

NETCONG BOROUGH SCHOOL DISTRICT

**Netcong Borough School District
Board of Education
Netcong, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

Netcong Borough School District

Netcong, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Netcong Borough School District
Board of Education**

NETCONG BOROUGH SCHOOL DISTRICT
NETCONG BOROUGH SCHOOL DISTRICT
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INTRODUCTORY SECTION



Netcong Elementary School

26 College Road • Netcong • New Jersey 07857
 Telephone (973) 347-0020 • Fax (973) 347-3676

September 29, 2016

The Honorable President and Members of
 the Board of Education of the
 Netcong Borough School District
 County of Morris, New Jersey

Dear Board Members:

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

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

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

The District provides a full range of educational services appropriate to grade levels Pre K through 8. The educational services provided include regular as well as special education for handicapped children. The District completed the 2015-2016 fiscal year with an enrollment of 289 students, which is a decrease of 7 students from the previous year's enrollment.

The Honorable President and Members of
the Board of Education of the
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2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Netcong is primarily residential with few commercial ratables and little space remaining to be developed. As state and federal aid to education declines, the local tax levy has assumed a larger percentage of the school budget in 2015-16.

Families with young children choose Netcong Borough School District for its small class sizes and private school experience in a public school setting. The school enrollment has been consistent over the last few years. This is a testament to the community and school working together to create a welcoming school and borough.

3) MAJOR INITIATIVES: The Netcong School District has earned Title I Schoolwide status for the 2016-17 school year and is committed to improving technology access by creating a Media Center within the Library. Since instructional space is limited, the District is creating an additional classroom and phase developments and planning for additional classrooms in the future. A team of Netcong School teachers and administrators were selected to attend the Educators as Scholars free three day conference in Princeton University, which focused on art integration and art infusion into the instructional environment. Most of the curriculum was revised for the 2016-17 school year, as identified in the Quality Single Accountability Continuum (QSAC) recommendations for compliance. A STEM class was created to assist in teaching the Next Generation Science Standards (NGSS) in grades 3-5 and will be a co-teaching model with the grade level teachers and technology teacher. Lego STEM for Education materials were purchased for this program, with a \$7,000 grant from the Netcong Education Foundation. All grade 8 students will be enrolled in Algebra I, which is the regional school district's initiative. This will promote freshmen entering the regional high school to begin taking Geometry in their first year in high school thus enabling the students to have more opportunity to take Advanced Placement math courses at the high school level.

Academic resources purchased or funded through grants for the 2016-17 school year are: LEGO robotic kits, Mystery Science resources and, 7th and 8th grade Math textbooks. These purchases will ensure our curriculum efforts are aligned to the NJ Student Learning Standards (NJSLs), Next Generation Science Standards (NGSS), and New Jersey Core Curriculum Content Standards (NJCCCS). The nonpublic school district closed in June 2016, and the District was able to recover the technology purchased through previous Title I funding. Other technology purchases included: classroom ceiling projectors, staff laptops, laminator, online software, and other instructional technologies needed to support student learning.

The 2010 referendum projects have been addressed and executed during the spring and summer of 2016. For the first time, the District created a list of prioritized projects that were unfinished. A Long Range Facilities Plan was also created to address the building structures that have been neglected over the years. The Annex Building continues to be a concern, as identified by two insurance and engineering reports provided to the District in 2013 and 2016. The multiple recommendations in both reports included moving the Board Room, Business Office, and maintenance supplies out of the building. The Board meetings are now held in the Library, the Business Office was relocated into the school building, and the District is purchasing a shed to house the maintenance supplies.

Outstanding projects were completed such as: emergency exits and exterior back steps. Additional facility projects were also conducted such as a new floor in one classroom that had water damage, the completion of new classroom floors from the referendum, the removal of asbestos in various classrooms and office spaces, student bells fixed, power to water fountains restored, poison ivy treated, and miscellaneous electrical work.

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

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

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

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as restrictions, commitments and assignments 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 GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

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

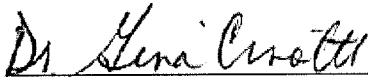
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board oversees risk management for the District. A schedule of insurance coverage is found on J-20.

The Honorable President and Members of
the Board of Education of the
Netcong Borough School District
County of Morris, New Jersey
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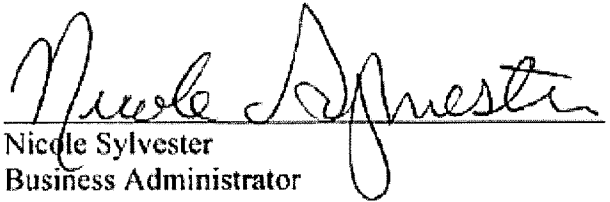
9) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board's audit committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Netcong Borough School District 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 the financial and accounting staff.

Respectfully submitted,

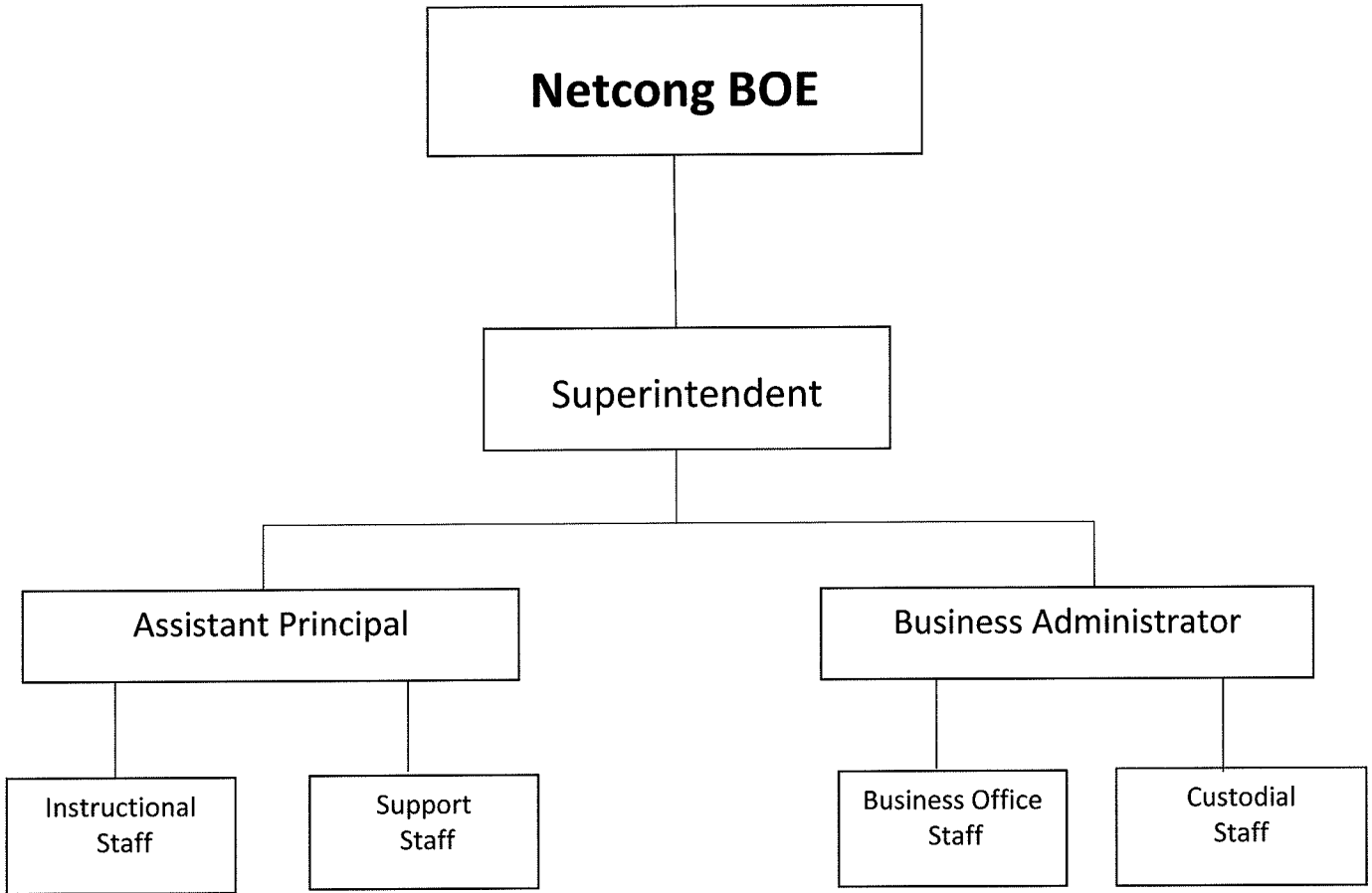


Dr. Gina Cinotti
Chief School Administrator



Nicole Sylvester
Business Administrator

Netcong Public Schools Organizational Chart



NETCONG BOROUGH SCHOOL DISTRICT

ROSTER OF OFFICIALS

AS OF JUNE 30, 2016

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
David Costanzo, President (Starting 1/1/16)	2018
Todd Morton, Vice President (Starting 1/1/16)	2016
Marianne Callahan	2016
Bernadette Dalesandro	2017
Timothy Domick	2018
Charles Kranz	2016
Kerri Santalucia	2018
Jennifer Santana	2017
<u>OTHER OFFICIALS</u>	<u>TITLE</u>
Chief School Administrator	Dr. Gina Cinotti
Business Administrator/ Board Secretary	Nicole Sylvester
Treasurer of School Monies	Rene Solar

NETCONG BOROUGH SCHOOL DISTRICT

CONSULTANTS AND ADVISORS

ARCHITECT

Parette Somjen
439 Route 46 East
Rockaway, New Jersey 07866

ATTORNEY

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The Legal Center
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Newark, New Jersey 07102

AUDIT FIRM

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Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, New Jersey 07856

BOND COUNSEL

Lisa Gorab, Esq.
Wilentz, Goldman and Spitzer, P.A.
90 Woodbridge Center Drive
Suite 900 Box 10
Woodbridge, New Jersey 07095

OFFICIAL DEPOSITORIES

Valley National Bank
410 Route 94
Newton, New Jersey 07860

MBIA Municipal Investors Service Corporation
113 King Street
Armonk, New York 10504

Wells Fargo
50 International Drive South
Flanders, New Jersey 07836

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education of the
 Netcong Borough School District
 County of Morris, 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 Netcong Borough School District (the "District") in the County of Morris, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

The Honorable President and Members
of the Board of Education
Netcong Borough School District
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Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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.

September 29, 2016
Mount Arlington, New Jersey

Nisivoccia, LLP

NISIVOCCIA LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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

Financial Highlights

- Total net position has increased by \$452,330 or 18.43%
- Overall revenue was \$6,260,799.
- Overall expenses were \$5,808,469.

Overview of the Financial Statements

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

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

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

**Figure A-1
Organization of District's Financial Report**

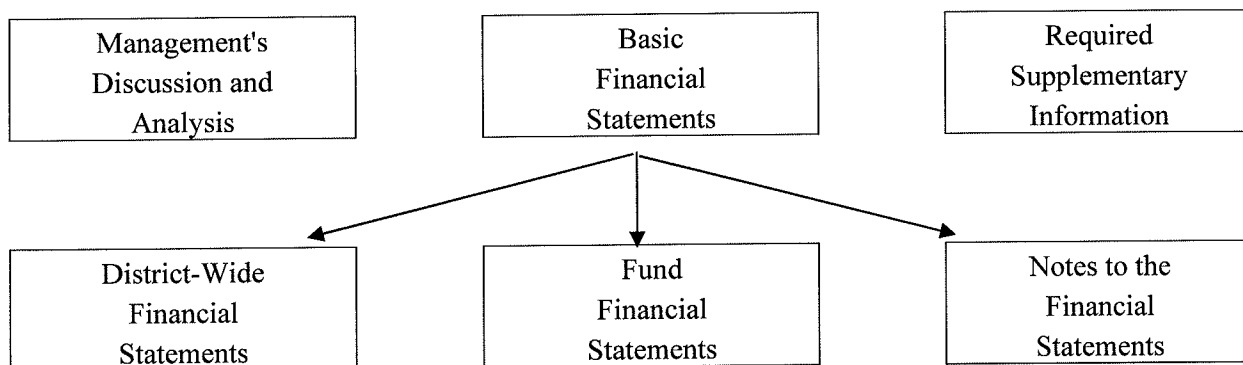


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

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

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District uses *internal service funds* (the other kind of proprietary fund) to report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

The notes provide information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's *combined* net position was \$2,906,261 on June 30, 2016, \$452,330 or 18.43% more than the year before. (See Figure A-3).

Figure A-3

Condensed Statement of Net Position

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Assets:							
Current and Other Assets	\$ 703,438	\$ 442,424	\$ 23,033	\$ 23,564	\$ 726,471	\$ 465,988	55.90%
Capital Assets, Net	4,552,749	4,449,388	11,901	13,474	4,564,650	4,462,862	2.28%
Total Assets	<u>5,256,187</u>	<u>4,891,812</u>	<u>34,934</u>	<u>37,038</u>	<u>5,291,121</u>	<u>4,928,850</u>	7.35%
Deferred Outflows of Resources	<u>275,704</u>	<u>266,022</u>			<u>275,704</u>	<u>266,022</u>	3.64%
Liabilities:							
Long-Term Liabilities	2,340,464	2,532,690			2,340,464	2,532,690	-7.59%
Other Liabilities	137,278	164,541	1,295	2,749	138,573	167,290	-17.17%
Total Liabilities	<u>2,477,742</u>	<u>2,697,231</u>	<u>1,295</u>	<u>2,749</u>	<u>2,479,037</u>	<u>2,699,980</u>	-8.18%
Deferred Inflows of Resources	<u>181,527</u>	<u>40,961</u>			<u>181,527</u>	<u>40,961</u>	343.17%
Net Position:							
Net Investment in Capital Assets	2,885,749	2,702,388	11,901	13,474	2,897,650	2,715,862	6.69%
Restricted	414,063	274,064			414,063	274,064	51.08%
Unrestricted/(Deficit)	<u>(427,190)</u>	<u>(556,810)</u>	<u>21,738</u>	<u>20,815</u>	<u>(405,452)</u>	<u>(535,995)</u>	24.36%
Total Net Position	<u>\$ 2,872,622</u>	<u>\$ 2,419,642</u>	<u>\$ 33,639</u>	<u>\$ 34,289</u>	<u>\$ 2,906,261</u>	<u>\$ 2,453,931</u>	18.43%

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Changes in Net Position. The District's combined net position increased \$452,330 or 18.43%. Net position from governmental activities increased \$452,980 and net position from business-type activities decreased by \$650. Net investment in capital assets increased \$181,788 due to \$147,231 of expenses related to the construction of renovations to the Netcong Elementary School, \$2,600 in equipment acquisitions, \$2,971 of capital asset adjustments, and a \$80,000 reduction in bonds offset by \$51,014 of current year depreciation. Restricted net position for governmental activities increased \$139,999 due to \$147,231 of capital projects expenses offset by \$8 interest earned and an increase of \$200,000 and \$87,222 in the Capital Reserve and the Maintenance Reserve. Unrestricted net position increased by \$130,543 primarily due to a reduction in expenses and an increase in state aid offset by a decrease in tuition and miscellaneous revenue, and the decrease in the net pension liability and associated pension deferred inflows and outflows.

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Revenue:							
Program Revenue:							
Charges for Services	\$ 18,131	\$ 56,107	\$ 41,478	\$ 33,638	\$ 59,609	\$ 89,745	-33.58%
Operating Grants & Contributions	1,745,710	1,543,717	62,698	65,562	1,808,408	1,609,279	12.37%
General Revenue:							
Property Taxes	3,504,575	3,051,086			3,504,575	3,051,086	14.86%
Unrestricted Federal & State Aid	877,576	876,881			877,576	876,881	0.08%
Other	10,610	60,602	21	(289)	10,631	60,313	-82.37%
Total Revenue	<u>6,156,602</u>	<u>5,588,393</u>	<u>104,197</u>	<u>98,911</u>	<u>6,260,799</u>	<u>5,687,304</u>	10.08%
Expenses:							
Instruction	3,808,162	3,654,498			3,808,162	3,654,498	4.20%
Pupil and Instruction Services	728,894	709,275			728,894	709,275	2.77%
Administrative and Business	628,241	621,544			628,241	621,544	1.08%
Maintenance and Operations	312,791	294,087			312,791	294,087	6.36%
Transportation	106,942	68,324			106,942	68,324	56.52%
Other	118,592	143,305	104,847	88,012	223,439	231,317	-3.41%
Total Expenses	<u>5,703,622</u>	<u>5,491,033</u>	<u>104,847</u>	<u>88,012</u>	<u>5,808,469</u>	<u>5,579,045</u>	4.11%
Increase/(Decrease) in Net Position	<u>\$ 452,980</u>	<u>\$ 97,360</u>	<u>\$ (650)</u>	<u>\$ 10,899</u>	<u>\$ 452,330</u>	<u>\$ 108,259</u>	317.82%

Revenue Sources. The District's total revenue for the 2015-2016 school year was \$6,260,799. (See Figure A-4). Property taxes accounted for most of the District's revenue with local taxes accounting for \$3,504,575 of the total, or 55.98%. (See Figure A-5). Another 0.95% came from charges for services (tuition), 42.90% came from state and federal aid and the remaining 0.17% from miscellaneous sources.

**Figure A-5
Sources of School District Revenue - Fiscal Year 2016 and 2015**

	2016	Percentage	2015	Percentage
Sources of Income:				
Property Taxes	\$ 3,504,575	55.98%	\$ 3,051,086	53.65%
Federal and State Grants and Aid	2,685,984	42.90%	2,486,160	43.71%
Charges for Services	59,609	0.95%	89,745	1.58%
Other	10,631	0.17%	60,313	1.06%
	<u>\$ 6,260,799</u>	<u>100.00%</u>	<u>\$ 5,687,304</u>	<u>100.00%</u>

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

The total cost of all programs and services was \$5,808,469. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (79.95 percent). (See Figure A-6). The District's administrative and business activities accounted for 10.82%. The Netcong Borough Board of Education operates one school and an administration building for which maintenance costs are 5.38% of total expenses. Other expenses include \$8,626 of capital outlay expenses that were not capitalized, \$39,913 of unallocated depreciation, \$70,053 of interest on long-term debt and \$104,847 for food service.

**Figure A-6
Sources of School District Expenses - Fiscal Year 2016 and 2015**

Expense Category:	2016	Percentage	2015	Percentage
Instruction	\$ 3,808,162	65.56%	\$ 3,654,498	65.50%
Pupil and Instruction Services	728,894	12.55%	709,275	12.71%
Administrative and Business	628,241	10.82%	621,544	11.14%
Maintenance and Operations	312,791	5.38%	294,087	5.27%
Transportation	106,942	1.84%	68,324	1.23%
Other	223,439	3.85%	231,317	4.15%
	<u>\$ 5,808,469</u>	<u>100.00%</u>	<u>\$ 5,579,045</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved significantly. However, maintaining existing programs with a slight decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions implemented during the year were:

- Cost comparisons are made on a continuous basis by the Business Administrator in order to assure savings in major expense areas.
- Efforts are made to keep purchase increases within the 2% cap.
- Cash flow is carefully monitored due to tight budgetary constraints.
- A reduction in staff, teachers, and stipend positions
- A decrease in field trip costs
- A spending freeze

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for activities, small class sizes and programs must be evaluated thoroughly. Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

**Figure A-7
Net Cost of Governmental Activities**

	Total Costs of Services		Net Cost of Services	
	2015/2016	2014/2015	2015/2016	2014/2015
Instruction	\$ 3,808,162	\$ 3,654,498	\$ 2,134,555	\$ 2,249,952
Pupil and Instruction Services	728,894	709,275	700,229	624,143
Administrative and Business	628,241	621,544	567,628	527,878
Maintenance and Operations	312,791	294,087	312,791	278,966
Transportation	106,942	68,324	105,986	66,965
Other	118,592	143,305	118,592	143,305
	<u>\$ 5,703,622</u>	<u>\$ 5,491,033</u>	<u>\$ 3,939,781</u>	<u>\$ 3,891,209</u>

Governmental Activities

- The cost of all governmental activities this year was \$5,703,622.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,623,286).
- Most of the District's costs were financed by \$3,504,575 of District taxes.
- The remainder of the District's funding came from miscellaneous revenue (\$10,610) and charges for services (\$18,131).

Business-Type Activities

- Net position from the District's business-type activity decreased \$650 primarily as a result of increased student participation and related revenue offset by a significant increase in expenses. (Refer to Figure A-4).

General Fund Budgetary Highlights

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- Changes in budgetary line accounts to more accurately reflect current requirements.

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

Capital Asset and Debt Administration

**Figure A-8
Capital Assets (Net of Depreciation)**

	Government Activities		Business-Type Activities		Total School District		Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	
Land	\$ 892	\$ 892			\$ 892	\$ 892	0.00%
Construction in Progress	3,223,070	3,075,839			3,223,070	3,075,839	4.79%
Buildings and Building Improvements	1,305,011	1,347,728			1,305,011	1,347,728	-3.17%
Furniture, Machinery and Equipment	23,776	24,929	\$ 11,901	\$ 13,474	35,677	38,403	-7.10%
Total Capital Assets (Net)	\$ 4,552,749	\$ 4,449,388	\$ 11,901	\$ 13,474	\$ 4,564,650	\$ 4,462,862	2.28%

The District's capital assets increased by \$101,788, or 2.28%, due to \$147,231 of capital project expenses and \$2,600 of equipment purchases, as well as \$2,971 of capital assets adjustments offset by depreciation of \$49,441 from its governmental activities and \$1,573 from its business type activities. More detailed information regarding the District's Capital Assets is presented in Note 6 to the basic financial statements.

Long-term Debt

The District's total long-term debt was \$2,340,464 at June 30, 2016; \$192,226 or 7.59% lower than the year before. The District continued to paydown its Serial Bonds during the year – a decrease of \$80,000. The District had \$580,749 in net pension liability – a decrease of \$106,581. At year-end, the District had \$92,715 in Compensated Absences Payable outstanding – a decrease of \$5,645 from the prior year - as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**Figure A-9
Outstanding Long-Term Debt**

	Total School District		Percentage Change
	2015/2016	2014/2015	
Serial Bonds	\$ 1,667,000	\$ 1,747,000	-4.58%
Compensated Absences Payable	92,715	98,360	-5.74%
Net Pension Liability	580,749	687,330	-15.51%
	\$ 2,340,464	\$ 2,532,690	-7.59%

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)**

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

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

- Keeping within the 2% cap levy is challenging but is viewed as an opportunity to review resource allocation and structure.
- Shared services, where possible, are being used where cost savings are realized without impact to the importance of continuity, certification and performance.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 26 College Road, Netcong, New Jersey 07857.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 361,402	\$ 17,893	\$ 379,295
Receivables from Federal Government	4,679	2,691	7,370
Receivables from State Government	36,862	54	36,916
Receivables from Other Government	5,441		5,441
Interfund Receivable	871		871
Inventory		2,395	2,395
Restricted Assets - Cash and Cash Equivalents:			
Capital Reserve Account	294,183		294,183
Capital Assets, Net:			
Sites (Land) and Construction in Progress	3,223,962		3,223,962
Depreciable Buildings and Building Improvements and Furniture, Machinery and Equipment	1,328,787	11,901	1,340,688
Total Assets	5,256,187	34,934	5,291,121
DEFERRED OUTFLOWS OF RESOURCES			
Changes in Assumptions - Pensions	62,368		62,368
Difference between Expected and Actual Experience	13,855		13,855
Changes in Proportion - Pensions	199,481		199,481
Total Deferred Outflows of Resources	275,704		275,704
LIABILITIES			
Accrued Interest Payable	8,549		8,549
Payable to State Government	21,328		21,328
Accounts Payable - Vendors	96,737		96,737
Unearned Revenue	10,664	1,295	11,959
Noncurrent Liabilities:			
Due Within One Year	85,000		85,000
Due Beyond One Year	2,255,464		2,255,464
Total Liabilities	2,477,742	1,295	2,479,037

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
DEFERRED INFLOWS OF RESOURCES			
Changes in Proportion - Pensions	\$ 172,190		\$ 172,190
Investment Gains - Pensions	9,337		9,337
Total Deferred Outflows of Resources	<u>181,527</u>		<u>181,527</u>
NET POSITION			
Net Investment in Capital Assets	2,885,749	\$ 11,901	2,897,650
Restricted for:			
Capital Projects	326,841		326,841
Other Purposes	87,222		87,222
Unrestricted/(Deficit)	<u>(427,190)</u>	<u>21,738</u>	<u>(405,452)</u>
Total Net Position	<u>\$ 2,872,622</u>	<u>\$ 33,639</u>	<u>\$ 2,906,261</u>

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

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,639,071	\$ 18,131	\$ 934,466		\$ (1,686,474)		\$ (1,686,474)
Special Education	1,080,707		705,729		(374,978)		(374,978)
Other Instruction	22,024		1,329		(20,695)		(20,695)
School-Sponsored Instruction	66,360		13,952		(52,408)		(52,408)
Support Services:							
Tuition	67,917		28,665		(39,252)		(39,252)
Student & Instruction Related Services	660,977				(660,977)		(660,977)
General Administrative Services	249,896		11,928		(237,968)		(237,968)
School Administrative Services	182,954		48,685		(134,269)		(134,269)
Central Services	175,158				(175,158)		(175,158)
Administration Information Technology	20,233				(20,233)		(20,233)
Plant Operations and Maintenance	312,791				(312,791)		(312,791)
Pupil Transportation	106,942		956		(105,986)		(105,986)
Unallocated Depreciation	39,913				(39,913)		(39,913)
Capital Outlay	8,626				(8,626)		(8,626)
Interest on Long-Term Debt	70,053				(70,053)		(70,053)
Total Governmental Activities	5,703,622	18,131	1,745,710		(3,939,781)		(3,939,781)

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 104,847	\$ 41,478	\$ 62,698			\$ (671)	\$ (671)
Total Business-Type Activities	104,847	41,478	62,698			(671)	(671)
Total Primary Government	<u>\$ 5,808,469</u>	<u>\$ 59,609</u>	<u>\$ 1,808,408</u>	<u>\$ -0-</u>	<u>\$ (3,939,781)</u>	<u>(671)</u>	<u>(3,940,452)</u>
General Revenues and Special Items:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					3,340,928		3,340,928
Taxes Levied for Capital Projects					13,357		13,357
Taxes Levied for Debt Service					150,290		150,290
Federal and State Aid Not Restricted					877,576		877,576
Investment Earnings					346	36	382
Miscellaneous Income					10,264		10,264
Special Item - Cancellation of Accounts Receivable						(15)	(15)
Total General Revenues and Special Items					4,392,761	21	4,392,782
Change in Net Position					452,980	(650)	452,330
Net Position - Beginning					2,419,642	34,289	2,453,931
Net Position - Ending					<u>\$ 2,872,622</u>	<u>\$ 33,639</u>	<u>\$ 2,906,261</u>

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

NETCONG BOROUGH SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 189,289	\$ 34,378	\$ 137,735		\$ 361,402
Interfund Receivable	871				871
Receivables from Federal Government		4,679			4,679
Receivables from State Government	36,862				36,862
Receivables for Other Government	4,743	698			5,441
Restricted Cash and Cash Equivalents	294,183				294,183
Total Assets	<u>\$ 525,948</u>	<u>\$ 39,755</u>	<u>\$ 137,735</u>	<u>\$ -0-</u>	<u>\$ 703,438</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Payable to State Government		\$ 21,328			\$ 21,328
Accounts Payable - Vendors	\$ 71,063	7,819	\$ 17,855		96,737
Unearned Revenue	56	10,608			10,664
Total Liabilities	<u>71,119</u>	<u>39,755</u>	<u>17,855</u>		<u>128,729</u>
Fund Balances:					
Restricted					
Capital Reserve Account	206,961				206,961
Maintenance Reserve Account	87,222				87,222
Capital Projects Fund			\$ 119,880		119,880
Unassigned	160,646				160,646
Total Fund Balances	<u>454,829</u>		<u>119,880</u>		<u>574,709</u>
Total Liabilities and Fund Balances	<u>\$ 525,948</u>	<u>\$ 39,755</u>	<u>\$ 137,735</u>	<u>\$ -0-</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 Funds. The cost of the assets is \$5,849,494 and the accumulated depreciation is \$1,296,745.	4,552,749
Interest on long term debt is not accrued in government funds but is recognized as expenditure when due.	(8,549)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	62,368
Difference between Expected and Actual Experience - Pensions	13,855
Investment Gains - Pensions	(9,337)
Changes in Proportions - Pensions 2014	199,481
Changes in Proportions - Pensions 2015	(172,190)
Long-Term Liabilities, Including Bonds Payable, are not due and payable in the current period and therefore is not reported as a liability in the Funds.	<u>(2,340,464)</u>
Net Position of Governmental Activities	<u>\$ 2,872,622</u>

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

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 3,340,928		\$ 13,357	\$ 150,290	\$ 3,504,575
Tuition	18,131				18,131
Interest Earned on Capital Reserve Funds	8				8
Miscellaneous	9,926	\$ 21,502	338		31,766
Total - Local Sources	3,368,993	21,502	13,695	150,290	3,554,480
State Sources	1,814,480	48,498			1,862,978
Federal Sources		182,531			182,531
Total Revenues	5,183,473	252,531	13,695	150,290	5,599,989
EXPENDITURES					
Current:					
Regular Instruction	1,378,171	155,797			1,533,968
Special Education Instruction	546,631	96,734			643,365
Other Instruction	18,366				18,366
School Sponsored Instruction	31,382				31,382
Support Services and Undistributed Costs:					
Tuition	67,917				67,917
Student & Instruction Related Services	535,860				535,860
General Administrative Services	214,095				214,095
School Administrative Services	106,170				106,170
Central Services	137,709				137,709
Administrative Information Technology	20,233				20,233
Plant Operations and Maintenance	281,033				281,033

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Current:					
Pupil Transportation	\$ 105,979				\$ 105,979
Unallocated Benefits	1,304,492				1,304,492
Capital Outlay	13,859		\$ 147,231		161,090
Debt Service:					
Principal				\$ 80,000	80,000
Interest and Other Charges				70,290	70,290
Total Expenditures	4,761,897	\$ 252,531	147,231	150,290	5,311,949
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	421,576		(133,536)		288,040
OTHER FINANCING SOURCES/(USES)					
Operating Transfers:					
Transfers In	338				338
Transfers Out			(338)		(338)
Total Other Financing Sources/(Uses)	338		(338)		
Net Change in Fund Balances	421,914		(133,874)		288,040
Fund Balance—July 1	32,915		253,754		286,669
Fund Balance—June 30	\$ 454,829	\$ -0-	\$ 119,880	\$ -0-	\$ 574,709

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

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

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 288,040

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

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

	Depreciation expense	\$ (49,441)	
	Capital outlays	<u>152,802</u>	
			103,361

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+). 5,645

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+). 237

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. (+) 80,000

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

Amounts Reported for Governmental Activities in the Statement of Activities (Exhibit A-2) are Different Because:

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

Change in Net Pension Liability	\$ 106,581
Deferred Outflows:	
Changes in Assumptions	40,755
Changes in Proportions	(44,928)
Deferred Inflows:	
Changes in Proportion	31,624
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	(158,335)
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ 452,980

Exhibit B-4

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-Type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	\$ 17,893
Intergovernmental Receivable:	
Federal	2,691
State	54
Inventory	2,395
Total Current Assets	23,033
Non-Current Assets:	
Capital Assets:	23,600
Less: Accumulated Depreciation	(11,699)
Total Non-Current Assets	11,901
Total Assets	34,934
LIABILITIES:	
Unearned Revenue	1,295
Total Liabilities	1,295
NET POSITION:	
Net Investment in Capital Assets	11,901
Unrestricted	21,738
Total Net Position	\$ 33,639

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

Exhibit B-5

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 19,628
Daily Sales - Non-Reimbursable Programs	<u>21,850</u>
Total Operating Revenue	<u>41,478</u>
Operating Expenses:	
Salaries, Benefits & Payroll Taxes	34,880
Cost of Sales - Reimbursable Programs	42,808
Cost of Sales - Nonreimbursable Programs	3,669
Supplies, Insurance & Other Costs	14,720
Purchased Professional Services	7,197
Depreciation Expense	<u>1,573</u>
Total Operating Expenses	<u>104,847</u>
Operating Loss	<u>(63,369)</u>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	45,654
School Breakfast Program	8,350
Food Distribution Program	7,606
State Sources:	
State School Lunch Program	1,088
Local Sources	
Interest Income	<u>36</u>
Total Non-Operating Revenue	<u>62,734</u>
Change in Net Position Before Special Item	(635)
Special Item - Cancellation of Intergovernmental Receivable	<u>(15)</u>
Change in Net Position	(650)
Net Position - Beginning of Year	<u>34,289</u>
Net Position - End of Year	<u><u>\$ 33,639</u></u>

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

Exhibit B-6

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-Type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 41,478
Payments to Employees	(34,880)
Payments to Food Service Vendor	(63,705)
Net Cash Used for Operating Activities	(57,107)
Cash Flows from Investing Activities:	
Interest on Investments	36
Net Cash Provided by Investing Activities	36
Cash Flows from Noncapital Financing Activities:	
Federal Subsidy Reimbursements	53,288
State Subsidy Reimbursements	1,104
Net Cash Provided by Noncapital Financing Activities	54,392
Net Decrease in Cash and Cash Equivalents	(2,679)
Cash and Cash Equivalents, July 1	20,572
Cash and Cash Equivalents, June 30	\$ 17,893
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (63,369)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,573
Food Distribution Program	7,606
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,463)
(Decrease) in Accounts Payable	(2,368)
Increase in Deferred Revenue	914
Net Cash Used for Operating Activities	\$ (57,107)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$8,520 and utilized \$7,606 of commodities from the Federal Food Distribution Program for the year ended June 30, 2016.

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

Exhibit B-7

NETCONG BOROUGH SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency</u>
ASSETS:	
Cash and Cash Equivalents	\$ 24,275
Total Assets	24,275
 LIABILITIES:	
Interfund Payable	871
Due to Student Groups	23,404
Total Liabilities	\$ 24,275

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

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

NOT APPLICABLE

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

B. Basis of Presentation

District-Wide Financial Statements:

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

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

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

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

B. Basis of Presentation (Cont'd)

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

The District reports the following governmental funds:

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

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

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

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

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

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

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

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund types:

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 and the Payroll Agency Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

D. Budgets/Budgetary Control

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

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,186,749	\$ 252,531
Differences - Budget to GAAP:		
Prior Year State Aid Payments Not Recognized for Budgetary Purposes, Recognized for GAAP Statements	115,613	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(118,889)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 5,183,473	\$ 252,531
	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 4,761,897	\$ 252,531
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 4,761,897	\$ 252,531

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

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

E. Cash and Cash Equivalents

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

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

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

F. Interfund Transactions

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

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

G. Allowance for Uncollectible Accounts

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

H. Encumbrances

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

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

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

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

H. Encumbrances (Cont'd)

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

I. Short-term Interfund Receivables/Payables

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

J. Inventories and Prepaid Expenses

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

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

K. Capital Assets

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

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

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

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

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

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

L. Accrued Salaries and Wages

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2016.

M. Long Term Liabilities

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

N. Compensated Absences

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

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

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

O. Unearned Revenue

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

P. Fund Balance Appropriated

General Fund: Of the \$454,829 General Fund fund balance at June 30, 2016, \$206,961 is restricted in the capital reserve account; \$87,222 is restricted in the maintenance reserve account, and \$160,646 is unassigned, which is \$118,889 less on a GAAP basis due to the final two state aid payments not being recognized on a GAAP basis.

Capital Projects Fund: The Capital Projects Fund has a restricted fund balance of \$119,880 at June 30, 2016.

Debt Service Fund: There is no Debt Service Fund fund balance as of June 30, 2016.

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

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

P. Fund Balance Appropriated (Cont'd)

Calculation of Excess Surplus: The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District did not have excess fund balance at June 30, 2016.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$118,889, as reported in the fund financial statements (modified accrual basis). P.L. 2004, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position and Fund Balance

There is a deficit in unrestricted governmental activities net position in the amount of \$427,190. The deficit is due to the unassigned fund balance of \$160,646 in the General Fund, change in proportions in pensions of \$199,481, difference between expected and actual experience in pensions of \$13,855, changes in assumptions in pension of \$62,368 offset by a net pension liability of \$580,749, compensated absences payable of \$92,715, \$8,549 of accrued interest payable, changes in proportions in pensions of \$172,190, and investment gains in pensions of \$9,337 as of June 30, 2016. This deficit does not mean that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

R. Net Position

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District has deferred outflows of resources at June 30, 2016 for changes in assumptions and changes in proportion in pensions as well as the difference between expected and actual experience in pensions.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District has a deferred inflow of resources at June 30, 2016 for the net difference between projected and the changes in proportions in pensions.

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

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

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

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

R. Net Position (Cont'd)

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

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

S. Fund Balance Restrictions, Commitments and Assignments

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

Fund balance restrictions have been established for the capital reserve account, maintenance reserve account, and Capital Projects Fund.

The District's Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources at June 30, 2016.

The assignment of resources is generally made by the District's Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District had no assigned resources at June 30, 2016.

T. Revenue - Exchange and Non-exchange 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.

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

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

T. Revenue - Exchange and Non-exchange Transactions (Cont'd)

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

U. 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.

V. Management Estimates

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

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

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

Deposits:

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

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

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

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

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

Investments:

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

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

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

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

Investments (Cont'd)

- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 403,570	\$ 294,183	\$ 697,753

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was a \$697,753 and the bank balance was \$815,280.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Netcong Borough School District by inclusion of \$1 on October 1, 2001 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 State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question 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.

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

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

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

Balance June 30, 2015	\$	6,953
Interest Earnings		8
Increased by Board Resolution June 21, 2016		200,000
Balance June 30, 2016	\$	206,961

The balance in the capital reserve at June 30, 2016 did not exceed the balance of the local support costs of uncompleted capital projects in the District's approved LRFPP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$13,400 from equipment line items to facilities acquisition and construction services line items within the Capital Outlay accounts which was approved by the County Superintendent.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 892			\$ 892
Construction in Progress	3,075,839	\$ 147,231		3,223,070
Total Capital Assets Not Being Depreciated	3,076,731	147,231		3,223,962
Capital Assets Being Depreciated:				
Buildings and Building Improvements	2,561,332			2,561,332
Machinery and Equipment	58,000	2,600	\$ 3,600	64,200
Total Capital Assets Being Depreciated	2,619,332	2,600	3,600	2,625,532
Governmental Activities Capital Assets	5,696,063	149,831	3,600	5,849,494
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(1,213,604)	(42,717)		(1,256,321)
Machinery and Equipment	(33,071)	(6,724)	(629)	(40,424)
	(1,246,675)	(49,441)	(629)	(1,296,745)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,449,388	\$ 100,390	\$ 2,971	\$ 4,552,749
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 23,600			\$ 23,600
Less Accumulated Depreciation	(10,126)	\$ (1,573)		(11,699)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 13,474	\$ (1,573)	\$ -0-	\$ 11,901

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

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$	5,053
General and School Administrative Services		3,565
Operations and Maintenance of Plant		910
General/Unallocated		39,913
		39,913
	\$	49,441

NOTE 7. LONG-TERM LIABILITIES

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

	Balance 6/30/2015	Accrued	Retired	Balance 6/30/2016
Serial Bonds Payable	\$ 1,747,000		\$ 80,000	\$ 1,667,000
Net Pension Liability	687,330		106,581	580,749
Compensated Absences Payable	98,360		5,645	92,715
	\$ 2,532,690	\$ -0-	\$ 192,226	\$ 2,340,464
	\$ 2,532,690	\$ -0-	\$ 192,226	\$ 2,340,464

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2016 as follows:

Maturity Date	Interest Rate	Amount
5/15/2031	2.75% - 4.50%	\$ 1,667,000

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

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

A. Bonds Payable: (Cont'd)

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 85,000	\$ 68,390	\$ 153,390
2018	85,000	66,052	151,052
2019	95,000	63,052	158,052
2020	95,000	60,534	155,534
2021-2025	550,000	279,638	829,638
2026-2030	630,000	80,686	710,686
2031	127,000	5,716	132,716
	<u>\$ 1,667,000</u>	<u>\$ 624,068</u>	<u>\$ 2,291,068</u>

B. Bonds Authorized But Not Issued:

The District had \$162 of bonds authorized but not issued related to its bond referendum for renovations to the Netcong Elementary School as of June 30, 2016.

C. Capital Leases Payable:

The District had no capital leases in fiscal year 2016.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. There is no current portion of the compensated absences balance of the governmental fund in the current year; therefore, the entire \$92,715 represents the long-term liability balance of compensated absences and will be liquidated through the General Fund.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$580,749. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

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

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

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$22,242 for fiscal year 2016.

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

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions (Cont'd)

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

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

At June 30, 2016, the District reported a liability of \$580,749 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.003%, which was a decrease of 0.00108% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$57,189. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 12,431	
Changes in Assumptions - 2015	5.72	49,937	
Changes in Proportion -2014	6.44	199,481	
Changes in Proportion -2015	5.72		\$ 172,190
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5	12,312	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		21,649
Difference Between Expected and Actual Experience - 2015	5.72	<u>13,855</u>	
		<u>\$ 288,016</u>	<u>\$ 193,839</u>

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2016	\$ 12,176
2017	12,177
2018	12,177
2019	19,393
2020	10,963
	\$ 66,886

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2015 are summarized in the following table:

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

Discount Rate

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 721,800	\$ 580,749	\$ 462,493

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

Contributions

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$235,749 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$866,332.

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

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$14,188,433. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.022%, which was an increase of 0.001% from its proportion measured as of June 30, 2014.

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

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		14,188,433
Total	\$	<u>14,188,433</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$866,332 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

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

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

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

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

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

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount Rate – TPAF

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
	Total Net Pension Liability	\$ 16,862,422	\$ 14,188,433

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

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

NOTE 8. PENSION PLANS (Cont'd)

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

For DCRP, the District recognized pension expense of \$4,468 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$6,217 for the fiscal year ended June 30, 2016.

NOTE 9. POST-RETIREMENT BENEFITS

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

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

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

The State's on behalf Post-Retirement Medical Benefit Contributions for TPAF for the District amount to \$235,749, \$192,665 and \$151,959, for 2016, 2015, and 2014, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health and dental coverage through the New Jersey State Health Benefits Plan.

Property and Liability Insurance

The Netcong Borough School District is a member of the New Jersey Schools Insurance Group ("NJSIG"). The NJSIG provides the District with workers' compensation, umbrella liability, school board legal liability, and crime policy insurance.

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

NOTE 10. RISK MANAGEMENT (Cont'd)

Property and Liability Insurance (Cont'd)

A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the NJSIG are elected.

As a member of the NJSIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the NJSIG were to be exhausted, members would become responsible for their respective shares of the NJSIG's liabilities. The NJSIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2016 audit was not available as of the date of this report; however, selected, summarized financial information for NJSIG as of June 30, 2015 is as follows:

	New Jersey Schools Insurance Group
Total Assets	\$ 294,626,089
Net Position	\$ 57,315,326
Total Revenue	\$ 124,104,560
Total Expenses	\$ 121,185,870
Change in Net Position	\$ 2,918,690
Member Dividends	\$ -0-

Financial Statements for NJSIG are available at their respective Executive Director's Office:

New Jersey Schools Insurance Group
6000 Midlantic Drive
Mount Laurel, NJ 08054
(609) 386-6060

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

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

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 871	
Fiduciary Funds		\$ 871
	\$ 871	\$ 871

The interfund between the General Fund and the Fiduciary Funds represents interest earned and excess funds transferred to the Payroll Agency account which were not turned over to the General Fund as of June 30, 2016.

NOTE 12. DEFERRED COMPENSATION

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

- | | |
|-------------------|---------------------|
| AXA Equitable | Lincoln Investments |
| Aflac | Prudential |
| MetLife Investors | |

NOTE 13. TAX CALENDAR

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

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

NOTE 14. ECONOMIC DEPENDENCY

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

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

The District is periodically involved in claims and lawsuits arising from operations. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2016, there were no encumbrances in the governmental funds.

NOTE 16. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$87,222 was established by Board resolution on June 21, 2016. The funds for the establishment of this reserve were withdrawn from unassigned general fund balance. These funds are restricted to be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the district by transferring unassigned general fund balance or by transferring excess, unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the district's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Balance June 30, 2015	\$ -0-
Increased by Board Resolution June 21, 2016	<u>87,222</u>
Balance June 30, 2016	<u><u>\$ 87,222</u></u>

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

NOTE 17. OPERATING LEASES

The District has commitments to lease computer equipment and textbooks under operating leases which expire in 2019. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2017	\$ 15,760
June 30, 2018	15,760
June 30, 2019	<u>15,760</u>
Total future minimum lease payments	<u>\$ 47,280</u>

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

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

	Fiscal Year Ending June 30,		
	2014	2015	2016
District's Proportion of the Net Pension Liability	0.0021571919%	0.0036710977%	0.0025870859%
District's Proportionate Share of the Net Pension Liability	\$ 412,282	\$ 687,330	\$ 580,749
District's Covered Employee Payroll	\$ 123,694	\$ 215,357	\$ 163,965
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	333.31%	319.16%	354.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.72%	52.08%	47.93%

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

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
Contractually Required Contribution	\$ 16,254	\$ 30,264	\$ 22,242
Contributions in Relation to the Contractually Required Contribution	<u>(16,254)</u>	<u>(30,264)</u>	<u>(22,242)</u>
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 123,694	\$ 215,357	\$ 163,965
Contributions as a Percentage of Covered Employee Payroll	13.14%	14.05%	13.57%

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

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST THREE FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,		
	2014	2015	2016
State's Proportion of the Net Pension Liability Attributable to the District	0.0217279139%	0.0219078354%	0.0224484501%
State's Proportionate Share of the Net Pension Liability Attributable to the District	\$ 10,981,117	\$ 11,709,025	\$ 14,188,379
District's Covered Employee Payroll	\$ 2,302,483	\$ 2,231,484	\$ 2,160,293
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	476.92%	524.72%	656.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	33.76%	33.64%	28.71%

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

NETCONG BOROUGH SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

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

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

BUDGETARY COMPARISON SCHEDULES

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,340,928		\$ 3,340,928	\$ 3,340,928	
Tuition from Individuals	15,000		15,000	17,344	\$ 2,344
Tuition from Other LEAs				787	787
Interest Earned on Capital Reserve Funds	50		50	8	(42)
Interest Earned on Investments		\$ 500	500	775	275
Miscellaneous	7,300	(500)	6,800	9,151	2,351
Total - Local Sources	<u>3,363,278</u>		<u>3,363,278</u>	<u>3,368,993</u>	<u>5,715</u>
State Sources:					
School Choice Aid	119,922		119,922	119,922	
Categorical Special Education Aid	169,291		169,291	169,291	
Categorical Security Aid	12,194		12,194	12,194	
Categorical Transportation Aid	86		86	86	
Equalization Aid	877,594		877,594	877,594	
Extraordinary Aid				28,665	28,665
Under Adequacy Aid	10,772		10,772	10,772	
PARCC Readiness Aid	2,950		2,950	2,950	
Per Pupil Growth Aid	2,950		2,950	2,950	
Nonpublic Transportation Aid				870	870
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				197,988	197,988
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				235,749	235,749
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				158,725	158,725
Total State Sources	<u>1,195,759</u>		<u>1,195,759</u>	<u>1,817,756</u>	<u>621,997</u>
TOTAL REVENUES	<u>4,559,037</u>		<u>4,559,037</u>	<u>5,186,749</u>	<u>627,712</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 105,827	\$ (105,827)			
Kindergarten - Salaries of Teachers	154,939	7,085	\$ 162,024	\$ 143,732	\$ 18,292
Grades 1-5 - Salaries of Teachers	722,260	(20,981)	701,279	659,102	42,177
Unused Vacation Payment to Terminated/Retired Staff		14,070	14,070	14,070	
Grades 6-8 - Salaries of Teachers	441,767	10,221	451,988	451,988	
Regular Programs - Home Instruction:					
Salaries of Teachers	1,000	9,640	10,640	10,640	
Unused Vacation Payment to Terminated/Retired Staff	29,734	(29,734)			
Regular Programs - Undistributed Instruction:					
Purchased Professional-Educational Services	911	36	947	947	
Other Purchased Services	22,607		22,607	21,302	1,305
General Supplies	82,712	(13,416)	69,296	65,029	4,267
Textbooks	6,900	(1,849)	5,051	5,051	
Other Objects		6,310	6,310	6,310	
Total Regular Programs - Instruction	<u>1,568,657</u>	<u>(124,445)</u>	<u>1,444,212</u>	<u>1,378,171</u>	<u>66,041</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	90,056	80	90,136	87,695	2,441
Other Salaries for Instruction		2,080	2,080	80	2,000
General Supplies	540	(80)	460	364	96
Total Learning and/or Language Disabilities	<u>90,596</u>	<u>2,080</u>	<u>92,676</u>	<u>88,139</u>	<u>4,537</u>
Resource Room/Resource Center:					
Salaries of Teachers	306,624	20,657	327,281	327,281	
Other Salaries for Instruction	86,296	(20,617)	65,679	50,944	14,735
General Supplies	1,750	(40)	1,710	1,603	107
Total Resource Room/Resource Center	<u>394,670</u>	<u>(20,617)</u>	<u>374,053</u>	<u>379,828</u>	<u>14,842</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Preschool Disabilities - Full Time:					
Salaries of Teachers		\$ 98,530	\$ 98,530	\$ 62,976	\$ 35,554
Other Salaries for Instruction		20,217	20,217	10,120	10,097
General Supplies	\$ 150		150	125	25
Total Preschool Disabilities - Full Time	150	118,747	118,897	73,221	45,676
Home Instruction:					
Salaries of Teachers	500	5,000	5,500	5,443	57
Total Home Instruction	500	5,000	5,500	5,443	57
Total Special Education - Instruction	485,916	125,827	611,743	546,631	65,112
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	31,711	(15,000)	16,711		16,711
Total Basic Skills/Remedial - Instruction	31,711	(15,000)	16,711		16,711
Bilingual Education - Instruction:					
Salaries of Teachers	4,039	194	4,233	4,233	
General Supplies		290	290	290	
Total Bilingual Education - Instruction	4,039	484	4,523	4,523	
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	26,713	(65)	26,648	23,554	3,094
Supplies and Materials	2,500	(419)	2,081	795	1,286
Total School-Sponsored Cocurricular Activities - Instruction	29,213	(484)	28,729	24,349	4,380

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSES					
School-Sponsored - Athletics:					
Salaries	\$ 4,015		\$ 4,015	\$ 4,015	
Purchased Services	1,320	\$ 650	1,970	1,970	
Supplies and Materials	2,500	(650)	1,850	1,048	\$ 802
Total School-Sponsored - Athletics	7,835		7,835	7,033	802
Summer School Programs - Instruction:					
Salaries of Teachers	15,440	(2,532)	12,908	12,908	
Purchased Services		935	935	935	
Total Summer School Programs - Instruction	15,440	(1,597)	13,843	13,843	
Total Instruction	2,142,811	(15,215)	2,127,596	1,974,550	153,046
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs Within the State - Special	83,000	(48,801)	34,199	30,871	3,328
Tuition to Private Schools for the Disabled Within the State	63,000	(24,156)	38,844	37,046	1,798
Total Undistributed Expenditures - Instruction	146,000	(72,957)	73,043	67,917	5,126
Health Services:					
Salaries	68,074	3,008	71,082	71,082	
Purchased Professional and Technical Services	2,500	41,346	43,846	43,846	
Supplies and Materials	1,250	(857)	393	393	
Other Objects	300	(81)	219	219	
Total Health Services	72,124	43,416	115,540	115,540	
Speech, OT, PT and Related Services:					
Salaries	56,924	(3,450)	53,474	53,474	
Purchased Professional - Educational Services	18,000	70,939	88,939	88,939	
Supplies and Materials	1,150	(218)	932	932	
Total Speech, OT, PT and Related Services	76,074	67,271	143,345	143,345	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Other Support Services - Students - Extraordinary Services:					
Salaries	\$ 9,226	\$ 17,826	\$ 27,052	\$ 27,052	
Purchased Professional - Educational Services	75,500	(71,500)	4,000	4,000	
Total Other Support Services - Students - Extraordinary Services	<u>84,726</u>	<u>(53,674)</u>	<u>31,052</u>	<u>31,052</u>	
Guidance Services:					
Salaries of Other Professional Staff	39,526	(10,949)	28,577	28,577	
Total Guidance Services	<u>39,526</u>	<u>(10,949)</u>	<u>28,577</u>	<u>28,577</u>	
Child Study Team:					
Salaries of Other Professional Staff	116,421	23,516	139,937	139,937	
Salaries of Secretarial and Clerical Assistants	33,456		33,456	33,456	
Purchased Professional - Educational Services	6,775	(3,195)	3,580	3,580	
Miscellaneous Purchased Services (Other than Residential Costs)	500	(261)	239	239	
Supplies and Materials	2,200	(246)	1,954	1,954	
Total Child Study Team	<u>159,352</u>	<u>19,814</u>	<u>179,166</u>	<u>179,166</u>	
Improvement of Instruction Services:					
Purchased Professional - Educational Services	1,000	(1,000)			
Total Improvement of Instruction Services	<u>1,000</u>	<u>(1,000)</u>			

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Educational Media Services/School Library:					
Salaries of Technology Coordinators	\$ 36,292		\$ 36,292	\$ 36,292	
Other Purchased Services		\$ 300	300	300	
Total Educational Media Services/School Library	<u>36,292</u>	<u>300</u>	<u>36,592</u>	<u>36,592</u>	
Instructional Staff Training Services:					
Purchased Professional - Educational Services	5,000	(4,369)	631	333	\$ 298
Other Purchased Services	5,100	(300)	4,800	1,255	3,545
Total Instructional Staff Training Services	<u>10,100</u>	<u>(4,669)</u>	<u>5,431</u>	<u>1,588</u>	<u>3,843</u>
General Administration:					
Salaries	119,364	(7,803)	111,561	111,561	
Legal Services	23,400	12,747	36,147	36,147	
Audit Fees	22,500	7,016	29,516	24,000	5,516
Other Purchased Professional Services	1,200	(406)	794	794	
Communications/Telephone	13,825	2,115	15,940	15,940	
BOE Other Purchased Services	5,154	(229)	4,925	3,716	1,209
Other Purchased Services (400-500 series)	17,206	(935)	16,271	15,180	1,091
General Supplies	100	1,228	1,328	519	809
Miscellaneous Expenditures	1,550	1,850	3,400	3,400	
BOE Membership Dues and Fees	4,200	(1,000)	3,200	2,838	362
Total General Administration	<u>208,499</u>	<u>14,583</u>	<u>223,082</u>	<u>214,095</u>	<u>8,987</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
School Administration:					
Salaries of Principals/Assistant Principals	\$ 80,000		\$ 80,000	\$ 80,000	
Salaries of Secretarial and Clerical Assistants	17,297		17,297	12,739	\$ 4,558
Supplies and Materials	5,527	\$ 6,029	11,556	4,917	6,639
Other Objects	6,600	1,914	8,514	8,514	
Total School Administration	<u>109,424</u>	<u>7,943</u>	<u>117,367</u>	<u>106,170</u>	<u>11,197</u>
Central Services:					
Salaries	112,640	4,052	116,692	116,692	
Purchased Professional Services	16,600	1,492	18,092	18,092	
Miscellaneous Purchased Services	1,400	(949)	451	451	
Supplies and Materials	938	136	1,074	1,074	
Miscellaneous Expenditures	1,550	(96)	1,454	1,400	54
Total Central Services	<u>133,128</u>	<u>4,635</u>	<u>137,763</u>	<u>137,709</u>	<u>54</u>
Administrative Information Technology:					
Purchased Professional Services	20,620		20,620	19,592	1,028
Supplies and Materials	6,300		6,300	641	5,659
Total Administrative Information Technology	<u>26,920</u>		<u>26,920</u>	<u>20,233</u>	<u>6,687</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Custodial Services:					
Salaries	\$ 67,827		\$ 67,827	\$ 61,733	\$ 6,094
Cleaning, Repair and Maintenance Services	21,103	\$ 7,358	28,461	28,181	280
Other Purchased Property Services	2,500		2,500	2,330	170
Insurance	23,820		23,820	23,820	
General Supplies	21,650		21,650	19,028	2,622
Energy (Electricity)	40,000	(1,375)	38,625	32,681	5,944
Energy (Natural Gas)	46,266	(12,119)	34,147	28,890	5,257
Other Objects	500		500		500
Total Custodial Services	<u>223,666</u>	<u>(6,136)</u>	<u>217,530</u>	<u>196,663</u>	<u>20,867</u>
Required Maintenance of School Facilities:					
Salaries	36,720	(2,335)	34,385	34,385	
Cleaning, Repair and Maintenance Services	42,140	6,514	48,654	48,654	
General Supplies	5,600	(2,176)	3,424	1,331	2,093
Total Required Maintenance of School Facilities	<u>84,460</u>	<u>2,003</u>	<u>86,463</u>	<u>84,370</u>	<u>2,093</u>
Student Transportation Services:					
Sal. For Pupil Trans(Between Home and School) - Regular	8,160		8,160	3,000	5,160
Contracted Services:					
Special Education Students - ESCs and CTSA's	76,000	20,509	96,509	96,509	
Aid in Lieu Payments - Non-Public School	7,072	(3,536)	3,536	3,536	
Aid in Lieu Payments - Charter School	7,320	(4,386)	2,934	2,934	
Total Student Transportation Services	<u>98,552</u>	<u>12,587</u>	<u>111,139</u>	<u>105,979</u>	<u>5,160</u>

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSES					
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	\$ 60,000	\$ (8,108)	\$ 51,892	\$ 42,097	\$ 9,795
Other Retirement Contributions - Regular	4,000	468	4,468	4,468	
Other Retirement Contributions - PERS	58,000		58,000	22,921	35,079
Unemployment Compensation	8,000	2,602	10,602	10,602	
Workmen's Compensation	21,861	960	22,821	22,821	
Health Benefits	716,038	(18,000)	698,038	588,151	109,887
Other Employee Benefits		15,800	15,800	15,800	
Tuition Reimbursement	18,000	(1,674)	16,326	5,170	11,156
Total Unallocated Benefits - Employee Benefits	885,899	(7,952)	877,947	712,030	165,917
Nonbudgeted:					
TPAF Pension Contributions (On-Behalf - Non-Budgeted)				197,988	(197,988)
TPAF Post Retirement Contributions (On-Behalf - Non-Budgeted)				235,749	(235,749)
Reimbursed TPAF Social Security Contribution (Non-Budgeted)				158,725	(158,725)
Total On-Behalf Contributions				592,462	(592,462)
Total Personal Services - Employee Benefits	885,899	(7,952)	877,947	1,304,492	(426,545)
Total Undistributed Expenditures	2,395,742	15,215	2,410,957	2,773,488	(362,531)
TOTAL GENERAL CURRENT EXPENSE	4,538,553		4,538,553	4,748,038	(209,485)

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
General Administration		\$ 2,592	\$ 2,592	\$ 2,592	
Required Maintenance for School Facilities	\$ 21,884	(15,992)	5,892	4,317	\$ 1,575
Total Equipment	21,884	(13,400)	8,484	6,909	1,575
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	6,950		6,950	6,950	
Construction Services		13,400	13,400		13,400
Total Facilities Acquisition and Construction Services	6,950	13,400	20,350	6,950	13,400
TOTAL CAPITAL OUTLAY	28,834		28,834	13,859	14,975
TOTAL EXPENDITURES	4,567,387		4,567,387	4,761,897	\$ (194,510)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(8,350)		(8,350)	424,852	433,202
Other Financing Sources:					
Operating Transfer In:					
Transfer from Capital Projects Fund				338	338
Total Other Financing Sources				338	338
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(8,350)		(8,350)	425,190	433,540
Fund Balance, July 1	148,528		148,528	148,528	
Fund Balance, June 30	\$ 140,178	\$ -0-	\$ 140,178	\$ 573,718	\$ 433,540

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Restricted for:					
Maintenance Reserve Account				\$ 87,222	
Capital Reserve Account				206,961	
Unassigned				<u>279,535</u>	
				573,718	
Reconciliation to Governmental Fund Statement (GAAP):					
Last Two State Aid Payments not Recognized on a GAAP Basis				<u>(118,889)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 454,829</u>	

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources		\$ 29,216	\$ 29,216	\$ 21,502	\$ (7,714)
State Sources	\$ 60,160	9,666	69,826	48,498	(21,328)
Federal Sources	154,949	54,766	209,715	182,531	(27,184)
Total Revenues	<u>\$ 215,109</u>	<u>\$ 93,648</u>	<u>\$ 308,757</u>	<u>\$ 252,531</u>	<u>\$ (56,226)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers	\$ 42,429	\$ 2,766	\$ 45,195	\$ 42,323	\$ 2,872
Other Salaries for Instruction	4,272	1,125	5,397	5,397	
Other Purchased Services	49,463	10,308	59,771	39,141	20,630
Tuition	70,150	19,690	89,840	89,840	
General Supplies	17,930	16,720	34,650	22,360	12,290
Textbooks	6,959	(50)	6,909	6,211	698
Other Objects		31,616	31,616	23,902	7,714
Total Instruction	<u>191,203</u>	<u>82,175</u>	<u>273,378</u>	<u>229,174</u>	<u>44,204</u>
Support Services					
Purchased Professional - Educational Services		4,307	4,307	1,497	2,810
Personal Services - Employee Benefits	9,998	(7,700)	2,298	2,298	
Other Purchased Professional Services		2,476	2,476	2,476	
Purchased Professional and Technical Services	10,288	8,510	18,798	9,594	9,204
General Supplies	418	(418)			
Total Support Services	<u>20,704</u>	<u>7,175</u>	<u>27,879</u>	<u>15,865</u>	<u>12,014</u>
Facilities Acquisition and Construction Services:					
Instructional Equipment	3,202	4,298	7,500	7,492	8
Total Facilities Acquisition and Construction Services	<u>3,202</u>	<u>4,298</u>	<u>7,500</u>	<u>7,492</u>	<u>8</u>
Total Expenditures	<u>\$ 215,109</u>	<u>\$ 93,648</u>	<u>\$ 308,757</u>	<u>\$ 252,531</u>	<u>\$ 56,226</u>

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,186,749	\$ 252,531
Difference - Budget to GAAP:		
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(118,889)	
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	<u>115,613</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 5,183,473</u>	<u>\$ 252,531</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 4,761,897</u>	<u>\$ 252,531</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 4,761,897</u>	<u>\$ 252,531</u>

NETCONG BOROUGH SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service funds. The budgets are submitted to the County office and are approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

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

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

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

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

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

	IDEA Part B		No Child Left Behind		
	Basic	Preschool	Title I	Title II Part A	Race to the Top
REVENUE:					
Local Sources					
State Sources					
Federal Sources	\$ 91,337	\$ 5,397	\$ 73,727	\$ 9,594	\$ 2,476
Total Revenue	<u>91,337</u>	<u>5,397</u>	<u>73,727</u>	<u>9,594</u>	<u>2,476</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers			42,323		
Other Salaries for Instruction		5,397			
Purchased Professional/Technical Services					
Other Purchased Services					
Tuition	89,840				
General Supplies			19,214		
Textbooks					
Other Objects			2,400		
Total Instruction	<u>89,840</u>	<u>5,397</u>	<u>63,937</u>		
Support Services:					
Purchased Professional/Educational Services	1,497				
Personal Services - Employee Benefits			2,298		
Other Purchased Professional Services					2,476
Purchased Professional/Technical Services				9,594	
Total Support Services	<u>1,497</u>		<u>2,298</u>	<u>9,594</u>	<u>2,476</u>
Equipment:					
Instructional Equipment			7,492		
Total Equipment			<u>7,492</u>		
Total Expenditures	<u>\$ 91,337</u>	<u>\$ 5,397</u>	<u>\$ 73,727</u>	<u>\$ 9,594</u>	<u>\$ 2,476</u>

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

	Chapter 192 Nonpublic		Chapter 193 - Nonpublic Handicapped Services			Nonpublic Textbook
	Auxiliary Services Compensatory Education		Examination/ Classification	Corrective Speech	Supplementary Instruction	
REVENUE:						
Local Sources						
State Sources	\$ 11,845	\$ 6,985	\$ 3,094	\$ 3,416	\$ 6,211	
Federal Sources						
Total Revenue	<u>11,845</u>	<u>6,985</u>	<u>3,094</u>	<u>3,416</u>	<u>6,211</u>	
EXPENDITURES:						
Instruction:						
Salaries of Teachers						
Other Salaries for Instruction						
Purchased Professional/Technical Services						
Other Purchased Services	11,845	6,985	3,094	3,416		
Tuition						
General Supplies						
Textbooks						6,211
Other Objects						
Total Instruction	<u>11,845</u>	<u>6,985</u>	<u>3,094</u>	<u>3,416</u>	<u>6,211</u>	
Support Services:						
Purchased Professional/Educational Services						
Personal Services - Employee Benefits						
Other Purchased Professional Services						
Purchased Professional/Technical Services						
Total Support Services						
Equipment:						
Instructional Equipment						
Total Equipment						
Total Expenditures	<u>\$ 11,845</u>	<u>\$ 6,985</u>	<u>\$ 3,094</u>	<u>\$ 3,416</u>	<u>\$ 6,211</u>	

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

	<u>Nonpublic Technology</u>	<u>Nonpublic Security</u>	<u>Nonpublic Nursing</u>	<u>Local Grant</u>	<u>Total</u>
REVENUE:					
Local Sources				\$ 21,502	\$ 21,502
State Sources	\$ 3,146	\$ 2,911	\$ 10,890		48,498
Federal Sources					182,531
Total Revenue	<u>3,146</u>	<u>2,911</u>	<u>10,890</u>	<u>21,502</u>	<u>252,531</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					42,323
Other Salaries for Instruction					5,397
Purchased Professional/Technical Services		2,911	10,890		13,801
Other Purchased Services					25,340
Tuition					89,840
General Supplies	3,146				22,360
Textbooks					6,211
Other Objects				21,502	23,902
Total Instruction	<u>3,146</u>	<u>2,911</u>	<u>10,890</u>	<u>21,502</u>	<u>229,174</u>
Support Services:					
Purchased Professional/Educational Services					1,497
Personal Services - Employee Benefits					2,298
Other Purchased Professional Services					2,476
Purchased Professional/Technical Services					9,594
Total Support Services					<u>15,865</u>
Equipment:					
Instructional Equipment					7,492
Total Equipment					<u>7,492</u>
Total Expenditures	<u>\$ 3,146</u>	<u>\$ 2,911</u>	<u>\$ 10,890</u>	<u>\$ 21,502</u>	<u>\$ 252,531</u>

CAPITAL PROJECTS FUND

Exhibit F-1

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenues:	
Local Tax Levy	\$ 13,357
Interest Earned	338
Total Revenues	<u>13,695</u>
Expenditures and Other Financing Uses:	
Construction Services	147,231
Operating Transfer Out - General Fund	338
Total Expenditures and Other Financing Uses	<u>147,569</u>
Excess/(Deficiency) of Revenues	
Over/(Under) Expenditures and Other Financing (Uses)	(133,874)
Fund Balance - Beginning Balance	<u>253,754</u>
Fund Balance - Ending Balance	<u>\$ 119,880</u>
<u>Recapitulation of Fund Balance:</u>	
Restricted	<u>\$ 119,880</u>

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
BOILER REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenues and Other Financing Sources :				
SDA Grant	\$ 156,732		\$ 156,732	\$ 156,732
Lease Purchase Proceeds	125,000		125,000	125,000
Local Tax Levy		\$ 13,357	13,357	13,357
Transfer from Capital Reserve	82,776		82,776	82,776
Total Revenues and Other Financing Sources	<u>364,508</u>	<u>13,357</u>	<u>377,865</u>	<u>377,865</u>
Expenditures:				
Purchased Professional and Technical Services	62,761		62,761	62,761
Construction Services	315,104		315,104	315,104
Total Expenditures	<u>377,865</u>		<u>377,865</u>	<u>377,865</u>
Excess of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ (13,357)</u>	<u>\$ 13,357</u>	<u>\$ -0-</u>	<u>\$ - 0 -</u>

Additional Project Information:

Project Numbers	3520-060-09-1001
Grant Date	01/15/09
Original Authorized Cost	\$ 386,058
Change Order	<u>13,357</u>
Revised Authorized Cost	\$ 399,415
SDA Grant Cancelled	(5,622)
Lease Purchase Cancelled	<u>(15,928)</u>
Revised Authorized Cost	<u>\$ 377,865</u>
Percentage Increase over Original Authorized Cost	N/A
Percentage Completion	100.00%
Original Target Completion Date	September 2009
Revised Target Completion Date	September 2013

NETCONG BOROUGH SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS
BUDGETARY BASIS
RENOVATIONS TO THE NETCONG ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenues and Other Financing Sources:				
SDA Grant	\$ 1,315,950		\$ 1,315,950	\$ 1,315,950
Bond Proceeds	2,027,000		2,027,000	2,027,162
Total Revenues and Other Financing Sources	3,342,950		3,342,950	3,343,112
Expenditures:				
Purchased Professional and Technical Services	412,477		412,477	414,262
Construction Services	2,663,362	\$ 147,231	2,810,593	2,928,850
Total Expenditures	3,075,839	147,231	3,223,070	3,343,112
Excess of Revenue and Other Financing Sources Over/Under Expenditures	\$ 267,111	\$ (147,231)	\$ 119,880	\$ - 0 -

Additional Project Information:

Project Number:	3520-090-10-1001, 3520-060-10-1002, and 3520-060-10-1003
Grant Date:	07/23/10
Bond Authorization Date:	09/28/10
Bonds Authorized:	\$ 2,027,162
Bonds Issued:	\$ 2,027,000
Original Authorized Cost:	\$ 3,544,002
SDA Grant Cancelled	\$ (200,890)
Revised Authorized Cost:	\$ 3,343,112
Percentage Increase over Original Authorized Cost:	N/A
Percentage Completion:	96.41%
Original Target Completion Date:	September 1, 2012
Revised Target Completion Date:	June 30, 2017

PROPRIETARY FUNDS

Exhibit G-1

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 17,893
Intergovernmental Receivable:	
Federal	2,691
State	54
Inventory	<u>2,395</u>

Total Current Assets	<u>23,033</u>
----------------------	---------------

Non-Current Assets:

Capital Assets	23,600
Less: Accumulated Depreciation	<u>(11,699)</u>

Total Non-Current Assets	<u>11,901</u>
--------------------------	---------------

Total Assets	<u>34,934</u>
--------------	---------------

LIABILITIES:

Current Liabilities:

Unearned Revenue	<u>1,295</u>
------------------	--------------

Total Current Liabilities	<u>1,295</u>
---------------------------	--------------

Total Liabilities	<u>1,295</u>
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NET POSITION:

Net Investment in Capital Assets	11,901
Unrestricted	<u>21,738</u>

Total Net Position	<u><u>\$ 33,639</u></u>
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Exhibit G-2

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Charges for Services:	
Daily Sales - Reimbursable Programs	\$ 19,628
Daily Sales - Non-Reimbursable Programs	21,850
	<hr/>
Total Operating Revenue	41,478
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	42,808
Cost of Sales - Nonreimbursable Programs	3,669
Supplies, Insurance & Other Costs	14,720
Salaries & Benefits	31,402
Payroll Taxes	3,478
Management Fee	7,197
Depreciation Expense	1,573
	<hr/>
Total Operating Expenses	104,847
	<hr/>
Operating Loss	(63,369)
	<hr/>
Non-Operating Revenue:	
Federal Sources:	
National School Lunch Program	45,654
School Breakfast Program	8,350
Food Distribution Program	7,606
State Sources:	
State School Lunch Program	1,088
Local Sources:	
Interest Revenue	36
	<hr/>
Total Non-Operating Revenue	62,734
	<hr/>
Change in Net Position Before Special Item	(635)
	<hr/>
Special Item - Cancellation of Intergovernmental Receivable	(15)
	<hr/>
Change in Net Position	(650)
	<hr/>
Net Position - Beginning of Year	34,289
	<hr/>
Net Position - End of Year	\$ 33,639
	<hr/> <hr/>

Exhibit G-3

NETCONG BOROUGH SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 41,478
Payments to Employees	(34,880)
Payments to Food Service Vendor	(63,705)
	<hr/>
Net Cash Used for Operating Activities	(57,107)
	<hr/>
Cash Flows from Investing Activities:	
Interest on Investments	36
	<hr/>
Net Cash Provided by Investing Activities	36
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Federal Subsidy Reimbursements	53,288
State Subsidy Reimbursements	1,104
	<hr/>
Net Cash Provided by Noncapital Financing Activities	54,392
	<hr/>
Net Decrease in Cash and Cash Equivalents	(2,679)
	<hr/>
Cash and Cash Equivalents, July 1	20,572
	<hr/>
Cash and Cash Equivalents, June 30	\$ 17,893
	<hr/> <hr/>
Reconciliation of Operating Loss to	
Net Cash Used for Operating Activities:	
Operating Loss	\$ (63,369)
Adjustment to Reconcile Operating Loss to Net	
Cash Used for Operating Activities:	
Depreciation	1,573
Food Distribution Program	7,606
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,463)
(Decrease) in Accounts Payable	(2,368)
Increase in Unearned Revenue	914
	<hr/>
Net Cash Used for Operating Activities	\$ (57,107)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received \$8,520 and utilized \$7,606 of commodities from the Federal Food Distribution Program for the year ended June 30, 2016.

FIDUCIARY FUNDS

Exhibit H-1

NETCONG BOROUGH SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS:			
Cash and Cash Equivalents	\$ 23,404	\$ 871	\$ 24,275
Total Assets	<u>23,404</u>	<u>871</u>	<u>24,275</u>
LIABILITIES:			
Interfund Payable Due to Student Groups	<u>23,404</u>	871	<u>23,404</u> 871
Total Liabilities	<u>\$ 23,404</u>	<u>\$ 871</u>	<u>\$ 24,275</u>

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

NOT APPLICABLE

Exhibit H-3

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 20,836	\$ 45,124	\$ 42,556	\$ 23,404
Total Assets	<u>\$ 20,836</u>	<u>\$ 45,124</u>	<u>\$ 42,556</u>	<u>\$ 23,404</u>
LIABILITIES:				
Due to Student Groups	\$ 20,836	\$ 45,124	\$ 42,556	\$ 23,404
Total Liabilities	<u>\$ 20,836</u>	<u>\$ 45,124</u>	<u>\$ 42,556</u>	<u>\$ 23,404</u>

Exhibit H-4

NETCONG BOROUGH SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
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>
Netcong Elementary School	\$ 20,836	\$ 45,124	\$ 42,556	\$ 23,404
Total All Schools	<u>\$ 20,836</u>	<u>\$ 45,124</u>	<u>\$ 42,556</u>	<u>\$ 23,404</u>

Exhibit H-5

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 23	\$ 3,026,654	\$ 3,025,806	\$ 871
Total Assets	<u>\$ 23</u>	<u>\$ 3,026,654</u>	<u>\$ 3,025,806</u>	<u>\$ 871</u>
LIABILITIES:				
Payroll Deductions and Withholdings		\$ 1,264,023	\$ 1,264,023	
Interfund Payable	\$ 23	871	23	\$ 871
Net Salaries and Wages		<u>1,761,760</u>	<u>1,761,760</u>	
Total Liabilities	<u>\$ 23</u>	<u>\$ 3,026,654</u>	<u>\$ 3,025,806</u>	<u>\$ 871</u>

LONG-TERM DEBT

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2016		Interest Rate	Balance June 30, 2015	Matured	Balance June 30, 2016
			Date	Amount				
School Bonds	05/12/11	\$ 2,027,000	5/15/2017	\$ 85,000	2.750%			
			5/15/2018	85,000	3.000%			
			5/15/2019	95,000	3.125%			
			5/15/2020	95,000	3.125%			
			5/15/2021	100,000	3.250%			
			5/15/2022	105,000	4.500%			
			5/15/2023	110,000	4.500%			
			5/15/2024	115,000	4.500%			
			5/15/2025	120,000	4.500%			
			5/15/2026	120,000	4.500%			
			5/15/2027	125,000	4.500%			
			5/15/2028	125,000	4.500%			
			5/15/2029	130,000	4.500%			
			5/15/2030	130,000	4.500%			
5/15/2031	127,000	4.500%	\$ 1,747,000	\$ 80,000	\$ 1,667,000			
						\$ 1,747,000	\$ 80,000	\$ 1,667,000

Exhibit I-2

NETCONG BOROUGH SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

NETCONG BOROUGH SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 150,290		\$ 150,290	\$ 150,290	
Total Revenues	<u>150,290</u>		<u>150,290</u>	<u>150,290</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	70,290		70,290	70,290	
Redemption of Principal	80,000		80,000	80,000	
Total Regular Debt Service	<u>150,290</u>		<u>150,290</u>	<u>150,290</u>	
Total Expenditures	<u>150,290</u>		<u>150,290</u>	<u>150,290</u>	
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	- 0 -	\$ - 0 -	- 0 -	- 0 -	\$ - 0 -
Fund Balance, July 1	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Fund Balance, June 30	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ - 0 -</u></u>

STATISTICAL SECTION
(UNAUDITED)

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

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

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

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

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in Capital										
Assets/(Deficit)	\$ 1,443,594	\$ 1,386,165	\$ 1,369,758	\$ 1,565,309	\$ (1,347)	\$ 2,391,653	\$ 2,507,424	\$ 2,648,217	\$ 2,702,388	\$ 2,885,749
Restricted	95,988	44,578	510,150	12,626	1,814,214	348,805	441,199	275,024	274,064	414,063
Unrestricted/(Deficit)	72,796	106,647	(90,507)	36,649	97,739	(643,303)	(17,392)	(600,959)	(556,810)	(427,190)
Total Governmental Activities	<u>\$ 1,612,378</u>	<u>\$ 1,537,390</u>	<u>\$ 1,789,401</u>	<u>\$ 1,614,584</u>	<u>\$ 1,910,606</u>	<u>\$ 2,097,155</u>	<u>\$ 2,931,231</u>	<u>\$ 2,322,282</u>	<u>\$ 2,419,642</u>	<u>\$ 2,872,622</u>
Business-type Activities:										
Net Investment in Capital										
Assets	\$ 1,694	\$ 1,464	\$ 2,909	\$ 2,539	\$ 5,119	\$ 31,084	\$ 27,277	\$ 15,047	\$ 13,474	\$ 11,901
Unrestricted	10,564	11,737	16,484	8,091	8,757	6,266	4,266	8,343	20,815	21,738
Total Business-Type Activities	<u>\$ 12,258</u>	<u>\$ 13,201</u>	<u>\$ 19,393</u>	<u>\$ 10,630</u>	<u>\$ 13,876</u>	<u>\$ 37,350</u>	<u>\$ 31,543</u>	<u>\$ 23,390</u>	<u>\$ 34,289</u>	<u>\$ 33,639</u>
District-Wide:										
Net Investment in Capital Assets	\$ 1,445,288	\$ 1,387,629	\$ 1,372,667	\$ 1,567,848	\$ 3,772	\$ 2,422,737	\$ 2,534,701	\$ 2,663,264	\$ 2,715,862	\$ 2,897,650
Restricted	95,988	44,578	510,150	12,626	1,814,214	348,805	441,199	275,024	274,064	414,063
Unrestricted/(Deficit)	83,360	118,384	(74,023)	44,740	106,496	(637,037)	(13,126)	(592,616)	(535,995)	(405,452)
Total District-Wide Net Position	<u>\$ 1,624,636</u>	<u>\$ 1,550,591</u>	<u>\$ 1,808,794</u>	<u>\$ 1,625,214</u>	<u>\$ 1,924,482</u>	<u>\$ 2,134,505</u>	<u>\$ 2,962,774</u>	<u>\$ 2,345,672</u>	<u>\$ 2,453,931</u>	<u>\$ 2,906,261</u>

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$2,211,072	\$2,216,848	\$2,152,490	\$2,180,516	\$2,108,316	\$2,365,805	\$2,564,121	\$2,380,418	\$2,626,959	\$2,639,071
Special Education	685,686	761,135	740,473	723,124	833,346	685,609	791,797	845,519	952,443	1,080,707
Other Instruction	111,639	123,526	127,915	142,052	51,099	36,689	90,223	39,858	26,619	22,024
School Sponsored Instruction						35,263	28,581	7,759	48,477	66,360
Support Services:										
Tuition	2,526	4,508	71,737	11,576	61,629	42,550	6,546	32,657	20,112	67,917
Student/Instruction-Related Services	454,973	449,480	454,521	499,572	430,902	372,350	445,388	569,201	689,163	660,977
General Administrative Services	331,466	287,639	286,479	302,516	285,703	135,467	185,961	244,124	183,244	249,896
School Administrative Services	109,290	106,015	122,394	122,261	129,509	151,594	157,953	162,369	291,622	182,954
Central Services						117,723	118,437	186,502	129,624	175,158
Admin. Information Technology						8,012	15,697	13,324	17,054	20,233
Plant Operations and Maintenance	359,914	379,865	393,255	409,875	275,380	287,218	313,484	307,377	294,087	312,791
Pupil Transportation	36,517	28,745	55,873	54,437	55,140	29,545	59,966	110,835	68,324	106,942
Unallocated Depreciation						32,558	31,939	31,939	39,599	39,913
Capital Outlay						10,063	24,952	82,166	31,939	8,626
Interest on Long-Term Debt					8,989	74,652	74,931	73,356	71,767	70,053
Total Governmental Activities	4,311,089	4,357,761	4,405,137	4,445,929	4,240,013	4,385,098	4,909,976	5,087,404	5,491,033	5,703,622
Business-Type Activities:										
Food Service	77,636	78,920	76,316	79,596	78,818	83,889	88,367	91,532	88,012	104,847
After Care Program			22,228	8,313						
Total Business-Type Activities	77,636	78,920	98,544	87,909	78,818	83,889	88,367	91,532	88,012	104,847
Total District-wide Expenses	4,388,725	4,436,681	4,503,681	4,533,838	4,318,831	4,468,987	4,998,343	5,178,936	5,579,045	5,808,469
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Instruction (Tuition)									56,107	18,131
Operating Grants and Contributions	989,940	998,343	630,004	941,538	935,539	1,614,389	862,230	973,626	1,543,717	1,745,710
Total Governmental Activities	989,940	998,343	630,004	941,538	935,539	1,614,389	862,230	973,626	1,599,824	1,763,841

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues:										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 47,932	\$ 49,069	\$ 45,524	\$ 37,898	\$ 40,902	\$ 34,263	\$ 31,239	\$ 28,949	\$ 33,638	\$ 41,478
Child Care			28,331	5,289						
Operating Grants and Contributions	26,761	30,484	30,449	39,271	41,136	46,227	51,302	62,844	65,562	62,698
Total Business-Type Activities	74,693	79,553	104,304	82,458	82,038	80,490	82,541	91,793	99,200	104,176
Total District-wide Program Revenues	1,064,633	1,077,896	734,308	1,023,996	1,017,577	1,694,879	944,771	1,065,419	1,699,024	1,868,017
Net (Expense)/Revenue:										
Governmental Activities	(3,321,149)	(3,359,418)	(3,775,133)	(3,504,391)	(3,304,474)	(2,770,709)	(4,047,746)	(4,113,778)	(3,891,209)	(3,939,781)
Business-Type Activities	(2,943)	633	5,760	(5,451)	3,220	(3,399)	(5,826)	261	11,188	(671)
Total District-Wide Net (Expense)/Revenue	(3,324,092)	(3,358,785)	(3,769,373)	(3,509,842)	(3,301,254)	(2,774,108)	(4,053,572)	(4,113,517)	(3,880,021)	(3,940,452)
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	2,713,134	2,635,485	2,635,485	2,635,485	2,718,432	2,718,432	2,718,432	2,745,616	2,904,108	3,340,928
Taxes Levied for Capital Projects										13,357
Taxes Levied for Debt Service						139,250	145,128	143,553	146,978	150,290
Federal and State Aid not Restricted	598,693	621,578	1,153,676	932,374	760,595	96,099	1,956,081	1,112,705	876,881	877,576
N.J. E.D.A. Grants	(11,958)									
Tuition Charges			4,150	6,000	20,154					
Investment Earnings	22,955	12,833	4,816	2,742	1,804	2	2		52	346
Miscellaneous Income	14,063	14,589	229,018	3,204	99,510	68,372	62,179	18,009	60,550	10,264
Prior Year Adj. - Reallocate Expenditures Transfers	47,345			(40,229)						
				(210,000)						
Total Governmental Activities	3,384,232	3,284,485	4,027,145	3,329,576	3,600,495	3,022,155	4,881,822	4,019,883	3,988,569	4,392,761

NETCONG BOROUGH SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position:										
Business-Type Activities:										
Investment Earnings	\$ 626	\$ 310	\$ 150	\$ 80	\$ 32	\$ 50	\$ 18	\$ 9	\$ 26	\$ 36
Miscellaneous Income				(3,393)	(4)					
Special Item - Cancellation of Prior Year Receivable									(315)	(15)
Total Business-type Activities	626	310	150	(3,313)	28	50	18	9	(289)	21
Total District-wide General Revenues and Other Changes in Net Position	3,384,858	3,284,795	4,027,295	3,326,263	3,600,523	3,022,205	4,881,840	4,019,892	3,988,280	4,392,782
Change in Net Position:										
Governmental Activities	63,083	(74,933)	252,012	(174,815)	296,021	251,446	834,076	(93,895)	97,360	452,980
Business-Type Activities	(2,317)	943	5,910	(8,764)	3,248	(3,349)	(5,808)	270	10,899	(650)
Total District-Wide Change in Net Position	\$ 60,766	\$ (73,990)	\$ 257,922	\$ (183,579)	\$ 299,269	\$ 248,097	\$ 828,268	\$ (93,625)	\$ 108,259	\$ 452,330

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 95,988	\$ 46,466	\$ 147,554							
Unreserved (Deficit)	158,206	192,283	(4,381)	\$ 132,584	\$ 203,905					
Restricted				4,693	226,557	\$ 348,805	\$ 224,204	\$ 6,938	\$ 6,953	\$ 294,183
Assigned						76,590	30,150		8,400	
Unassigned/(Deficit)						162,374	64,562	(61,874)	17,562	160,646
Total General Fund	\$ 254,194	\$ 238,749	\$ 143,173	\$ 137,277	\$ 430,462	\$ 587,769	\$ 318,916	\$ (54,936)	\$ 32,915	\$ 454,829
All Other Governmental Funds:										
Reserved										
Unreserved (Deficit):										
Special Revenue Fund		\$ (1,888)								
Capital Projects Fund			\$ 362,596	\$ 7,932						
Restricted					\$1,587,657		\$ 216,995	\$ 254,729	\$ 267,111	\$ 119,880
Committed							2,571			
Unassigned (Deficit)						\$ (800,781)			(13,357)	
Total All Other Governmental Funds	\$ - 0 -	\$ (1,888)	\$ 362,596	\$ 7,932	\$1,587,657	\$ (800,781)	\$ 219,566	\$ 254,729	\$ 253,754	\$ 119,880
Total All Governmental Funds:										
Reserved	\$ 95,988	\$ 46,466	\$ 147,554							
Unreserved	158,206	190,395	358,215	\$ 140,516	\$ 203,905					
Restricted					1,814,214	\$ 348,805	\$ 441,199	\$ 261,667	\$ 274,064	\$ 414,063
Committed							2,571			
Assigned						76,590	30,150		8,400	
Unassigned/(Deficit)						(638,407)	64,562	(61,874)	4,205	160,646
Total All Governmental Funds	\$ 254,194	\$ 236,861	\$ 505,769	\$ 140,516	\$2,018,119	\$ (213,012)	\$ 538,482	\$ 199,793	\$ 286,669	\$ 574,709

Source: Netcong Borough School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tax Levy	\$ 2,713,134	\$ 2,635,485	\$ 2,635,485	\$ 2,635,485	\$ 2,718,432	\$ 2,857,682	\$ 2,863,560	\$ 2,889,169	\$ 3,051,086	\$ 3,504,575
Tuition Charges			4,150	6,000	20,154	17,750	19,938	14,090	56,107	18,131
Interest Earnings	22,955	12,833	4,816	2,742	1,804	2	2		15	8
Miscellaneous	17,537	14,589	229,018	3,204	99,510	50,622	42,241	3,919	70,493	31,766
State Sources	1,460,073	1,493,281	1,597,203	1,518,906	1,425,653	1,513,503	2,665,195	1,870,269	1,724,301	1,862,978
Federal Sources	125,087	126,639	186,477	355,007	270,481	196,985	153,116	216,062	177,701	182,531
Total Revenues	4,338,786	4,282,827	4,657,149	4,521,344	4,536,034	4,636,544	5,744,052	4,993,509	5,079,703	5,599,989
Expenditures:										
Instruction:										
Regular Instruction	1,561,043	1,546,032	1,598,493	1,632,884	1,570,834	1,755,785	1,785,452	1,720,370	1,662,302	1,533,968
Special Education Instruction	547,171	617,150	619,800	586,264	677,183	528,134	578,729	624,277	621,296	643,365
Other Instruction	89,206	105,292	115,125	122,984	46,046	29,531	63,380	27,741	21,416	18,366
School Sponsored Instruction						30,552	20,406	6,671	24,406	31,382
Support Services:										
Tuition	2,526	4,508	71,737	11,576	61,629	42,550	6,546	32,657	20,112	67,917
Student & Instruction-Related	362,911	330,117	350,086	393,294	340,212	333,489	376,678	471,406	478,162	535,860
General Administration	267,292	230,966	233,386	234,904	218,663	120,142	163,212	211,739	143,423	214,095
School Administration	73,946	83,579	83,245	90,032	86,971	104,294	109,645	111,538	178,267	106,170
Central Services						121,973	118,460	183,588	107,089	137,709
Administrative Information Technology						8,012	15,697	13,324	17,054	20,233
Plant Operations and Maintenance	311,194	321,779	330,814	355,928	236,224	278,434	281,872	281,070	247,031	281,033
Pupil Transportation	36,517	28,745	55,873	54,437	55,140	29,545	59,966	110,835	68,324	105,979
Allocated Benefits						496,991	83,839			
Unallocated Benefits	958,400	1,022,591	890,285	910,674	916,584	432,668	1,095,283	1,124,213	1,224,053	1,304,492

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

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenditures:										
Special Schools	\$ 8,006									
Capital Outlay	232,100	\$ 9,400	\$ 39,399	\$ 363,696	\$ 480,639	\$ 2,419,260	\$ 85,330	\$ 269,215	\$ 32,914	\$ 161,090
Debt Service:										
Principal						65,000	70,000	70,000	75,000	80,000
Interest and Other Charges						74,250	75,128	73,553	71,978	70,290
Total Expenditures	<u>4,450,312</u>	<u>4,300,159</u>	<u>4,388,243</u>	<u>4,756,673</u>	<u>4,690,125</u>	<u>6,870,610</u>	<u>4,989,623</u>	<u>5,332,197</u>	<u>4,992,827</u>	<u>5,311,949</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(111,526)</u>	<u>(17,332)</u>	<u>268,906</u>	<u>(235,329)</u>	<u>(154,091)</u>	<u>(2,234,066)</u>	<u>754,429</u>	<u>(338,688)</u>	<u>86,876</u>	<u>288,040</u>
Other Financing Sources (Uses)										
Bond Proceeds					2,027,000					
NJEDA Grants	(11,958)									
P/Y Adjustment - Expenditures				(40,229)						
Transfers In	87,565			3						338
Transfers Out	(40,221)			(85,003)						(338)
Total Other Financing Sources (Uses)	<u>35,386</u>			<u>(125,229)</u>	<u>2,027,000</u>					
Net Change in Fund Balances	<u>\$ (76,140)</u>	<u>\$ (17,332)</u>	<u>\$ 268,906</u>	<u>\$ (360,558)</u>	<u>\$ 1,872,909</u>	<u>\$ (2,234,066)</u>	<u>\$ 754,429</u>	<u>\$ (338,688)</u>	<u>\$ 86,876</u>	<u>\$ 288,040</u>
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	3.2%	3.0%	2.9%	3.1%	3.0%

Source: Netcong Borough School District Financial Reports.

Exhibit J-5

NETCONG BOROUGH SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Tuition</u>	<u>Interest on</u> <u>Investments</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2007		\$ 22,955		\$ 14,063	\$ 37,018
2008	\$ 4,500	12,833		8,539	25,872
2009	4,150	4,634	\$ 3,090		11,874
2010	6,000	2,742		3,204	11,946
2011	20,154	1,804		91,166 *	113,124
2012	17,750	1,297	11,475	20,102	50,624
2013	19,938	580	26,079	15,584	62,181
2014	14,090			19,847	33,937
2015	56,107	950		59,615	116,672
2016	18,131	783		9,151	28,065

* - Includes \$57,557 of (first year) employee contributions for health insurance premiums.

Source: Netcong Borough School District Financial Reports.

NETCONG BOROUGH SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

Year Ended Dec. 31,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax	Estimated Actual (County Equalized Value)
2006*	\$ 6,204,500	\$ 240,251,700	\$ 43,753,700	\$ 21,202,500	\$ 32,118,300	\$ 343,530,700	\$ 3,404,862	\$ 346,935,562	\$ 20,827,100	\$0.737	\$296,693,704
2007	6,504,500	239,878,700	43,595,500	21,202,500	32,118,300	343,299,500	3,063,631	346,363,131	20,827,100	0.783	327,168,674
2008	6,520,600	240,262,300	44,059,600	20,396,900	27,085,700	338,325,100	3,132,783	341,457,883	20,644,400	0.772	332,550,953
2009	6,240,200	240,485,300	43,745,600	20,196,900	27,085,700	337,753,700	3,159,554	340,913,254	20,966,400	0.773	342,948,236
2010	6,002,600	240,302,400	43,259,800	18,796,900	25,781,800	334,143,500	3,085,763	337,229,263	21,259,300	0.782	318,940,713
2011	5,892,600	240,069,800	43,115,700	18,746,800	25,781,800	333,606,700	3,043,835	336,650,535	21,583,300	0.849	321,029,391
2012	5,892,600	239,449,400	43,109,000	18,746,800	25,781,800	332,979,600	3,117,096	336,096,696	21,567,700	0.852	303,147,024
2013	6,072,900	238,253,100	42,694,000	17,413,500	25,781,800	330,215,300		330,215,300	21,735,000	0.875	273,815,716
2014	6,000,500	237,191,500	42,855,300	17,413,500	25,781,800	329,242,600		329,242,600	21,735,000	0.927	276,798,948
2015	5,840,000	236,807,700	41,890,700	17,413,500	25,781,800	327,733,700		327,733,700	21,435,500	1.065	257,290,637

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.

* - Revaluation became effective.

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

b - Tax rates are per \$100 of assessed valuation.

Source: Netcong Borough Tax Assessor.

Exhibit J-7

NETCONG BOROUGH SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	Borough of Netcong School District Direct Rate			Overlapping Rates			Total Direct
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Netcong Borough	Regional High School	Morris County	
2006*	\$ 0.737		\$ 0.737	\$ 0.504	\$ 0.461	\$ 0.214	\$ 1.916
2007	0.783		0.783	0.565	0.439	0.225	2.012
2008	0.772		0.772	0.630	0.455	0.226	2.083
2009	0.773		0.773	0.656	0.447	0.231	2.107
2010	0.782		0.782	0.681	0.484	0.216	2.163
2011	0.807	\$ 0.041	0.849	0.701	0.461	0.225	2.236
2012	0.809	0.043	0.852	0.714	0.470	0.221	2.257
2013	0.831	0.043	0.875	0.738	0.536	0.208	2.357
2014	0.882	0.045	0.927	0.756	0.473	0.215	2.371
2015	1.019	0.046	1.065	0.775	0.442	0.197	2.479

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

* - Revaluation became effective.

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.

Source: Netcong Borough Tax Collector and School Business Administrator.

Exhibit J-8

NETCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2016		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Netcong Heights	\$ 21,500,000	1	6.56%
Dowel-Netcong, LLC	7,700,000	2	2.35%
Semper Development Group, LLC	3,500,000	3	1.07%
Great Northern Love Lane 59, LLC	3,167,000	4	0.97%
Netcong 201 LLC Morris Canal Plaza	2,761,500	5	0.84%
US Mineral Wool Products	2,655,000	6	0.81%
Great Northern 69 Love Lane, LLC	2,513,100	7	0.77%
Quirk Realty, LLC	2,427,300	8	0.74%
Bell Atlantic-NJ	2,037,500	9	0.62%
Mark Appraisals, LLC	1,685,300	10	0.51%
Total	<u>\$ 49,946,700</u>		<u>15.24%</u>

Taxpayer	2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
INFORMATION IS NOT AVAILABLE			

Source: Netcong Borough Tax Assessor.

Exhibit J-9

NETCONG BOROUGH SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 2,555,346	\$ 2,555,346	100.00%	\$ - 0 -
2008	2,713,134	2,713,134	100.00%	- 0 -
2009	2,635,485	2,635,485	100.00%	- 0 -
2010	2,635,485	2,635,485	100.00%	- 0 -
2011	2,635,485	2,635,485	100.00%	- 0 -
2012	2,857,682	2,857,682	100.00%	- 0 -
2013	2,863,560	2,863,560	100.00%	- 0 -
2014	2,889,169	2,889,169	100.00%	- 0 -
2015	3,051,086	3,051,086	100.00%	- 0 -
2016	3,504,575	3,504,575	100.00%	- 0 -

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

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

Exhibit J-10

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2007	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.00%	\$ - 0 -
2008	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.00%	- 0 -
2010	- 0 -	125,000	125,000	0.05%	38.65
2011	2,027,000	102,151	2,129,151	0.90%	655.73
2012	1,962,000	78,274	2,040,274	0.82%	627.20
2013	1,892,000	53,322	1,945,322	0.76%	597.64
2014	1,822,000	27,248	1,849,248	0.72%	568.13
2015	1,747,000	- 0 -	1,747,000	0.68%	537.04
2016	1,667,000	- 0 -	1,667,000	0.62%	512.45

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

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

Source: Netcong Borough School District Financial Reports.

Exhibit J-11

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

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	\$ - 0 -	\$ - 0 -	\$ - 0 -	0.000%	\$ - 0 -
2008	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2009	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2010	- 0 -	- 0 -	- 0 -	0.000%	- 0 -
2011	2,027,000	- 0 -	2,027,000	0.601%	624.27
2012	1,962,000	- 0 -	1,962,000	0.583%	603.14
2013	1,892,000	- 0 -	1,892,000	0.563%	581.26
2014	1,822,000	- 0 -	1,822,000	0.552%	559.75
2015	1,747,000	- 0 -	1,747,000	0.531%	537.04
2016	1,667,000	- 0 -	1,667,000	0.509%	512.45

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

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

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

Source: Netcong Borough School District Financial Reports.

Exhibit J-12

NETCONG BOROUGH SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Netcong	\$ 1,241,297	100.00%	\$ 1,241,297
Morris County General Obligation Debt	226,745,317	0.30%	684,441
Subtotal, Overlapping Debt			1,925,738
Netcong Borough School District Direct Debt			1,747,000
Total Direct and Overlapping Debt			<u>\$ 3,672,738</u>

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

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

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

NETCONG BOROUGH SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 8,801,876	\$ 9,527,135	\$ 10,014,232	\$ 9,740,546	\$ 9,709,801	\$ 9,314,227	\$ 8,886,748	\$ 8,482,307	\$ 8,064,740	\$ 7,866,344
Total Net Debt Applicable to Limit					2,027,000	1,962,000	1,892,000	1,822,000	1,747,000	1,667,000
Legal Debt Margin	<u>\$ 8,801,876</u>	<u>\$ 9,527,135</u>	<u>\$ 10,014,232</u>	<u>\$ 9,740,546</u>	<u>\$ 7,682,801</u>	<u>\$ 7,352,227</u>	<u>\$ 6,994,748</u>	<u>\$ 6,660,307</u>	<u>\$ 6,317,740</u>	<u>\$ 6,199,344</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	20.88%	21.06%	21.29%	21.48%	21.66%	21.19%

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized valuation basis

2015	\$ 254,195,067
2014	256,639,333
2013	<u>275,799,967</u>
	<u>\$ 786,634,367</u>

Average Equalized Valuation of Taxable Property

Average Equalized Valuation of Taxable Property	<u>\$ 262,211,456</u>
Debt Limit (3% of average equalization value) ^a	\$ 7,866,344
Net Bonded School Debt as of June 30, 2016	<u>1,667,000</u>
Legal Debt Margin	<u>\$ 6,199,344</u>

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

Exhibit J-14

NETCONG BOROUGH SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Morris County Per Capita Income ^b	Personal Income ^c	Unemployment Rate ^d
2006	3,224	\$ 63,634	\$ 205,156,016	3.30%
2007	3,210	68,495	219,868,950	3.00%
2008	3,207	72,211	231,580,677	3.90%
2009	3,211	74,636	239,656,196	6.70%
2010	3,234	70,516	228,048,744	6.80%
2011	3,247	72,780	236,316,660	6.60%
2012	3,253	76,194	247,859,082	6.80%
2013	3,255	78,693	256,145,715	7.10%
2014	3,255	79,094	257,450,970	4.20%
2015	3,253	82,810 **	269,380,930 ***	6.20%
2016	3,253 *	82,810 **	269,380,930 ***	N/A

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

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

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

N/A - Not Available

Sources:

a - Population information provided by the US Department of Census - Population Division.

b - Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

c - Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

d - Unemployment data provided by the NJ Department of Labor and Workforce Development.

NETCONG BOROUGH SCHOOL DISTRICT
PRINCIPAL EMPLOYERS - COUNTY OF MORRIS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2015			2006		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	6,000	2.31%	Atlantic Health System	5,900	2.25%
Atlantic Health System	5,171	1.99%	Novartis Corporation	5,000	1.90%
Novartis Corporation	4,622	1.78%	U.S. Army Armament Research	3,412	1.30%
Bayer Healthcare, LLC	2,800	1.08%	Lucent Technologies	2,300	0.88%
County of Morris	1,757	0.68%	St. Clare's	2,250	0.86%
Wyndham Worldwide Corporation	1,626	0.63%	County of Morris	2,156	0.82%
Accenture	1,561	0.60%	United Parcel Service	2,131	0.81%
St. Clare's	1,504	0.58%	Automatic Data Processing, Inc.	1,986	0.76%
BASF Corporation	1,500	0.58%	AT&T	1,500	0.57%
PricewaterhouseCoopers	1,360	0.52%	Greystone Psychiatric	1,300	0.49%
	<u>27,901</u>	<u>10.74%</u>		<u>28,590</u>	<u>10.63%</u>
Total Employment *	<u>259,756</u>		Total Employment *	<u>262,724</u>	

* - Employment data provided by the NJ Department of Labor and Workforce development.

Source: Morris County Economic Development Corporation.

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:										
Regular	23.0	24.0	24.0	23.0	24.0	24.0	24.0	24.0	23.0	20.0
Special Education	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & Instruction Related Services	12.0	12.0	12.0	12.0	12.0	12.0	12.0	9.0	5.0	5.0
General Administrative Services	1.0	1.0	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.0
School Administrative Services	3.0	3.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0
Central Services	2.0	1.0				1.0	1.0	2.0	2.0	2.0
Plant Operations and Maintenance	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>49.0</u>	<u>50.0</u>	<u>50.0</u>	<u>50.0</u>	<u>48.0</u>	<u>43.0</u>	<u>40.0</u>

Source: Netcong Borough School District Personnel Records.

NETCONG BOROUGH SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	282.0	\$ 4,218,211	\$ 14,958	16.65%	32.0	1:10	1:11	282.0	267.0	1.08%	94.68%
2008	280.0	4,290,760	15,324	2.45%	33.0	1:10	1:11	280.0	262.0	-0.71%	93.57%
2009	305.0	4,348,843	14,259	-6.95%	32.0	1:12	1:11	297.0	279.0	6.07%	93.94%
2010	291.0	4,392,978	15,096	5.87%	32.0	1:12	1:11	284.0	267.0	-4.38%	94.01%
2011	286.0	4,209,486	14,718	-2.50%	32.0	1:12	1:11	285.0	270.0	0.35%	94.74%
2012	284.0	4,312,100	15,183	3.16%	32.0	1:12	1:11	284.4	267.5	-0.21%	94.06%
2013	308.0	4,759,165	15,452	1.77%	32.0	1:12	1:11	308.5	272.0	8.47%	88.17%
2014	303.0	4,919,429	16,236	5.07%	32.0	1:12	1:11	299.0	281.0	-3.08%	93.98%
2015	296.0	4,812,935	16,260	0.15%	32.0	1:15	1:16	292.0	279.0	-2.34%	95.55%
2016	289.0	5,000,569	17,303	6.42%	32.0	1:15	1:16	290.0	275.0	-0.68%	94.83%

Note: Enrollment based on annual October District count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
Netcong Elementary (1926)										
Square Feet	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135	48,135
Capacity (students)	310	310	310	310	310	310	310	310	310	310
Enrollment	282	280	305	291	286	284	308	303	296	289

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Netcong Borough School District Records.

NETCONG BOROUGH SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

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

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Netcong Elementary Board Office	N/A	\$ 46,037	\$ 38,950 6,985	\$ 50,610	\$ 43,287	\$ 39,280
Grand Total		<u>\$ 46,037</u>	<u>\$ 45,935</u>	<u>\$ 50,610</u>	<u>\$ 43,287</u>	<u>\$ 39,280</u>

<u>School Facilities*</u>	<u>Project # (s)</u>	<u>Fiscal Year Ended June 30,</u>				
		<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Netcong Elementary Board Office	N/A	\$ 40,901	\$ 59,242	\$ 88,159	\$ 57,738	\$ 84,370
Grand Total		<u>\$ 40,901</u>	<u>\$ 59,242</u>	<u>\$ 88,159</u>	<u>\$ 57,738</u>	<u>\$ 84,370</u>

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

Source: Netcong Borough School District Financial Reports.

Exhibit J-20

NETCONG BOROUGH SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package - NJSIG:		
Property - Blanket Building and Contents	\$ 400,000,000	\$ 1,000
Accounts Receivable	(Per Occurrence) 250,000	1,000
Electronic Data Processing Equipment	(Per Occurrence) 475,000	1,000
Comprehensive General Liability - NJSIG:		
Occurrence Limit	16,000,000	None
Automobile	(Per Accident) 16,000,000	None
Employee Benefit Liability	16,000,000	1,000
Workers' Compensation - NJSIG:		
Statutory Benefits	Included	
Employer's Liability	2,000,000	
Supplemental Coverage	7 Day Waiting Period Included	
School Board Legal Liability - NJSIG:		
Directors' and Officers' Policy		
Limit Each Loss	(Per Policy Period) 16,000,000	5,000
Crime - NJSIG:		
Blanket Employee Dishonesty	100,000	500
(Per Loss Member Aggregate Limit)	50,000	
Forgery	50,000	500
Theft/Disappearance/Destruction:		
Inside	50,000	500
Outside	50,000	500
Public Official Bonds - RLI Insurance Company:		
Treasurer	175,000	1,000
School Business Administrator/Board Secretary	50,000	500

Source: Netcong Borough School District Financial Reports.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education of the
 Netcong Borough School District
 County of Morris, 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 Netcong Borough School District, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 29, 2016.

Internal Control Over Financial Reporting

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

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

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

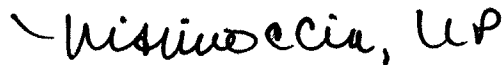
The Honorable President and Members
of the Board of Education of the
Netcong Borough School District
Page 2

Compliance and Other Matters

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

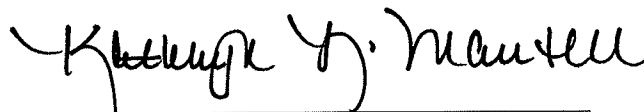
Purpose of this Report

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



NISIVOCCIA LLP

September 29, 2016
Mount Arlington, New Jersey



Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



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

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education of the
 Netcong Borough School District
 County of Morris, New Jersey

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major State Program

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

The Honorable President and Members
of the Board of Education
Netcong Borough School District
Page 2

Report on Internal Control Over Compliance

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

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

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

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

Nisivoccia, LLP

NISIVOCCIA LLP

September 29, 2016
Mount Arlington, New Jersey

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2016		Amounts Paid to Subrecipients
			From	To		Budgetary Receivable/ Unearned Revenue				Budgetary (Accounts Receivable)	Budgetary Unearned Revenue	
U.S. Department of Education Passed-through State Department of Education:												
Special Revenue Fund:												
Special Education Cluster:												
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-15	7/1/14	6/30/15	\$ 103,305	\$ (1,923)	\$ 1,923					
I.D.E.A. Part B, Basic Regular	84.027	IDEA-3520-16	7/1/15	6/30/16	106,329		91,337	\$ (91,337)				
I.D.E.A. Part B, Preschool	84.172	IDEA-3520-16	7/1/15	6/30/16	5,397		5,397	(5,397)				
Total Special Education Cluster						(1,923)	98,657	(96,734)				
No Child Left Behind:												
Title I	84.010A	NCLB-3520-15	7/1/14	6/30/15	74,181	(14,644)	14,644					
Title I	84.010A	NCLB-3520-16	7/1/15	6/30/16	76,715		69,048	(73,727)	\$ (4,679)			
Title IIA	84.367A	NCLB-3520-15	7/1/14	6/30/15	10,860	(1,267)	1,267					
Title IIA	84.367A	NCLB-3520-16	7/1/15	6/30/16	18,885		9,594	(9,594)				
Total U.S. Department of Education - No Child Left Behind						(15,911)	94,553	(83,321)	(4,679)			
State Fiscal Stabilization Fund (SFSF):												
ARRA - Race-to-the-Top	84.395	N/A	9/1/10	11/30/15	4,522		2,476	(2,476)				
Total U.S. Department of Education - Special Revenue Fund						(17,834)	193,210	(182,531)	(4,679)			
U.S. Department of Agriculture -												
Passed-through State Department of Agriculture:												
Enterprise Fund												
Child Nutrition Cluster:												
Food Distribution Program	10.555	N/A	7/1/15	6/30/16	8,520		8,520	(7,225)		\$ 1,295		
Food Distribution Program	10.555	N/A	7/1/14	6/30/15	8,363	381		(381)				

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015	Cash Received	Budgetary Expenditures	Paid to Grantor	Balance at June 30, 2016		Amounts Paid to Subrecipients
			From	To		Budgetary (Accounts Receivable)/ Unearned Revenue				Budgetary (Accounts Receivable)	Budgetary Unearned Revenue	
U.S. Department of Agriculture -												
Passed-through State Department of Education:												
Enterprise Fund												
Child Nutrition Cluster:												
School Breakfast Program	10.553	N/A	7/1/14	6/30/15	\$ 9,612	\$ (451)	\$ 451					
School Breakfast Program	10.553	N/A	7/1/15	6/30/16	8,350		7,954	\$ (8,350)		\$ (396)		
National School Lunch Program	10.555	N/A	7/1/14	6/30/15	46,556	(1,524)	1,524					
National School Lunch Program	10.555	N/A	7/1/15	6/30/16	45,654		43,359	(45,654)		(2,295)		
Total Enterprise Fund						(1,594)	61,808	(61,610)		(2,691)	\$ 1,295	
TOTAL FEDERAL AWARDS						\$ (19,428)	\$ 257,494	\$ (244,141)	\$ - 0 -	\$ (7,370)	\$ 1,295	\$ - 0 -

N/A - Not Available/Applicable

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015			Canceled	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO	
		From	To		Budgetary (Accounts Receivable)	Due to Grantor	Cash Received				GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Equalization Aid	16-495-034-5120-078	7/1/15	6/30/16	\$ 877,594					\$ 790,339					\$ (87,255) \$ 877,594
School Choice	16-495-034-5120-068	7/1/15	6/30/16	119,922					107,998					(11,924) 119,922
Categorical Special Education Aid	16-495-034-5120-089	7/1/15	6/30/16	169,291					152,459					(16,832) 169,291
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	12,194					10,982					(1,212) 12,194
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	86					77					(9) 86
Under Adequacy Aid	16-495-034-5120-096	7/1/15	6/30/16	10,772					9,701					(1,071) 10,772
PARCC Readiness Aid	16-495-034-5120-098	7/1/15	6/30/16	2,950					2,657					(293) 2,950
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	2,950					2,657					(293) 2,950
Extraordinary Aid	16-495-034-5120-044	7/1/15	6/30/16	28,665								\$ (28,665)		(28,665) 28,665
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	870								(870)		(870) 870
Reimbursed TPAF Social Security	16-495-034-5094-003	7/1/15	6/30/16	158,725					151,398			(7,327)		(7,327) 158,725
Equalization Aid	15-495-034-5120-078	7/1/14	6/30/15	877,594	\$ (87,237)				87,237					
School Choice	15-495-034-5120-068	7/1/14	6/30/15	87,216	(8,670)				8,670					
Categorical Special Education Aid	15-495-034-5120-089	7/1/14	6/30/15	169,291	(16,828)				16,828					
Security Aid	15-495-034-5120-084	7/1/14	6/30/15	12,194	(1,212)				1,212					
Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	86	(9)				9					
Under Adequacy Aid	15-495-034-5120-096	7/1/14	6/30/15	10,772	(1,071)				1,071					
PARCC Readiness Aid	15-495-034-5120-098	7/1/14	6/30/15	2,950	(293)				293					
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	2,950	(293)				293					
Extraordinary Aid	15-495-034-5120-044	7/1/14	6/30/15	16,003	(16,003)				16,003					
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	1,273	(1,273)				1,273					
Reimbursed TPAF Social Security	15-495-034-5095-002	7/1/14	6/30/15	175,323	(9,937)				9,937					
Total General Fund State Aid					(142,826)				1,371,094					(1384,019) (36,862) (155,751) 2,739,671
State Department of Education:														
Special Revenue Fund:														
Nonpublic Security Aid	16-100-034-5120-509	7/1/15	6/30/16	3,025					3,025			\$ 114		2,911
Nonpublic Textbook Aid	16-100-034-5120-064	7/1/15	6/30/16	6,909					6,909			698		6,211
Nonpublic Nursing Aid	16-100-034-5120-070	7/1/15	6/30/16	10,890					10,890					10,890
Nonpublic Technology Initiative	16-100-034-5120-373	7/1/15	6/30/16	3,146					3,146					3,146
Nonpublic Technology Initiative	15-100-034-5120-373	7/1/14	6/30/15	4,672		\$ 4,672				\$ 4,672				
Auxiliary Services:														
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	12,690					12,690				845	11,845
English as a Second Language	16-100-034-5120-067	7/1/15	6/30/16	2,588					2,588				2,588	
Compensatory Education	15-100-034-5120-067	7/1/14	6/30/15	11,645			358					358		11,287
Handicapped Services:														
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	12,096					12,096				5,111	6,985
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	12,541					12,541				9,447	3,094
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	5,941					5,941				2,525	3,416
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	11,169			3,787					3,787		7,382
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	9,416			5,492					5,492		3,924
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	15,020			6,362					6,362		8,658
Total Special Revenue Fund									20,671				21,328	79,749
Total State Department of Education					(142,826)				1,440,920				21,328	2,819,420

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

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance at June 30, 2015				Repayment of Prior Years' Balances	Balance at June 30, 2016		MEMO		
		From	To		Budgetary/ (Accounts Receivable)	Due to Grantor	Cash Received	Canceled		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Agriculture:														
Enterprise Fund:														
State School Lunch Program	15-100-010-3350-023	7/1/14	6/30/15	\$ 1,152	\$ (85)	\$ 70	\$ 15							
State School Lunch Program	16-100-010-3350-023	7/1/15	6/30/16	1,088		1,034		\$ (1,088)		\$ (54)		\$ (54)	\$ 1,088	
Total Enterprise Fund					(85)	1,104	15	(1,088)		(54)		(54)	1,088	
TOTAL STATE AWARDS					\$ (142,911)	\$ 20,671	\$ 1,442,024	\$ 15	\$ (1,433,605)	\$ 20,671	\$ (36,916)	\$ 21,328	\$ (155,805)	\$ 2,820,508

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

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

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(3,276) for the General Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General Fund. The schedule of expenditures of state awards does not include the on-behalf TPAF Pension or Post-Retirement Medical Benefits Contributions revenue of \$197,988 and \$235,749 respectively.

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

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Revenue from federal and state awards are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,814,480	\$ 1,814,480
Special Revenue Fund	\$ 182,531	48,498	231,029
Food Service Fund	61,610	1,088	62,698
Total Financial Assistance	<u>\$ 244,141</u>	<u>\$ 1,864,066</u>	<u>\$ 2,108,207</u>

NOTE 5. RELATIONSHIP AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

Netcong Borough School District had no loan balances at June 30, 2016.

NOTE 7. OTHER

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

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

Summary of Auditors' Results:

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

	<u>CFDA or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State:				
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 877,594	\$ 877,594
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	119,922	119,922
Categorical Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	169,291	169,291
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	12,194	12,194
Under Adequacy Aid	16-495-034-5120-096	7/1/15-6/30/16	10,772	10,772
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	2,950	2,950
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	2,950	2,950

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

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

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

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

Status of Prior Year Findings:

The District had no prior year audit findings.