	8.2%
2011	4,855	-	61,039	8.3%
2012	4,845	-	63,001	8.7%
2013	4,841	-	63,067	11.4%
2014	4,822	-	66,019	7.4%
2015	4,803	-	N/A	6.6%
2016	N/A	-	N/A	N/A

Source:

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

^b Personal income - not available

^c Per Capita- US Department of Commerce

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

Neptune City Board of Education
Principal Employers
Current Year and Ten Years Ago
Unaudited

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Employer	2016			2007		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
TFH Publication	225	1	N/A	N/A	N/A	N/A
First Student	188	2	N/A	N/A	N/A	N/A
Stop 'n Shop	164	3	N/A	N/A	N/A	N/A
Coral Harbor Property	125	4	N/A	N/A	N/A	N/A
Jersey Shore Univ. Medical Center	110	5	N/A	N/A	N/A	N/A
Borough of Neptune City	92	6	N/A	N/A	N/A	N/A
Neptune City Board of Education	55	7	N/A	N/A	N/A	N/A
Kelly's Tavern	65	8	N/A	N/A	N/A	N/A
Pete N Elda's Pizzeria	63	9	N/A	N/A	N/A	N/A
	<u>1,087</u>		<u>0.00%</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>

Source:

Neptune City Municipal Clerk

2007 Information not available

Neptune City Board of Education
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	28.0	28.0	28.0	27.0	26.0	25.0	25.0	25.0	25.0	25.0
Special education	5.4	5.9	5.9	5.9	5.9	7.0	7.5	7.5	7.5	8.0
Other special education	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Vocational	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other instruction	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonpublic school programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adult/continuing education programs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Support Services:										
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Student & instruction related services	8.3	8.3	8.3	8.8	9.8	10.0	11.0	12.0	13.0	13.0
General administrative services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administrative services	2.0	2.0	2.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5
Business administrative services	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Pupil transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Special Schools	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Food Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Child Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	<u>51.2</u>	<u>51.7</u>	<u>51.7</u>	<u>51.2</u>	<u>50.7</u>	<u>51.0</u>	<u>52.5</u>	<u>53.5</u>	<u>54.5</u>	<u>55.0</u>

Source: District Personnel Records

Neptune City Board of Education
Operating Statistics
Last Ten Fiscal Years
Unaudited

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	392	6,954,456	17,741	22.10%	35	1:20	1:20	389	364	-4.19%	93.57%
2008	387	7,115,929	18,387	3.64%	36	1:20	1:20	393	367	1.03%	93.50%
2009	395	7,429,874	18,810	2.30%	36	1:20	1:20	391	364	-0.51%	93.15%
2010	398	7,503,865	18,854	0.23%	36	1:20	1:20	398	377	1.79%	94.57%
2011	389	7,140,494	18,356	-2.64%	35	1:20	1:21	389	367	-2.26%	94.34%
2012	395	7,911,843	20,030	9.12%	35	1:20	1:21	395	376	1.54%	95.19%
2013	406	8,345,952	20,557	2.60%	35	1:20	1:21	406	384	2.78%	94.55%
2014	396	9,104,191	22,990	1.40%	35	1:20	1:21	396	376	2.46%	95.01%
2015	379	8,931,072	23,565	2.50%	36	1:19	1:21	379	359	-4.29%	94.68%
2016	363	8,895,088	24,504	3.99%	37	1:19	1:21	363	343	-4.22%	94.62%

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule B-2
- 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).

Neptune City Board of Education
 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>
<u>Elementary (K-8)</u>										
Woodrow Wilson (1927)										
Square Feet	42,124	49,061	49,061	49,061	49,061	49,061	49,061	49,061	49,061	49,061
Capacity (students)	340	375	375	375	375	375	375	375	375	375
Enrollment	392	387	395	396	389	395	395	394	379	363

Number of Schools at June 30, 2014
 Elementary = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of and additions. Enrollment is based on the annual October district count.

Neptune City Board of Education
 General Fund
 Schedule of Required Maintenance by School Facility
 Last Ten Fiscal years
 Unaudited

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

School Facilities	Project # (s)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Woodrow Wilson	N/A	\$ 44,166	\$ 41,022	\$ 41,644	\$ 40,165	\$ 43,018	\$ 31,665	\$ 23,236	\$ 21,150	\$ 13,847	\$ 37,500
Total School Facilities	337,413	44,166	41,022	41,644	40,165	43,018	31,665	23,236	21,150	13,847	37,500
Other Facilities - None	-	-	-	-	-	-	-	-	-	-	-
Grand Total	\$ 337,413	\$ 44,166	\$ 41,022	\$ 41,644	\$ 40,165	\$ 43,018	\$ 31,665	\$ 23,236	\$ 21,150	\$ 13,847	\$ 37,500

Neptune City Board of Education
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
Unaudited

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
NJSIG	Property Blanket Building & Contents- Replacement Cost Values	\$ 9,769,040	\$ 5,000
NJSIG	Flood/Earthquake	50,000,000 50,000,000	500,000
NJSIG	Pollution Liability	1,000,000 occ/ 2,000,000 agg	5,000
NJSIG	General Liability		
	-Each Occurrence	6,000,000	-
	-General Aggregate	6,000,000	-
	-Personal Injury	1,000,000	-
	-Fire Damage	100,000	-
	-Medical Expense Limit (Excluding students)	10,000	5,000
	-Employee Benefit Liability	6,000,000	5,000
	-Aggregate	1,000,000	-
NJSIG	Automotive Coverage		
	-Combined Single Limit	6,000,000	-
	-Hired/Non-Owned	1,000,000	-
	-Uninsured & Underinsured	1,000,000	-
NJSIG	Inland Marine		
	-Electronic Data Processing Equipment	100,000	1,000
NJSIG	Crime Coverage		
	-Employee Dishonesty with Faithful Performance	25,000	500
	-Theft, Disappearance & Destruction Inside and Out	25,000	500
NJSIG	Boiler & Machinery Coverage	100,000,000	1,000
NJSIG	Catastrophe Liability Coverage		
	-Occurrence Limit	25,000,000	
	-Aggregate Limit	25,000,000	
	-Retained Limit	-	

Source: District Records

Neptune City Board of Education
INSURANCE SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 Unaudited

Exhibit J-20
 (Continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
NJSIG	Board of Education -Liability Wrongful Acts Coverage		
	Each Loss	\$ 6,000,000	\$ 5,000
	Aggregate	6,000,000	5,000
Bollinger	Student Accident - Voluntary Program		
NJSIG	Fidelity Bonds		
	-Treasurer of School Monies	200,000	
	-School Business Administrator/ Board Secretary	5,000	
NJSIG	Worker's Compensation		
	-Covered Payrolls-Professional	2,800,000	N/A
	-Covered Payrolls-Non-Professional	115,000	N/A

SINGLE AUDIT SECTION

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

110 Fortunato Place

Neptune, New Jersey 07753-3767

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Exhibit K-1

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 AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Neptune City Board of Education
County of Monmouth, 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 Neptune City School District, in the County of Monmouth (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 basis financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 internal control was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free 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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. We noted certain matters that we reported to the management of the Neptune City Board of Education in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial Compliance and Performance* dated November 30, 2016.

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 for New Jersey Department of Education use, 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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

November 30, 2016
Neptune, New Jersey

ALVINO & SHECHTER, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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Exhibit K-2

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Neptune City Board of Education
County of Monmouth, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Neptune City School District's (the "District") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and 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 auditor's 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 state programs.

Auditor's 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; audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Those standards, the Uniform Guidance and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedure 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.

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 a 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 New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 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 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 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 the 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 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 that the testing based on the requirements of the Uniform Guidance and New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Allen B. Shechter
Licensed Public School Accountant No. 2183
Certified Public Accountant

November 30, 2016
Neptune, New Jersey

NEPTUNE CITY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
for the Fiscal Year ended June 30, 2016

SCHEDULE A
 Exhibit K-3

Federal Grant or Project Title	Federal CITA Number	Federal FIPS Number	Federal Project Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015			Balance at June 30, 2016							
						From	To	Accounts Receivable	Unearned Revenue	Due to Grantor	Carryover (Walkover) Amount	Cash Received	Hedgatory Expenditures	Adjustments	Repayment of Prior Years' Balances	Accounts Receivable	Unearned Revenue	Due to Grantor
U.S. Department of Education																		
Passed-through State Department of Education																		
Special Revenue Fund																		
Special Education Cluster																		
IDEA - Part B - Basic Regular	84-027	1027A150100	IDEA-3500-16	IDEA-3500-16	143,426.00	7-1-15	6-30-16											
IDEA - Part B - Preschool	84-027	1027A150100	IDEA-3500-16	IDEA-3500-16	5,807.00	7-1-15	6-30-16	(19,408.00)										
IDEA - Part B - Basic Regular	84-027	1027A150100	IDEA-3500-15	IDEA-3500-15	140,868.00	7-1-14	6-30-15	(19,408.00)										
Total Special Education Cluster																		
No Child Left Behind Consolidated Grant																		
Table I, Part A	84-010	S010A150030	NCLB-3500-16	NCLB-3500-16	127,285.00	7-1-15	6-30-16	(37,957.00)										
Table I, Part A	84-010	S010A150030	NCLB-3500-15	NCLB-3500-15	132,323.00	7-1-14	6-30-15	(37,957.00)										
Total Table I, Part A																		
Table B, Part A - Teacher & Principal Training	84-281A	S307A150029	NCLB-3500-16	NCLB-3500-16	26,275.00	7-1-15	6-30-16											
Total Table B, Part A - Teacher & Principal Training																		
Total Special Revenue Fund								(57,365.00)										
U.S. Department of Agriculture																		
Passed-through State Department of Education																		
Enterprise Fund																		
Child Nutrition Cluster																		
Food Distribution Program (Non-Cash)	10-550	1616130481099	N/A	N/A	12,744.29	7-1-15	6-30-16											
Food Distribution Program (Non-Cash)	10-550	1616130481099	N/A	N/A	11,316.06	7-1-14	6-30-15											
School Breakfast Program	10-553	1616130481099	N/A	N/A	19,433.95	7-1-15	6-30-16		523.95									
School Breakfast Program	10-553	1616130481099	N/A	N/A	12,605.65	7-1-14	6-30-15	(1,078.53)										
National School Lunch Program	10-555	1616130481099	N/A	N/A	96,538.54	7-1-15	6-30-16											
National School Lunch Program	10-555	1616130481099	N/A	N/A	89,408.23	7-1-14	6-30-15	(6,774.05)										
Total Child Nutrition Cluster																		
Total Enterprise Fund								(7,851.58)										
Total Federal Financial Awards								(65,216.58)										

Note: Federal Single Audit is not required

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NEPTUNE CITY SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance
 for the Fiscal Year ended June 30, 2016

SCHEDULE B
 Exhibit K-4

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015			Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Years' Balances	Balance at June 30, 2016			MEMO	
			From	To	Unearned Revenue (Accts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				(Accounts Receivable)	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
State Aid - Public Cluster:															
Equalization Aid	16-495-034-5120-078	1,564,270.00	7/1/15	6/30/16			1,564,270.00	(1,564,270.00)					*	153,001.00	1,564,270.00
Special Education Categorical Aid	16-495-034-5120-089	344,076.00	7/1/15	6/30/16			344,076.00	(344,076.00)					*	33,654.00	344,076.00
Security Aid	16-495-034-5120-084	28,851.00	7/1/15	6/30/16			28,851.00	(28,851.00)					*	2,822.00	28,851.00
Under Adequacy Aid	16-495-034-5120-096	64,701.00	7/1/15	6/30/16			64,701.00	(64,701.00)					*	6,328.00	64,701.00
PARCC Readiness Aid	16-495-034-5120-098	6,050.00	7/1/15	6/30/16			6,050.00	(6,050.00)					*	592.00	6,050.00
Per Pupil Growth Aid	16-495-034-5120-097	6,050.00	7/1/15	6/30/16			6,050.00	(6,050.00)					*	592.00	6,050.00
Total State Aid - Public Cluster							2,013,998.00	(2,013,998.00)					*	196,989.00	2,013,998.00
Transportation Aid	16-495-034-5120-014	25,030.00	7/1/15	6/30/16			25,030.00	(25,030.00)					*	2,448.00	25,030.00
Extraordinary Special Education Costs Aid	16-100-034-5120-473	181,778.00	7/1/15	6/30/16				(181,778.00)		(181,778.00)			*		181,778.00
Extraordinary Special Education Costs Aid	15-100-034-5120-473	147,712.00	7/1/14	6/30/15	(147,712.00)		147,712.00						*		
On Behalf TPAF Pension Contributions	16-495-034-5095-002	163,356.00	7/1/15	6/30/16			163,356.00	(163,356.00)					*		163,356.00
On Behalf TPAF Post Retirement Medical Contr.	16-495-034-5095-001	194,512.00	7/1/15	6/30/16			194,512.00	(194,512.00)					*		194,512.00
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	150,494.66	7/1/15	6/30/16			143,149.97	(150,494.66)		(7,344.69)			*		150,494.66
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	130,447.73	7/1/14	6/30/15	(6,582.77)		6,582.77						*		
Total General Fund					(154,294.77)		2,694,340.74	(2,729,168.66)		(189,122.69)			*	199,437.00	2,729,168.66
Debt Service Fund:															
Debt Service Aid Type II	16-495-034-5120-017	178,562.00	7/1/15	6/30/16			178,562.00	(178,562.00)					*		178,562.00
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State Share)	16-100-010-3350-023	1,971.35	7/1/15	6/30/16			1,854.50	(1,971.35)		(116.85)			*		1,971.35
National School Lunch Program (State Share)	15-100-010-3350-023	1,927.97	7/1/14	6/30/15	(144.03)		144.03						*		
Total Enterprise Fund					(144.03)		1,998.53	(1,971.35)		(116.85)			*		1,971.35
Total State Financial Assistance					(\$154,438.80)		2,874,901.27	(2,909,702.01)		(189,239.54)			*	199,437.00	2,909,702.01
Less:															
On Behalf Assistance Not Included in State Single Audit - Major Program Determination															
On Behalf TPAF Pension Contributions							163,356.00								
On Behalf TPAF Post Retirement Medical Contr.							194,512.00								
Total State Financial Assistance Subject to State Single Audit - Major Program Determination							(2,551,834.01)								

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NEPTUNE CITY SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2016

NOTE 1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Neptune City School District. The Board of Education is defined in Note 1 to the Board basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which is presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 to the Board's basic financial statements. The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule 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 of Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE 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 state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A.* 18A:22-44.2. For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A.* 18A:22-4.2.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,237.00 for the general fund and \$20,534.80 for the special revenue fund. See Note A for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	.00	2,730,405.66	2,730,405.66
Special Revenue Fund	301,062.80	.00	301,062.80
Debt Service Fund	.00	178,562.00	178,562.00
Food Service Fund	<u>127,726.29</u>	<u>1,971.35</u>	<u>129,697.64</u>
Total Awards & Financial Assistance	<u>\$428,789.09</u>	<u>2,910,939.01</u>	<u>3,339,728.10</u>

NEPTUNE CITY SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Awards and Financial Assistance
June 30, 2016

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

TPAF Social Security contributions in the amount of \$150,494.66, represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$163,356.00 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$194,512.00 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

NOTE 6. ON-BEHALF PROGRAMS - STATE SINGLE AUDIT MAJOR PROGRAM DETERMINATION

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions payments are excluded from the calculation for State single audit major program determination. The Schedule of State Financial Assistance provides a reconciliation of State Financial assistance reported in the District's basic financial statements and the amount subject to State single audit major program determination.

NOTE 7. DE MINIMUS INDIRECT COST RATE

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

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

Section I - Summary of Auditor's Report

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? _____ yes X no

2) Were significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

State Awards

Dollar threshold used to distinguish between type A and B programs: \$750,000.00

Auditee qualified as low-risk auditee? X yes _____ no

Type of auditor's report issued on compliance for major programs: Unmodified

Internal Control over major programs:

1) Material weakness(es) identified? _____ yes X no

2) Were significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .516(a) of the Uniform Guidance or New Jersey OMB Circular Letter 15.08 as applicable? _____ yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
_____	State Aid Public Cluster
<u>16-495-034-5120-078</u>	<u>Equalization Aid</u>
<u>16-495-034-5095-089</u>	<u>Special Education Categorical Aid</u>
<u>16-495-034-5120-084</u>	<u>Security Aid</u>
<u>16-495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>16-495-034-5120-097</u>	<u>Per Pupil Growth</u>
<u>16-495-034-5120-098</u>	<u>PARCC Readiness</u>

Section II - Financial Statement Findings

NONE

Section III - State Financial Assistance Findings and Questioned Costs

NONE

NEPTUNE CITY SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
For the Fiscal Year Ended June 30, 2016

STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings since all areas of State financial assistance for the prior year were found to be in compliance.