

SCHOOL DISTRICT
OF
PALMYRA



Palmyra Board of Education
Palmyra, New Jersey

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
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INTRODUCTORY SECTION



PALMYRA BOARD OF EDUCATION

PALMYRA, N.J. 08065

Brian J. McBride
Superintendent of Schools

Administrative Office
301 Delaware Avenue
856-786-9300
FAX: 856-829-9638

Todd D. Reitzel
*Business Administrator/
Board Secretary*

1. **Reporting Entity and Its Services**

The Palmyra Borough Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by NCGA Statement No. 3 all funds of the District are included in this report. The Palmyra Borough Board of Education and all of its schools constitute the District's reporting entity.

The district provides a wide range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational, special area enrichment as well as special education programs for children with "special needs" including "gifted" and "learning disabled". The District completed the 2015-2016 fiscal year with an average enrollment of 936 students.

2. **Economic condition and Outlook:**

Palmyra is a residential community that has a total of 1.92 square miles and is located on the East side of the Delaware River directly across from the northern end of the City of Philadelphia. It serves as the eastern terminus of the Tacony-Palmyra Bridge, which spans the Delaware River. It is readily accessible to many major highways including Route #73, Route #I-295, Route #130 and the New Jersey Turnpike. Route #130 and Route #73 are direct access routes to Philadelphia. Conrail and New Jersey Transit have a train station in Palmyra and runs through the heart of the Borough's business district. The Palmyra School District is a three building district, which is located on the Delaware River in close proximity to Philadelphia and Trenton.

3. **Major Initiatives:**

Adopted and implemented a new Strategic Plan setting goals in the areas of Student Achievement, Public Relationships/Community Partnerships, Sustainability and Educating the Whole Student.

Reached the financial goal of holding general fund budget growth to one percent.

Increased the number of digital projectors and Smart-Boards and inter-active 3-D hardware to specifically support new curriculum and classroom initiatives.

Increased the number of elective offerings for Middle and High School student and introduced the Read 180 literacy program to the Elementary School.

Increased the number of individual class sections serving the lower elementary grades.

3. Major Initiatives (Cont'd):

Increased student access to technology over the prior year through new web based applications and by increasing the total number of web accessible workstations, laptops and other data processing capable hardware. The district also doubled its wireless access to the internet/

Maintained enrollment of 3 and 4 year olds in peer to peer preschool program.

Expanded Middle School and High School extra-curricular opportunities.

Increased the availability of Advanced Placement offerings for students.

Expanded staff professional development and student based study skills programming.

4. Internal Accounting Controls:

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

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

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

5. Budgetary Controls:

In addition to internal controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budgets and 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 cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as assignments of fund balances as of June 30, 2016.

6. Accounting Systems and Reports:

The district 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 the “Notes to the 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 Financial Statements”, Note 2. The district has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act.

8. Risk Management:

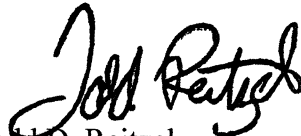
The Board of Education carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive collision, hazard and theft insurance on property, contents and fidelity bonds.

9. Other Information:

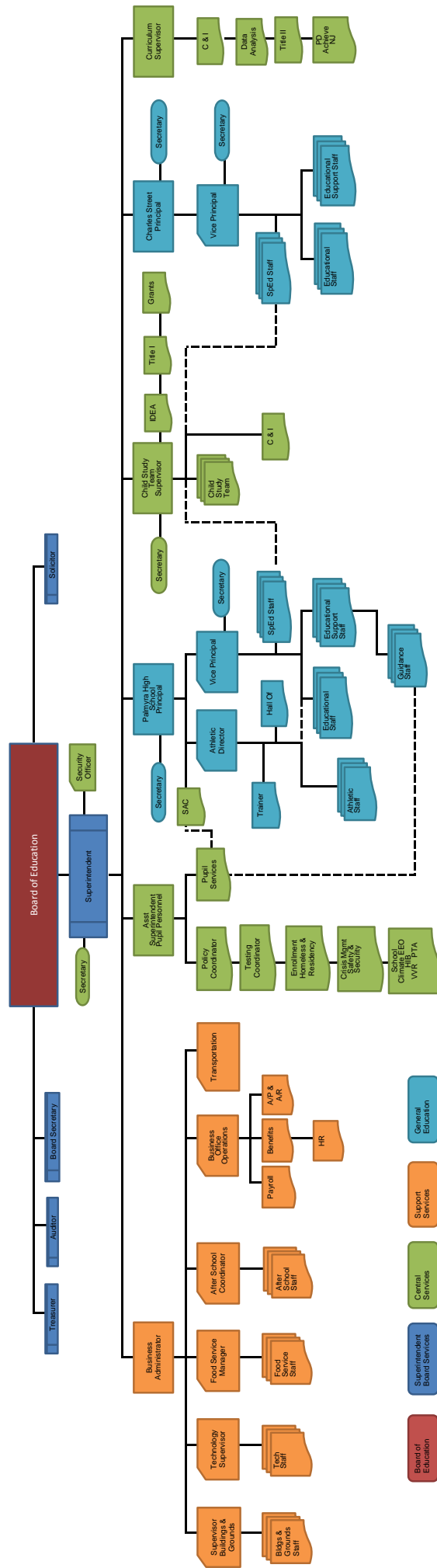
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board of Education, at its reorganization meeting, appointed the accounting firm of Bowman & Company LLP. In addition to meeting the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, the auditor’s report on the general-purpose financial statements and individual fund statements and schedules are included in the financial section of this report. The auditor’s report related specifically to the single audit is included in the single audit section of this report.



Brian J. McBride
Superintendent



Todd D. Reitzel
School Business Administrator





PALMYRA BOARD OF EDUCATION

PALMYRA, N.J. 08065

Brian J. McBride
Superintendent of Schools

Administrative Office
301 Delaware Avenue
856-786-9300
FAX: 856-829-9638

Todd D. Reitzel
*Business Administrator/
Board Secretary*

ROSTER OF OFFICIALS June 30, 2016

<u>MEMBERS OF THE BOARD OF EDUCATION</u>	<u>TERM EXPIRES</u>
Keith Austin	2017
Nancy Brett	2017
Laurie Beck	2016
Mark Russell	2016
John Quigg	2016
Sean Toner	2016
Nicolas Sarracino	2018
Amy Austin	2018
John Kay	2018

OTHER OFFICIALS/ADMINISTRATORS

Brian J. McBride	Superintendent of Schools
William R. Blatchley	Business Administrator/Board Secretary
Donna Gidjunis	Treasurer of School Monies
Ken Holloway	Principal – Palmyra High School
Mark Pease	Principal – Charles Street School
Jeanne Barber	Director of Pupil Personnel
Michael Papenberg	Director of Athletic

**PALMYRA SCHOOL DISTRICT
CONSULTANTS AND ADVISORS**

Audit Firm

Bowman & Company LLP
Certified Public Accountants & Consultants
601 White Horse Rd.
Voorhees, NJ 08043-2493

Attorney

Joseph Betley, Esquire
Acting for Capehart and Scatchard, P.A.
Laurel Corporation Center
Suite 300
8000 Midlantic Drive
Mount Laurel, NJ 08054

Bond Counsel

McManimon, Scotland, Bauman
75 Livingston Avenue
Roseland NJ 07068

Financial Advisor

Phoenix Advisors, LLC
4 West Park Street
Bordentown, NJ 08505

Official Depository

Beneficial Bank
712 Broad Street
Riverton, NJ 08077

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Palmyra School District
Palmyra, New Jersey 08065

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 Borough of Palmyra School District, in the County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Division of Administration and 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 School 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 School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Palmyra School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

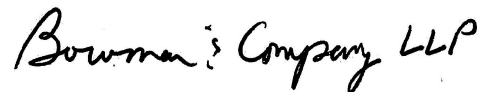
The accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016 on our consideration of the Borough of Palmyra School 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 Borough of Palmyra School District's internal control over financial reporting and compliance.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 01113

Voorhees, New Jersey
November 22, 2016

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Palmyra School District
Palmyra, New Jersey 08065

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Palmyra School District, in the County of Burlington, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control Over Financial Reporting

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

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

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

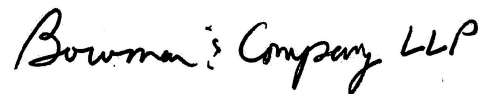
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 001113

Voorhees, New Jersey
November 22, 2016

REQUIRED SUPPLEMENTARY INFORMATION
PART I

Borough of Palmyra Board of Education School District

Management's Discussion and Analysis Fiscal Year Ended June 30, 2016

This section of the Borough of Palmyra Board of Education School District annual financial report presents our discussion and analysis of the School District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the School District's financial statements, which immediately follows this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34- Basic Financial Statements- and Management's Discussion and Analysis – for State and Local Governments issued in June 1999. Certain comparative information between the current year (2015-16) and the prior year (2014-15) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year include the following:

- Net Position for Governmental and Business-Type activities were \$766,777 and \$406,391, respectively.
- Net Position for the Governmental activities increased by \$558,553 and the Net Position for Business-Type activities increased by \$56,892 from July 1, 2015 to June 30, 2016.
- The General Fund, fund balance as of June 30, 2016 was \$3,390,080, an increase of \$322,691 when compared with the beginning balance as of July 1, 2015 of \$3,067,389.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Borough of Palmyra School District.

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

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. Table A-1 summarizes the major features of the Borough of Palmyra School District's financial statements, including the portion of the School 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 the structure and contents of each of the statements.

Table A-1

MAJOR FEATURES OF THE GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

		Fund Financial Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire School District (except fiduciary funds)	The activities of the School District that are not proprietary or fiduciary, such as regular and special education, building maintenance and transportation	Activities the School District operates similar to private businesses: Food Service Fund, After School Program
Required Financial Statements	Statement of Net Position	Balance Sheet	Statement of Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Fund Net Position
			Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues 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

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

Government-Wide Statements

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

The two government-wide statements report the Borough of Palmyra School District's net position and how they have changed. Net position – the difference between the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – are a measure of the School District's financial health or position.

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

In the government-wide financial statements the School District's activities are shown in two categories:

- *Governmental activities*- Most of the School District's basic services are included here, such as regular and special education, transportation, administration, and maintenance. Aid from the State of New Jersey and from the Federal government along with local property taxes finances most of these activities.
- *Business-type activities*-The School District charges fees to customers to help it cover the costs of certain services it provides. The School District's Food Service Program and After School Program are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds – focusing on the most significant or “major” funds – not the School District as a whole. Funds are accounting devices the School 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 School District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The School District has three kinds of funds:

- **Governmental funds** - Most of the School 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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the governmental-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds** - Services for which the School District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

Fund Financial Statements (Cont'd)

- **Fiduciary funds** – The School District is the trustee, or fiduciary, for assets that belong to others. The School 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. All of the School District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial statements because the School District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOROUGH OF PALMYRA SCHOOL DISTRICT AS A WHOLE

Net Position. The School District's net position for the fiscal years ended June 30, 2016 and 2015 are reflected in the following table.

BOROUGH OF PALMYRA SCHOOL DISTRICT'S NET POSITION						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and Other Assets	\$ 3,390,581	\$ 3,068,030	\$ 392,973	\$ 324,242	\$ 3,783,554	\$ 3,392,272
Capital Assets	12,302,127	12,907,809	21,403	26,537	12,323,530	12,934,346
Total Assets	15,692,708	15,975,839	414,376	350,779	16,107,084	16,326,618
Deferred Outflow of Resources	940,037	620,482			940,037	620,482
Noncurrent Liabilities	15,061,164	15,864,905			15,061,164	15,864,905
Other Liabilities	293,834	303,186	7,985	1,280	301,819	304,466
Total Liabilities	15,354,998	16,168,092	7,985	1,280	15,362,983	16,169,372
Deferred Inflow of Resources	510,970	220,005			510,970	220,005
Net Position:						
Net Investment in Capital Assets	1,967,127	1,687,809	21,403	26,537	1,988,530	1,714,346
Restricted	2,998,955	2,640,525			2,998,955	2,640,525
Unrestricted	(4,199,304)	(4,120,110)	384,989	322,962	(3,814,316)	(3,797,148)
Total Net Position	\$ 766,777	\$ 208,224	\$ 406,391	\$ 349,499	\$ 1,173,168	\$ 557,723

The School District's financial position for governmental and business-type activities is the product of the following factors:

- Program revenues were \$5,945,557.
 - ✓ Operating Grants & Contributions - \$4,289,649.
 - ✓ Charges for Services - \$1,655,908.
- General revenues amounted to \$14,717,990.
- Expenditures were \$20,048,181.
- Total School District revenues and beginning assets are adjusted by net adjusted expenditures resulting in a calculation of net position of \$1,173,168 as of June 30, 2016.
- Revenues (\$14,718,069) + Beginning assets (\$557,723) – Net expenditures (\$14,102,624) = Net Position of \$1,173,168.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

Changes in Net Position. Net position for **governmental and business-type activities** increased from June 30, 2015 to June 30, 2016 as reflected in the following table.

BOROUGH OF PALMYRA SCHOOL DISTRICT'S CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,361,193	\$ 1,749,865	\$ 294,715	\$ 304,437	\$ 1,655,908	\$ 2,054,302
Operating Grants and Contributions	4,043,731	1,910,537	245,917	227,293	4,289,648	2,137,830
General Revenues:						
Property Taxes	9,581,947	9,103,320			9,581,947	9,103,320
Grants and Contributions Restricted and not Restricted to Programs	5,041,154	5,033,439			5,041,154	5,033,439
Other	94,889	93,569	80	55	94,969	93,624
Total Revenues	20,122,914	17,890,730	540,712	531,785	20,663,626	18,422,515
Expenses:						
Instruction	7,171,975	7,180,484			7,171,975	7,180,484
Support Services	11,997,366	10,341,766			11,997,366	10,341,766
Interest on Debt and Related Costs	395,020	427,371			395,020	427,371
Childcare			119,501	114,003	119,501	114,003
Food Services			364,319	348,434	364,319	348,434
Total Expenses	19,564,361	17,949,621	483,820	462,437	20,048,181	18,412,058
Increase (Decrease) in Net Position	558,553	(58,891)	56,892	69,348	615,445	10,457
Net Position, July 1	208,224	267,116	349,499	280,151	557,723	547,267
Net Position, June 30	\$ 766,777	\$ 208,224	\$ 406,391	\$ 349,499	\$ 1,173,168	\$ 557,723

Total revenues for the School District were \$20,663,626. Government funding was the source of 45.16% of the School District's revenues. This includes the State of New Jersey and Federal sources.

Property taxes of \$9,581,947 provided 46.37% of revenues.

Other miscellaneous revenues of \$94,969 (net of asset items) represent 0.46% of the School District revenues. Miscellaneous revenue was primarily provided from interest, refunds and athletic sales.

The School District's expenses for government activities are predominantly related to instruction and support services. Instruction together with tuition totaled \$8,622,789 (44.07%) of total expenditures. Student and instruction related support services totaled \$1,525,066 (7.80%) of total expenditures and transportation, benefits, plant operations and general, school and business administrative services totaled \$9,021,486 (46.11%). Total revenues exceeded expenditures for governmental activities, increasing net position by \$615,445 from the beginning balance at July 1, 2015.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

Activity Descriptions

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

Tuition expenses include the cost to the School District to send pupils with special needs living within the School District to private schools and/or schools outside the School District area.

Student and instruction related services include the activities designed to assess and improve the well being of students and to supplement the teaching process.

School Administrative and General and Business Administrative services include expenses associated with establishing and administering policy for the School District including financial supervision.

Plant operation and maintenance of plant activities involve keeping the school grounds, buildings and equipment in a safe and effective working condition.

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

Unallocated benefits includes the cost of benefits for the School District staff for social security, retirement contributions, worker's compensation, health benefits, pension expense and other employee benefits.

Interest on long-term debt and amortization of bond issuance costs involve the transactions associated with the payment of interest and other related charges to the debt of the School District.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

The financial performance of the Borough of Palmyra School District as a whole is also reflected in the governmental funds which are accounted for by using the modified accrual basis of accounting. As the School District completed the year, its governmental funds reported a combined fund balance of \$3,390,581. At June 30, 2015 the general fund balance was \$3,067,890 and the debt service fund balance was \$501.

All governmental funds had total revenues of \$18,235,019 and total expenditures of \$17,912,328.

GENERAL FUND BUDGETING HIGHLIGHTS

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

The General Fund includes the primary operations of the School District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

The following schedule presents a summary of Governmental Fund Revenues. The summary reflects the dollar and percent increase (decrease) from the prior year.

GOVERNMENTAL FUNDS COMPARISON OF REVENUES FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015				
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 9,581,947	\$ 9,103,320	\$ 478,627	5.26%
Miscellaneous	1,456,082	1,843,434	(387,352)	(21.01%)
Total	11,038,029	10,946,754	91,275	0.83%
Government Sources:				
State Sources	6,590,796	6,342,142	248,654	3.92%
Federal Sources	606,194	601,834	4,360	0.72%
Total	7,196,991	6,943,976	253,015	3.64%
Total Revenues	\$ 18,235,019	\$ 17,890,730	\$ 344,289	1.92%

One of the primary sources of funding for the School District is received from local property taxes and accounted for 52.55% of total revenues. State aid accounted for 36.14% of total revenues.

Total Governmental Fund revenues increased by \$344,289, or 1.92%, from the previous year. The major component of this increase was an increase in taxes and state sources and a decrease in miscellaneous revenues.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

The following schedule presents a summary of Governmental Fund expenditures. The summary reflects the dollar and percent increases (decreases) from the prior year.

GOVERNMENTAL FUNDS COMPARISON OF EXPENDITURES FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015				
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
EXPENDITURES:				
Instruction:				
Regular	\$ 4,368,538	\$ 4,268,397	\$ 100,141	2.35%
Special Education	1,683,856	1,416,951	266,905	18.84%
Other	591,072	514,858	76,214	14.80%
Total Instruction	6,643,466	6,200,206	443,260	7.15%
Support Services:				
Tuition	1,450,814	1,371,105	79,709	5.81%
Student and Instruction Related Services	1,540,934	1,613,266	(72,332)	(4.48%)
School Administration	426,397	464,598	(38,201)	(8.22%)
General/Business Administration	628,643	762,944	(134,301)	(17.60%)
Plant Operations and Maintenance	1,338,401	1,387,803	(49,402)	(3.56%)
Pupil Transportation	294,129	311,467	(17,338)	(5.57%)
Unallocated Benefits	2,648,724	2,558,624	90,100	3.52%
TPAF and FICA Reimbursements	1,588,567	1,343,397	245,170	18.25%
Total Support Services	9,916,610	9,813,204	103,406	1.05%
Capital Outlay	58,805	86,677	(27,872)	(32.16%)
Debt Service	1,293,448	1,151,167	142,281	12.36%
Total Expenditures	\$ 17,912,329	\$ 17,251,254	\$ 661,075	3.83%

Total Governmental Fund expenditures increased \$661,074 or 3.83% from the previous year. This increase was primarily due to an increase in TPAF and FICA reimbursements, unallocated benefits and tuition and reductions in general/business administration and student and instruction related services.

The Borough of Palmyra School District values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during the school year.

During the course of fiscal year 2016 the School District modified the General Fund Budget as needed to ensure no line item was projected to be over-expended.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

DEBT SERVICE FUND

The current year obligations for payment of debt service principal and interest amounted to \$1,293,448 where funding was provided by the local tax levy and Debt Service Aid.

FOOD SERVICE PROPRIETARY FUND

The Food Service Fund's net position was \$128,554 as of June 30, 2016. This reflects an increase of \$27,680 from June 30, 2015.

AFTER SCHOOL PROGRAM PROPRIETARY FUND

The After School Program Fund's net position was \$277,837 as of June 30, 2016. This reflects an increase of \$29,212 from June 30, 2015.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital Assets are individual items purchased at a cost exceeding \$2,000, have an extended useful life of one year or more and maintain their identity and structure when placed into service.

At the end of 2016, the School District had capital assets allocated to government activities with a book value of \$12,302,127. This consists of a broad range of capital assets, including land, land improvements, buildings and improvements, and furniture, fixtures and equipment. Total depreciation expense for the year was \$664,486.50.

BOROUGH OF PALMYRA SCHOOL DISTRICT'S CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION)						
	Governmental Activities		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 46,066	\$ 46,066			\$ 46,066	\$ 46,066
Building and Improvements	12,003,943	12,609,241			12,003,943	12,609,241
Furniture, Fixtures and Equipment	252,117	252,502	\$ 21,403	\$ 26,537	273,520	279,039
Total	\$ 12,302,127	\$ 12,907,809	\$ 21,403	\$ 26,537	\$ 12,323,530	\$ 12,934,346

Debt Administration - Long-term Obligations

At year-end, the School District had \$10,335,000 in general obligation bonds and loans outstanding, a decrease of \$885,000 from last year. The School District does not anticipate incurring any new long-term debt at this time other than issuing refunding bonds in August 2016 to refund the outstanding callable bonds of 2006 and 2009.

The School District also had a \$935,917 liability for compensated absences allocated to government activities. This liability represents the School District's contractual obligation to compensate employees for accumulated unused sick and vacation leave entitlements upon retirement.

The School District's proportionate share of net pension liability was \$3,790,247.

Borough of Palmyra School District
Palmyra, New Jersey

Management's Discussion and Analysis (continued)
Fiscal Year Ended June 30, 2016

BOROUGH OF PALMYRA SCHOOL DISTRICT SCHEDULE OF LONG TERM OBLIGATIONS				
	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage of Increase (Decrease)</u>
Bonds	\$ 10,335,000	\$ 11,220,000	\$ (885,000)	(7.89%)
Net Pension Liability	3,790,247	3,691,696	98,551	2.67%
Compensated Absences	935,917	953,209	(17,292)	(1.81%)
Total	\$ 15,061,164	\$ 15,864,905	\$ (803,741)	(5.07%)

THE FUTURE OUTLOOK

The Borough of Palmyra School District is presently in a stable financial position.

The School District has done a commendable job managing the budget through changing state regulations, unfunded mandates and the high turnover rate among senior staff. The over reliance on fund balances in prior years and the level of property tax support for the School District has been stabilized. The School District remains committed to serving students and taxpayers and it continues to strive for an exceptional program and a stable tax rate.

The School District's system for financial planning, budgeting and internal controls are continually reviewed in an effort to align routine operational processes with the continually changing educational demands as well as those demands imposed upon the School District by outside authorities having jurisdiction. The School District is committed to continuing its sound fiscal management to meet the challenges of the future.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator/Board Secretary at:

Borough of Palmyra Board of Education, 301 Delaware Ave., Palmyra, New Jersey 08065.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BOROUGH OF PALMYRA SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and Cash Equivalents	\$ 3,238,150.19	\$ 367,751.01	\$ 3,605,901.20
Receivables, net	152,431.06	15,466.79	167,897.85
Inventory		9,755.30	9,755.30
Capital Assets, net (Note 6)	<u>12,302,127.14</u>	<u>21,402.57</u>	<u>12,323,529.71</u>
Total Assets	<u>15,692,708.39</u>	<u>414,375.67</u>	<u>16,107,084.06</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	<u>940,037.00</u>		<u>940,037.00</u>
LIABILITIES:			
Accounts Payable:			
Related to Pensions	149,378.00		149,378.00
Accrued Interest	144,456.42		144,456.42
Unearned Revenue		7,984.55	7,984.55
Noncurrent Liabilities (Note 7):			
Due within One Year	950,910.85		950,910.85
Due beyond One Year	<u>14,110,252.85</u>		<u>14,110,252.85</u>
Total Liabilities	<u>15,354,998.12</u>	<u>7,984.55</u>	<u>15,362,982.67</u>
DEFERRED INFLOWS OF RESOURCES:			
Related to Pensions (Note 9)	<u>510,970.00</u>		<u>510,970.00</u>
NET POSITION:			
Net Investment in Capital Assets	1,967,127.14	21,402.57	1,988,529.71
Restricted for:			
Debt Service	501.42		501.42
Capital Projects	652,440.49		652,440.49
Other Purposes	2,346,012.60		2,346,012.60
Unrestricted (Deficit)	<u>(4,199,304.38)</u>	<u>384,988.55</u>	<u>(3,814,315.83)</u>
Total Net Position	<u>\$ 766,777.27</u>	<u>\$ 406,391.12</u>	<u>\$ 1,173,168.39</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions / Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 4,897,046.86	\$ 1,361,193.10	\$ 481,463.00		\$ (3,535,853.76)	\$	\$ (3,535,853.76)
Special Education	1,693,856.37				(1,202,393.37)		(1,202,393.37)
Other Special Instruction	591,071.53				(591,071.53)		(591,071.53)
Support Services:							
Tuition	1,450,814.19				(1,450,814.19)		(1,450,814.19)
Student and Instruction Related Services	1,525,066.22		85,806.00		(1,439,260.22)		(1,439,260.22)
School Administrative Services	403,065.91				(403,065.91)		(403,065.91)
General and Business Administrative Services	713,232.73				(713,232.73)		(713,232.73)
Plant Operations and Maintenance	1,417,719.72				(1,417,719.72)		(1,417,719.72)
Pupil Transportation	289,333.18				(289,333.18)		(289,333.18)
Unallocated Benefits	6,198,134.54		3,476,462.42		(2,721,672.12)		(2,721,672.12)
Interest on Long-Term Debt	395,020.22				(395,020.22)		(395,020.22)
Total Governmental Activities	19,564,361.47	1,361,193.10	4,043,731.42	-	(14,159,436.95)	-	(14,159,436.95)
Business-Type Activities:							
Food Service	364,318.52	146,001.19	245,917.54			\$ 27,600.21	27,600.21
After School Program	119,501.30	148,713.64				29,212.34	29,212.34
Total Business-Type Activities	483,819.82	294,714.83	245,917.54	-	-	56,812.55	56,812.55
Total Primary Government	\$ 20,048,181.29	\$ 1,655,907.93	\$ 4,289,648.96	\$ -	(14,159,436.95)	56,812.55	(14,102,624.40)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, net					8,633,789.00		8,633,789.00
Property Taxes Levied for Debt Service					948,158.00		948,158.00
Federal and State Aid not Restricted					5,041,154.21		5,041,154.21
Miscellaneous Income					94,888.66	79.71	94,968.37
Total General Revenues					14,717,989.87	79.71	14,718,069.58
Change in Net Position					558,552.92	56,892.26	615,445.18
Net Position -- July 1					208,224.35	349,498.86	557,723.21
Net Position -- June 30					\$ 766,777.27	\$ 406,391.12	\$ 1,173,168.39

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

FUND FINANCIAL STATEMENTS

BOROUGH OF PALMYRA SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2016

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 3,237,648.77		\$ 501.42	\$ 3,238,150.19
Receivables, net:				
Interfunds Receivable:				
Payroll Fund	12,266.35			12,266.35
Receivables from Other Governments:				
Federal Sources	22,390.31			22,390.31
State Sources	102,305.00			102,305.00
Other Receivables	15,469.40			15,469.40
Total Assets	\$ 3,390,079.83	\$ -	\$ 501.42	\$ 3,390,581.25
LIABILITIES AND FUND BALANCES:				
Fund Balances:				
Restricted:				
Excess Surplus	\$ 330,830.83			\$ 330,830.83
Excess Surplus - Subsequent Year's Expenditures	986,786.00			986,786.00
Capital Reserve	652,440.49			652,440.49
Maintenance Reserve	988,025.34			988,025.34
Debt Service Fund			\$ 501.42	501.42
Assigned:				
Subsequent Year's Expenditures	24,488.00			24,488.00
Subsequent Year's Expenditures - SEMI Cost Settlement	15,882.43			15,882.43
Unassigned:				
General Fund	391,626.74			391,626.74
Total Fund Balances	3,390,079.83	-	501.42	3,390,581.25
Total Liabilities and Fund Balances	\$ 3,390,079.83	\$ -	\$ 501.42	
Amounts reported for <i>governmental activities</i> 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 \$22,548,123.03, and the accumulated depreciation is \$10,245,995.89.				12,302,127.14
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the funds.				(11,270,916.70)
Net Pension Liability				(3,790,247.00)
Accounts Payable related to the April 1, 2017 Required PERS pension contribution that is not to be liquidated with current financial resources.				(149,378.00)
Deferred Outflows of Resources - Related to Pensions				940,037.00
Deferred Inflows of Resources - Related to Pensions				(510,970.00)
Interest on long term debt is accrued on the Statement of Net Position regardless when due.				(144,456.42)
Net Position of Governmental Activities				\$ 766,777.27

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

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Local Tax Levy	\$ 8,633,789.00		\$ 948,158.00	\$9,581,947.00
Miscellaneous	1,456,081.76			1,456,081.76
State Sources	6,399,703.42		191,093.00	6,590,796.42
Federal Sources	38,925.21	\$ 567,269.00		606,194.21
Total Revenues	<u>16,528,499.39</u>	<u>567,269.00</u>	<u>1,139,251.00</u>	<u>18,235,019.39</u>
EXPENDITURES:				
Regular Instruction	4,368,538.11			4,368,538.11
Special Education Instruction	1,202,393.37	481,463.00		1,683,856.37
Other Special Instruction	591,071.53			591,071.53
Support Services and Undistributed Costs:				
Tuition	1,450,814.19			1,450,814.19
Student and Instruction Related Services	1,455,128.42	85,806.00		1,540,934.42
School Administrative Services	426,397.18			426,397.18
Other Administrative Services	628,642.47			628,642.47
Plant Operations and Maintenance	1,338,400.72			1,338,400.72
Pupil Transportation	294,129.10			294,129.10
Unallocated Benefits	2,648,724.02			2,648,724.02
Reimbursed TPAF Pension and Social Security	1,588,567.42			1,588,567.42
Debt Service:				
Principal			885,000.00	885,000.00
Interest and Other Charges	3,043.00		405,405.00	408,448.00
Capital Outlay	58,804.64			58,804.64
Total Expenditures	<u>16,054,654.17</u>	<u>567,269.00</u>	<u>1,290,405.00</u>	<u>17,912,328.17</u>
Excess (Deficiency) of Revenues over Expenditures	<u>473,845.22</u>	<u>-</u>	<u>(151,154.00)</u>	<u>322,691.22</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In			151,154.00	151,154.00
Operating Transfers Out	(151,154.00)			(151,154.00)
Total Other Financing Sources (Uses)	<u>(151,154.00)</u>	<u>-</u>	<u>151,154.00</u>	<u>-</u>
Net Change in Fund Balances	322,691.22			322,691.22
Fund Balance -- July 1	3,067,388.61	-	501.42	3,067,890.03
Fund Balance -- June 30	<u>\$ 3,390,079.83</u>	<u>\$ -</u>	<u>\$ 501.42</u>	<u>\$ 3,390,581.25</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Governmental Funds
 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		\$ 322,691.22
<p>Amounts reported for governmental activities in the statement of activities (A-2) are different because:</p>		
<p>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 exceeded depreciation in the period.</p>		
Depreciation Expense	\$ (664,486.50)	
Capital Outlays	<u>58,804.64</u>	
		(605,681.86)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		885,000.00
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. The decrease in accrued interest is an addition in the reconciliation. (+)		13,427.78
Governmental funds report School District pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned is reported as pension expense. This is the amount by which pension benefits earned exceeded the School District's pension contributions in the current period.		(74,177.00)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		17,292.78
		<u>17,292.78</u>
Change in Net Position of Governmental Activities		<u>\$ 558,552.92</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT

Proprietary Funds
Statement of Net Position
June 30, 2016

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 90,550.74	\$ 277,200.27	\$ 367,751.01
Accounts Receivable:			
State	240.45		240.45
Federal	11,887.46		11,887.46
Other	2,702.10	636.78	3,338.88
Inventories	9,755.30		9,755.30
Total Current Assets	<u>115,136.05</u>	<u>277,837.05</u>	<u>392,973.10</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment	304,189.75		304,189.75
Less Accumulated Depreciation	<u>(282,787.18)</u>		<u>(282,787.18)</u>
Total Noncurrent Assets	<u>21,402.57</u>	<u>-</u>	<u>21,402.57</u>
Total Assets	<u>136,538.62</u>	<u>277,837.05</u>	<u>414,375.67</u>
LIABILITIES:			
Current Liabilities:			
Unearned Revenue	<u>7,984.55</u>		<u>7,984.55</u>
Total Liabilities	<u>7,984.55</u>	<u>-</u>	<u>7,984.55</u>
NET POSITION:			
Restricted:			
Net Investment in Capital Assets	21,402.57		21,402.57
Unrestricted	<u>107,151.50</u>	<u>277,837.05</u>	<u>384,988.55</u>
Total Net Position	<u>\$ 128,554.07</u>	<u>\$ 277,837.05</u>	<u>\$ 406,391.12</u>

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

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

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Daily Sales:			
Non-reimbursable Programs	\$ 62,737.33		\$ 62,737.33
Reimbursable Program -- School Breakfast	6,075.82		6,075.82
Reimbursable Program -- School Lunch	77,188.04		77,188.04
Child Care Fees		\$ 148,713.64	148,713.64
Total Operating Revenues	<u>146,001.19</u>	<u>148,713.64</u>	<u>294,714.83</u>
OPERATING EXPENSES:			
Salaries		82,047.10	82,047.10
Employee Benefits		23,299.71	23,299.71
Salaries of Food Management Company	146,180.41		146,180.41
Management Fee	18,359.88		18,359.88
General Supplies	10,562.73	5,468.21	16,030.94
Direct Expenses	11,024.39		11,024.39
Depreciation	5,134.39		5,134.39
Other Professional and Technical Services		8,686.28	8,686.28
Cost of Sales - Reimbursable Programs	144,110.72		144,110.72
Cost of Sales - Non-reimbursable Programs	28,946.00		28,946.00
Total Operating Expenses	<u>364,318.52</u>	<u>119,501.30</u>	<u>483,819.82</u>
Operating Income / (Loss)	<u>(218,317.33)</u>	<u>29,212.34</u>	<u>(189,104.99)</u>
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	4,230.06		4,230.06
Federal Sources:			
National School Lunch Program	176,301.56		176,301.56
National School Breakfast Program	32,181.37		32,181.37
Food Distribution Program	33,204.55		33,204.55
Interest Revenue	79.71		79.71
Total Nonoperating Revenues	<u>245,997.25</u>	<u>-</u>	<u>245,997.25</u>
Change in Net Position	27,679.92	29,212.34	56,892.26
Net Position -- July 1	<u>100,874.15</u>	<u>248,624.71</u>	<u>349,498.86</u>
Net Position -- June 30	<u>\$ 128,554.07</u>	<u>\$ 277,837.05</u>	<u>\$ 406,391.12</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Proprietary Funds
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 147,105.62	\$ 148,507.38	\$ 295,613.00
Payments to Management Company	(320,915.26)		(320,915.26)
Payments to Employees		(82,047.10)	(82,047.10)
Payments for Employee Benefits		(23,299.71)	(23,299.71)
Payments for Supplies and Services	<u>(33,204.55)</u>	<u>(14,154.49)</u>	<u>(47,359.04)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(207,014.19)</u>	<u>29,006.08</u>	<u>(178,008.11)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	4,417.69		4,417.69
Federal Sources	<u>243,971.60</u>		<u>243,971.60</u>
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>248,389.29</u>	<u>-</u>	<u>248,389.29</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	<u>79.71</u>		<u>79.71</u>
Net Increase in Cash and Cash Equivalents	41,454.81	29,006.08	70,460.89
Cash and Cash Equivalents -- July 1	<u>49,095.93</u>	<u>248,194.19</u>	<u>297,290.12</u>
Cash and Cash Equivalents -- June 30	<u>\$ 90,550.74</u>	<u>\$ 277,200.27</u>	<u>\$ 367,751.01</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used)			
by Operating Activities:			
Operating Income (Loss)	\$ (218,317.33)	\$ 29,212.34	\$ (189,104.99)
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	5,134.39		5,134.39
(Increase) Decrease in Inventories	(739.02)		(739.02)
Increase (Decrease) in Unearned Revenue	6,704.27		6,704.27
(Increase) Decrease in Accounts Receivable	<u>203.50</u>	<u>(206.26)</u>	<u>(2.76)</u>
Total Adjustments	<u>11,303.14</u>	<u>(206.26)</u>	<u>11,096.88</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (207,014.19)</u>	<u>\$ 29,006.08</u>	<u>\$ (178,008.11)</u>

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Fiduciary Net Position
 June 30, 2016

	Private-Purpose Trust Fund	Agency Funds	
	Unemployment Compensation	Student Activity	Payroll
ASSETS:			
Cash and Cash Equivalents	\$ 91,941.12	\$81,920.00	\$22,981.65
Interfund Accounts Receivable:			
Due Payroll Agency Fund	5,216.74		
Total Assets	97,157.86	\$81,920.00	\$22,981.65
LIABILITIES:			
Interfund Accounts Payable:			
Due General Fund			\$ 12,266.35
Due Unemployment Compensation Trust Fund			5,216.74
Payable to Student Groups		\$81,920.00	
Payroll Deductions and Withholdings			5,498.56
Total Liabilities	-	\$81,920.00	\$22,981.65
NET POSITION:			
Restricted:			
Held in Trust for Payment of Claims	\$ 97,157.86		

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2016

	Private-Purpose Trust Fund
	Unemployment Compensation Insurance Trust Fund
ADDITIONS:	
Interest on Investments	\$ 70.03
Employer Contributions	25,000.00
Employee Contributions	15,010.80
Total Additions	40,080.83
DEDUCTIONS:	
Claims Paid	16,594.01
Total Deductions	16,594.01
Changes in Net Position	23,486.82
Net Position -- July 1	73,671.04
Net Position -- June 30	\$ 97,157.86

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

BOROUGH OF PALMYRA SCHOOL DISTRICT
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Borough of Palmyra School District (the "School District") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Description of the Financial Reporting Entity

The School District is a Type II district located in the County of Burlington, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education (the "Board"). The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three member's terms expire each year. The Superintendent is appointed by the Board to act as executive officer of the School District. The purpose of the School District is to educate students in grades Pre-K through 12 at its three schools. The School District has an approximate enrollment at June 30, 2016 of 936.

The primary criterion for including activities within the School District's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, is the degree of oversight responsibility maintained by the School District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the School District over which the Board exercises operating control.

Component Units

In evaluating how to define the School District for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Component Units (Cont'd)**

Based upon the application of these criteria, the School District has no component units, and is not a component unit of another governmental agency.

Government-wide and Fund Financial Statements

The School District's basic financial statements consist of government-wide statements, and fund financial statements which provide a more detailed level of financial information.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. It is the policy of the School District to not allocate indirect expenses to functions in the statement of activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

In regards to the fund financial statements, the School District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a single column. Fiduciary funds are reported by fund type.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Property taxes are recognized as revenues in the year for which they are levied. The Burlington County Board of Taxation is responsible for the assessment of properties, and the respective municipal tax collector is responsible for the collection of property taxes. Assessments are certified and property taxes are levied on January 1. Property tax payments are due February 1, May 1, August 1 and November 1. Unpaid property taxes are considered delinquent the following January 1 and are then subject to municipal lien. In accordance with New Jersey State Statute, the School District is entitled to receive moneys under an established payment schedule, and any unpaid amount is considered as an accounts receivable. The governing body of each municipality is required to pay over to the School District, within forty (40) days after the beginning of the school year, twenty percent (20%) of the moneys from school tax due. Thereafter, but prior to the last day of the school year, the municipality must pay the balance of moneys from school tax due for school purposes in such amounts as requested, with certain limitations, from time to time by the School District, within thirty days after each request.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are deemed both available and measurable. Available means when revenues are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Measurable means that the amount of revenue can be determined. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, tuition, reimbursable-type grants, and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the School District.

The School District reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment classified in the capital outlay sub-fund.

As required by the New Jersey State Department of Education, the School District includes budgeted capital outlay in this fund. Accounting principles generally accepted in the United States of America, as they pertain to governmental entities, state that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid, ad valorem tax revenues, and appropriated fund balance. Expenditures are those which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to, or remodeling of buildings, and the purchase of built-in equipment.

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 expenditures for specified purposes other than debt service or capital projects.

Capital Projects Fund - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds. The financial resources are derived from New Jersey Economic Development Authority grants, temporary notes, serial bonds which are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, or from the general fund by way of transfers from capital outlay or the capital reserve account.

Debt Service Fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont'd)**

Proprietary funds are used to account for the School District's ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All items not meeting this definition are reported as nonoperating revenues and expenses.

The School District reports the following major proprietary funds:

Food Service Fund - This fund accounts for the financial transactions related to the food service operations of the School District.

After School Fund - This fund accounts for the financial activity related to providing day care services for School District students after school.

Fiduciary funds are used to account for assets held by the School District on behalf of outside related organizations or on behalf of other funds within the School District. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds.

The School District maintains the following fiduciary funds:

Agency Funds - Agency funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governments, and / or other funds (i.e., payroll and student activities). The School District retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District maintains the following agency funds: student activity fund and payroll fund.

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for the principal and income for all other trust arrangements that benefit individuals, private organizations, or other governments. The School District maintains the following private-purpose trust fund:

New Jersey Unemployment Compensation Insurance Trust Fund - Revenues consist of contributions that have been included in the annual budget of the School District, employee payroll withholdings, and interest income. Expenditures represent claims incurred for unemployment.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Budgets / Budgetary Control**

Annual appropriated budgets are prepared in the spring of each fiscal year for the general, special revenue, and debt service funds, and are submitted to the county office of education. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012, to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. 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. 6A:23A-16.2(f)1. Transfers of appropriations may be made by school board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only, and the special revenue fund. N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, school districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. 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 budgetary basis. The budgetary basis differs from GAAP in that the budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The budget, as detailed on exhibit C-1, C-2 and exhibit I-3 includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounting, as presented in the general fund budgetary comparison schedule and the special revenue fund budgetary comparison schedule, to the GAAP basis of accounting as presented in the statement of revenues, expenditures and changes in fund balances - governmental funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows the modified accrual basis of accounting, with the exception of the aforementioned revenue recognition policy for the one or more June state aid payments.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to assign a portion of the applicable appropriation, is utilized for budgetary control purposes. Encumbrances are a component of fund balance at fiscal year-end as they do not constitute expenditures or liabilities, but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the special revenue fund, which have not been previously restricted, committed, or assigned, should be included within committed or assigned fund balance, as appropriate.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Encumbrances (Cont'd)**

Open encumbrances in the special revenue fund, however, for which the School District has received advances of grant awards, are reflected on the balance sheet as unearned revenues at fiscal year-end.

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents, for all funds, include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows for the proprietary funds. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

Inventories

Inventories are valued at cost, which approximates market. The costs are determined on a first-in, first-out method.

The cost of inventories in the governmental fund financial statements is recorded as expenditures when consumed rather than when purchased.

Inventories recorded on the government-wide financial statements and in the proprietary fund types are recorded as expenses when consumed rather than when purchased.

Tuition Receivable

Tuition charges were established by the School District based on estimated costs. The charges are subject to adjustment when the final costs are determined.

Prepaid Expenses

Prepaid expenses recorded on the government-wide financial statements and in the proprietary fund types represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Prepaid Expenses (Cont'd)**

In the governmental fund financial statements, however, payments for prepaid items are fully recognized as expenditures in the fiscal year of payment. No asset for the prepayment is created, and no expenditure allocation to future accounting periods is required (*non-allocation method*). This is consistent with the basic governmental concept that only expendable financial resources are reported by a specific fund.

Short-Term Interfund Receivables / Payables

Short-term interfund receivables / payables (internal balances) represent amounts that are owed, other than charges for goods or services rendered to / from a particular fund within the School District, and that are due within one year. Such balances are eliminated in the statement of net position to minimize the grossing up of internal balances, thus leaving a net amount due between the governmental and business-type activities that are eliminated in the total government column. Balances with fiduciary activities are not considered to be internal balances; therefore, such balances appear on the statement of net position as accounts receivable.

Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the School District. Purchased capital assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position and proprietary fund statement of net position. In the case of gifts or contributions, such capital assets are recorded at acquisition value at the time received.

The School District's capitalization threshold is \$2,000.00. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets, except land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 20 Years
Buildings and Improvements	20 - 65 Years
Land Improvements	20 Years

The School District does not possess any infrastructure assets.

Deferred Outflows and Deferred Inflows of Resources

The statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The School District is required to report the following as deferred outflows of resources and deferred inflows of resources:

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Deferred Outflows and Deferred Inflows of Resources (Cont'd)**

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the School District's proportion of expenses and liabilities to the pension as a whole, differences between the School District's pension contribution and its proportionate share of contributions, and the School District's pension contributions subsequent to the pension valuation measurement date.

Tuition Payable

Tuition charges for the fiscal years ended June 30, 2016 and 2015 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measurable and the School District is eligible to realize the revenue.

Accrued Salaries and Wages

Certain School District employees who provide services to the School District over the ten-month academic year have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016, the amounts earned by these employees were disbursed to the employees' own individual credit union accounts.

Compensated Absences

Compensated absences are payments to employees for accumulated time such as paid vacation, paid holidays, sick pay, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the School District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the School District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The School District uses the vesting method to calculate the compensated absences amount. The entire compensated absence liability, including the employer's share of applicable taxes, is reported on the government-wide financial statements. The portion related to employees in the proprietary funds is recorded at the fund level. The current portion is the amount estimated to be used in the following fiscal year. Expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources. Bonds are recognized as a liability on the governmental fund financial statements when due.

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

Bond Discounts / Premiums

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

Net Position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Fund Balance**

The School District reports fund balance in classifications that comprise a hierarchy based primarily on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The School District's classifications, and policies for determining such classifications, are as follows:

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

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

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

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

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

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

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures / expenses in the purchaser funds. 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 proprietary funds. Reimbursements from funds responsible for particular expenditures / expenses to the funds that initially paid for them are not presented on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles**Recently Issued and Adopted Accounting Pronouncements**

For the fiscal year ended June 30, 2016, the School District adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this Statement had no impact on the basic financial statements of the School District.

In addition, the School District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The adoption of this Statement had no impact on the basic financial statements of the School District.

Lastly, the School District adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this Statement had no impact on the basic financial statements of the School District.

Recently Issued Accounting Pronouncements

The GASB has issued the following Statements during the fiscal year ended June 30, 2016 which will become effective in future fiscal years as shown below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Impact of Recently Issued Accounting Principles (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement will become effective for the School District in fiscal year 2018. Management has not yet determined the impact of this Statement on the basic financial statements of the School District.

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Statement will become effective for the School District in fiscal year 2018. Management does not expect this Statement will have an impact on the basic financial statements of the School District.

Statement No. 82, *Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Statement will become effective for the School District in fiscal year 2017. Management does not expect this Statement will have a material impact on the basic financial statements of the School District.

Note 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the School District relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

As of June 30, 2016, the School District's bank balances of \$4,112,234.09 were insured by FDIC and GUDPA.

Note 3: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the School District by inclusion of 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 School District's approved Long Range Facilities Plan ("LRFP"). Upon submission of the LRFP to the Department, a school 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 fiscal year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A school district may also appropriate additional amounts when the express approval of the voters has been obtained by either a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2015	\$ 802,929.81
Increased by:	
Interest Earnings	664.68
	<u>803,594.49</u>
Decreased by:	
Withdrawals:	
Transfer to Debt Service Fund	151,154.00
	<u>\$ 652,440.49</u>
Ending Balance, June 30, 2016	

The June 30, 2016 LRFP balance of local support costs of uncompleted projects at June 30, 2016 is \$3,590,500.00.

Note 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 consisted of accounts (fees for services), intergovernmental awards / grants. All receivables are considered collectible in full due to the stable condition of federal and state programs, the current fiscal year guarantee of federal funds, and the regulated budgetary control of governmental entities in New Jersey.

Accounts receivable as of fiscal year end for the School District's individual major and fiduciary funds, in the aggregate, are as follows:

<u>Description</u>	<u>Governmental Funds</u>		<u>Proprietary Funds</u>		<u>Total</u>	<u>Total</u>
	<u>General Fund</u>	<u>Total Governmental Activities</u>	<u>Food Service Fund</u>	<u>After School Fund</u>		
Federal Awards	\$ 22,390.31	\$ 22,390.31	\$ 11,887.46		\$ 11,887.46	\$ 34,277.77
State Awards	102,305.00	102,305.00	240.45		240.45	102,545.45
Tuition Charges	15,469.40	15,469.40				15,469.40
Fiduciary Fund	12,266.35	12,266.35				12,266.35
Provided Services			2,702.10	\$ 636.78	3,338.88	3,338.88
	<u>\$ 152,431.06</u>	<u>\$ 152,431.06</u>	<u>\$ 14,830.01</u>	<u>\$ 636.78</u>	<u>\$ 15,466.79</u>	<u>\$ 167,897.85</u>

Note 5: INVENTORY

Inventory recorded at June 30, 2016 in business-type activities on the government-wide statement of net position, and on the food service enterprise fund statement of net position, consisted of the following:

Food	\$ 2,815.62
Supplies	1,136.34
Commodities	<u>5,803.34</u>
	<u>\$ 9,755.30</u>

Note 6: CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 46,066.49			\$ 46,066.49
Total Capital Assets, not being Depreciated	46,066.49	-	-	46,066.49
Capital Assets, being Depreciated:				
Furniture, Fixtures and Equipment	1,590,344.97	\$ 58,804.64		1,649,149.61
Buildings and Improvements	20,403,292.31			20,403,292.31
Land Improvements	449,614.62			449,614.62
Total Capital Assets, being Depreciated	22,443,251.90	58,804.64	-	22,502,056.54
Total Capital Assets, Cost	22,489,318.39	58,804.64	-	22,548,123.03
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(1,337,842.96)	(59,189.40)		(1,397,032.36)
Buildings and Improvements	(7,794,051.81)	(605,297.10)		(8,399,348.91)
Land Improvements	(449,614.62)			(449,614.62)
Total Accumulated Depreciation	(9,581,509.39)	(664,486.50)	-	(10,245,995.89)
Total Capital Assets, being Depreciated, Net	12,861,742.51	(605,681.86)	-	12,256,060.65
Governmental Activities Capital Assets, Net	<u>\$ 12,907,809.00</u>	<u>\$ (605,681.86)</u>	<u>\$ -</u>	<u>\$ 12,302,127.14</u>
	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
Business-Type Activities:				
Capital Assets, being Depreciated:				
Furniture, Fixtures and Equipment	\$ 304,189.75			\$ 304,189.75
Less Accumulated Depreciation for:	(277,652.79)	\$ (5,134.39)		(282,787.18)
Business-Type Activities Capital Assets, Net	<u>\$ 26,536.96</u>	<u>\$ (5,134.39)</u>	<u>\$ -</u>	<u>\$ 21,402.57</u>

Note 6: CAPITAL ASSETS (CONT'D)

Depreciation expense was charged to functions / programs of the School District as follows:

Governmental Activities:	
Regular Instruction	\$ 447,633.26
General Administration	93,392.24
Plant Operations and Maintenance	104,078.41
Related Services	16,537.90
School Administration	2,844.69
	<u>664,486.50</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 664,486.50</u>
Business-Type Activities:	
Food Service	\$ 5,134.39
	<u>5,134.39</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 5,134.39</u>

Note 7: LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in long-term obligations for governmental activities:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2016</u>	<u>Due within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 11,220,000.00		\$ (885,000.00)	\$ 10,335,000.00	\$ 910,000.00
Other Liabilities:					
Compensated Absences	953,209.48	\$ 80,875.49	(98,168.27)	935,916.70	40,910.85
Net Pension Liability (note 9)	3,691,696.00	1,230,003.00	(1,131,452.00)	3,790,247.00	
Total Other Liabilities	<u>4,644,905.48</u>	<u>1,310,878.49</u>	<u>(1,229,620.27)</u>	<u>4,726,163.70</u>	<u>40,910.85</u>
Governmental Activity Long-Term Liabilities	<u>\$ 15,864,905.48</u>	<u>\$ 1,310,878.49</u>	<u>\$ (2,114,620.27)</u>	<u>\$ 15,061,163.70</u>	<u>\$ 950,910.85</u>

The bonds payable are generally liquidated by the debt service fund, while the compensated absences and net pension liability are liquidated by the general fund.

Bonds Payable - Bonds and loans 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 School District are general obligation bonds.

On July 1, 2006, the School District issued \$3,487,000.00 general obligation bonds at interest rates varying from 4.00% to 4.25% for various construction and renovation projects. The final maturity of these bonds is January 1, 2021. On October 15, 2009, the School District issued \$9,883,000.00 general obligation bonds at interest rates varying from 2.50% to 4.00% for various construction and renovation projects. The final maturity of these bonds is March 1, 2030. The bonds will be paid from property taxes.

Note 7: LONG-TERM LIABILITIES (CONT'D)

Bonds Payable (Cont'd) - Principal and interest due on bonds outstanding is as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 910,000.00	\$ 375,005.00	\$ 1,285,005.00
2018	910,000.00	342,967.50	1,252,967.50
2019	910,000.00	310,292.50	1,220,292.50
2020	935,000.00	276,617.50	1,211,617.50
2021	972,000.00	242,192.50	1,214,192.50
2022-2026	3,100,000.00	828,350.00	3,928,350.00
2027-2031	2,598,000.00	249,930.00	2,847,930.00
Total	<u>\$ 10,335,000.00</u>	<u>\$ 2,625,355.00</u>	<u>\$ 12,960,355.00</u>

Bonds Authorized but not Issued - As of June 30, 2016, the School District had no authorizations to issue additional bonded debt.

Compensated Absences - As previously stated, compensated absences will be paid from the fund from which the employees' salaries are paid. Refer to note 14 for a description of the School District's policy.

Net Pension Liability - For details on the net pension liability, refer to note 9. The School District's annual required contribution to the Public Employees' Retirement System are budgeted and paid from the general fund on an annual basis.

Note 8: OPERATING LEASES

At June 30, 2016, the School District had operating lease agreements in effect for copy machines and a mail machine. The present value of the future minimum rental payments under the operating lease agreements are as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2017	\$ 33,949.40
2018	33,662.04
2019	33,662.04
2020	33,135.06
2021	5,961.66
	<u>\$ 140,370.20</u>

Rental payments under operating leases for the fiscal year ended June 30, 2016 were \$35,386.20.

Note 9: PENSION PLANS

A substantial number of the School District's employees participate in one of the following defined benefit pension plans: the Teachers' Pension and Annuity Fund ("TPAF") and the Public Employees' Retirement System ("PERS"), which are administered by the New Jersey Division of Pensions and Benefits (the "Division"). In addition, several School District employees participate in the Defined Contribution Retirement Program, which is a defined contribution pension plan. This plan is administered by Prudential Financial for the Division. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to:

State of New Jersey
Division of Pensions and Benefits
P.O. Box 295
Trenton, New Jersey 08625-0295
<http://www.nj.gov/treasury/pensions>

General Information about the Pension Plans**Plan Descriptions**

Teachers' Pension and Annuity Fund - The Teachers' Pension and Annuity Fund is a cost-sharing multiple-employer defined benefit pension plan, with a special funding situation, which was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66. 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's designated purpose is to provide retirement benefits, death, disability and medical benefits to certain qualified members. Membership in the TPAF is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, who have titles that are unclassified, professional and certified. The TPAF's Board of Trustees is primarily responsible for the administration of the TPAF.

Public Employees' Retirement System - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS's designated purpose is to provide retirement, death, disability and medical benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the School District, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS's Board of Trustees is primarily responsible for the administration of the PERS.

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of Chapter 92, P.L. 2007, and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et. seq.). The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in TPAF or PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in SPRS or PFRS after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in TPAF or PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in TPAF or PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Teachers' Pension and Annuity Fund - 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 21, 2010
- 4 Members who were eligible to enroll after May 21, 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 tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit, and tier 5 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 member 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.

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The membership tiers for PERS are the same as previously noted for TPAF.

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

Note 9: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

Defined Contribution Retirement Program - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and nonforfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and nonforfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount.

Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the School District and all other related non-contributing employers. No normal or accrued liability contribution by the School District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, *Accounting and Financial Reporting for Pensions*.

The School District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 5.27% of the School District's covered payroll, of which 0.00% of payroll was required from the School District and 100.00% of payroll was required from the State of New Jersey. The School District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2016 because of the 100.00% special funding situation with the State of New Jersey.

Based on the most recent TPAF measurement date of June 30, 2015, the State's contractually required contribution, on-behalf of the School District, to the pension plan for the fiscal year ended June 30, 2016 was \$332,432.00, and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2016 were \$465,768.43.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The rate for members who are eligible for the Prosecutors Part of PERS (Chapter 366, P.L. 2001) increased from 8.5% of base salary to 10%. Employers' contribution amounts are based on an actuarially determined rate. The School District's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

Note 9: PENSION PLANS (CONT'D)**General Information About the Pension Plans (Cont'd)****Contributions (Cont'd)**

Public Employees' Retirement System (Cont'd) - The School District's contractually required contribution rate for the fiscal year ended June 30, 2016 was 13.08% of the School District's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2015, the School District's contractually required contribution to the pension plan for the fiscal year ended June 30, 2016 was \$145,162.00, and was paid by April 1, 2016. School District employee contributions to the pension plan during the fiscal year ended June 30, 2016 were \$81,729.04.

Defined Contribution Retirement Program - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the School District contributes 3% of the employees' base salary, for each pay period, to Prudential Financial not later than the fifth business day after the date on which the employee is paid for that pay period.

For the fiscal year ended June 30, 2016, employee contributions totaled \$297.12, and the School District recognized pension expense of \$162.18. There were no forfeitures during the fiscal year.

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

Teachers' Pension and Annuity Fund - At June 30, 2016, the School District was not required to report a liability for its proportionate share of the net pension liability because of a 100% special funding situation by the State of New Jersey.

The State's proportionate share of net pension liability, attributable to the School District is as follows:

School District's Proportionate Share of Net Pension Liability	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability Associated with the School District	<u>39,095,730.00</u>
	<u>\$ 39,095,730.00</u>

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. For the June 30, 2015 measurement date, the School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined. At June 30, 2015, the School District proportion was 0.00% due to the 100% special funding situation with the State of New Jersey. For the June 30, 2015 measurement date, the State's proportionate share of the TPAF net pension liability associated with the School District was 0.0618561524%, which was an increase of 0.0037128864% from its proportion measured as of June 30, 2014.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Teachers' Pension and Annuity Fund (Cont'd) - For the fiscal year ended June 30, 2016, the School District recognized \$2,387,146.00 in pension expense and revenue, in the government-wide financial statements, for the State of New Jersey on-behalf TPAF pension contributions. This pension expense and revenue was based on the pension plans June 30, 2015 measurement date.

Public Employees' Retirement System - At June 30, 2016, the School District reported a liability of \$3,790,247.00 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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2015 measurement date, the School District's proportion was 0.0168845679%, which was a decrease of -0.0028331473% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the School District recognized pension expense of \$219,330.00, in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2015 measurement date.

At June 30, 2016, the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 90,422.00	\$ -
Changes of Assumptions	407,042.00	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	60,940.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	293,195.00	450,030.00
School District Contributions Subsequent to the Measurement Date	149,378.00	-
	<u>\$ 940,037.00</u>	<u>\$ 510,970.00</u>

\$149,378.00 included in deferred outflows of resources, will be included as a reduction of the net pension liability in the fiscal year ending June 30, 2017.

Note 9: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

Public Employees' Retirement System (Cont'd) – Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,		
2017	\$	51,248.00
2018		51,248.00
2019		51,247.00
2020		106,249.00
2021		19,697.00
		<u>51,248.00</u>
	\$	<u>279,689.00</u>

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions**

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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TPAF</u>	<u>PERS</u>
Inflation	2.50%	3.04%
Salary Increases:		
2012-2021	Varies Based on Experience	2.15% - 4.40% Based on Age
Thereafter	Varies Based on Experience	3.15% - 5.40% Based on Age
Investment Rate of Return	7.90%	7.90%
Mortality Rate Table	RP-2000	RP-2000
Period of Actuarial Experience		
Study upon which Actuarial		
Assumptions were Based	July 1, 2009 - June 30, 2012	July 1, 2008 - June 30, 2011

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were 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.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and 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 1 year for females) are used to value disabled retirees.

For TPAF and PERS, in accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method 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 rates of return for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2015 are summarized in the following tables:

Note 9: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

<u>Asset Class</u>	<u>TPAF</u>		<u>Asset Class</u>	<u>PERS</u>	
	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>		<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%	Cash	5.00%	1.04%
US Government Bonds	1.75%	1.39%	U.S. Treasuries	1.75%	1.64%
US Credit Bonds	13.50%	2.72%	Investment Grade Credit	10.00%	1.79%
US Mortgages	2.10%	2.54%	Mortgages	2.10%	1.62%
US Inflation-Indexed Bonds	1.50%	1.47%	High Yield Bonds	2.00%	4.03%
US High Yield Bonds	2.00%	4.57%	Inflation-Indexed Bonds	1.50%	3.25%
US Equity Market	27.25%	5.63%	Broad U.S. Equities	27.25%	8.52%
Foreign-Developed Equity	12.00%	6.22%	Developed Foreign Equities	12.00%	6.88%
Emerging Markets Equity	6.40%	8.46%	Emerging Market Equities	6.40%	10.00%
Private Real Estate Property	4.25%	3.97%	Private Equity	9.25%	12.41%
Timber	1.00%	4.09%	Hedge Funds/Absolute Return	12.00%	4.72%
Farmland	1.00%	4.61%	Real Estate (Property)	2.00%	6.83%
Private Equity	9.25%	9.15%	Commodities	1.00%	5.32%
Commodities	1.00%	3.58%	Global Debt ex U.S.	3.50%	-0.40%
Hedge Funds - MultiStrategy	4.00%	4.59%	REIT	4.25%	5.12%
Hedge Funds - Equity Hedge	4.00%	5.68%			
Hedge Funds - Distressed	4.00%	4.30%			
	<u>100.00%</u>			<u>100.00%</u>	

Discount Rate - The discount rates used to measure the total pension liability were 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, the respective single blended discount rates were 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 rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years 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 2027 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Note 9: PENSION PLANS (CONT'D)**Sensitivity of School District's Proportionate Share of Net Pension Liability to Changes in the Discount Rate**

Teachers' Pension and Annuity Fund (TPAF) - As previously mentioned, TPAF, has a special funding situation where the State pays 100% of the School District's annual required contribution. As such, the proportionate share of the net pension liability as of June 30, 2015, the pension plans measurement date, attributable to the School District is \$0, and the State of New Jersey's proportionate share of the net pension liability, attributable to the School District, using a discount rate of 4.13%, as well as using a discount rate that is 1% lower or 1% higher than the current rates used is as follows:

	TPAF		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	46,463,814.00	39,095,730.00	32,747,685.00
	<u>\$ 46,463,814.00</u>	<u>\$ 39,095,730.00</u>	<u>\$ 32,747,685.00</u>

Public Employees' Retirement System (PERS) - The following presents the School District's proportionate share of the net pension liability at June 30, 2015, the plans measurement date, calculated using a discount rate of 4.90%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	PERS		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
School District's Proportionate Share of the Net Pension Liability	\$ 4,710,813.00	\$ 3,790,247.00	\$ 3,018,451.00

Pension Plan Fiduciary Net Position

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 respective fiduciary net position of the TPAF and PERS and additions to/deductions from TPAF and PERS' respective fiduciary net position have been determined on the same basis as they are reported by TPAF and PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For additional information about TPAF and PERS, please refer to the plan's Comprehensive Annual Financial Report (CAFR) which can be found at www.nj.gov/treasury/pensions/annrpts.shtml.

Note 10: STATE POST-RETIREMENT MEDICAL BENEFITS

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

The State is also responsible for the cost attributable to P.L. 1992 c.126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retire 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.

Note 11: ON-BEHALF PAYMENTS

For the fiscal year ended June 30, 2016, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs and post-retirement medical costs related to TPAF, in the fund financial statements. The amounts recognized as revenues and expenditures in the fund financial statements for normal costs, post-retirement medical costs, and non-contributory insurance were \$475,562.00, \$594,470.00 and \$23,689.00, respectively.

Note 12: RISK MANAGEMENT

The School 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.

New Jersey Unemployment Compensation Insurance - The School District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the School District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The School District is billed quarterly for amounts due to the State.

The following is a summary of the activity of the School District's private-purpose trust fund for the unemployment claims for the current and previous two fiscal years:

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>School</u> <u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Interest</u> <u>Income</u>	<u>Claims</u> <u>Incurred</u>	<u>Ending</u> <u>Balance</u>
2016	\$ 25,000.00	\$ 15,010.80	\$ 70.03	\$ 16,594.01	\$ 97,157.86
2015	25,000.00	13,972.09	56.85	14,272.44	73,671.04
2014	60,000.00	13,939.46	25.25	50,030.24	48,914.54

Note 12: RISK MANAGEMENT (CONT'D)

Joint Insurance Pool - The School District is a member of the School Alliance Insurance Fund. The Fund provides its members with the following coverage:

Workers' Compensation and Employer's Liability
Property (Including Crime and Auto Physical Damage)
General and Auto Liability
School Board Legal Liability
Boiler and Machinery
Pollution/Environmental Legal Liability
Blanket Dishonesty Bond

Contributions to the Fund, including a reserve for contingencies, are payable in two installments and are based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention, or administrative accounts to assure the payment of the Fund's obligations.

School Alliance Insurance Fund
51 Everett Drive, Suite B-40
West Windsor, New Jersey 08550

Note 13: DEFERRED COMPENSATION

The School District offers its employees a choice of three deferred compensation plans created in accordance with Internal Revenue Code Sections 403(b) and 457. The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death, or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning
AXA Equitable
Vanguard

Note 14: COMPENSATED ABSENCES

The School 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.

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

The liability for vested compensated absences is recorded within those funds as the benefits accrue to employees. At June 30, 2016, the liability for compensated absences reported on the government-wide statement of net position was \$935,916.70.

Note 15: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$ 12,266.35	
Fiduciary		\$ 12,266.35
	<u>\$ 12,266.35</u>	<u>\$ 12,266.35</u>

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds. During the fiscal year 2017, the School District expects to liquidate such interfunds, depending upon the availability of cash flow.

Interfund Transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>
	<u>Debt Service Fund</u>
General Fund	\$ 151,154.00
Total Transfers	<u>\$ 151,154.00</u>

The transfer from the general fund to the debt service fund in the amount of \$151,154.00 was a budgeted withdrawal for the payment of debt.

Note 16: CONTINGENCIES

Grantor Agencies - Amounts received or receivable from grantor agencies could be subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the School District expects such amount, if any, to be immaterial.

Litigation - The School District is a defendant in several legal proceedings that are in various stages of litigation. It is believed that the outcome, or exposure to the School District, from such litigation is either unknown or potential losses, if any, would not be material to the financial statements.

Note 17: CONCENTRATIONS

The School District depends on financial resources flowing from, or associated with, both the federal government and the State of New Jersey. As a result of this dependency, the School District is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Note 18: FUND BALANCES**NONSPENDABLE**

As stated in note 1, the nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable fund balances of the School District as of June 30, 2016.

RESTRICTED

As stated in note 1, the restricted fund balance classification includes amounts that are restricted to specific purposes. Such restrictions, or constraints, are placed on the use of resources by either of the following: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Specific restrictions of the School District's fund balance are summarized as follows:

General Fund

For Excess Surplus - In accordance with N.J.S.A. 18A:7F-7, as amended, the designation of restricted fund balance - excess surplus is the result of a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict general fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. As of June 30, 2016, the excess surplus is \$330,830.83, however, the excess surplus on a budgetary basis at June 30, 2016 is \$746,025.83. Additionally, \$986,786.00 of excess surplus generated during 2014-2015 has been restricted and designated for utilization in the 2016-2017 budget.

For Capital Reserve Account - As of June 30, 2016, the balance in the capital reserve account is \$652,440.49. These funds are restricted for future capital outlay expenditures for capital projects in the School District's approved Long Range Facilities Plan (LRFP).

For Maintenance Reserve Account - As of June 30, 2016, the balance in the maintenance reserve account is \$988,025.34. These funds are restricted for the required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (N.J.S.A. 18A:7G-9) as amended by P.L. 2004, c. 73 (S1701).

Debt Service Fund - In accordance with N.J.A.C. 6A:23A-8.6, a district board of education shall appropriate annually all debt service fund balances in the budget certified for taxes unless expressly authorized and documented by the voters in a bond referendum. As a result, the School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017 \$501.42 of debt service fund balance at June 30, 2016.

COMMITTED

As stated in note 1, the committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, which is the Board of Education. There were no specific commitments of the School District's fund balance at June 30, 2016.

Note 18: FUND BALANCES (CONT'D)**ASSIGNED**

As stated in note 1, the assigned fund balance classification includes amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. Specific assignments of the School District's fund balance are summarized as follows:

General Fund

For Subsequent Year's Expenditures - The School District has appropriated and included as an anticipated revenue for the fiscal year ending June 30, 2017 \$24,488.00 of general fund balance at June 30, 2016.

The School District has appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017 \$15,882.43 of general fund balance at June 30, 2016, resulting from the Special Education Medicaid Initiative (SEMI) reimbursement received during the current fiscal year for reimbursement of previous fiscal year expenditures.

UNASSIGNED

As stated in note 1, the unassigned fund balance classification represents fund balance that has not been restricted, committed, or assigned to specific purposes. The School District's general fund had an unassigned fund balance of \$391,626.74 as of June 30, 2016.

Note 19: SUBSEQUENT EVENTS

On August 10, 2016 the School District authorized the issuance of refunding bonds not to exceed \$9,400,000.00 refunding the callable portions of the outstanding 2006 and 2009 issues.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
General Fund:					
Local Sources:					
Local Tax Levy	\$ 8,633,789.00	\$	\$ 8,633,789.00	\$ 8,633,789.00	\$ 124,927.10
Tuition	1,236,266.00		1,236,266.00	1,361,193.10	48,888.66
Unrestricted Miscellaneous Revenues	46,000.00		46,000.00	94,888.66	
Total - Local Sources	9,916,055.00	-	9,916,055.00	10,089,870.76	173,815.76
State Sources:					
Special Education Categorical Aid	468,409.00		468,409.00	468,409.00	
Equalization Aid	3,854,272.00		3,854,272.00	3,854,272.00	
Security Aid	155,831.00		155,831.00	155,831.00	
Adjustment Aid	106,295.00		106,295.00	106,295.00	
Transportation Aid	97,930.00		97,930.00	97,930.00	
Under Adequacy Aid	11,616.00		11,616.00	11,616.00	
PARCC Readiness Aid	8,930.00		8,930.00	8,930.00	
Per Pupil Growth Aid	8,930.00		8,930.00	8,930.00	
Extraordinary Special Education Cost Aid					
Reimbursed TPAF Social Security Contributions (non-budgeted)				102,305.00	102,305.00
On-behalf TPAF Pension Contributions - Normal (non-budgeted)				494,846.42	494,846.42
On-behalf TPAF Pension Contributions - Insurance (non-budgeted)				475,562.00	475,562.00
On-behalf TPAF Medical Contributions (non-budgeted)				23,689.00	23,689.00
				594,470.00	594,470.00
Total - State Sources	4,712,213.00	-	4,712,213.00	6,403,085.42	1,690,872.42
Federal Sources:					
Medical Assistance Program (SEMI) - Cost Settlement				15,882.43	15,882.43
Medicaid Administrative Claiming Aid				2,212.94	2,212.94
Medical Reimbursement Program (SEMI)				20,829.84	(6,985.16)
Total - Federal Sources	27,815.00	-	27,815.00	38,925.21	11,110.21
Total Revenues	14,656,083.00	-	14,656,083.00	16,531,881.39	1,875,798.39

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES:					
GENERAL CURRENT EXPENSE:					
Regular Programs - Instruction:					
Salaries of Teachers:	\$ 191,696.00	\$ 3,385.00	\$ 195,081.00	\$ 194,717.00	\$ 364.00
Preschool/Kindergarten	1,334,372.00	(7,502.00)	1,326,870.00	1,326,869.78	0.22
Grades 1 - 5	607,607.00	70,808.00	678,415.00	606,634.69	71,780.31
Grades 6 - 8	1,802,396.00	(35,831.00)	1,766,565.00	1,766,564.93	0.07
Grades 9 - 12					
Regular Programs - Home Instruction:					
Salaries of Teachers	8,125.00	2,428.00	10,553.00	10,552.50	0.50
Purchased Professional/Educational Services	16,000.00	(428.00)	15,572.00	13,642.50	1,929.50
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	125,640.00	(22,600.00)	103,040.00	90,829.41	12,210.59
Purchased Professional/Educational Services	178,603.00	(36,339.00)	142,264.00	104,609.66	37,654.34
Purchased Technical Services	20,163.00		20,163.00	19,383.18	779.82
Other Purchased Services	102,675.00	(3,820.00)	98,855.00	96,361.44	2,493.56
General Supplies	89,759.00	2,899.00	92,658.00	80,043.44	12,614.56
Textbooks	114,200.00	(2,520.00)	111,680.00	90,495.88	21,184.12
Other Objects	17,350.00	(1,360.00)	15,990.00	9,111.70	6,878.30
Total Regular Programs	4,608,586.00	(30,880.00)	4,577,706.00	4,409,816.11	167,889.89
Special Education:					
Learning and/or Language Disabilities:					
Salaries of Teachers	142,981.00	(4,860.00)	138,121.00	124,062.00	14,059.00
General Supplies	1,000.00	(300.00)	700.00	230.00	470.00
Total - Learning and/or Language Disabilities	143,981.00	(5,160.00)	138,821.00	124,292.00	14,529.00
Auditory Impairments:					
Cleaning, Repair & Maintenance Services	1,200.00		1,200.00	995.00	205.00
General Supplies	1,000.00	300.00	1,300.00	1,168.19	131.81
Total - Auditory Impairments	2,200.00	300.00	2,500.00	2,163.19	336.81
Behavioral Disabilities:					
General Supplies	600.00		600.00		600.00
Total - Behavioral Disabilities	600.00	-	600.00	-	600.00
Multiple Disabilities:					
Salaries of Teachers	55,661.00	1,000.00	56,661.00	56,661.00	367.57
General Supplies	1,000.00		1,000.00	632.43	
Total - Multiple Disabilities	56,661.00	1,000.00	57,661.00	57,293.43	367.57

(Continued)

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONT'D):					
GENERAL CURRENT EXPENSE (CONT'D):					
Special Education (Cont'd):					
Resource Room/Center:					
Salaries of Teachers	\$ 654,962.00	\$ 4,266.00	\$ 659,228.00	\$ 659,028.00	\$ 200.00
Other Salaries for Instruction	134,605.00	88,388.00	222,993.00	222,991.68	1.32
General Supplies	31,350.00	27,238.00	58,588.00	58,200.54	387.46
Total - Resource Room/Center	820,917.00	119,892.00	940,809.00	940,220.22	588.78
Preschool Disabilities - Part-Time:					
Salaries of Teachers	64,486.00		64,486.00	64,486.00	
Other Salaries for Instruction	13,333.00	467.00	13,800.00	13,733.22	66.78
General Supplies	250.00		250.00	130.31	119.69
Total - Preschool Disabilities - Part-Time	78,069.00	467.00	78,536.00	78,349.53	186.47
Home Instruction:					
Salaries of Teachers	9,750.00	(2,171.00)	7,579.00	75.00	7,504.00
Purchased Professional/Educational Services	4,000.00		4,000.00		4,000.00
Total - Home Instruction	13,750.00	(2,171.00)	11,579.00	75.00	11,504.00
Total - Special Education	1,116,178.00	114,328.00	1,230,506.00	1,202,393.37	28,112.63
Basic Skills/Remedial:					
General Supplies	1,000.00	(199.00)	801.00	552.95	248.05
Total - Basic Skills/Remedial	1,000.00	(199.00)	801.00	552.95	248.05
Bilingual Education:					
General Supplies	1,000.00	(600.00)	400.00	347.00	53.00
Total - Bilingual Education	1,000.00	(600.00)	400.00	347.00	53.00
School Sponsored Cocurricular Activities - Instruction:					
Salaries	49,950.00		49,950.00	48,913.50	1,036.50
General Supplies	12,325.00		12,325.00	9,803.14	2,521.86
Total - School Sponsored Cocurricular Activities - Instruction	62,275.00	-	62,275.00	58,716.64	3,558.36

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONTD):					
GENERAL CURRENT EXPENSE (CONTD):					
School Sponsored Cocurricular Athletics - Instruction:					
Salaries	\$ 354,161.00	\$ 13,770.00	\$ 367,931.00	\$ 344,059.30	\$ 23,871.70
Purchased Services	70,590.00	(8,270.00)	62,320.00	57,857.05	4,462.95
Workshops / Travel	1,300.00		1,300.00	1,100.00	200.00
Supplies and Materials	27,850.00	(5,500.00)	22,350.00	22,189.09	160.91
Other Objects	3,400.00		3,400.00	3,250.77	149.23
Total - School Sponsored Cocurricular Athletics - Instruction	457,301.00	-	457,301.00	428,456.21	28,844.79
Total - Instruction	6,246,340.00	82,649.00	6,328,989.00	6,100,282.28	228,706.72
Undistributed Expenditures - Instruction:					
Tuition to Other LEAs within State-Regular	130,531.00	37,900.02	168,431.02	164,543.61	3,887.41
Tuition to Other LEAs within State-Special	146,303.00	(96,865.00)	49,438.00	49,370.00	68.00
Tuition to County Vocational School District - Regular	78,000.00	(17,504.00)	60,496.00	60,496.00	
Tuition to County Vocational School District - Special	26,000.00	(6,896.00)	19,104.00	19,104.00	
Tuition to CSSD & Reg. Day Schools	557,400.00	22,319.00	579,719.00	577,124.97	2,594.03
Tuition to Private School for the Handicapped- State	522,655.00	(54,575.02)	468,079.98	432,248.61	35,831.37
Tuition - State Facilities	32,306.00		32,306.00	32,306.00	
Tuition - Other Special Education		115,621.00	115,621.00	115,621.00	
Total Undistributed Expenditures - Instruction	1,493,195.00	-	1,493,195.00	1,450,814.19	42,380.81
Undistributed Expenditures - Attendance and Social Work:					
Salaries	70,768.00		70,768.00	70,767.84	0.16
Purchased Professional and Technical Services	7,800.00		7,800.00	7,039.00	761.00
Total - Undistributed Expenditures - Attendance and Social Work	78,568.00	-	78,568.00	77,806.84	761.16
Undistributed Expenditures - Health Services:					
Salaries	131,402.00		131,402.00	127,631.26	3,770.74
Purchased Professional and Technical Services	8,325.00		8,325.00	3,990.25	4,334.75
Supplies and Materials	5,650.00	400.00	6,050.00	5,344.21	705.79
Total - Undistributed Expenditures - Health Services	145,377.00	400.00	145,777.00	136,965.72	8,811.28
Undistributed Expenditures - Speech, OT, PT and Related Services:					
Salaries	62,256.00	(1,750.00)	60,506.00	56,661.00	3,845.00
Purchased Professional/Educational Services	146,800.00	1,750.00	148,550.00	93,114.62	55,435.38
Supplies and Materials	1,550.00		1,550.00	230.24	1,319.76
Total - Undistributed Expenditures - Speech, OT, PT and Related Services	210,606.00	-	210,606.00	150,005.86	60,600.14

(Continued)

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONTD):					
GENERAL CURRENT EXPENSE (CONTD):					
Other Support Services - Students - Related Services:					
Salaries	\$ 104,895.00	\$ (86,749.00)	\$ 18,146.00	\$ 16,488.00	\$ 1,658.00
Purchased Professional/Educational Services	50,000.00		50,000.00	3,600.00	46,400.00
Supplies and Materials	600.00	(600.00)			
Total - Undistributed Expenditures - Other Support Services	155,495.00	(87,349.00)	68,146.00	20,088.00	48,058.00
Students - Related Services					
Undistributed Expenditures - Guidance:					
Salaries of Other Professional Staff	366,891.00	2,963.00	369,854.00	359,093.75	10,760.25
Purchased Professional - Educational Services	6,350.00		6,350.00	5,689.00	661.00
Other Purchased Professional and Technical Services	3,000.00		3,000.00	1,740.00	1,260.00
Other Purchased Services	1,375.00		1,375.00	1,145.00	230.00
Supplies and Materials	5,200.00	(2,963.00)	2,237.00	2,186.45	50.55
Total - Undistributed Expenditures - Guidance	382,816.00	-	382,816.00	369,854.20	12,961.80
Undistributed Expenditures - Child Study Teams:					
Salaries of Other Professional Staff	337,598.00		337,598.00	334,243.39	3,354.61
Salaries of Secretarial and Clerical Assistants	38,051.00		38,051.00	38,050.80	0.20
Purchased Professional - Educational Services	44,340.00	(15,700.00)	28,640.00	17,456.09	11,183.91
Workshops / Travel	3,100.00	(400.00)	2,700.00	1,466.00	1,234.00
Miscellaneous Purchased Services	6,000.00	15,700.00	21,700.00	20,445.15	1,254.85
Supplies and Materials	6,600.00	400.00	7,000.00	6,773.82	226.18
Other Objects	1,700.00		1,700.00	1,642.47	57.53
Total - Undistributed Expenditures - Child Study Teams	437,389.00	-	437,389.00	420,077.72	17,311.28
Undistributed Expenditures - Improvement of Instruction Services/Other Support:					
Services - Instructional Staff:					
Salaries of Supervisors of Instruction	87,019.00		87,019.00	87,018.96	0.04
Salaries of Other Professional Staff	4,875.00		4,875.00	1,755.00	3,120.00
Salaries of Secretarial and Clerical Assistants	36,490.00		36,490.00	36,489.84	0.16
Purchased Professional - Educational Services	12,000.00		12,000.00	11,875.00	125.00
Purchased Professional - Technical Services	1,900.00		1,900.00	1,565.10	334.90
Supplies and Materials	2,500.00		2,500.00	695.78	1,804.22
Total - Undistributed Expenditures - Improvement of Instruction Services/Other Support Services - Instructional Staff	144,784.00	-	144,784.00	139,399.68	5,384.32

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
EXPENDITURES (CONTD):					
GENERAL CURRENT EXPENSE (CONTD):					
Educational Media Services/School Library:					
Salaries	\$ 108,845.00	\$ 1,000.00	\$ 109,845.00	\$ 109,845.00	\$ 4,107.98
Salaries of Technology Coordinators	132,303.00	(1,000.00)	131,303.00	127,195.02	2,466.00
Purchased Professional and Technical Services	3,300.00		3,300.00	834.00	1,354.84
Other Purchased Services	3,250.00	(400.00)	2,850.00	1,495.16	240.05
Supplies and Materials	4,400.00	400.00	4,800.00	4,559.95	
Total - Undistributed Expenditures - Educational Media Services/School Library	252,098.00	-	252,098.00	243,929.13	8,168.87
Undistributed Expenditures - Support Services General Administration:					
Salaries	205,982.00	1,983.00	207,965.00	207,964.02	0.98
Legal Services	20,000.00		20,000.00	18,355.50	1,644.50
Audit Fees	24,000.00		24,000.00	24,000.00	
Other Purchased Professional Services	7,900.00		7,900.00	4,690.00	3,210.00
Communications/Telephone	29,000.00		29,000.00	26,216.07	2,783.93
Other Purchased Services	10,450.00		10,450.00	3,701.75	6,748.25
General Supplies	3,700.00		3,700.00	1,744.06	1,955.94
Miscellaneous Expenditures	2,650.00	134.00	2,784.00	2,438.51	345.49
BOE Membership Dues and Fees	6,900.00	(134.00)	6,766.00	6,765.14	0.86
Total - Undistributed Expenditures - Support Services General Administration	310,582.00	1,983.00	312,565.00	295,875.05	16,689.95
Undistributed Expenditures - Support Services School Administration:					
Salaries of Principals/Assistant Principals	410,110.00		410,110.00	359,796.09	50,313.91
Salaries of Secretarial and Clerical Assistants	58,882.00		58,882.00	57,466.60	1,415.40
Other Purchased Services	6,300.00		6,300.00	3,569.61	2,730.39
Supplies and Materials	7,125.00		7,125.00	5,564.88	1,560.12
Total - Undistributed Expenditures - Support Services School Administration	482,417.00	-	482,417.00	426,397.18	56,019.82
Undistributed Expenditures - Central Services:					
Salaries	256,086.00	(12,483.00)	243,603.00	208,977.21	34,625.79
Purchased Professional Services	15,850.00	(2,000.00)	13,850.00	6,153.75	7,696.25
Purchased Technical Services	29,600.00		29,600.00	25,982.75	3,617.25
Miscellaneous Purchased Services	7,825.00	(1,000.00)	6,825.00	3,209.60	3,615.40
Supplies and Materials	8,500.00	9,500.00	18,000.00	17,849.50	150.50
Miscellaneous Expenditures	1,100.00	4,000.00	5,100.00	5,048.85	51.15
Total - Undistributed Expenditures - Central Services	318,961.00	(1,983.00)	316,978.00	267,221.66	49,756.34

(Continued)

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund
 Required Supplementary Information
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONTD):					
GENERAL CURRENT EXPENSE (CONTD):					
Undistributed Expenditures - Administrative Information Technology:					
Purchased Technical Services	\$ 52,837.00	\$ 10,800.00	\$ 63,637.00	\$ 62,429.44	\$ 1,207.56
Workshops / Travel	3,100.00		3,100.00	1,620.40	1,479.60
Supplies and Materials	2,500.00		2,500.00	1,495.92	1,004.08
Total - Undistributed Expenditures - Administrative Information Technology	58,437.00	10,800.00	69,237.00	65,545.76	3,691.24
Undistributed Expenditures - Required Maintenance:					
Salaries	140,174.00		140,174.00	136,406.35	3,767.65
Cleaning, Repair & Maintenance Services	143,100.00	10,500.00	153,600.00	152,677.56	922.44
General Supplies	41,700.00	(8,000.00)	33,700.00	28,808.29	4,891.71
Other Objects	6,475.00	(2,500.00)	3,975.00	2,131.00	1,844.00
Total - Undistributed Expenditures - Required Maintenance	331,449.00	-	331,449.00	320,023.20	11,425.80
Undistributed Expenditures - Custodial Services:					
Salaries	402,415.00	250.00	402,665.00	391,263.36	11,401.64
Cleaning, Repair & Maintenance Services	30,500.00	(2,500.00)	28,000.00	25,895.80	2,104.20
Other Purchased Property Services	53,000.00	2,250.00	55,250.00	55,210.58	39.42
Insurance	160,950.00	(10,500.00)	150,450.00	149,125.77	1,324.23
General Supplies	46,750.00		46,750.00	46,565.88	184.12
Other Objects	2,500.00		2,500.00	1,470.00	1,030.00
Energy (Natural Gas)	76,000.00		76,000.00	47,396.40	28,603.60
Energy (Electricity)	259,250.00		259,250.00	253,992.18	5,257.82
Total - Undistributed Expenditures - Custodial Services	1,031,365.00	(10,500.00)	1,020,865.00	970,919.97	49,945.03
Undistributed Expenditures - Security:					
Salaries	35,858.00		35,858.00	35,700.00	158.00
Purchased Professional and Technical Services	10,000.00		10,000.00	9,895.00	105.00
General Supplies	2,250.00	(300.00)	1,950.00	1,160.41	789.59
Other Objects	675.00	300.00	975.00	702.14	272.86
Total - Undistributed Expenditures - Security	48,783.00	-	48,783.00	47,457.55	1,325.45
Total - Operation and Maintenance of Plant Services	1,411,597.00	(10,500.00)	1,401,097.00	1,338,400.72	62,696.28

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONTD):					
GENERAL CURRENT EXPENSE (CONTD):					
Student Transportation Services:					
Salaries for Pupil Transportation (Between Home & School) - Spec. Ed.	\$ 20,283.00	\$ 667.00	\$ 20,950.00	\$ 20,949.08	\$ 0.92
Salaries for Pupil Transportation (Other than Between Home & School)	31,500.00	(667.00)	30,833.00	23,016.86	7,816.14
Cleaning, Repair, & Maintenance Services	5,300.00		5,300.00	2,231.97	3,068.03
Contracted Services (Other Than Home & School) - Vendors	11,000.00	(3,585.00)	7,415.00	7,412.00	3.00
Contracted Services (Special Education Students) - Vendors	221,500.00	14,425.20	235,925.20	235,925.20	
Contracted Services (Special Education Students) - Joint Agreements	8,000.00	(8,000.00)			
General Supplies	8,200.00	(2,840.20)	5,359.80	4,593.99	765.81
Total Student Transportation Services	305,783.00	-	305,783.00	294,129.10	11,653.90
Unallocated Benefits - Employee Benefits:					
Social Security Contribution	170,000.00	14,269.55	184,269.55	136,223.84	48,045.71
TPAF Contributions - Regular	1,500.00	32,251.04	32,251.04	32,251.04	
Other Retirement Contributions - ERIP	164,000.00	(914.00)	163,086.00	145,162.00	1,337.82
PERS State Contribution	25,000.00		25,000.00	25,000.00	17,924.00
Unemployment Contribution	164,000.00		164,000.00	163,450.00	550.00
Workmen's Compensation	2,255,681.00	(45,606.59)	2,210,074.41	2,126,667.70	83,406.71
Health Benefits	21,100.00	(2,000.00)	19,100.00	17,123.38	1,976.62
Tuition Reimbursements	8,400.00	6,000.00	14,400.00	2,683.88	11,716.12
Other Employee Benefits					
Total Unallocated Benefits - Employee Benefits	2,809,681.00	4,000.00	2,813,681.00	2,648,724.02	164,956.98
On-behalf TPAF Pension Contributions - Normal (Non-Budgeted)					
On-behalf TPAF Pension Contributions - Insurance (Non-Budgeted)				475,562.00	(475,562.00)
On-behalf TPAF Medical Contributions (Non-Budgeted)				23,689.00	(23,689.00)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				594,470.00	(594,470.00)
				494,846.42	(494,846.42)
Total TPAF Contributions	-	-	-	1,588,567.42	(1,588,567.42)
Total Undistributed Expenses	8,997,786.00	(82,649.00)	8,915,137.00	9,933,802.25	(1,018,665.25)
Total Expenditures - Current Expense	15,244,126.00	-	15,244,126.00	16,034,084.53	(789,958.53)

(Continued)

BOROUGH OF PALMYRA SCHOOL DISTRICT

General Fund

Required Supplementary Information
Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Modifications	Final Budget	Actual	Variance Positive (Negative) Final to Actual
EXPENDITURES (CONTD):					
CAPITAL OUTLAY:					
Equipment:					
Undistributed Expenditures - Instruction	\$ 16,200.00		\$ 16,200.00	\$ 13,299.00	\$ 2,901.00
Undistributed Expenditures - School Administration	4,500.00		4,500.00	4,227.64	272.36
Facilities Acquisition and Construction Services:					
Assessment for Debt Service on SDA Funding	3,043.00		3,043.00	3,043.00	
Total Capital Outlay	23,743.00	-	23,743.00	20,569.64	3,173.36
Total Expenditures	15,267,869.00	-	15,267,869.00	16,054,654.17	(786,785.17)
Calculation of Deficiency of Revenues Under Expenditures:					
Excess (Deficiency) of Revenues Over (Under) Expenditures	(611,786.00)	-	(611,786.00)	477,227.22	1,089,013.22
Other Financing Sources (Uses):					
Operating Transfer Out - Debt Service	(151,154.00)		(151,154.00)	(151,154.00)	
Total - Other Financing Sources (Uses)	(151,154.00)	-	(151,154.00)	(151,154.00)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(762,940.00)	-	(762,940.00)	326,073.22	1,089,013.22
Fund Balances, July 1	3,479,201.61	-	3,479,201.61	3,479,201.61	-
Fund Balances, June 30	2,716,261.61	\$ -	\$ 2,716,261.61	\$ 3,805,274.83	\$ 1,089,013.22

Recapitulation:

Restricted Fund Balance:	
Capital Reserve	\$ 652,440.49
Maintenance Reserve	988,025.34
Excess Surplus Previous Year - Designated for Subsequent Year's Expenditures	986,786.00
Excess Surplus - Current Year	746,025.83
Assigned Fund Balance:	
Designated for Subsequent Year's Expenditures	
General Fund Balance	24,488.00
Medical Assistance Program (SEMI) - Cost Settlement	15,882.43
Unassigned Fund Balance	391,626.74
	3,805,274.83
Reconciliation to Governmental Funds Statements (GAAP):	
Last State Aid Payment Not Recognized on GAAP Basis	(415,195.00)
Fund Balance per Governmental Funds (GAAP)	\$ 3,390,079.83

BOROUGH OF PALMYRA SCHOOL DISTRICT

Special Revenue Fund

Required Supplementary Information

Budgetary Comparison Schedule

For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Adjustments	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Federal Sources:					
Title I, Part A	\$ 212,938.00	\$ 23,599.00	\$ 236,537.00	\$ 236,537.00	
Title II, Part A	33,500.00	3,808.00	37,308.00	37,308.00	
I.D.E.A., Part B Basic	253,348.00	32,791.00	286,139.00	286,139.00	
I.D.E.A., Part B, Preschool Incentive	7,246.00	39.00	7,285.00	7,285.00	
Total - Federal Sources	507,032.00	60,237.00	567,269.00	567,269.00	-
Total Revenues	\$ 507,032.00	\$ 60,237.00	\$ 567,269.00	\$ 567,269.00	\$ -
EXPENDITURES:					
Instruction:					
Salaries	\$ 175,167.03	\$ 18,648.97	\$ 193,816.00	\$ 193,816.00	
Other Purchased Services	253,348.00	32,791.00	286,139.00	286,139.00	
General Supplies	1,357.55	150.45	1,508.00	1,508.00	
Total Instruction	429,872.58	51,590.42	481,463.00	481,463.00	-
Support Services:					
Personal Services - Employee Benefits	43,659.42	4,838.58	48,498.00	48,498.00	
Purchased Professional and Technical Services	17,958.61	2,041.39	20,000.00	20,000.00	
Other Purchased Services	10,775.17	1,224.83	12,000.00	12,000.00	
Supplies and Materials	4,766.22	541.78	5,308.00	5,308.00	
Total Support Services	77,159.42	8,646.58	85,806.00	85,806.00	-
Total Expenditures	\$ 507,032.00	\$ 60,237.00	\$ 567,269.00	\$ 567,269.00	\$ -

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Required Supplementary Information
 Budgetary Comparison Schedule
 Note to RSI
 For the Fiscal Year Ended June 30, 2016

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources / Inflows of Resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules	\$ 16,531,881.39	\$ 567,269.00
Differences - Budget to GAAP:		
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33) received July, 2015.	411,813.00	
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expense (GASB 33) received July, 2016.	<u>(415,195.00)</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 16,528,499.39</u>	<u>\$ 567,269.00</u>
Uses / Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule and Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (B-2)	<u>\$ 16,054,654.17</u>	<u>\$ 567,269.00</u>

REQUIRED SUPPLEMENTARY INFORMATION
PART III

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Three Fiscal Years

	<u>Measurement Date Ending June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0168845679%	0.0197177152%	0.0174925777%
School District's Proportionate Share of the Net Pension Liability	\$ 3,790,247.00	\$ 3,691,696.00	\$ 3,343,179.00
School District's Covered Payroll (Plan Measurement Period)	\$ 1,231,984.00	\$ 1,451,228.00	\$ 1,278,936.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	307.65%	254.38%	261.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Contributions
 Public Employees' Retirement System (PERS)
 Last Three Fiscal Years

	<u>Fiscal Year Ended June 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 149,378.00	\$ 145,162.00	\$ 162,550.00
Contributions in Relation to the Contractually Required Contribution	<u>(149,378.00)</u>	<u>(145,162.00)</u>	<u>(162,550.00)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll (Fiscal Year)	\$ 1,142,247.00	\$ 1,163,832.00	\$ 1,160,363.00
Contributions as a Percentage of School District's Covered Payroll	13.08%	12.47%	14.01%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of the School District's Proportionate Share of the Net Pension Liability
 Teachers' Pension and Annuity Fund (TPAF)
 Last Three Fiscal Years

	<u>Measurement Date Ending June 30,</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.00%	0.00%	0.00%
State's Proportion of the Net Pension Liability Associated with the School District	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
School District's Proportionate Share of the Net Pension Liability	\$ -	\$ -	\$ -
State's Proportionate Share of the Net Pension Liability Associated with the School District	<u>39,095,730.00</u>	<u>31,075,683.00</u>	<u>31,476,018.00</u>
	<u>\$ 39,095,730.00</u>	<u>\$ 31,075,683.00</u>	<u>\$ 31,476,018.00</u>
School District's Covered Payroll (Plan Measurement Period)	\$ 7,181,012.00	\$ 7,275,052.00	\$ 6,702,376.00
School District's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	0.00%	0.00%	0.00%
State's Proportionate Share of the Net Pension Liability as a Percentage of it's Covered Payroll	544.43%	427.15%	469.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Required Supplementary Information
Schedule of School District's Contributions
Teachers' Pension and Annuity Fund (TPAF)
Last 10 Fiscal Years

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Notes to Required Supplementary Information - Part III
For the Fiscal Year Ended June 30, 2016

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 5.39% as of June 30, 2014, to 4.90% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate changed from 4.68% as of June 30, 2014, to 4.13% as of June 30, 2015, in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

	NCLB				I.D.E.A. Part B	
	Total	Title I, Part A	Title II, Part A	Basic	Preschool	
REVENUES:						
Federal Sources	\$ 567,269.00	\$ 236,537.00	\$ 37,308.00	\$ 286,139.00	\$ 7,285.00	
Total Revenues	\$ 567,269.00	\$ 236,537.00	\$ 37,308.00	\$ 286,139.00	\$ 7,285.00	
EXPENDITURES:						
Instruction:						
Salaries	\$ 193,816.00	\$ 186,531.00		\$ 286,139.00	\$ 7,285.00	
Other Purchased Services	286,139.00					
General Supplies	1,508.00	1,508.00				
Total Instruction	481,463.00	188,039.00	-	286,139.00	7,285.00	
Support Services:						
Personal Services - Employee Benefits	48,498.00	48,498.00				
Purchased Professional and Technical Services	20,000.00		\$ 20,000.00			
Other Purchased Services	12,000.00		12,000.00			
Supplies and Materials	5,308.00		5,308.00			
Total Support Services	85,806.00	48,498.00	37,308.00	-	-	
Total Expenditures	\$ 567,269.00	\$ 236,537.00	\$ 37,308.00	\$ 286,139.00	\$ 7,285.00	

PROPRIETARY FUNDS

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Proprietary Fund
 Business-Type Activities - Enterprise Funds
 Combining Statement of Net Position
 June 30, 2016

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ 90,550.74	\$ 277,200.27	\$ 367,751.01
Accounts Receivable:			
State	240.45		240.45
Federal	11,887.46		11,887.46
Other	2,702.10	636.78	3,338.88
Inventories	9,755.30		9,755.30
Total Current Assets	<u>115,136.05</u>	<u>277,837.05</u>	<u>392,973.10</u>
Noncurrent Assets:			
Furniture, Machinery and Equipment	304,189.75		304,189.75
Less Accumulated Depreciation	<u>(282,787.18)</u>		<u>(282,787.18)</u>
Total Noncurrent Assets	<u>21,402.57</u>	<u>-</u>	<u>21,402.57</u>
Total Assets	<u>136,538.62</u>	<u>277,837.05</u>	<u>414,375.67</u>
LIABILITIES:			
Current Liabilities:			
Unearned Revenue	7,984.55		7,984.55
Total Liabilities	<u>7,984.55</u>	<u>-</u>	<u>7,984.55</u>
NET POSITION:			
Restricted:			
Net Investment in Capital Assets	21,402.57		21,402.57
Unrestricted	107,151.50	277,837.05	384,988.55
Total Net Position	<u>\$ 128,554.07</u>	<u>\$ 277,837.05</u>	<u>\$ 406,391.12</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Proprietary Fund
Business-Type Activities - Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services:			
Daily Sales:			
Non-reimbursable Programs	\$ 62,737.33		\$ 62,737.33
Reimbursable Program -- School Breakfast	6,075.82		6,075.82
Reimbursable Program -- School Lunch	77,188.04		77,188.04
Child Care Fees		\$ 148,713.64	148,713.64
Total Operating Revenues	<u>146,001.19</u>	<u>148,713.64</u>	<u>294,714.83</u>
OPERATING EXPENSES:			
Salaries		82,047.10	82,047.10
Employee Benefits		23,299.71	23,299.71
Salaries of Food Management Company	146,180.41		146,180.41
Management Fee	18,359.88		18,359.88
General Supplies	10,562.73	5,468.21	16,030.94
Direct Expenses	11,024.39		11,024.39
Depreciation	5,134.39		5,134.39
Other Professional and Technical Services		8,686.28	8,686.28
Cost of Sales - Reimbursable Programs	144,110.72		144,110.72
Cost of Sales - Non-reimbursable Programs	28,946.00		28,946.00
Total Operating Expenses	<u>364,318.52</u>	<u>119,501.30</u>	<u>483,819.82</u>
Operating Income / (Loss)	<u>(218,317.33)</u>	<u>29,212.34</u>	<u>(189,104.99)</u>
NONOPERATING REVENUES:			
State Sources:			
State School Lunch Program	4,230.06		4,230.06
Federal Sources:			
National School Lunch Program	176,301.56		176,301.56
National School Breakfast Program	32,181.37		32,181.37
Food Distribution Program	33,204.55		33,204.55
Interest Revenue	79.71		79.71
Total Nonoperating Revenues	<u>245,997.25</u>	<u>-</u>	<u>245,997.25</u>
Change in Net Position	27,679.92	29,212.34	56,892.26
Net Position -- July 1	<u>100,874.15</u>	<u>248,624.71</u>	<u>349,498.86</u>
Net Position -- June 30	<u>\$ 128,554.07</u>	<u>\$ 277,837.05</u>	<u>\$ 406,391.12</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
Proprietary Fund
Business-Type Activities - Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

	<u>Food Service</u>	<u>After School Program</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from Customers	\$ 147,105.62	\$ 148,507.38	\$ 295,613.00
Payments to Management Company	(320,915.26)		(320,915.26)
Payments to Employees		(82,047.10)	(82,047.10)
Payments for Employee Benefits		(23,299.71)	(23,299.71)
Payments for Supplies and Services	(33,204.55)	(14,154.49)	(47,359.04)
Net Cash Provided by (Used for) Operating Activities	<u>(207,014.19)</u>	<u>29,006.08</u>	<u>(178,008.11)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
State Sources	4,417.69		4,417.69
Federal Sources	243,971.60		243,971.60
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>248,389.29</u>	<u>-</u>	<u>248,389.29</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Revenue	79.71		79.71
Net Increase in Cash and Cash Equivalents	41,454.81	29,006.08	70,460.89
Cash and Cash Equivalents -- July 1	49,095.93	248,194.19	297,290.12
Cash and Cash Equivalents -- June 30	<u>\$ 90,550.74</u>	<u>\$ 277,200.27</u>	<u>\$ 367,751.01</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (218,317.33)	\$ 29,212.34	\$ (189,104.99)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	5,134.39		5,134.39
(Increase) Decrease in Inventories	(739.02)		(739.02)
Increase (Decrease) in Unearned Revenue	6,704.27		6,704.27
(Increase) Decrease in Accounts Receivable	203.50	(206.26)	(2.76)
Total Adjustments	<u>11,303.14</u>	<u>(206.26)</u>	<u>11,096.88</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (207,014.19)</u>	<u>\$ 29,006.08</u>	<u>\$ (178,008.11)</u>

FIDUCIARY FUNDS

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Fiduciary Funds
 Combining Statement of Fiduciary Net Position
 June 30, 2016

	Private-Purpose Trust Fund	Agency Funds		
	Unemployment Compensation Insurance	Student Activity	Payroll	Total
ASSETS:				
Cash and Cash Equivalents	\$ 91,941.12	\$ 81,920.00	\$ 22,981.65	\$ 196,842.77
Interfund Accounts Receivable:				
Due Payroll Agency Fund	5,216.74			5,216.74
Total Assets	<u>97,157.86</u>	<u>\$ 81,920.00</u>	<u>\$ 22,981.65</u>	<u>202,059.51</u>
LIABILITIES:				
Interfund Accounts Payable:				
Due General Fund			\$ 12,266.35	12,266.35
Due Unemployment Trust Fund			5,216.74	5,216.74
Payable to Student Groups		\$ 81,920.00		81,920.00
Payroll Deductions and Withholdings			5,498.56	5,498.56
Total Liabilities	<u>-</u>	<u>\$ 81,920.00</u>	<u>\$ 22,981.65</u>	<u>104,901.65</u>
NET POSITION:				
Restricted:				
Held in Trust for Payment of Claims	<u>\$ 97,157.86</u>			<u>\$ 97,157.86</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Fiduciary Funds
 Statement of Changes in Fiduciary Net Position
 For the Fiscal Year Ended June 30, 2016

	Private-Purpose Trust Fund
	Unemployment Compensation Insurance Trust Fund
ADDITIONS:	
Interest on Investments	\$ 70.03
Employer Contributions	25,000.00
Employee Contributions	15,010.80
Total Additions	40,080.83
DEDUCTIONS:	
Claims Paid	16,594.01
Total Deductions	16,594.01
Changes in Net Position	23,486.82
Net Position -- July 1	73,671.04
Net Position -- June 30	\$ 97,157.86

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Fiduciary Funds
 Student Activity Agency Fund Schedule of Receipts and Disbursements
 For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>June 30, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
District Administration	\$ 1,237.99			\$ 1,237.99
Charles Street School	8,333.69	\$ 15,201.56	\$ 12,796.86	10,738.39
High School	49,365.10	94,877.15	93,142.05	51,100.20
Scholarships	<u>16,548.42</u>	<u>8,895.00</u>	<u>6,600.00</u>	<u>18,843.42</u>
 Total All Schools	 <u>\$ 75,485.20</u>	 <u>\$ 118,973.71</u>	 <u>\$ 112,538.91</u>	 <u>\$ 81,920.00</u>

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

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 20,525.52	\$ 9,470,109.20	\$ 9,467,653.07	\$ 22,981.65
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 4,669.01	\$ 4,018,632.57	\$ 4,017,803.02	\$ 5,498.56
Net Payroll		5,433,942.00	5,433,942.00	
Interfund Accounts Payable:				
Due Unemployment Fund	4,048.78	15,010.80	13,842.84	5,216.74
Due General Fund	11,807.73	2,523.83	2,065.21	12,266.35
Total Liabilities	\$ 20,525.52	\$ 9,470,109.20	\$ 9,467,653.07	\$ 22,981.65

LONG-TERM DEBT

BOROUGH OF PALMYRA SCHOOL DISTRICT

Schedule of Serial Bonds

For the Fiscal Year Ended June 30, 2016

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance June 30, 2015</u>	<u>Paid By Budget Appropriation</u>	<u>Balance June 30, 2016</u>
			<u>Date</u>	<u>Amount</u>				
School District Bonds-- Series 2006	07-01-06	\$ 3,487,000.00	01-01-17	\$ 510,000.00	4.13%	\$ 3,037,000.00	\$ 485,000.00	\$ 2,552,000.00
			01-01-18	510,000.00	4.25%			
			01-01-19	510,000.00	4.25%			
			01-01-20	510,000.00	4.25%			
			01-01-21	512,000.00	4.25%			
School District Bonds-- Series 2009	10-15-09	9,883,000.00	03-01-17	400,000.00	3.00%			
			03-01-18	400,000.00	3.00%			
			03-01-19	400,000.00	4.00%			
			03-01-20	425,000.00	4.00%			
			03-01-21	460,000.00	4.00%			
			03-01-22	500,000.00	4.00%			
			03-01-23	650,000.00	4.00%			
			03-01-24	650,000.00	4.00%			
			03-01-25	650,000.00	4.00%			
			03-01-26	650,000.00	4.00%			
03-01-27	650,000.00	4.00%						
03-01-28	650,000.00	4.00%						
03-01-29	650,000.00	4.00%						
03-01-30	648,000.00	4.00%						
						8,183,000.00	400,000.00	7,783,000.00
						<u>\$ 11,220,000.00</u>	<u>\$ 885,000.00</u>	<u>\$ 10,335,000.00</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Debt Service Fund
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 948,158.00		\$ 948,158.00	\$ 948,158.00	
State Aid:					
Debt Service Aid Type II	191,093.00		191,093.00	191,093.00	
Total Revenues	1,139,251.00	-	1,139,251.00	1,139,251.00	-
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	405,406.00		405,406.00	405,405.00	\$ 1.00
Redemption of Principal	885,000.00		885,000.00	885,000.00	
Total Expenditures	1,290,406.00	-	1,290,406.00	1,290,405.00	1.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	(151,155.00)	-	(151,155.00)	(151,154.00)	1.00
Other Financing Sources:					
Operating Transfers In:					
Transfer from Capital Reserve	151,154.00	-	151,154.00	151,154.00	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	(1.00)	-	(1.00)	-	1.00
Fund Balance, July 1	501.42	-	501.42	501.42	
Fund Balance, June 30	\$ 500.42	\$ -	\$ 500.42	\$ 501.42	\$ 1.00

STATISTICAL SECTION

Financial Trends Information

Financial trends information is intended to assist the user in understanding and assessing how the School District's financial position has changed over time. Please refer to the following exhibits for a historical view of the School District's financial performance.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Net Position by Component
 Last Ten Fiscal Years (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities:										
Net Investment in Capital Assets	\$ 1,967,127.14	\$ 1,687,809.00	\$ 1,504,615.77	\$ 1,450,786.66	\$ 1,410,647.00	\$ 868,901.00	\$ 905,874.00	\$ 2,034,468.00	\$ 2,605,099.00	\$ 2,703,829.00
Restricted	2,898,954.51	2,640,525.15	2,329,781.16	1,679,066.32	1,922,185.00	2,063,474.00	1,930,621.00	2,651,616.00	2,130,052.00	2,239,710.00
Unrestricted	(4,199,304.38)	(4,120,109.80)	(224,102.42)	(142,140.97)	(250,459.00)	(354,049.00)	(652,811.00)	(629,620.00)	(449,989.00)	(278,354.00)
Total Governmental Activities Net Position	\$ 766,777.27	\$ 208,224.35	\$ 3,610,294.51	\$ 2,987,712.01	\$ 3,082,373.00	\$ 2,578,326.00	\$ 2,183,684.00	\$ 4,056,464.00	\$ 4,285,182.00	\$ 4,665,185.00
Business-type Activities:										
Net Investment in Capital Assets	\$ 21,402.57	\$ 26,536.96	\$ 31,921.81	\$ 22,052.03	\$ 30,266.00	\$ 8,967.00	\$ 13,269.00	\$ 19,187.00	\$ 25,809.00	\$ 32,431.00
Unrestricted	390,791.89	322,961.90	248,228.84	186,762.51	174,228.00	202,484.00	167,318.00	189,240.00	183,162.00	151,234.00
Total Business-type Activities Net Position	\$ 412,194.46	\$ 349,498.86	\$ 280,150.65	\$ 208,814.54	\$ 204,494.00	\$ 211,451.00	\$ 180,587.00	\$ 208,427.00	\$ 208,971.00	\$ 183,665.00
Government-wide:										
Net Investment in Capital Assets	\$ 1,988,529.71	\$ 1,714,345.96	\$ 1,536,537.58	\$ 1,472,838.69	\$ 1,440,913.00	\$ 877,868.00	\$ 919,143.00	\$ 2,053,655.00	\$ 2,630,908.00	\$ 2,736,260.00
Restricted	2,898,954.51	2,640,525.15	2,329,781.16	1,679,066.32	1,922,185.00	2,063,120.00	1,930,621.00	2,651,616.00	2,130,052.00	2,239,710.00
Unrestricted	(3,808,512.49)	(3,797,147.90)	(24,126.42)	(44,621.54)	(76,231.00)	(151,211.00)	(485,493.00)	(440,380.00)	(266,807.00)	(127,120.00)
Total Government-wide Net Position	\$ 1,178,971.73	\$ 557,723.21	\$ 3,890,445.16	\$ 3,196,526.55	\$ 3,266,867.00	\$ 2,789,777.00	\$ 2,364,271.00	\$ 4,264,891.00	\$ 4,494,153.00	\$ 4,848,850.00

Source: Exhibit A-1

In accordance with GASB 65, effective for the fiscal year ended June 30, 2013, the method to expense debt issuance costs was changed.

For the fiscal year ended June 30, 2015, the School District adopted GASBS No's. 68 and 71, which required the School District to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
EXPENSES:										
Governmental Activities:										
Instruction:										
Regular	\$ 4,897,046.86	\$ 5,240,728.20	\$ 4,685,701.31	\$ 4,736,984.27	\$ 4,297,173.00	\$ 4,542,144.00	\$ 4,846,951.00	\$ 4,652,891.00	\$ 5,053,129.00	\$ 4,201,162.00
Special Education	1,683,856.37	1,416,951.08	1,420,119.63	1,682,782.58	1,597,824.00	1,228,609.00	1,319,211.00	1,354,482.00	1,219,956.00	1,258,528.00
Other Special Education	591,071.53	522,804.51	487,941.74	427,228.41	334,896.00	310,407.00	387,277.00	408,698.00	369,346.00	340,046.00
Support Services:										
Tuition	1,450,814.19	1,371,105.33	1,425,581.06	1,064,516.85	987,665.00	1,068,813.00	827,855.00	929,455.00	849,561.00	782,378.00
Student and Instruction Related Services	1,525,066.22	1,651,117.47	1,565,242.50	1,584,884.45	1,662,108.00	1,427,491.00	1,524,423.00	1,483,964.00	1,459,106.00	1,232,516.00
School Administrative Services	403,065.91	509,522.04	388,969.86	502,059.98	503,830.00	484,710.00	467,671.00	466,558.00	448,421.00	437,257.00
General and Business Administrative Services	713,232.73	942,828.41	838,530.88	690,948.07	565,790.00	521,374.00	638,261.00	621,490.00	639,535.00	600,348.00
Plant Operations and Maintenance	1,417,719.72	1,487,968.43	1,433,715.81	1,410,294.48	1,337,947.00	1,840,879.00	1,493,770.00	1,389,150.00	1,254,304.00	1,056,904.00
Pupil Transportation	289,333.18	316,262.61	294,759.71	310,514.06	253,947.00	315,102.00	306,731.00	342,235.00	308,483.00	291,818.00
Unallocated Benefits	6,198,134.54	4,062,961.99	3,603,120.28	3,888,105.85	3,491,252.00	3,278,700.00	3,159,569.00	2,951,276.00	3,865,598.00	3,295,423.00
Special Schools	395,020.22	427,370.87	448,970.23	473,180.60	468,934.00	562,219.00	193,289.00	174,789.00	178,724.00	153,092.00
Interest on Long-term Debt					597,286.00	19,318.00	703,617.00	267,642.00	290,230.00	222,740.00
Unallocated Depreciation								126,210.00	79,382.00	74,199.00
Total Governmental Activities Expenses	19,564,361.47	17,949,620.94	16,572,653.01	16,771,479.60	16,118,654.00	15,599,766.00	15,868,625.00	15,168,850.00	16,015,777.00	13,946,412.00
Business-type Activities:										
Food Service	364,318.52	348,434.10	365,503.74	354,224.27	345,900.00	320,327.00	336,756.00	300,253.00	324,110.00	326,157.00
After School Program	119,501.30	114,003.07	96,813.59	131,485.31	63,624.00	64,104.00	116,010.00	81,640.00	82,399.00	67,525.00
Total Business-type Activities Expense	483,819.82	462,437.17	462,317.33	485,709.58	409,524.00	384,431.00	452,766.00	381,893.00	406,509.00	393,682.00
Total Government Expenses	20,048,181.29	18,412,058.11	17,034,970.34	17,257,189.18	16,528,178.00	15,984,197.00	16,321,391.00	15,550,743.00	16,422,286.00	14,340,094.00
PROGRAM REVENUES:										
Governmental Activities:										
Operating Grants and Contributions	\$ 4,043,731.42	\$ 1,910,537.24	\$ 1,659,252.63	\$ 1,907,857.76	\$ 1,869,015.00	\$ 1,794,424.00	\$ 1,839,864.00	\$ 1,492,374.00	\$ 2,483,694.00	\$ 2,225,419.00
Charges for Services	1,381,193.10	1,749,864.89	1,853,201.27	1,800,426.78	1,740,648.00	1,728,342.00	1,606,803.00	1,423,288.00	1,835,783.00	1,865,238.00
Total Governmental Activities Program Revenues	5,404,924.52	3,660,402.13	3,512,453.90	3,708,284.54	3,609,663.00	3,522,766.00	3,446,667.00	2,915,662.00	4,319,477.00	4,090,657.00
Business-type Activities:										
Charges for Services:										
Food Service	146,001.19	138,635.07	146,564.50	143,415.71	145,386.00	152,886.00	157,885.00	165,975.00	170,434.00	169,389.00
After School Program	148,713.64	165,802.23	152,379.09	128,923.80	116,270.00	93,683.00	93,517.00	86,113.00	111,387.00	101,731.00
Operating Grants and Contributions	251,720.88	227,293.25	219,204.25	217,620.95	205,030.00	167,318.00	172,116.00	128,120.00	130,567.00	128,627.00
Total Business-type Activities Program Revenues	546,435.71	531,730.55	518,147.84	489,960.46	466,686.00	413,889.00	423,518.00	380,208.00	412,388.00	399,747.00
Total Government Program Revenues	5,951,360.23	4,192,132.68	4,030,601.74	4,198,245.00	4,076,349.00	3,936,655.00	3,870,185.00	3,295,870.00	4,731,865.00	4,490,404.00
NET (EXPENSE)/REVENUE:										
Governmental Activities	\$ (14,159,436.95)	\$ (14,289,218.81)	\$ (13,060,199.11)	\$ (13,063,195.06)	\$ (12,508,991.00)	\$ (12,077,000.00)	\$ (12,421,958.00)	\$ (12,253,188.00)	\$ (11,696,300.00)	\$ (9,855,755.00)
Business-type Activities	62,615.89	69,293.38	55,830.51	4,250.88	57,162.00	29,458.00	(29,248.00)	(1,685.00)	5,879.00	6,065.00
Total Government-wide Net Expense	\$ (14,096,821.06)	\$ (14,219,925.43)	\$ (13,004,368.60)	\$ (13,058,944.18)	\$ (12,451,829.00)	\$ (12,047,542.00)	\$ (12,451,206.00)	\$ (12,254,873.00)	\$ (11,690,421.00)	\$ (9,849,690.00)

(Continued)

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years (Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 8,633,789.00	\$ 8,155,162.00	\$ 7,586,442.08	\$ 7,225,184.00	\$ 7,225,184.00	\$ 7,151,345.00	\$ 6,972,447.00	\$ 6,780,632.00	\$ 6,519,838.00	\$ 6,121,339.00
Taxes Levied for Debt Services	948,158.00	948,158.00	967,889.92	925,603.00	925,603.00	989,442.00	524,190.00	380,547.00	697,997.00	488,036.00
Unrestricted Grants and Contributions	5,041,154.21	5,033,438.61	5,073,564.72	4,937,349.52	4,723,939.00	4,267,162.00	4,550,482.00	4,754,902.00	4,491,178.00	4,194,561.00
Restricted Grants and Contributions		3,746.94		2,700.40	1,182.00	9,345.00	67,282.00	50,088.00	11,523.00	8,235.00
Investment Earnings	4,171.14	89,822.10	70,338.99	17,790.05	35,263.00	44,348.00	83,872.00	58,301.00	97,997.00	97,997.00
Other	90,717.52				(133.00)				48,346.00	88,139.00
Disposal of Assets			(15,454.10)		100,000.00				(16,000.00)	
Transfers										
Total Governmental Activities	14,717,989.87	14,230,327.65	13,682,781.61	13,108,626.97	13,013,038.00	12,471,642.00	12,198,273.00	12,024,470.00	11,752,882.00	10,998,307.00
Business-type Activities:										
Investment Earnings	79.71	54.83	51.50	69.35	95.00	1,406.00	1,408.00	1,141.00	3,427.00	5,362.00
Contribution of Capital Assets			15,454.10		25,782.00					
Transfers					(90,000.00)					
Total Business-type Activities	79.71	54.83	15,505.60	69.35	(64,119.00)	1,406.00	1,408.00	1,141.00	19,427.00	5,362.00
Total Government-wide	\$ 14,718,069.58	\$ 14,230,382.48	\$ 13,698,287.21	\$ 13,108,696.32	\$ 12,948,919.00	\$ 12,473,048.00	\$ 12,199,681.00	\$ 12,025,611.00	\$ 11,772,309.00	\$ 11,003,669.00
CHANGE IN NET POSITION:										
Governmental Activities	\$ 558,552.92	\$ (58,891.16)	\$ 622,582.50	\$ 45,431.91	\$ 504,047.00	\$ 394,642.00	\$ (223,685.00)	\$ (228,718.00)	\$ 56,582.00	\$ 1,142,552.00
Business-type Activities	62,895.60	69,348.21	71,336.11	4,320.23	(6,957.00)	30,864.00	(27,840.00)	(544.00)	25,306.00	11,427.00
Total Government	\$ 621,248.52	\$ 10,457.05	\$ 693,918.61	\$ 49,752.14	\$ 497,090.00	\$ 425,506.00	\$ (251,525.00)	\$ (229,262.00)	\$ 81,888.00	\$ 1,153,979.00

Source: Exhibit A-2

In accordance with GASB 65, effective for the fiscal year ended June 30, 2013, the method to expense debt issuance costs was changed.

For the fiscal year ended June 30, 2015, the School District adopted GASBS No's 68 and 71, which required the School District to record its proportionate share of the net pension liability and related deferred outflows and inflows of resources in the government-wide financial statements. Balances prior to June 30, 2015 are shown as originally reported and have not been restated for this adoption.

BOROUGH OF PALMYRA SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Fund:										
Restricted	\$ 2,958,082.66	\$ 2,640,023.73	\$ 2,329,780.24	\$ 1,849,779.92	\$ 1,302,191.00	\$ 1,418,045.00	\$ 1,647,394.00	\$ 1,509,127.00	\$ 1,520,872.00	\$ 1,149,891.00
Assigned	40,370.43	86,984.04	132,294.03	68,874.78	619,994.00	623,096.00	206,982.00	501,111.00	565,160.00	718,762.00
Unassigned (Deficit)	391,626.74	340,380.84	(33,661.26)	(90,816.59)	(72,123.00)	(52,148.00)	(122,966.00)	(182,530.00)	52,888.00	80,888.00
Total General Fund	\$ 3,390,079.83	\$ 3,067,388.61	\$ 2,428,413.01	\$ 1,827,838.11	\$ 1,850,062.00	\$ 1,988,993.00	\$ 1,731,410.00	\$ 1,827,708.00	\$ 2,138,920.00	\$ 1,949,541.00
All Other Governmental Funds:										
Assigned						\$ 354.00	\$ 76,245.00	\$ 641,378.00	\$ 41,226.00	\$ 368,263.00
Restricted, Reported in:	\$ 501.42	\$ 501.42	\$ 0.92	\$ 0.50						
Debt Service Fund										
Total All Other Governmental Funds	\$ 501.42	\$ 501.42	\$ 0.92	\$ 0.50	\$ -	\$ 354.00	\$ 76,245.00	\$ 641,378.00	\$ 41,226.00	\$ 368,263.00

Source: Exhibit B-1

In accordance with GASB 54, effective for the fiscal year ended June 30, 2011, the description and terminology utilized to identify fund balance was changed.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Changes in Fund Balances, Governmental Funds
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES:										
Tax Levy	\$ 9,581,947.00	\$ 9,103,320.00	\$ 8,554,332.00	\$ 8,150,787.00	\$ 8,150,787.00	\$ 8,150,787.00	\$ 7,496,637.00	\$ 7,161,179.00	\$ 7,217,835.00	\$ 6,609,375.00
Other Local Revenue	1,456,081.76	1,843,433.93	1,923,540.26	1,820,917.23	1,777,093.00	1,782,035.00	1,757,955.00	1,531,677.00	1,895,652.00	2,051,374.00
State Sources	6,590,796.42	6,342,142.17	6,180,513.25	6,234,002.04	5,814,744.00	5,382,319.00	4,975,970.00	5,752,413.00	6,432,331.00	5,960,243.00
Federal Sources	606,194.21	601,833.68	552,304.10	603,064.85	780,210.00	679,287.00	1,414,376.00	494,863.00	542,541.00	467,972.00
Total Revenues	18,235,019.39	17,890,729.78	17,210,689.61	16,808,771.12	16,522,834.00	15,994,408.00	15,644,938.00	14,940,132.00	16,088,359.00	15,088,964.00
EXPENDITURES:										
Instruction										
Regular Instruction	4,409,816.11	4,268,397.33	4,191,462.91	4,300,227.70	4,400,577.00	4,683,486.00	4,939,279.00	4,673,552.00	4,641,545.00	4,137,738.00
Special Education Instruction	1,683,856.37	1,416,951.08	1,420,119.63	1,675,456.58	1,597,824.00	1,228,609.00	1,319,156.00	1,354,492.00	1,219,968.00	1,258,529.00
Other Special Instruction	591,071.53	514,857.51	487,941.74	427,228.41	334,898.00	310,407.00	386,271.00	408,698.00	369,346.00	340,048.00
Support Services:										
Tuition	1,450,814.19	1,371,105.33	1,425,581.06	1,064,516.85	987,665.00	1,068,813.00	827,855.00	929,455.00	849,561.00	782,378.00
Student and Instruction Related Services	1,540,934.42	1,613,265.58	1,558,037.50	1,576,676.92	1,662,108.00	1,427,491.00	1,521,822.00	1,483,964.00	1,459,106.00	1,232,518.00
School Administrative Services	426,397.18	464,597.68	368,797.22	501,862.90	469,404.00	450,862.00	466,664.00	466,598.00	448,421.00	437,253.00
Other Administrative Services	628,642.47	762,943.61	741,803.09	587,237.92	531,363.00	487,525.00	630,738.00	593,468.00	610,751.00	578,057.00
Plant Operations and Maintenance	1,338,400.72	1,387,802.55	1,323,076.55	1,299,136.18	1,274,658.00	1,237,806.00	1,137,642.00	1,245,449.00	1,225,520.00	1,031,931.00
Pupil Transportation	294,129.10	311,466.69	294,759.71	310,514.06	246,582.00	315,102.00	306,731.00	328,224.00	294,091.00	280,673.00
Unallocated Benefits	4,237,291.44	3,902,021.46	3,603,120.28	3,888,105.85	3,491,252.00	3,278,700.00	3,159,569.00	2,951,276.00	3,865,598.00	3,295,423.00
Debt Service:										
Principal	885,000.00	720,000.00	725,000.00	705,000.00	660,000.00	640,000.00	325,000.00	295,000.00	630,000.00	560,000.00
Interest and Other Charges	405,405.00	431,167.50	451,917.50	476,392.50	494,067.00	634,290.00	423,702.00	216,004.00	351,703.00	162,750.00
Special Schools							193,289.00	174,789.00	178,724.00	153,092.00
Capital Outlay	20,569.64	86,677.36	18,497.10	11,638.64	633,700.00	27,646.00	668,651.00	9,413,263.00	65,693.00	3,321,625.00
Total Expenditures	17,912,328.17	17,251,253.68	16,610,114.29	16,830,994.51	16,784,098.00	15,790,737.00	16,306,369.00	24,534,192.00	16,210,017.00	17,572,015.00
Excess (Deficiency) of Revenues Over (Under) Expenditures	322,691.22	639,476.10	600,575.32	(22,223.39)	(261,264.00)	203,671.00	(661,431.00)	(9,594,060.00)	(121,658.00)	(2,483,051.00)
OTHER FINANCING SOURCES (USES):										
Proceeds from borrowing								9,883,000.00		3,487,000.00
Accrued interest on sale of bonds										31,945.00
Transfers In	151,154.00			44,245.00	100,000.00		136,649.00	43,860.00	283,922.00	188,478.00
Transfers Out	(151,154.00)			(44,245.00)			(136,649.00)	(43,860.00)	(309,922.00)	(188,478.00)
Total Other Financing Sources (Uses)	-	-	-	-	100,000.00	-	-	9,883,000.00	(16,000.00)	3,518,945.00
Net Change in Fund Balances	\$ 322,691.22	\$ 639,476.10	\$ 600,575.32	\$ (22,223.39)	\$ (161,264.00)	\$ 203,671.00	\$ (661,431.00)	\$ 288,940.00	\$ (137,658.00)	\$ 1,035,694.00
Debt Service as a Percentage of Non-capital Expenditures	7.21%	6.71%	7.09%	7.02%	7.15%	8.08%	4.79%	3.38%	6.08%	5.07%

Source: Exhibit B-2

BOROUGH OF PALMYRA SCHOOL DISTRICT
 General Fund - Other Local Revenue by Source
 Last Ten Fiscal Years (Modified Accrual Basis of Accounting)
 (Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Interest on Investments	\$ 4,171.14	\$ 3,746.94	\$ 2,889.31	\$ 2,700.40	\$ 1,182.00	\$ 18,553.00	\$ 81,195.00	\$ 63,928.00	\$ 45,056.00	\$ 97,997.00
Tuition	1,361,193.10	1,749,864.89	1,853,201.27	1,800,426.78	1,740,648.00	1,728,342.00	1,606,803.00	1,423,288.00	1,835,783.00	1,865,238.00
Shared Services					7,130.00	16,000.00	18,748.00			
Municipal Share of Costs		1,800.00	3,699.00	500.00	855.00	205.00	36,288.00			
Solar Energy Rebate	38,914.34	48,074.49								
Rental/Lease of Facilities	29,581.26	14,227.89	17,687.13	12,636.36	12,202.00	12,841.00	10,952.00	43,624.00	3,495.00	86,139.00
Prior Year E-Rate	15,917.00	21,525.20	40,730.98							
Prior Year Refunds	6,304.92	4,194.52	5,332.57	4,653.69	15,076.00	6,094.00	3,969.00	837.00	11,318.00	
Athletics										
Miscellaneous										
Total Miscellaneous Revenues	\$ 1,456,081.76	\$ 1,843,433.93	\$ 1,923,540.26	\$ 1,820,917.23	\$ 1,777,095.00	\$ 1,782,095.00	\$ 1,757,955.00	\$ 1,531,677.00	\$ 1,895,652.00	\$ 2,051,374.00

Source: District Records

Revenue Capacity Information

Revenue capacity information is intended to assist users in understanding and assessing the factors affecting the School District's ability to generate revenues. Please refer to the following exhibits for a historical view of these factors and how they relate to the School District's ability to generate revenues.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Assessed Value and Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

Year Ended Dec. 31	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities (2)	Net Valuation Taxable	Tax-Exempt Property	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate (3)
2016	\$ 4,719,400.00	\$ 409,121,975.00	\$ 5,500.00	\$ 32,492,300.00	\$ 10,648,100.00	\$ 20,876,400.00	\$ 477,863,675.00	\$ 93.00	\$ 477,863,768.00	\$ 52,300,600.00	\$ 515,828,765.00	\$ 2.071
2015	4,719,400.00	409,719,630.00	5,500.00	32,778,100.00	10,706,100.00	20,816,400.00	478,745,130.00	91.00	478,745,221.00	52,110,800.00	541,077,329.00	2.001
2014	4,719,400.00	410,223,630.00	5,500.00	32,599,300.00	10,715,100.00	20,865,900.00	479,129,030.00	284,018.00	479,413,048.00	52,161,100.00	530,998,496.00	1.898
2013 (1)	4,786,000.00	411,186,330.00	5,500.00	32,858,100.00	10,790,100.00	21,033,600.00	480,659,630.00	478,375.00	481,138,005.00	51,354,800.00	530,832,154.00	1.778
2012	4,036,900.00	268,395,315.00	27,800.00	19,347,300.00	7,042,500.00	12,942,600.00	311,792,415.00	285,208.00	312,077,623.00	31,866,102.00	558,878,264.00	2.611
2011	4,038,900.00	268,830,970.00	27,800.00	19,431,900.00	7,588,900.00	12,942,600.00	312,861,070.00	278,442.00	313,139,512.00	31,753,302.00	598,972,916.00	2.602
2010	3,945,700.00	271,283,170.00	35,000.00	18,910,400.00	6,000,400.00	13,047,200.00	313,221,870.00	326,992.00	313,548,862.00	31,753,302.00	598,298,970.00	2.599
2009	3,888,600.00	271,442,170.00	89,900.00	19,221,800.00	6,250,400.00	13,160,400.00	314,053,470.00	328,736.00	314,382,206.00	31,284,102.00	609,455,922.00	2.384
2008	3,957,700.00	271,022,270.00	130,400.00	19,224,800.00	6,250,400.00	13,160,400.00	313,745,970.00	325,019.00	314,070,989.00	31,144,802.00	583,539,921.00	2.280
2007	3,926,400.00	270,920,370.00	209,000.00	19,017,400.00	6,250,400.00	13,160,400.00	313,483,970.00	331,475.00	313,815,445.00	31,109,502.00	554,518,781.00	2.300

(1) Revaluation
 (2) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.
 (3) Tax Rates are per \$100.00 of Assessed Valuation.

Source: Burlington County Board of Taxation

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Unaudited)

Year Ended Dec. 31	District Direct Rate (1)			Overlapping Rates (1)			Total Direct and Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Borough of Palmyra	Burlington County	Total Direct and Overlapping Tax Rate	
2016	\$ 1.866	\$ 0.205	\$ 2.071	\$ 1.188	\$ 0.442	\$ 3.701	
2015	1.793	0.208	2.001	1.177	0.470	3.648	
2014	1.683	0.215	1.898	1.165	0.424	3.487	
2013 (2)	1.576	0.202	1.778	1.142	0.420	3.340	
2012	2.285	0.326	2.611	1.729	0.681	5.021	
2011	2.276	0.326	2.602	1.700	0.726	5.028	
2010	2.281	0.318	2.599	1.644	0.725	4.968	
2009	2.218	0.166	2.384	1.504	0.737	4.625	
2008	2.160	0.120	2.280	1.450	0.723	4.453	
2007	2.080	0.220	2.300	1.288	0.742	4.330	

Source: Municipal Tax Collector

(1) Rate per \$100 of Assessed Value

(2) Revaluation

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Principal Property Tax Payers
 Current Year and Nine Years Ago
 (Unaudited)

	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Willow Shores LP/ Korman Corp. of NJ	\$ 11,365,900.00	1	2.38%	\$ 2,607,000.00	1	0.83%
Boss Lady, LLC	3,500,000.00	2	0.73%	2,200,000.00	2	0.70%
River Villas Mews, LLC	2,261,600.00	3	0.47%			
Roto Cylinders, Inc.	2,247,800.00	4	0.47%	1,742,600.00	5	0.56%
Nai Entertainment Holdings, LLC	2,009,000.00	5	0.42%	1,747,700.00	4	0.56%
Philadelphia Sign Company	1,809,200.00	6	0.38%	2,046,900.00	3	0.65%
David Drew Associates	1,320,600.00	7	0.28%	1,050,000.00	7	0.33%
Rainer, Joseph	1,197,800.00	8	0.25%	792,300.00	9	0.25%
Trustee of Paul W. Callahan	1,177,700.00	9	0.25%	736,000.00	10	0.23%
Haroution K. Aydjian	1,053,500.00	10	0.22%	912,100.00	8	0.29%
Tower Management Services				1,540,000.00	6	0.49%
Total	\$ 27,943,100.00		5.85%	\$ 15,374,600.00		4.89%

Source: Municipal Tax Assessor

BOROUGH OF PALMYRA SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year Ended June 30,</u>	<u>School District Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy (1)</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2016	\$ 9,581,947.00	\$ 9,581,947.00	100.00%	-
2015	9,103,320.00	9,103,320.00	100.00%	-
2014	8,554,332.00	8,554,332.00	100.00%	-
2013	8,150,787.00	8,150,787.00	100.00%	-
2012	8,150,787.00	8,150,787.00	100.00%	-
2011	8,150,787.00	8,150,787.00	100.00%	-
2010	7,496,637.00	7,496,637.00	100.00%	-
2009	7,161,179.00	7,161,179.00	100.00%	-
2008	7,217,835.00	7,217,835.00	100.00%	-
2007	6,609,375.00	6,609,375.00	100.00%	-

(1) 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: District Records

Debt Capacity Information

Debt capacity information is intended to assist users in understanding and assessing the School District's debt burden and its ability to issue additional debt. Please refer to the following exhibits for a historical view of the School District's outstanding debt and its debt capacity.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Percentage of Personal Income (2)	Per Capita (3)
	General Obligation Bonds (1)	Capital Leases	Bonds Authorized But not Issued	Capital Leases				
2016	\$ 10,335,000.00	-	-	-	\$ 10,335,000.00	Unavailable	Unavailable	\$ 1,534.04
2015	11,220,000.00	-	-	-	11,220,000.00	Unavailable	Unavailable	1,628.26
2014	11,940,000.00	-	-	-	11,940,000.00	3.02%		1,720.55
2013	12,665,000.00	-	-	-	12,665,000.00	3.33%		1,804.32
2012	13,370,000.00	-	-	-	13,370,000.00	3.52%		1,893.13
2011	14,030,000.00	-	-	-	14,030,000.00	3.80%		1,981.09
2010	14,670,000.00	-	-	-	14,670,000.00	4.12%		2,044.03
2009	14,995,000.00	-	-	-	14,995,000.00	4.29%		735.15
2008	5,407,000.00	-	-	-	5,407,000.00	1.54%		805.05
2007	5,967,000.00	-	-	-	5,967,000.00	1.74%		

Sources:

- (1) District Records
- (2) Personal income has been estimated based upon the municipal population and per capita personal income.
- (3) Per capita personal income by county-estimated based upon the 2010 Census published

BOROUGH OF PALMYRA 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 Net Assessed Valuation Taxable (2)	Per Capita (3)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding (1)		
2016	\$ 10,335,000.00	-	\$ 10,335,000.00	2.16%	Unavailable
2015	11,220,000.00	-	11,220,000.00	2.34%	\$ 1,534.04
2014	11,940,000.00	-	11,940,000.00	2.49%	1,625.82
2013	12,665,000.00	-	12,665,000.00	2.63%	1,722.66
2012	13,370,000.00	-	13,370,000.00	4.28%	1,809.69
2011	14,030,000.00	-	14,030,000.00	4.48%	1,896.97
2010	14,670,000.00	-	14,670,000.00	4.68%	1,981.63
2009	14,995,000.00	-	14,995,000.00	4.77%	2,044.03
2008	5,407,000.00	-	5,407,000.00	1.72%	735.15
2007	5,967,000.00	-	5,967,000.00	1.90%	805.05

Sources:

- (1) District Records
- (2) Net Assessed Valuation provided by Abstract of Ratables, County Board of Taxation.
- (3) Per Capita calculation based upon population information provided by the NJ Dept. of Labor and Workforce Development.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2015
 (Unaudited)

	<u>Gross Debt</u>	<u>Deductions</u>	Statutory Net Debt <u>Outstanding</u>	Net Debt Outstanding Allocated to <u>Palmyra Borough</u>
Municipal Debt: (1)				
Palmyra Borough Local School District	\$ 11,220,000.00	\$ 11,220,000.00		
Palmyra Borough Sewer Utility	5,716,177.98	5,548,413.38	\$ 167,764.60	\$ 167,764.60
Palmyra Borough	<u>11,530,798.24</u>	<u>911,422.46</u>	<u>10,619,375.78</u>	<u>10,619,375.78</u>
	<u>28,466,976.22</u>	<u>17,679,835.84</u>	<u>10,787,140.38</u>	<u>10,787,140.38</u>
Overlapping Debt Apportioned to the Municipality: County of Burlington: (2)				
General:				
Bonds	246,889,847.00	29,794,647.00	217,095,200.00	2,578,287.05 (3)
Bonds Issued by Other Public Bodies				
Guaranteed by the County	342,954,000.00	342,954,000.00		
Solid Waste Utility	<u>68,999,492.00</u>	<u>68,999,492.00</u>		
	<u>658,843,339.00</u>	<u>441,748,139.00</u>	<u>217,095,200.00</u>	<u>2,578,287.05</u>
	<u>\$ 687,310,315.22</u>	<u>\$ 459,427,974.84</u>	<u>\$ 227,882,340.38</u>	<u>\$ 13,365,427.43</u>

Sources:

- (1) 2015 Annual Debt Statement
- (2) County's 2015 Audit Report
- (3) Such debt is allocated as a proportion of the Borough's share of the total 2015 Equalized Value, which is 1.19%.
 The source for this computation was the 2015 Table of Equalized Valuations, which is supplied by the New Jersey Division of Taxation.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized Valuation Basis (1)	
2015	\$ 516,780,149
2014	541,511,110
2013	532,409,869
[A]	\$ 1,590,701,128

Average Equalized Valuation of Taxable Property	[A/3]	\$ 530,233,709.33
Debt Limit (4% of Average Equalization Value) (2)	[B]	\$ 21,209,348
Total Net Debt Applicable to Limit (3)	[C]	10,335,000
Legal Debt Margin	[B-C]	\$ 10,874,348

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Debt Limit	\$ 21,209,348.37	\$ 21,399,907.39	\$ 21,650,176.40	\$ 22,516,839.91	\$ 23,401,220.00	\$ 24,015,997.00	\$ 23,792,314.00	\$ 23,184,746.00	\$ 21,550,159.00	\$ 19,511,194.00
Total Net Debt Applicable to Limit (3)	10,335,000.00	11,220,000.00	11,940,000.00	12,665,000.00	13,370,000.00	14,030,000.00	14,670,000.00	14,995,000.00	5,407,000.00	5,967,000.00
Legal Debt Margin	<u>\$ 10,874,348.37</u>	<u>\$ 10,179,907.39</u>	<u>\$ 9,710,176.40</u>	<u>\$ 9,851,839.91</u>	<u>\$ 10,031,220.00</u>	<u>\$ 9,985,997.00</u>	<u>\$ 9,122,314.00</u>	<u>\$ 8,189,746.00</u>	<u>\$ 16,143,159.00</u>	<u>\$ 13,544,194.00</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	48.73%	52.43%	55.15%	56.25%	57.13%	58.42%	61.66%	64.68%	25.09%	30.56%

Sources:
 (1) Equalized valuation bases were provided by the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.
 (2) Limit set by NJSA 18A:24-19 for a K through 8 district.
 (3) District Records

Demographic and Economic Information

Demographic and economic information is intended (1) to assist users in understanding the socioeconomic environment within which the School District operates and (2) to provide information that facilitates comparisons of financial statement information over time and among school districts. Please refer to the following exhibits for a historical view of the demographic and economic statistics and factors prevalent in the location in which the School District operates.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Demographic and Economic Statistics
 Last Ten Fiscal Years
 (Unaudited)

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income (3)</u>	<u>Unemployment Rate (4)</u>
2015	7,314	Unavailable	Unavailable	5.0%
2014	7,344	\$ 394,717,968.00	\$ 53,747.00	6.3%
2013	7,352	380,723,320.00	51,785.00	11.1%
2012	7,388	379,669,320.00	51,390.00	11.6%
2011	7,396	369,467,180.00	49,955.00	11.1%
2010	7,403	355,691,941.00	48,047.00	11.4%
2009	7,336	349,553,064.00	47,649.00	10.8%
2008	7,355	351,686,680.00	47,816.00	6.3%
2007	7,412	342,345,456.00	46,188.00	4.6%
2006	7,536	335,969,952.00	44,582.00	5.1%

Sources:

- (1) Population information provided by the NJ Dept. of Labor and Workforce Development
- (2) Personal income has been estimated based upon the municipal population and per capita
- (3) Per Capita personal income by county-estimated based upon the 2010 Census published
- (4) Unemployment data provided by the NJ Dept. of Labor and Workforce Development

Operating Information

Operating information is intended to provide contextual information about the School District's operations and resources to assist readers in using financial statement information to understand and assess the School District's economic condition. Please refer to the following exhibits for a historical view of the factors and statistics pertinent to the School District's operations.

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Full-time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
 (Unaudited)

Function/Program	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Instruction:										
Regular	65	64	59	61	64	69	69	69	69	67
Special education	27	27	27	33	29	19	19	19	19	17
Adult/continuing education programs	-	-	-	-	-	-	-	1	1	1
Support Services:										
Student & instruction related services	22	22	26	25	25	10	10	10	10	10
School administrative services	6	5	5	6	7	6	6	6	6	6
General and business administrative services	7	6	7	8	8	1	1	1	1	1
Plant operations and maintenance	14	14	16	15	16	12	12	13	13	13
Business and other support services	2	2	2	1	1	13	13	14	14	14
Child Care	1	1	1	1	1	1	1	1	1	1
Total	143	140	143	149	151	131	131	134	134	130

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Operating Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year Ended June 30,	Resident Enrollment	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio		Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Junior/Senior High School				
2016	938	\$ 16,601,354	\$ 17,699	4.45%	92	1:12	1:10	936	877	-0.91%	93.78%
2015	945	16,013,409	16,945	1.59%	91	1:10	1:11	944	889	-1.12%	94.11%
2014	960	16,013,409	16,681	3.68%	86	1:13	1:12	955	902	-0.92%	94.39%
2013	972	15,637,963	16,088	9.11%	93	1:12	1:10	964	905	0.23%	93.90%
2012	1,017	14,996,331	14,746	3.71%	80	1:12	1:10	950	924	1.26%	94.27%
2011	1,019	14,488,801	14,219	-2.88%	114	1:12	1:10	960	904	-1.02%	94.25%
2010	1,017	14,889,016	14,640	2.51%	114	1:12	1:10	950	894	1.03%	94.17%
2009	1,023	14,609,925	14,281	-1.95%	114	1:12	1:10	976	924	-2.67%	94.70%
2008	1,041	15,162,621	14,565	15.21%	115	1:19	1:15	1,045	1,004	-6.58%	96.11%
2007	1,070	13,527,640	12,643	0.80%	113	1:16	1:13	1,095	1,040	-4.63%	95.02%

Sources: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
 School Building Information
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<u>District Building</u>										
Elementary										
Charles Street Elementary (1958)										
Square Feet	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884	62,884
Capacity (students)	705	705	705	705	705	705	705	705	705	705
Enrollment	515	525	529	481	493	470	467	467	467	461
Delaware Avenue Elementary (1956)										
Square Feet	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539	11,539
Capacity (students)	180	180	180	180	180	180	180	180	180	180
Enrollment	0	0	0	16	27	35	35	43	43	43
Senior High School										
Junior/Senior High School (1922)										
Square Feet	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248	99,248
Capacity (students)	765	765	765	765	765	765	765	765	765	765
Enrollment	412	420	431	449	433	512	512	517	534	534
Number of Schools at June 30, 2016										
Elementary School = 2										
Junior/Senior High School = 1										
Other = 0										

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Schedule of Required Maintenance
 Last Ten Fiscal Years
 (Unaudited)

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

School Facilities*	Fiscal Year Ended June 30,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Charles Street School	\$ 115,208.20	\$ 132,252.00	\$ 111,026.88	\$ 112,451.00	\$ 71,365.00	\$ 69,286.00	\$ 654,656.00	\$ 87,631.00	\$ 58,164.00	\$ 44,373.00
Delaware Avenue School	22,402.00	18,466.00	21,588.56	21,865.00	13,876.00	13,472.00	229,188.00	64,140.00	34,517.00	17,311.00
Junior/Senior High School	182,413.00	183,819.94	176,807.09	178,046.90	112,994.00	109,702.00	1,015,396.00	99,782.00	77,164.00	70,058.00
Total School Facilities	\$ 320,023.20	\$ 334,537.94	\$ 309,422.53	\$ 312,362.90	\$ 198,235.00	\$ 192,460.00	\$ 1,899,240.00	\$ 251,553.00	\$ 169,845.00	\$ 131,742.00

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

Source: District Records

BOROUGH OF PALMYRA SCHOOL DISTRICT

Insurance Schedule

June 30, 2016

(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Building and Contents (All Locations)		
Limits of liability per occurrence	\$ 41,132,382	\$ 2,500
General and Automobile Liability	15,000,000	1,000
Pollution Liability	1,000,000	5,000
School Board Legal Liability	15,000,000	5,000
School Excess Liability	10,000,000	
Blanket Dishonesty Bond	100,000	
Workers' Compensation	Statutory	
Student Accident Liability (1)	1,000,000	
Surety Bonds (2)		
Treasurer	250,000	
Board Secretary	175,000	

(1) School Alliance Insurance Fund

(2) National Union Fire Insurance Company of Pittsburgh, PA

Source: District Records

SINGLE AUDIT SECTION

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Borough of Palmyra School District
Palmyra, New Jersey 08065

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Palmyra School District's, in the County of Burlington, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the School District's major federal and state programs for the fiscal year ended June 30, 2016. The School District's major federal and state programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

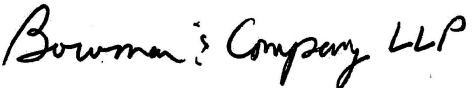
Management of the Borough of Palmyra School District, in the County of Burlington, State of New Jersey, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, 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 School District's internal control over compliance.

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

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

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Robert S. Marrone
Certified Public Accountant
Public School Accountant No. CS 01113

Voorhees, New Jersey
November 22, 2016

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Schedule of Expenditures of Federal Awards - Schedule A
 For the Fiscal Year Ended June 30, 2016

<u>Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal FAIN Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u> From To		<u>Balance June 30, 2015</u>
General Fund:							
U.S. Department of Education:							
Passed-through the State Department of Education:							
Medicaid Administrative Claiming Aid	93.778	1605NJ5MAP	N/A	\$ 2,212.94	7-1-15	6-30-16	
Medical Assistance Program (SEMI)	93.778	1605NJ5MAP	N/A	20,829.84	7-1-15	6-30-16	
Medical Assistance Program (SEMI)	93.778	1605NJ5MAP	N/A	28,292.86	7-1-14	6-30-15	\$ (10,979.71)
Medical Assistance Program (SEMI) - Cost Settlement	93.778	1605NJ5MAP	N/A	15,882.43	7-1-13	6-30-14	
Total General Fund							<u>(10,979.71)</u>
Special Revenue Fund:							
U.S. Department of Education:							
Passed-through State Department of Education:							
N.C.L.B.:							
Title I, Part A	84.010	S010A150030	NCLB392016	236,537.00	7-1-15	6-30-16	
Title I, Part A	84.010	S010A150030	NCLB392015	229,449.00	7-1-14	6-30-15	<u>(21,242.06)</u>
Total Title I, Part A							<u>(21,242.06)</u>
Title II, Part A	84.367	S367A150029	NCLB392016	37,308.00	7-1-15	6-30-16	
Title II, Part A	84.367	S367A150029	NCLB392015	37,752.00	7-1-14	6-30-15	<u>(6,313.00)</u>
Total Title II, Part A							<u>(6,313.00)</u>
I.D.E.A. Part B:							
Basic	84.027	H027A150100	FT392016	286,139.00	7-1-15	6-30-16	
Pre-School	84.173	H173A150114	PS392016	7,285.00	7-1-15	6-30-16	
Pre-School	84.173	H173A150114	PS392015	7,071.00	7-1-14	6-30-15	<u>(738.00)</u>
Total I.D.E.A. Part B Special Education Cluster							<u>(738.00)</u>
Total Special Revenue Fund							<u>(28,293.06)</u>
Enterprise Fund:							
U.S. Department of Agriculture:							
Passed-through State Department of Agriculture:							
Child Nutrition Cluster:							
Non-Cash Assistance (Food Distribution):							
Food Distribution Program	10.555	16161NJ304N1099	Unavailable	39,007.89	7-1-15	6-30-16	
Food Distribution Program	10.555	16161NJ304N1099	Unavailable	30,114.99	7-1-14	6-30-15	3,490.73
Cash Assistance:							
National School Breakfast Program	10.553	16161NJ304N1099	Unavailable	32,181.37	7-1-15	6-30-16	
National School Breakfast Program	10.553	16161NJ304N1099	Unavailable	26,489.18	7-1-14	6-30-15	(2,022.30)
National School Lunch Program	10.555	16161NJ304N1099	Unavailable	176,301.56	7-1-15	6-30-16	
National School Lunch Program	10.555	16161NJ304N1099	Unavailable	166,199.18	7-1-14	6-30-15	<u>(12,149.28)</u>
Total Enterprise Fund							<u>(10,680.85)</u>
Total Federal Financial Assistance							<u>\$ (49,953.62)</u>

(A) See Notes to the Schedules of Expenditures of Federal and State Financial Assistance
 The accompanying Notes to Financial Statements and Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

Carry-over / (Walkover) Amount	Cash Received	Budgetary Funds			Passed- Through to Subrecipients	Adjustments (A)	Repayment of Prior Years' Balances	Balance at June 30, 2016		
		Pass-Through Funds	Direct Funds	Total Budgetary Expenditures				(Accounts Receivable)	Unearned Revenue	Due to Grantor
	\$ 2,212.94	\$ 2,212.94		\$ 2,212.94						
	14,321.96	20,829.84		20,829.84				\$ (6,507.88)		
	10,979.71							(15,882.43)	\$ 15,882.43	
-	27,514.61	23,042.78	-	23,042.78	-	-	-	(22,390.31)	15,882.43	-
	236,537.00	236,537.00		236,537.00						
	21,337.00					\$ (94.94)				
-	257,874.00	236,537.00	-	236,537.00	-	(94.94)	-	-	-	-
	37,308.00	37,308.00		37,308.00						
	6,313.00									
-	43,621.00	37,308.00	-	37,308.00	-	-	-	-	-	-
	286,139.00	286,139.00		286,139.00						
	7,285.00	7,285.00		7,285.00						
	738.00									
-	294,162.00	293,424.00	-	293,424.00	-	-	-	-	-	-
-	595,657.00	567,269.00	-	567,269.00	-	(94.94)	-	-	-	-
	39,007.89	33,204.55		33,204.55					5,803.34	
		3,490.73		3,490.73						
	30,219.48	32,181.37		32,181.37				(1,961.89)		
	2,022.30									
	166,375.99	176,301.56		176,301.56				(9,925.57)		
	12,149.28									
-	249,774.94	245,178.21	-	245,178.21	-	-	-	(11,887.46)	5,803.34	-
\$ -	\$ 872,946.55	\$ 835,489.99	\$ -	\$ 835,489.99	\$ -	\$ (94.94)	\$ -	\$ (34,277.77)	\$ 21,685.77	\$ -

BOROUGH OF PALMYRA SCHOOL DISTRICT
 Schedule of Expenditures of State Financial Assistance - Schedule B
 For the Fiscal Year Ended June 30, 2016

<u>State Grantor/ Program Title</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance at June 30, 2015</u>		<u>Carryover/ Walkover Amount</u>
			<u>From</u>	<u>To</u>	<u>Unearned Revenue/ Accounts Receivable</u>	<u>Due to Grantor</u>	
General Fund:							
State Department of Education:							
Current Expense:							
State Aid - Public Cluster:							
Equalization Aid	16-495-034-5120-078	\$ 3,854,272.00	7-1-15	6-30-16			
Equalization Aid	15-495-034-5120-078	3,854,272.00	7-1-14	6-30-15	\$ (336,835.22)		
Special Education Categorical Aid	16-495-034-5120-089	468,409.00	7-1-15	6-30-16			
Special Education Categorical Aid	15-495-034-5120-089	468,409.00	7-1-14	6-30-15	(40,935.53)		
Security Aid	16-495-034-5120-084	155,831.00	7-1-15	6-30-16			
Security Aid	15-495-034-5120-084	155,831.00	7-1-14	6-30-15	(13,618.49)		
Adjustment Aid	16-495-034-5120-085	106,295.00	7-1-15	6-30-16			
Adjustment Aid	15-495-034-5120-085	106,295.00	7-1-14	6-30-15	(9,289.41)		
Under Adequacy Aid	16-495-034-5120-096	11,616.00	7-1-15	6-30-16			
Under Adequacy Aid	15-495-034-5120-096	11,616.00	7-1-14	6-30-15	(1,015.15)		
PARCC Readiness Aid	16-495-034-5120-098	8,930.00	7-1-15	6-30-16			
PARCC Readiness Aid	15-495-034-5120-098	8,930.00	7-1-14	6-30-15	(780.42)		
Per Pupil Growth Aid	16-495-034-5120-097	8,930.00	7-1-15	6-30-16			
Per Pupil Growth Aid	15-495-034-5120-097	8,930.00	7-1-14	6-30-15	(780.41)		
Total State Aid - Public Cluster					(403,254.63)	-	-
Transportation Aid:							
Transportation Aid	16-495-034-5120-014	97,930.00	7-1-15	6-30-16			
Transportation Aid	15-495-034-5120-014	97,930.00	7-1-14	6-30-15	(8,558.37)		
Total Transportation Aid					(8,558.37)	-	-
Extraordinary Aid							
Extraordinary Aid	16-100-034-5120-473	102,305.00	7-1-15	6-30-16			
Extraordinary Aid	15-100-034-5120-473	56,529.00	7-1-14	6-30-15	(56,529.00)		
Total Extraordinary Aid					(56,529.00)	-	-
Homeless Tuition Aid:							
Homeless Tuition Aid	15-100-034-5120-005	17,004.00	7-1-14	6-30-15	(17,004.00)		
Total Homeless Tuition Aid					(17,004.00)	-	-
Reimbursed TPAF Social Security Contributions							
Reimbursed TPAF Social Security Contributions	16-495-034-5095-003	494,846.42	7-1-15	6-30-16			
Reimbursed TPAF Social Security Contributions	15-495-034-5095-003	478,094.17	7-1-14	6-30-15	(23,284.25)		
Total Reimbursed TPAF Social Security Contributions					(23,284.25)	-	-
Total General Fund					(508,630.25)	-	-
Debt Service Fund:							
State Department of Education:							
State Support	16-100-034-5120-017	191,093.00	7-1-15	6-30-16			
Total Debt Service Fund					-	-	-
Enterprise Fund:							
New Jersey Department of Agriculture:							
State School Lunch Aid	16-100-010-3350-023	4,230.06	7-1-15	6-30-16			
State School Lunch Aid	15-100-010-3350-023	4,489.90	7-1-14	6-30-15	(428.08)		
Total Enterprise Fund					(428.08)	-	-
Total State Financial Assistance subject to Major Determination for State Single Audit					\$ (509,058.33)	\$ -	\$ -
State Financial Assistance not subject to Calculation for Major Program Determination for State Single Audit:							
General Fund (Non-Cash Assistance):							
New Jersey Department of Treasury:							
On-behalf T.P.A.F. Pension Contributions - Normal Cost	495-034-5094-002	475,562.00	7-1-15	6-30-16			
On-behalf T.P.A.F. Pension Contributions - Insurance	495-034-5094-004	23,689.00	7-1-15	6-30-16			
On-behalf T.P.A.F. Pension Contributions - Post-Retirement Medical	495-034-5094-001	594,470.00	7-1-15	6-30-16			
Total General Fund (Non-Cash Assistance)					-	-	-
Total State Financial Assistance					\$ (509,058.33)	\$ -	\$ -

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

Cash <u>Received</u>	Total Budgetary <u>Expenditures</u>	Passed- Through to <u>Subrecipients</u>	<u>Adjustments</u>	Repayment of Prior Years' <u>Balances</u>	Balance at June 30, 2016			Memo	
					(Accounts <u>Receivable</u>)	Unearned <u>Revenue</u>	Due to <u>Grantor</u>	Budgetary Receivable <u>June 30, 2016</u>	Cumulative Total <u>Expenditures</u>
\$ 3,514,670.53	\$ 3,854,272.00				\$ (339,601.47)			\$ (339,601.47)	\$ 3,854,272.00
336,835.22									
427,137.29	468,409.00				(41,271.71)			(41,271.71)	468,409.00
40,935.53									
142,100.67	155,831.00				(13,730.33)			(13,730.33)	155,831.00
13,618.49									
96,929.30	106,295.00				(9,365.70)			(9,365.70)	106,295.00
9,289.41									
10,592.51	11,616.00				(1,023.49)			(1,023.49)	11,616.00
1,015.15									
8,143.17	8,930.00				(786.83)			(786.83)	8,930.00
780.42									
8,143.18	8,930.00				(786.82)			(786.82)	8,930.00
780.41									
<u>4,610,971.28</u>	<u>4,614,283.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(406,566.35)</u>	<u>-</u>	<u>-</u>	<u>(406,566.35)</u>	<u>4,614,283.00</u>
89,301.35	97,930.00				(8,628.65)			(8,628.65)	97,930.00
8,558.37									
<u>97,859.72</u>	<u>97,930.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,628.65)</u>	<u>-</u>	<u>-</u>	<u>(8,628.65)</u>	<u>97,930.00</u>
	102,305.00				(102,305.00)				102,305.00
56,529.00									
<u>56,529.00</u>	<u>102,305.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(102,305.00)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,305.00</u>
17,004.00									
<u>17,004.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
494,846.42	494,846.42								494,846.42
23,284.25									
<u>518,130.67</u>	<u>494,846.42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>494,846.42</u>
<u>5,300,494.67</u>	<u>5,309,364.42</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(517,500.00)</u>	<u>-</u>	<u>-</u>	<u>(415,195.00)</u>	<u>5,309,364.42</u>
191,093.00	191,093.00								191,093.00
<u>191,093.00</u>	<u>191,093.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,093.00</u>
3,989.61	4,230.06				(240.45)				4,230.06
428.08									
<u>4,417.69</u>	<u>4,230.06</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(240.45)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,230.06</u>
<u>\$ 5,496,005.36</u>	<u>\$ 5,504,687.48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (517,740.45)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (415,195.00)</u>	<u>\$ 5,504,687.48</u>
475,562.00	475,562.00								475,562.00
23,689.00	23,689.00								23,689.00
594,470.00	594,470.00								594,470.00
<u>1,093,721.00</u>	<u>1,093,721.00</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,093,721.00</u>
<u>\$ 6,589,726.36</u>	<u>\$ 6,598,408.48</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (517,740.45)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (415,195.00)</u>	<u>\$ 6,598,408.48</u>

BOROUGH OF PALMYRA SCHOOL DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended June 30, 2016

Note 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Borough of Palmyra School District (hereafter referred to as the "School District"). The School District is defined in note 1 to the School District's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules of expenditures of federal awards and state financial assistance. Because these schedules present only a selected portion of the operations of the School District, it is not intended to and does not present the financial position and changes in operations of the School District.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting, with the following exceptions: programs recorded in the enterprise fund are presented using the accrual basis of accounting. These bases of accounting are described in note 1 to the School District's basic financial statements. Such expenditures are recognized following, as applicable, the cost principles in the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

Note 3: 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 one or more deferred June state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes, payments are not recognized until the subsequent budget year due to the State deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more June state aid payments in the current budget year, consistent with N.J.S.A. 18A:22-44.2.

Note 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONT'D)

There is no adjustment to reconcile expenditures from the budgetary basis to the GAAP basis. See exhibit C-3, notes to required supplementary information, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

Awards and financial assistance expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General	\$ 38,925.21	\$ 5,305,982.42	\$ 5,344,907.63
Special Revenue	567,269.00		567,269.00
Debt Service		191,093.00	191,093.00
Food Service	247,490.82	4,230.06	251,720.88
Total Awards and Financial Assistance	<u>\$ 853,685.03</u>	<u>\$ 5,501,305.48</u>	<u>\$ 6,354,990.51</u>

Note 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

Note 5: ADJUSTMENTS

The amount reported in the column entitled "adjustments" represents a prior period difference.

Note 6: REIMBURSED AND ON-BEHALF PAYMENTS

During the fiscal year ended June 30, 2016, the School District was the recipient of federal and state assistance that represented either a reimbursement to the School District or payments made on-behalf of the School District. Revenues and expenditures reported under the federal food distribution program represent the current year value received and the current year distribution, respectively, of American-grown United States Department of Agriculture foods utilized in the School District's food service program. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year. Lastly, the School District has recognized as revenues and expenditures on-behalf payments made by the State for normal costs, post-retirement medical costs, and non-contributory insurance related to TPAF members.

Note 7: MAJOR PROGRAMS

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

PALMYRA BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section 1- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified
Internal control over financial reporting:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported
Type of auditor's report issued on compliance for major programs Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)? yes X no

Identification of major programs:

Table with 3 columns: CFDA Number(s), FAIN Number(s), Name of Federal Program or Cluster. Row 1: 84.010, S010A150030, NCLB Title I.

Dollar threshold used to determine Type A programs \$ 750,000.00
Auditee qualified as low-risk auditee? X yes no

PALMYRA BOARD OF EDUCATION
 Schedule of Findings and Questioned Costs
 For the Fiscal Year Ended June 30, 2016

Section 1- Summary of Auditor's Results (Cont'd)

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? ___ yes X no

Significant deficiency(ies) identified? ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with New Jersey Circular 15-08-OMB? ___ yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-078</u>	<u>Equalization Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-096</u>	<u>Under Adequacy Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth</u>
<u>495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>100-034-5120-017</u>	<u>Debt Service Aid</u>

Dollar threshold used to determine Type A programs \$ _____ 750,000.00

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

PALMYRA BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section 2- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

None.

PALMYRA BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section 3- Schedule of Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

None.

PALMYRA BOARD OF EDUCATION
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section 4- Schedule of State Financial Assistance Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

None.

PALMYRA BOARD OF EDUCATION
 Summary Schedule of Prior Year Audit Findings
 and Questioned Costs as Prepared by Management

This section identifies the status of prior year findings related to the financial statements and federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB.

FINANCIAL STATEMENT FINDINGS

Finding No. 2015-001

Condition

While testing payroll, several instances of non-compliance were noted:

- Several health benefits contributions were not calculated correctly.
- Two late filings were noted where interest was charged.
- Workers' compensation wages were not properly adjusted for one employee.

Current Status

This condition has been resolved.

FEDERAL AWARDS

None.

STATE FINANCIAL ASSISTANCE PROGRAMS

Finding No. 2015-002

Program

State Aid Public:

- Equalization Aid (GMIS No. 495-034-5120-078)
- Special Education Aid (GMIS No. 495-034-5120-089)
- Security Aid (GMIS No. 495-034-5120-084)
- Adjustment Aid (GMIS No. 495-034-5120-085)
- Under Adequacy Aid (GMIS No. 495-034-5120-096)
- PARCC Readiness Aid (GMIS No. 495-034-5120-098)
- Per Pupil Growth Aid (GMIS No. 495-034-5120-097)

Condition

The following errors were noted in our tests of internal controls and compliance requirements for the payment of claims:

- Quotes were not obtained for one purchase subject to the threshold.
- Eight general fund expenditures were incorrectly charged to the wrong budget account.
- One travel reimbursed was not calculated correctly resulting in an overpayment.
- Two expenditures made subsequent to June 30 should have been encumbered.
- Two contracts that exceeded the bid threshold were not awarded in the minutes.
- Two contracts that exceeded \$17,500 did not have the pay to play forms on file.

Current Status

This condition has been resolved.

