

**Borough of Pitman School District
Board of Education
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016**

BOROUGH OF PITMAN SCHOOL DISTRICT

PITMAN, NEW JERSEY 08071

**Borough of Pitman School Board of Education
Pitman, New Jersey 08071**

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**Borough of Pitman School Board of Education
Pitman, New Jersey 08071**

For the Fiscal Year Ended June 30, 2016

Prepared by:

**Borough of Pitman School
Board of Education Administration**

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INTRODUCTORY SECTION

Pitman Public Schools

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Superintendent of Schools
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Deborah J. Roncace

Business Administrator/ Board Secretary
droncace@pitman.k12.nj.us

September 21, 2016

Stacy DeClement, President
Members of the Board of Education
Pitman Public Schools
420 Hudson Avenue
Pitman, New Jersey 08071

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the Independent Auditor's Report, MD&A, and the basic financial statements; including the District-wide fund statements, notes to the financial statements, required supplementary information, other than MD&A, including budgetary comparison schedules, and other supplementary information. The statistical section includes selected financial and demographic information generally presented this year on a multi-year basis. The Pitman School District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, and the *Uniform Administrative Requirements, Costs Principles, Audit Requirements for Federal Awards (Uniform Guidance)*, "Audits of State and Local Governments," and the New Jersey OMB's Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES

The Pitman Public School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds of the District are included in this report. The Pitman Board of Education and all its schools constitute the District's reporting entity.

1) REPORTING ENTITY AND ITS SERVICES (CONTINUED)

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular as well as special education for handicapped youngsters (Pre-K through 12). The District completed the 2015-2016 fiscal year with a total enrollment of 1430 which included 38 parent paid 3 and 4 year old inclusion students, 32 parent paid tuition students grades K-12, 2 students attending an alternative school program, 21 out-of-district handicapped student placements, and 218 special education students in District.

In the 2005-2006 school year, the District began providing child care (Panther Club) for students ages 4 through Grade 5 at each of the elementary schools, enrolling approximately 75 students. At the end of the 2015-2016 school year, the Panther Club had a total of approximately 226 students participating.

The increase in labor costs associated with the negotiated agreement with the Pitman Education Association was a major portion of the budget increase. The Pitman Education Association represents approximately 92% of the entire work force. Negotiations were completed as of April 2015 for a five year contract for the 2014/2015 through 2018/2019 school years.

Health insurance also continues to increase. The District had experienced cost increases ranging from 7% to 15% in previous years. Through negotiations, the Pitman Board of Education has been able to implement cost saving measures to offset the increases. These included increasing certain co-pays, as well as providing a payment of \$5,000 for individuals who wish to "sell back" their insurance plan. The District also joined a health benefit trust with thirty other districts in 2011-2012 to reduce premium increases. An alternate health insurance plan (higher co-pays and deductible options) is also now offered.

The District authorized a special election for September 29, 2009, to provide for the installation of solar energy at the high school; which is projected to reduce energy costs, as well as provide for a decrease in taxes due to the state's SREC program.

ENROLLMENT AS OF JUNE 30

FISCAL YEAR	TOTAL STUDENT ENROLLMENT
2006-2007	1590
2007-2008	1548*
2008-2009	1621
2009-2010	1598
2010-2011	1590
2011-2012	1564
2012-2013	1544
2013-2014	1505
2014-2015	1464
2015-2016	1430

Note: The data reported above is the actual number of students on roll at the close of school as opposed to "average daily enrollment" which is listed in the statistical data section of this report.

* Does NOT include 19 Parent Paid Tuition Students grades K-12 and 54 Parent Paid Tuition Students ages 3 and 4.

2) ECONOMIC CONDITION AND OUTLOOK

In March 2011, the community experienced a major setback with the closing of the Sony DADC manufacturing plant, resulting in the loss of approximately 400 jobs. Sony DADC, which manufactured CD's and DVD's at the plant, is the largest property owner and taxpayer in the town.

The facility had been scaling back activity over recent years, and had reached a tax settlement with the municipality that changed the property's assessed value and ratable status beginning in calendar year 2011. The change in ratable status had an impact on recent school budgets, resulting in an additional share of the tax increase being shifted to the remaining tax payers, primarily homeowners. Future school budgets will be similarly impacted by the decline in assessed value of the property. The SONY property was purchased in early 2013 by a New York based company for approximately \$3 million, (deeply discounted from list price); the future use of the property is unknown at this time.

State Aid

State aid public for the 2015-2016 school year was \$9,827,865 which is same as 2014-2015. The District maintains no more than 2% fund balance as required by P.L. 2004. The percentage of debt service aid was 44.6% of debt service revenues.

Special Education

Federal and State mandated services and regulations continue to increase to an ever-growing population of special needs students. Providing the necessary and required services for our special education population has been recognized by the Board and Administration. The District increased the number of Pre-School Handicapped Inclusion classes to a total of 6 (2 at each building) during the 2007-2008 school year. In addition, the District is still experiencing an increase in special education students with severe needs and the need to provide the least restrictive environment for students. These two issues alone require additional resources which the cost of far exceeds the changes in aid.

Federal Funding

The District's NCLB, IDEA Basic, and IDEA Pre-School funding remained relatively flat for the 2015-2016 school year.

3) MAJOR INITIATIVES

Student Achievements:

SAT Scores

	2015 PITMAN H.S. MEAN	2016 PITMAN H.S. MEAN	NEW JERSEY MEAN	USA MEAN
SAT Reading Score	495	497	495	494
SAT Math Score	511	498	514	508
SAT Writing	490	475	492	482

PERCENTAGE OF GRADUATING STUDENTS:	2016	2015	2014	2013	2012	2011
Attending a four year college program	41%	50%	36%	38%	42%	50%
Attending a two year college program	46%	36%	56%	51%	46%	46%
Attending specialized training program	3%	4%	3%	3.5%	9%	0%
Entering the work force	6%	6%	2.5%	4.5%	3%	3%
Entering the military	4%	4%	2.5%	3%	0%	1%

3) MAJOR INITIATIVES (CONTINUED)

Graduating Student Statistics Pitman High School Advanced Placement

In 2016, a total of 55 students took AP exams in 7 different subject areas.

- 9% of exams scored 5
- 22% of exams scored 4 or higher
- 57% of exams scored 3 or higher

State Testing (Spring 2014)

NJASK - 3

- 58% of all students passed the NJASK - 3 Language Arts Assessment
- 75% of all students passed the NJASK - 3 Mathematics Assessment

NJASK - 4

- 54% of all students passed the Language Arts Assessment
- 70% of all students passed the Mathematics Assessment
- 95% of all students passed the Science Assessment

NJASK - 5

- 54% of all students passed the Language Arts Assessment
- 84% of all students passed the Mathematics Assessment

NJASK - 6

- 74% of all students passed the Language Arts Assessment
- 81% of all students passed the Mathematics Assessment

NJASK - 7

- 60% of all students passed the Language Arts Assessment
- 68% of all students passed the Mathematics Assessment

NJASK - Grade 8

- 92% of all students passed the Language Arts Assessment
- 77% of all students passed the Mathematics Assessment
- 91% of all students passed the Science Assessment

HSPA - Grade 11

- 94% of all students passed the Language Arts Assessment
- 83% of all students passed the Mathematics Assessment

State Testing (Spring 2015)

PARCC - 3

- 35% of all students passed the PARCC - 3 Language Arts Assessment
- 39% of all students passed the PARCC - 3 Mathematics Assessment

3) MAJOR INITIATIVES (CONTINUED)

PARCC - 4

- 37% of all students passed the Language Arts Assessment
- 33% of all students passed the Mathematics Assessment

PARCC - 5

- 48% of all students passed the Language Arts Assessment
- 55% of all students passed the Mathematics Assessment

PARCC - 6

- 50% of all students passed the Language Arts Assessment
- 38% of all students passed the Mathematics Assessment

PARCC - 7

- 56% of all students passed the Language Arts Assessment
- 46% of all students passed the Mathematics Assessment

PARCC - Grade 8

- 50% of all students passed the Language Arts Assessment
- 18% of all students passed the Mathematics Assessment

PARCC - Grade 9

- 28% of all students passed the Language Arts Assessment

PARCC - Grade 10

- 26% of all students passed the Language Arts Assessment

PARCC - Grade 11

- 23% of all students passed the Language Arts Assessment

PARCC – Mathematics Assessment

- 41% of all students passed Algebra I
- 9% of all students passed Algebra II
- 14% of all students passed Geometry

DISTRICT GOALS:

Strategic Planning Process

The District undertook a strategic planning process during 2011-2012: the BOE adopted that plan in October 2012. District goals centered on six areas:

Instruction Program
Guidance
Fiscal Creativity

Technology
Infrastructure
Community Involvement

The plan covers a five year period (2012-2017).

3) MAJOR INITIATIVES (CONTINUED)

Grants

E-Rate - The District continues to file applications under the Universal Service Fund (E- Rate), providing a 43% rebate on phone services and internet access. The District received discounts on phone services and internet access.

Facilities

The Administration continues to strive to maintain and upgrade the facilities in the District. The District continues to remain in compliance with code which requires 2/10ths of 1 percent of the cost of the facilities over a 10 year period to be budgeted towards required maintenance. All required paperwork has been filed with the state and the necessary budgetary procedures have been put into place.

4) INTERNAL ACCOUNTING CONTROLS

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

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

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

5) BUDGETARY CONTROLS

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the General Fund, the Special Revenue Fund, and the Debt Service Fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6) ACCOUNTING SYSTEM AND REPORTS

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8) DEBT ADMINISTRATION

At June 30, 2016, the District's outstanding debt issues include \$6,820,000 of general obligation bond principal. This amount includes the amounts associated with refinancing of the Series 1998 school bonds; the Series 2006 and 2009 school bonds. In 2006, the debt for the Auditorium at the High School was completed. The total principal outstanding on the \$545,000 on the 2006 Bonds and \$415,000 on the 2009 Bonds and \$5,860,000 on the 2016 Refunding Bonds.

9) CASH MANAGEMENT

The investment policy of the District is guided in large part by the state statute as detailed in "Notes to the Financial Statements," Note 1. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. The District depository is TD Bank, N.A., where all funds earn interest from the date of deposit at the U.S. Treasury Bill rate, at the 90 day T-bill rate.

10) RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard, and theft insurance on property and contents, workman's compensation, student insurance, and fidelity bonds.

The District is a member of the Atlantic and Cape May Counties School Business Officials Joint Insurance Fund (ACCASBOJIF). This Fund was formed under the provisions of NJSA 18A:18B 1-10. The Fund commenced operations on July 1, 1991, with sixteen member districts. Since then, the Fund had grown to a total of twenty-six members.

The ACCASBOJIF provides members with a long-term alternative to the conventional insurance marketplace and is a means of stabilizing the otherwise cyclical nature of insurance expenditures.

The Fund provides the following coverage:

- Property, including buildings, contents, inland marine, crime, boiler and machinery, and auto physical damage
- General Liability, including school board legal liability (also known as educator's legal liability)
- Automobile Liability
- Worker's Compensation
- Pollution
- Excess Liability Insurance

The Joint Insurance Fund provides coverage to its members either directly or through the commercial insurance market, through one or more of the following vehicles: excess insurance, reinsurance or an excess property and casualty joint insurance fund. In 2001-2002 the three South Jersey JIF's formed a SPELL (School Pool for Excess Legal Liability). The SPELL is a vehicle by which the JIF's can control spiraling premium costs, increases in the SIR's (self-

10) RISK MANAGEMENT (CONTINUED)

insured retention) and replace excess insurance coverage. At this time it appears as though forming the SPELL was fortuitous due to the September 11, 2001, tragedy and the impact this subsequently has had on the insurance community.

The Joint Insurance Fund's mission statement is as follows: "The ACCASBOJIF is committed to uniting local school districts in a joint effort to better manage their risks and assure fiscal stability by providing cost-effective, comprehensive insurance coverage and minimizing losses through pro-active membership involvement in claims management and loss prevention activities excess reinsurance."

11) FUND BALANCE

The fund balance for the General Governmental Fund as of June 30, 2016, for the District (See Exhibit B-1) is \$1,431,204. The District's fund balance is greater than the 2% as established by P.L. 2004. Therefore, \$246,934 will roll into fund balance for tax relief for the 2017-2018 budget.

12) OTHER INFORMATION

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Petroni & Associates LLC was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996, and the *Uniform Administrative Requirements, Costs Principles, Audit Requirements for Federal Awards (Uniform Guidance)*, "Audits of State and Local Governments," and the New Jersey OMB's Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

13) CAPITAL IMPROVEMENT PLAN

The auditor's report in the basic financial statements, as well as the combining and individual fund statements and schedules, is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

No funds were dedicated for projects during the 2015-2016 school year from the Capital Reserve Account but \$505,781 was utilized from the maintenance reserve account.

14) ACKNOWLEDGEMENTS

We would like to express our appreciation to the members of the Pitman Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the School District and thereby contributing their full support to the development and maintenance of our financial operation.

The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office employees. We also appreciate the guidance and advice of our treasurer.

Respectfully submitted,

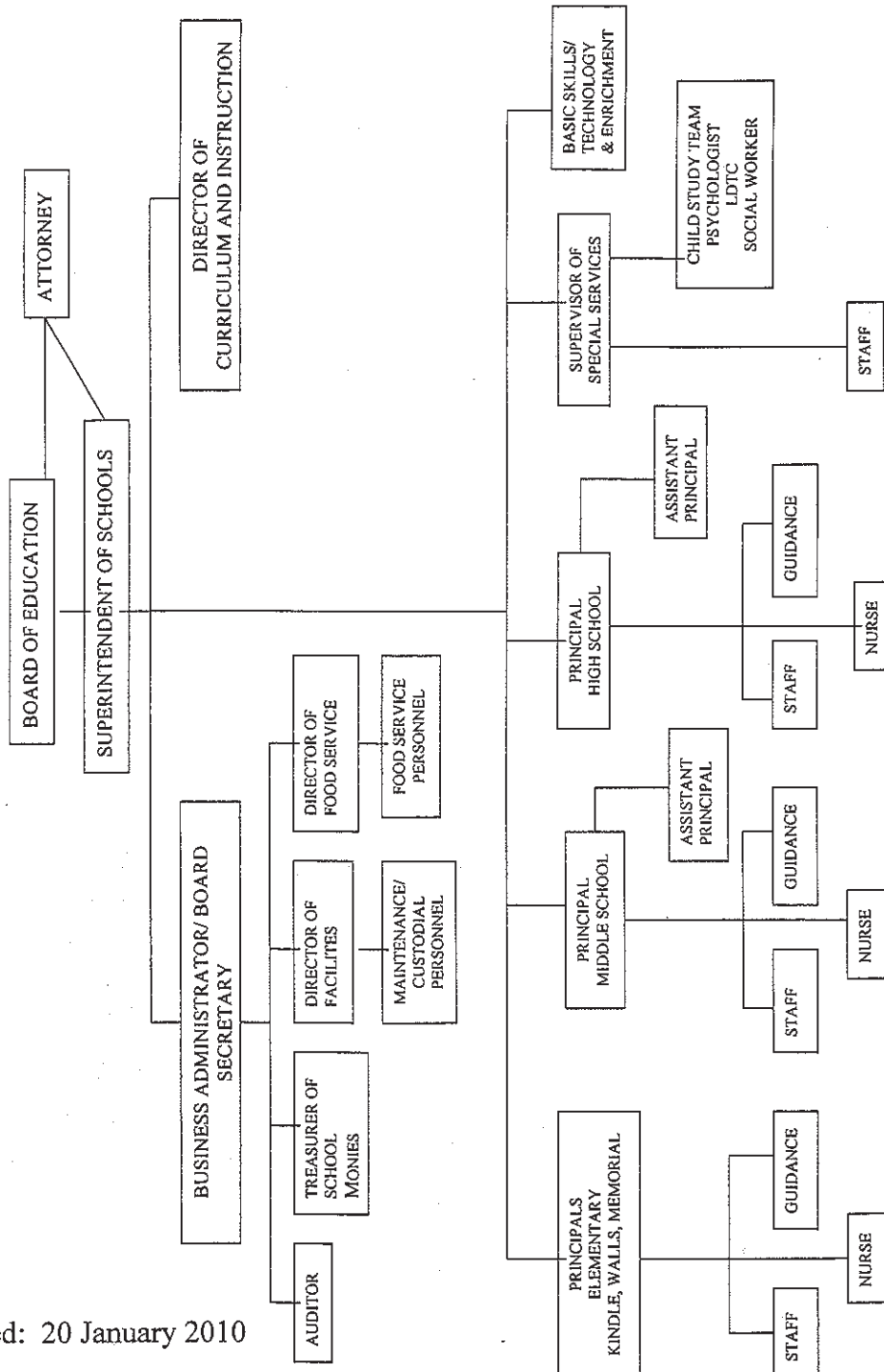
Patrick J. McAleer

Patrick J. McAleer, Ed. D
Superintendent of Schools

Deborah J. Roncace

Deborah J. Roncace
Business Administrator/Board Secretary

1110 ORGANIZATIONAL CHART



Adopted: 20 January 2010



**Pitman School District
Pitman, New Jersey**

**ROSTER OF OFFICIALS
June 30, 2016**

Board of Education Members

<u>Board Member</u>	<u>Office Held</u>	<u>Term Date</u>
Stacy DeClement	President	2016
Len E. Clark	Vice President	2017
Joseph Conklin	Board Member	2016
Will Downham	Board Member	2018
Bonnie Savage	Board Member	2018
Dr. Laura Schultz	Board Member	2016
Judy Walker	Board Member	2017

OTHER OFFICIALS

Patrick J. McAleer, Superintendent of Schools

Deborah J. Roncace, Business Administrator/Board Secretary

Leonard J. Wood, Solicitor

**Pitman School District
Pitman, New Jersey**

CONSULTANTS AND ADVISORS

Auditor

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Glassboro, NJ 08028
Contact: Nick Petroni
Certified Public Accountant

Solicitor

Leonard J. Wood, Esq.
Wade, Long, Wood & Kennedy, LLC
1250 Chews Landing Road
Laurel Springs, NJ 08021

Depository

Cape Bank
271 Lambs Road
Sewell, NJ 08080

Risk Management Consultant

Len Eckman Inc.
302 Montgomery Avenue
Pitman, NJ 08071

FINANCIAL SECTION

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Certified Public Accountants • Registered Municipal Accountants
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CERTIFIED PUBLIC ACCOUNTANTS

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Mary A. Carey, RMA
Wendy G. Fama, CPA
Denise R. Nevico, CPA
Jeffrey T. Ridgway, CPA
Deanna L. Roller, CPA, RMA

INDEPENDENT AUDITOR'S REPORT

Honorable President and
Members of the Board of Education
Borough of Pitman School District
420 Hudson Avenue
Pitman, New Jersey 08071

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Pitman School District, in the County of Gloucester, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. 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 Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the Business-type Activities, each major fund, and the aggregate remaining fund information of the Board of Education, Pitman, New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information identified 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 Pitman Board of Education's basic financial statements. The combining and individual non-major fund financial statements and schedule of expenditures of federal awards, as required by 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 the schedule of state financial assistance as required by NJ OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, and the other information, such as introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedule of expenditures of federal and state awards, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the schedule of state financial assistance as required by NJ OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2016, on our consideration of the Borough of Pitman School Board of Education's internal control over financial reporting and our test 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 the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* in considering Borough of Pitman School Board of Education's internal control over financial reporting and compliance.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542
Glassboro, New Jersey

September 21, 2016

REQUIRED SUPPLEMENTARY INFORMATION – PART I

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

This section of Pitman Public School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Comparative financial data is presented. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Overview of the Financial Statements

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

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

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Figure A-1
Major Features of District-Wide and Fund Financial Statements
Fund Financial Statements

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

Figure A-1 above summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

District-wide Financial Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the District's assets 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 District-wide statements report the District's *net position* and how they have changed. Net position - the difference between the District's assets and liabilities - are one way to measure the District's overall financial health or *position*.

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

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

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

Fund Financial Statements

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

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

The District has four kinds of funds:

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

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Fund Financial Statements (Continued)

- **Proprietary Funds** - Services for which the District charges a fee are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way as the District-wide statements. *In fact, the District's Enterprise Funds* (one type of Proprietary Fund) are the same as its Business-type Activities, but provide more detail and additional information, such as cash flow.

- **Internal Service Funds** - (*the other kind of Proprietary Fund*) are utilized to report activities that provide supplies and services for other District programs and activities and for other Districts.

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

Notes to the Financial Statements

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

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Financial Analysis of the District as a Whole

	Net Position					
	FY 2016		FY 2015		Total	
	Governmental	Business- Type	Governmental	Business- Type	FY 2016	FY 2015
Assets						
Current and other assets	\$ 1,533,979	\$ 367,531	\$ 2,076,425	\$ 307,774	\$ 1,901,510	\$ 2,384,199
Capital assets	9,800,022	31,477	10,301,634	35,906	9,831,499	10,337,540
Total assets	<u>11,334,001</u>	<u>399,008</u>	<u>12,378,059</u>	<u>343,680</u>	<u>11,733,009</u>	<u>12,721,739</u>
Deferred Outflows of Resources						
Deferred loss on refunding bonds	397,712				397,712	
Deferred outflows related to pension	<u>1,752,381</u>		<u>510,159</u>		<u>1,752,381</u>	<u>510,159</u>
	<u>2,150,093</u>		<u>510,159</u>		<u>2,150,093</u>	<u>510,159</u>
Liabilities						
Noncurrent liabilities	7,943,066	13,405	8,442,339	13,715	7,956,471	8,456,054
Other liabilities	209,733	28,180	137,192	26,550	237,913	163,742
Net pension liability	<u>8,074,530</u>		<u>6,267,638</u>		<u>8,074,530</u>	
Total liabilities	<u>16,227,329</u>	<u>41,585</u>	<u>14,847,169</u>	<u>40,265</u>	<u>16,268,914</u>	<u>8,619,796</u>
Deferred Inflows of Resources						
Deferred inflows related to pension	<u>36,444</u>		<u>373,517</u>		<u>36,444</u>	<u>373,517</u>
Net Position						
Invested in capital assets, net of related debt	2,705,438	31,477	2,455,097	35,906	2,736,915	2,491,003
Restricted	1,912,413		2,440,263		1,912,413	2,440,263
Unrestricted	<u>(7,397,530)</u>	<u>325,946</u>	<u>(7,227,828)</u>	<u>267,509</u>	<u>(7,071,584)</u>	<u>(6,960,319)</u>
Total net position	<u>\$ (2,779,679)</u>	<u>\$ 357,423</u>	<u>\$ (2,332,468)</u>	<u>\$ 303,415</u>	<u>\$ (2,422,256)</u>	<u>\$ (2,029,053)</u>

Net position: The District's combined total net position is a deficit of \$2,422,256 on June 30, 2016, (see Exhibit A-1). Approximately 14.8% of the total net position are from Business-type Activities, while the balance of the total net position of 85.2% is attributable to Governmental Activities.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Financial Analysis of the District as a Whole (Continued)

	Changes in Net Position					
	FY 2016		FY 2015		Total	
	Governmental	Business- Type	Governmental	Business- Type	FY 2016	FY 2015
REVENUES:						
Program revenues						
Charges for services		\$ 528,663		\$ 498,198	\$ 528,663	\$ 498,198
Operating grants & contributions	\$ 623,109	147,827	\$ 607,981	154,456	770,936	762,437
General revenues						
Property taxes	13,395,546		13,157,865		13,395,546	13,157,865
Grants and entitlements	13,206,525		12,858,137		13,206,525	12,858,137
Other	375,716		258,949		375,716	258,949
Total revenue	<u>27,600,896</u>	<u>676,490</u>	<u>26,882,932</u>	<u>652,654</u>	<u>28,277,386</u>	<u>27,535,586</u>
EXPENSES:						
Instruction	11,964,455		11,389,684		11,964,455	11,389,684
Student & instructional related service	3,571,093		3,375,730		3,571,093	3,375,730
School administration	1,215,352		1,229,376		1,215,352	1,229,376
General administrative services	435,632		423,938		435,632	423,938
Central services	309,825		296,809		309,825	296,809
Plant operations & maintenance	1,965,852		1,986,009		1,965,852	1,986,009
Pupil transportation	360,491		498,680		360,491	498,680
Employee benefits	7,023,925		6,098,670		7,023,925	6,098,670
Interest on debt	235,120		336,273		235,120	336,273
Food service		454,741		465,608	454,741	465,608
Other business-type		308,741		282,930	308,741	282,930
Unallocated depreciation	568,753		570,309		568,753	570,309
Capital outlay	256,609		140,456		256,609	140,456
Total expenses	<u>27,907,107</u>	<u>763,482</u>	<u>26,345,934</u>	<u>748,538</u>	<u>28,670,589</u>	<u>27,094,472</u>
Transfers	<u>(141,000)</u>	<u>141,000</u>	<u>(90,000)</u>	<u>90,000</u>		
Increase (decrease) in net position	<u>\$ (447,211)</u>	<u>\$ 54,008</u>	<u>\$ 446,998</u>	<u>\$ (5,884)</u>	<u>\$ (393,203)</u>	<u>\$ 441,114</u>

Changes in Net Position: The District's total revenues are \$28,277,386 for the fiscal period ended June 30, 2016, (see Exhibit A-2). Property taxes, fees charged for services (tuition, use of facility) and miscellaneous sources (interest, entrance fees) and State Formula Aid accounted for 97.6% of the District's revenue; 2.4% is derived from State and Federal Aid for specific programs.

The District's expenses are predominantly related to education and caring for students. The purely general, administrative, and central administrative activities of the District accounted for approximately 6.8% of the total expenses. Salary increases due to contractual agreement for teachers and other educational staff is included in the instruction-related costs.

Governmental Activities

Revenues for Governmental Activities were \$27,713,735 (see Exhibit B-2), while total expenses amounted to \$28,275,298 and transfers of \$141,000. This resulted in a decrease in fund balance in governmental activities of \$559,081 for fiscal year 2016.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Business-type Activities

Revenues for the District's Business-type Activities amounted to \$676,490. Total expenses amounted to \$763,482 and net position increased by \$54,008 (see Exhibit B-5).

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is primarily reflected in its Governmental Funds. As the District completed the year, its Governmental Funds reported a *Combined Fund* balance of \$1,431,205, (see Exhibit B-1) which consists of General Fund balance \$1,380,439, and Debt Service \$50,766. On a budgetary basis (see Exhibit C-1) the General Fund, unassigned fund balance is \$471,029. This represents approximately 2% of the total budget. District officials continue to express concern over the lack of budgetary fund balance for emergency purposes due to the implementation of P.L. 2004 which required districts to reduce their fund balance.

General Fund Budgetary Highlights

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

- Appropriation of maintenance reserve for various repair projects.
- Transfers between budgetary line accounts to prevent overruns.

This fiscal year completed the ninth year of zero-based budgeting as implemented by the Board of Education and Administration. This process allowed us to more accurately account for our expenditures by school. Principals became more aware of their appropriation limitations and managed their individual school budgets effectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Pitman Borough School investment in capital assets for its Governmental and Business-type Activities as of June 30, 2016, amounts to \$9,831,499 (net of accumulated depreciation). Total depreciation expense for Governmental and Business-type Activities is \$617,888. The District's fiscal year 2016 capital budget does not anticipate spending any additional funds. This investment in capital assets includes land, buildings, equipment, and furniture see table below (more detailed information about capital assets can be found in Note 6 to the financial statements).

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Capital Assets (Continued)

	FY 2016		FY 2015		Total	
	Governmental	Business- Type	Governmental	Business- Type	FY 2016	FY 2015
	Land	\$ 101,593		\$ 101,593		\$ 101,593
Construction in progress	144,244		144,244		144,244	144,244
Land improvements	59,183		67,261		59,183	67,261
Buildings and improvements	8,987,979		9,517,129		8,987,979	9,517,129
Machinery & equipment	507,023	\$ 31,477	471,407	\$ 35,906	538,500	507,313
	<u>\$ 9,800,022</u>	<u>\$ 31,477</u>	<u>\$ 10,301,634</u>	<u>\$ 35,906</u>	<u>\$ 9,831,499</u>	<u>\$ 10,337,540</u>

Long-term Debt

At June 30, 2016, the School District had \$7,411,302 in long-term debt. Serial bonds consist of \$6,820,000, capital leases of \$140,532, and compensated absences \$450,770. (More detailed information about long-term debt can be found in the Notes to the Financial Statements.)

The state limits the amount of general obligation debt the District can issue to 4 percent of the equalized valuation of all taxable property within the District. The current limit is \$25,324,584 of which \$17,669,718 is available for the issuance of debt (see exhibit J-13).

Outstanding Debt at June 30

	FY 2016	FY 2015	Percentage Change
	Refunding Bonds of 2005		\$ 1,940,000
School Bonds of 2006	\$ 545,000	4,169,000	-86.93%
School Bonds of 2009	415,000	1,545,000	-73.14%
Refunding Bonds of 2016	5,860,000		
Compensated absences	450,770	509,662	-11.56%
Capital leases	140,532	126,382	11.20%
Total	<u>\$ 7,411,302</u>	<u>\$ 8,290,044</u>	-10.60%

Factors Bearing on the District's Future

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

- The Pitman Board of Education negotiated with the Pitman Education Association a settlement for a 5 year contract through 2018-2019 years. The Pitman Education Association represents all certified staff and support staff members.
- P.L. 2004 restricts increases to the budget in total administrative costs (including fixed charges). This has and will continue to present challenges to the budgeting process. Special Education costs are an issue during each budgeting cycle. The District has experienced the need for additional resources for in-house programs.

Borough of Pitman School District
Management's Discussion & Analysis
Fiscal Year Ended June 30, 2016
Unaudited

Factors Bearing on the District's Future (Continued)

- School Funding of adjustment aid current debate: There are currently two competing proposals to revise state aid to school districts. Pitman schools stand to lose significant funding under either proposal, primarily through a phase-out of adjustment (hold-harmless) aid.
- The District experienced enrollment decrease during the 2015-2016 school year. However, due to the implementation of a 3 and 4 year old parent paid tuition program, and our existing K-12 tuition program, the District has 30+ tuition students.
- On September 29, 2009, the Board passed a bond referendum for the funding of installation of solar panels on the Pitman High School roof. In future years the School District will generate Solar Renewable Energy Credits (SREC's) on the open market. This revenue source will be used to refund our budgeted energy costs. The SREC market has been depressed in recent years, reducing those revenues.
- The State Legislature enacted a 2% cap on property tax increases that was in effect with the development of school district budgets for the 2015-2016 school year.
- Legislation enacted in June 2011 sets employee contribution rates towards the cost of health benefits over a four year phase-in period. This phase-in period is complete, with all employee contributions at the highest tier. While these contributions will help to offset annual increases in premiums, the average rate of increases has exceeded the expected contributions. Also, the annual increase in the pool of contributions has leveled off, as the phase-in is complete.
- Since 2011-12, the District has joined with approximately 30 other Districts as part of a health insurance trust in an effort to better control annual premium increases.
- The 2011 closing of the former Sony DADC plant (largest taxpayer) has impacted the development of school budgets. This is due to recent tax settlements between the plant's owner and the municipality that lowered their tax burden from prior years. As such, the overall tax burden will be shared among homeowners with a much lower payment from the largest ratable in the community. It is also possible that tax abatements or similar incentives might have been necessary to attract a future tenant to purchase and develop the property.

CONTACTING THE 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 District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Deborah J. Roncace, Business Administrator/Board Secretary, Pitman Board of Education, 420 Hudson Avenue, Pitman, NJ 08071.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

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

	Governmental Activities	Business-type Activities	FY 2016
ASSETS			
Cash and cash equivalents	\$ 671,191	\$ 337,286	\$ 1,008,477
Interfund accounts receivable	31,900		31,900
Receivables, net	126,478	22,823	149,301
Inventory		7,422	7,422
Restricted assets:			
Restricted cash and cash equivalents	69,994		69,994
Capital reserve account - cash	270,394		270,394
Maintenance reserve - cash	364,022		364,022
Capital assets:			
Non-depreciable	245,837		245,837
Assets net of depreciation	9,554,185	31,477	9,585,662
Total assets	11,334,001	399,008	11,733,009
DEFERRED OUTFLOWS OF RESOURCES			
Deferred loss on refunding bonds	397,712		397,712
Deferred outflows related to pension	1,752,381		1,752,381
Total deferred outflows of resources	2,150,093		2,150,093
LIABILITIES			
Accounts payable	92,619	1,085	93,704
Interfund accounts payable		21,900	21,900
Accrued interest payable	18,416		18,416
Unearned revenue	10,156	5,195	15,351
Noncurrent liabilities:			
Due within one year	1,101,266		1,101,266
Due beyond one year	6,823,384	13,405	6,836,789
Net pension liability	8,074,530		8,074,530
Other post-employment obligations	106,958		106,958
Total liabilities	16,227,329	41,585	16,268,914
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	36,444		36,444
NET POSITION			
Invested in capital assets, net of related debt	2,705,438	31,477	2,736,915
Restricted for:			
Debt service	50,765		50,765
Capital projects	270,394		270,394
Other purposes	1,591,254		1,591,254
Unrestricted	(7,397,530)	325,946	(7,071,584)
Total net position	\$ (2,779,679)	\$ 357,423	\$ (2,422,256)

See accompanying notes to the basic financial statements.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 7,668,672			\$ (7,668,672)		\$ (7,668,672)
Special education	3,331,472		\$ 536,113	(2,795,359)		(2,795,359)
Other special education	422,095			(422,095)		(422,095)
Other instruction	542,216			(542,216)		(542,216)
Support services:						
Tuition	914,644			(914,644)		(914,644)
Student & instructional related services	2,656,449		67,847	(2,588,602)		(2,588,602)
General administrative services	435,632			(435,632)		(435,632)
School administrative services	1,215,352			(1,215,352)		(1,215,352)
Central services	309,825			(309,825)		(309,825)
Plant operations & maintenance	1,965,852			(1,965,852)		(1,965,852)
Pupil transportation	360,491			(360,491)		(360,491)
Employee benefits	7,023,925		19,149	(7,004,776)		(7,004,776)
Interest on long-term debt	235,120			(235,120)		(235,120)
Capital outlay	256,609			(256,609)		(256,609)
Unallocated depreciation	568,753			(568,753)		(568,753)
Total governmental activities	27,907,107		623,109	(27,283,998)		(27,283,998)
Business-type activities:						
Food service	454,741	\$ 177,004	147,827		\$ (129,910)	(129,910)
Other activities	308,741	351,659			42,918	42,918
Total business-type activities	763,482	528,663	147,827		(86,992)	(86,992)
Total primary government	\$ 28,670,589	\$ 528,663	\$ 770,936	\$ (27,283,998)	\$ (86,992)	\$ (27,370,990)
General revenues:						
Property taxes, levied for general purpose				\$ 12,824,105		\$ 12,824,105
Taxes levied for debt service				571,441		571,441
Federal and state aid not restricted				13,206,525		13,206,525
Tuition				170,507		170,507
Investment earnings				13,351		13,351
Miscellaneous income				304,697		304,697
Cost of issuance on refunding bonds				(112,839)		(112,839)
Transfers				(141,000)	\$ 141,000	
Total general revenues, special items, extraordinary items, and transfers				26,836,787	141,000	26,977,787
Change in net position				(447,211)	54,008	(393,203)
Net position - beginning				(2,332,468)	303,415	(2,029,053)
Net position - end				\$ (2,779,679)	\$ 357,423	\$ (2,422,256)

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

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

	Major Fund			Totals FY 2016
	General Fund	Special Revenue Fund	Debt Service Fund	
ASSETS				
Cash and cash equivalents	\$ 671,191		\$ 50,765	\$ 721,956
Interfund accounts receivable	31,900			31,900
Receivables	126,478			126,478
Restricted cash and cash equivalents	634,416	\$ 19,229		653,645
Total assets	<u>\$ 1,463,985</u>	<u>\$ 19,229</u>	<u>\$ 50,765</u>	<u>1,533,979</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 73,470	\$ 19,149		92,619
Deferred revenue	10,076	80		10,156
Total liabilities	<u>83,546</u>	<u>19,229</u>		<u>102,775</u>
Fund balances:				
Restricted for:				
Capital reserve account	270,394			270,394
Maintenance reserve	364,022			364,022
Excess surplus - current year	246,934			246,934
Excess surplus - designated for subsequent year's expenditures	531,058			531,058
Debt service fund			\$ 15	15
Assigned fund balance:				
Other purposes	445,298			445,298
Designated for subsequent year's expenditures	3,942		50,750	54,692
Unassigned fund balance:				
General fund	(481,209)			(481,209)
Total fund balances	<u>1,380,439</u>		<u>50,765</u>	<u>1,431,204</u>
Total liabilities and fund balances	<u>\$ 1,463,985</u>	<u>\$ 19,229</u>	<u>\$ 50,765</u>	

See accompanying notes to the basic financial statements.

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

	<u>FY 2016</u>
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$21,863,939 and the accumulated depreciation is \$12,063,917 (see Note 6).	9,800,022
Deferred bond issuance costs are expensed in Governmental Funds in the year the bonds are issued but are capitalized in the Statement of Net Position. The bond issuance costs for Series 2005 are \$88,910, the amortization is \$19,503, and the accumulated amortization is \$88,910. The bond issuance costs for Series 2006 are \$32,586, the amortization is \$1,664 and the accumulated amortization is \$17,471.	15,114
Deferred loss on refunding bond costs are expensed in Governmental Funds in the year the bonds are issued but are capitalized in the Statement of Net Position. The refunding amounts for Series 2005 are \$227,297, the amortization is \$49,859 and the accumulated amortization is \$227,297. The deferred loss for Series 2016 is \$385,787 and the amortization and accumulated amortization are \$3,188.	382,598
Interest on long-term debt in the Statement of Activities is accrued, regardless of when due.	(18,416)
Other Post-employment Benefits, are not due and payable in the current period and therefore are not reported as liability in the funds.	(106,958)
Net pension liability adjustment for GASB Statement No. 68 & 71.	(6,358,593)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7).	(7,924,650)
Net position of Governmental Activities	<u>\$ (2,779,679)</u>

See accompanying notes to the basic financial statements.

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

	Major Fund			Totals FY 2016
	General Fund	Special Revenue Fund	Capital Projects Fund	
REVENUES:				
Local tax levy	\$ 12,824,105			\$ 13,395,546
Tuition	170,507			170,507
Interest earned on investments	13,168		\$ 15	13,183
Interest earned on capital reserve funds	168			168
Miscellaneous	304,697			304,697
	13,312,645		15	13,884,101
State sources	12,735,109			13,195,666
Federal sources	10,859	\$ 623,109		633,968
Total revenues	26,058,613	623,109	15	27,713,735
EXPENDITURES:				
Current:				
Regular instruction	7,804,277			7,804,277
Special education instruction	2,788,012	536,113		3,324,125
Other special instruction	421,870			421,870
Other instruction	540,210			540,210
Support services & undistributed costs:				
Tuition	914,644			914,644
Student & instruction related services	2,594,376	67,847		2,662,223
General administrative services	443,477			443,477
School administrative services	1,221,998			1,221,998
Central services	307,099			307,099
Plant operations and maintenance	1,961,619			1,961,619
Pupil transportation	360,491			360,491
Employee benefits	6,811,598	19,149		6,830,747
Debt service:				
Principal				815,000
Interest and other charges				299,062
Capital outlay	368,456			368,456
Total expenditures	26,538,127	623,109		28,275,298
Excess (deficiency) of revenues over expenditures	(479,514)		15	(561,563)
OTHER FINANCING SOURCES (USES):				
Capital leases (non-budgeted)	143,482			143,482
Other financing sources:				
Transfers in			(15)	15
Transfers to food service fund	(141,000)			(141,000)
Total other financing sources and uses	2,482		(15)	2,482
Net change in fund balances	(477,032)			(82,049)
Fund balance - July 1	1,857,471			1,990,285
Fund balance - June 30	<u>\$ 1,380,439</u>			<u>\$ 50,765</u>
				<u>\$ 1,431,204</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2016

Total net change in fund balances - Governmental Funds (from B-2)	\$ (559,081)
Amounts reported for Governmental Activities in the Statement of Activities (A-2) are different because:	
Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Capital outlay	\$ 111,847
Depreciation expense	<u>(613,459)</u>
	(501,612)
Repayment of debt 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.	
Bond principal payments	815,000
Capital lease obligation principal payments	129,332
Capital lease obligation proceeds	(143,482)
Bond issuance costs are reported in the Governmental Funds as expenditures in the year the bonds are issued. However, in the Statement of Activities, the costs are amortized over the life of the bonds.	
Cost of issuance on refunding bonds	(112,839)
Premium on bonds	49,223
Deferred bond issuance costs	(21,168)
Deferred amount on refunding	(53,047)
OPEB expenditures in the Statement of Activities differs from the amounts reported in the Governmental Funds because OPEB is recorded based on the contributions made, and thus requires the use of current financial resources. In the Statement of Activities, however, OPEB is recognized based on the annual required contribution.	
	30,234
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the Governmental Funds because interest is recorded as an expenditure in the funds when it is due, and thus requires that use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net change in the accrued interest was an increase.	
	88,934
Pension contributions are reported in Governmental Funds as expenditures. However in the Statement of Activities, the contributions are adjusted for actuarial valuation adjustments.	
	(227,597)
In the Statement of Activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the Governmental Funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount the difference is an addition to the reconciliation.	
	<u>58,892</u>
Change in net position of Governmental Activities	<u>\$ (447,211)</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities - Enterprise Funds - Major Funds			Totals FY 2016
	Food Service	Preschool Program	Before/After School	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 44	\$ 40,417	\$ 296,825	\$ 337,286
Accounts receivable	22,123	700		22,823
Inventories	7,422			7,422
Total current assets	29,589	41,117	296,825	367,531
Noncurrent assets:				
Furniture, machinery & equipment	196,861			196,861
Less: accumulated depreciation	(165,384)			(165,384)
Total noncurrent assets	31,477			31,477
Total assets	61,066	41,117	296,825	399,008
LIABILITIES				
Current liabilities:				
Accounts payable			1,085	1,085
Interfund accounts payable	21,900			21,900
Unearned revenue	4,395	800		5,195
Compensated absences	13,405			13,405
Total current liabilities	39,700	800	1,085	41,585
NET POSITION				
Invested in capital assets, net of related debt	31,477			31,477
Unrestricted	(10,111)	40,317	295,740	325,946
Total net position	\$ 21,366	\$ 40,317	\$ 295,740	\$ 357,423

See accompanying notes to the basic financial statements.

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

	Business-type Activities			Totals FY 2016
	Enterprise Funds - Major Funds			
	Food Service	Preschool Program	Before/After School	
OPERATING REVENUES:				
Local sources:				
Daily sales - reimbursable programs	\$ 93,980			\$ 93,980
Daily sales - special milk	1,873			1,873
Daily sales - non-reimbursable programs	80,040			80,040
Special function/miscellaneous	1,111			1,111
Tuition		\$ 86,045	\$ 265,614	351,659
Total operating revenue	<u>177,004</u>	<u>86,045</u>	<u>265,614</u>	<u>528,663</u>
OPERATING EXPENSES:				
Salaries	229,041	98,249	172,341	499,631
Employee benefits	17,545		13,184	30,729
Other purchased services (400-500 series)	8,385		22,068	30,453
Supplies and materials	12,360			12,360
Cost of sales	182,499			182,499
Miscellaneous other expenses	482		2,899	3,381
Depreciation	4,429			4,429
Total operating expenses	<u>454,741</u>	<u>98,249</u>	<u>210,492</u>	<u>763,482</u>
Operating income (loss)	<u>(277,737)</u>	<u>(12,204)</u>	<u>55,122</u>	<u>(234,819)</u>
NON-OPERATING REVENUES:				
State sources:				
National school lunch program - state	3,076			3,076
Federal sources:				
National school lunch program	108,967			108,967
School breakfast program	14,807			14,807
Special milk program	1,466			1,466
Food distribution program	19,511			19,511
Total non-operating revenues (expenses)	<u>147,827</u>			<u>147,827</u>
Transfer from general fund - Board contribution	141,000			141,000
Net income (loss)	11,090	(12,204)	55,122	54,008
Total net position - beginning	10,276	52,521	240,618	303,415
Total net position - ending	<u>\$ 21,366</u>	<u>\$ 40,317</u>	<u>\$ 295,740</u>	<u>\$ 357,423</u>

See accompanying notes to the basic financial statements.

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

	Business-type Activities			Totals FY 2016
	Enterprise Funds - Major Funds			
	Food Service	Preschool Program	Before/After School	
Cash flows from operating activities:				
Receipts from customers	\$ 176,679	\$ 85,745	\$ 263,029	\$ 525,453
Payments to suppliers	(185,338)		(24,722)	(210,060)
Payments to employees	(229,351)	(98,249)	(172,341)	(499,941)
Payments for employee benefits	(17,545)		(13,184)	(30,729)
Net cash provided (used) by operating activities	(255,555)	(12,504)	52,782	(215,277)
Cash flows from non-capital financing activities:				
Cash received from state & federal reimbursements	114,588			114,588
Net cash provided by non-capital financing activities	114,588			114,588
Cash flows from investing activities:				
Payments from general fund	141,000			141,000
Net cash provided by investing activities	141,000			141,000
Net increase in cash and cash equivalents	33	(12,504)	52,782	40,311
Cash and cash equivalents - July 1	11	52,921	244,043	296,975
Cash and cash equivalents - June 30	\$ 44	\$ 40,417	\$ 296,825	\$ 337,286
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (277,737)	\$ (12,204)	\$ 55,122	\$ (234,819)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:				
Depreciation	4,429			4,429
Food distribution program	19,511			19,511
Change in assets and liabilities:				
(Increase) decrease in accts. receivable		(200)		(200)
(Increase) decrease in inventory	(5,518)			(5,518)
Increase in accounts payable			245	245
Increase in compensated absences	(310)			(310)
Increase (decrease) in deferred revenue	4,070	(100)	(2,585)	1,385
	\$ (255,555)	\$ (12,504)	\$ 52,782	\$ (215,277)

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2016

	Unemployment Compensation Trust Fund	Agency Funds	Totals <u>FY 2016</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 324,465	\$ 161,221	\$ 485,686
Interfund receivables:			
Agency funds	3,587		3,587
Total assets	<u>\$ 328,052</u>	<u>\$ 161,221</u>	<u>489,273</u>
LIABILITIES			
Current liabilities:			
Payroll deductions and withholdings		\$ 27,553	27,553
Due to student groups		120,081	120,081
Interfund payables:			
General fund		10,000	10,000
Unemployment trust		3,587	3,587
Total current liabilities		<u>\$ 161,221</u>	<u>161,221</u>
NET POSITION			
Held in trust for unemployment	<u>\$ 328,052</u>		<u>\$ 328,052</u>

See accompanying notes to the basic financial statements.

BOROUGH OF PITMAN SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2016

	<u>Unemployment Compensation Trust Fund</u>
ADDITIONS:	
Contributions:	
Plan members	\$ 22,844
Total contributions	<u>22,844</u>
Investment earnings:	
Interest	1,269
Total additions	<u>1,269</u>
DEDUCTIONS:	
Unemployment claims	10,820
Change in net position	<u>13,293</u>
Net position - beginning of year	314,759
Net position - end of year	<u><u>\$ 328,052</u></u>

See accompanying notes to the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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

The financial statements of the Board of Education of the Borough of Pitman School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to Governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing Governmental accounting and financial reporting principles. In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in (GAAP) and used by the District are discussed below.

A. Reporting Entity

The Borough of Pitman School District is a Type II District located in the County of Gloucester, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of seven members elected to three-year terms. The purpose of the District is to educate students in grades K-12.

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

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

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

B. Government-wide Statements

The School District's basic financial statements include both Government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds.) Both the Government-wide and fund financial statements categorize primary activities as either Governmental or Business-type. The District's general, special revenue, capital projects, and debt service are classified as Governmental Activities. The District's food service, before and after school, and preschool programs are classified as Business-type Activities.

In the Government-wide Statement of Net Position, both the Governmental and Business-type Activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide Statements (Continued)

The Government-wide Statement of Activities reports both the gross and net costs of each of the District's functions and Business-type Activities (food service and latchkey). The functions are also supported by general government revenues (property taxes, tuition, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenue, operating, and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student, and instruction related services, etc.) or Business-type Activities. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital specific grants.

The net costs (by function or Business-type Activity) are normally covered by general revenue (property taxes, tuition, interest income, etc.).

The District does allocate indirect costs such as depreciation expense, on-behalf TPAF Pension contributions, and TPAF Social Security Contributions.

The Government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. The Government-wide statements do not include fiduciary activities.

C. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The District reports the following Governmental Funds:

GOVERNMENTAL FUNDS

The focus of the Governmental Funds' measurement (in the fund statements) is upon determination of financial position and change in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the District:

General Fund - The General Fund is the general operating fund of the District. 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 which are classified in the Capital Outlay Subfund.

As required by the New Jersey State Department of Education, the District included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, District taxes, and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds,

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund (Continued) - construction of buildings, additions to or remodeling of buildings, and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election.

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

PROPRIETARY FUNDS

The focus of the Proprietary Funds' measurement is upon the determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following are descriptions of the Proprietary Funds of the District:

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

The District's Enterprise Funds are comprised of the Food Service Fund, Before and After School Fund, and the Preschool Program Fund.

Internal Service Fund - The Internal Service Fund accounts for the financing of services provided by one department to other departments of the School District, or to other governments on a cost-reimbursement basis.

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments and therefore not available to support District programs. The reporting focus is on net position. Changes in net position and are reported using accounting principles similar to Proprietary Funds.

The emphasis in fund financial statements is on the Major Funds in either the Governmental or Business-type Activities categories. Non-major Funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FIDUCIARY FUNDS (CONTINUED)

expenditures/expenses of either fund category or the Governmental and Enterprise combined) for the determination of Major Funds. The Non-major Funds are combined in a column in the fund financial statements.

The District's Fiduciary Funds are presented in the Fiduciary Fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Government, these funds are not incorporated into the Government-wide statements.

The Fiduciary Funds include Student Activity Fund, Payroll, and Payroll Agency Funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported on the financial statements. It also related to the timing of the measurement made regardless of the measurement focus applied.

Both Governmental and Business-type Activities in the government-wide financial statements and the Proprietary and Fiduciary Fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Governmental Funds financial statements are reported on the modified accrual basis of accounting. Under this method, revenues are recorded when they become both susceptible to accrual; i.e. both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Proceeds of general obligation long-term debt, if any, is recognized when due.

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

E. Cash and Cash Equivalent

Cash and cash equivalents include petty cash, change funds, cash in banks, money market accounts, 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. U.S. Treasury 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.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents (Continued)

For purposes of determining cash equivalents the District considers all investments with an original maturity of three months or less as cash equivalents.

New Jersey School Districts are limited to the types of investments and types of financial institutions they may invest in. NJSA 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey School Districts.

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of 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.

NJSA 17:9-41 et. seq. establishes the requirements for the security of deposits of Governmental Units. The statute requires that no Governmental Unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks), and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value of at least 5% of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Inventories

Inventories in the General Fund consist of expendable supplies held for the District's use and are carried at cost using first-in first-out method. Inventories in the Enterprise Fund are valued at cost, which approximates market, using first-in first-out method. Inventory in the Food Service Fund at June 30, 2016, consisted of the following:

Food - commodities	\$ 4,395
Food	<u>3,027</u>
	<u>\$ 7,422</u>

The value of Federal donated commodities are reflected in Schedule A (required by Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of non-operating revenue in the financial statements.

G. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical costs or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is computed using the straight-line method over the estimated useful lives:

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets (Continued)

Asset Class	Estimated Useful Lives
Site improvements	15-20
Building & improvements	20-50
Machinery & equipment	5-20

GASB No. 34 requires the District to report and depreciated new infrastructure assets. Infrastructure assets include roads, parking lots, underground pipe, etc. Neither their historical costs nor related depreciation has historically been reporting the financial statements. The District has included infrastructure assets in the current fiscal year.

H. Revenues

Substantially all Governmental Fund revenue is accrued. Property taxes are susceptible to accrual and under New Jersey State statute a municipality is required to remit to its School District the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be an "accounts receivable." Subsidies and grants to Proprietary Funds, which finance either capital or current operations, are reported as non-operating revenue. In respect to grant revenues, the provider recognizes liabilities and expenses and recipient recognizes receivables and revenue when the applicable eligibility requirements, including requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

I. Expenditures

Expenses are recognized when the related fund liability is incurred. Inventory costs reported in the period when inventory items are used, rather than in the period purchased.

J. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the 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 District and its employees, are accounted in the period in which such services are rendered or in which such events take place.

In Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability, in the fund that will pay for the compensated absences. The remainder of the compensated absence liability is reported in the District-wide Financial Statements as a Governmental Activity.

In Proprietary and similar Trust Funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Interfund Receivables/Payables

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the Statement of Net Position, except for amounts due between Governmental and Business-type Activities or Governmental and Agency Funds, which are presented as internal balances.

L. Accrued Salaries and Wages

None of the School District's employees who provide services to the District over the ten month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year.

M. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the fall of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the county office for approval and are approved as long as the District budget is within State mandated CAP's, there is no public vote on the budget. If the budget exceeds State mandated CAP's, the voters have an opportunity to approve or reject the budget at the regular election in November. Budgets are prepared using the modified accrual basis of accounting, except for the Special Revenue Fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in NJAC 6:23-2(g). Budget amendments/transfers of appropriations must be made by School Board resolution at any time during the fiscal year and are subject to two-thirds majority vote by the School Board and under certain circumstances, require approval by the County Superintendent of Schools. All budget amendments presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances, and unexpended grant appropriations, lapse at the end of each fiscal year. The Capital Projects Fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Budgets/Budgetary Control (Continued)

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

N. Encumbrances

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

Open encumbrances in the Special Revenue Fund, for which the District has received advances are reflected in the balance sheet as deferred 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.

O. Deferred Revenue

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

P. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. In general, Governmental Fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from Governmental Funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

Q. Allocation of Indirect Expenses

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

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

T. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position are 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. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

U. Fund Balance Reserves

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:

Non-spendable - The non-spendable 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 amount.

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.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Fund Balance Reserves (Continued)

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.

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 funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

V. Recent Accounting Pronouncements Not Yet Effective

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement, which is effective for fiscal periods beginning after June 15, 2017, the impact of this statement on the net position of the entity is anticipated to be significant.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77, "Tax Abatement Disclosures." This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans." This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Recent Accounting Pronouncements Not Yet Effective (Continued)

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79, "Certain External Investment Pools and Pool Participants." This statement, which is effective for fiscal periods beginning after December 15, 2015, will not have any effect on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80, "Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14." This statement, which is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 81, "Irrevocable Split-Interest Agreements." This statement, which is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues and amendment of GASB Statements No. 67, No. 68, and No. 73." This statement, which is effective for fiscal periods beginning after June 15, 2016. Although not determinable, the impact of this statement on the net position of the district is anticipated to not be significant.

NOTE 2: CASH AND CASH EQUIVALENTS

Custodial Credit Risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is based on New Jersey statutes requiring cash to be deposited only in New Jersey banking institutions that participate in the Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in NJSA 18A:20-37 that are treated as cash equivalents. The carrying amount of the District's cash and cash equivalents at June 30, 2016 and 2015, was \$2,198,573 and \$2,727,996. As of June 30, 2016 and 2015, \$0 of the District's bank balance of \$2,812,566 and \$3,694,646, respectively, was exposed to Custodial Credit Risk.

NOTE 3: INVESTMENTS

As of June 30, 2016 and 2015, the District did not have any investments.

Interest Rate Risk - The District does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, NJSA 18A:20-37 limits the length of time for most investments to 397 days.

Credit Risk - NJSA 18A:20-37 limits District investments to those specified in the Statutes. The type of allowable investments are: Bonds of the United States of America or of the District or the local units in which the District is located; obligations of Federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local Government investment pools or repurchase of fully collateralized securities.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4: RECEIVABLES

Receivables at June 30, 2016, (see Exhibit B-1 and B-4) consisted of intergovernmental and property taxes receivable. All receivables are considered collectible in full. A summary of the principal items of the intergovernmental receivables are as follows:

	Governmental Activities	Business- Type Activities
State aid	\$ 66,343	\$ 538
Other	60,070	700
Federal aid	65	21,585
	<u>\$ 126,478</u>	<u>\$ 22,823</u>

NOTE 5: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board of Education by inclusion of \$100,000 on October 10, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year-end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to NJSA 19:60-2.

Pursuant to NJAC 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 June 30, 2016, LRFP balance does not exceed the capital reserve balance.

Beginning balance, July 1, 2015	\$ 191,701
Transfer - June 2016	200,000
Interest earnings	168
Withdrawals -	
Board resolution	<u>(121,475)</u>
Ending balance, June 30, 2016	<u>\$ 270,394</u>

NOTE 6: CAPITAL ASSETS

Activity for capital assets capitalized by the District group is summarized below for the fiscal year ended June 30, 2016.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6: CAPITAL ASSETS (CONTINUED)

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental activities:				
Capital assets not being depreciated				
Construction in progress	\$ 144,244			\$ 144,244
Sites (land)	101,593			101,593
Total capital assets not being depreciated	<u>245,837</u>			<u>245,837</u>
Land improvements	925,211			925,211
Building & building improvements	19,027,037			19,027,037
Machinery & equipment	1,554,007	\$ 111,847		1,665,854
Totals at historical cost	<u>21,506,255</u>	<u>111,847</u>		<u>21,618,102</u>
Less: accumulated depreciation				
Land improvements	(857,950)	(8,078)		(866,028)
Building & building improvements	(9,509,908)	(529,150)		(10,039,058)
Machinery & equipment	(1,082,600)	(76,231)		(1,158,831)
Total accumulated depreciation	<u>(11,450,458)</u>	<u>(613,459)</u>		<u>(12,063,917)</u>
Governmental activities capital assets, net	<u>\$ 10,301,634</u>	<u>\$ (501,612)</u>		<u>\$ 9,800,022</u>
Business-type activities:				
Machinery & equipment	\$ 196,860			\$ 196,860
Less: accumulated depreciation	(160,954)	\$ (4,429)		(165,383)
Business-type capital assets, net	<u>\$ 35,906</u>	<u>\$ (4,429)</u>	<u>None</u>	<u>\$ 31,477</u>

Depreciation was charged to the following Governmental programs:

Instruction - regular	\$ 5,134
Instruction - other	2,006
Support administration	21,374
Operation and maintenance	16,192
Unallocated	568,753
Total	<u>\$ 613,459</u>

NOTE 7: GENERAL LONG-TERM DEBT

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

Advance Refunding

On June 2, 2006, the District issued \$5,860,000 in Refunding Bonds with a net interest cost of 1.919923% to advance refund; \$1,280,000 of outstanding 2005 Refunding School Bonds with an average interest rate of 2.86%; \$3,594,000 of outstanding 2006 school bonds with an average interest rate of 3.59%; \$1,005,000 of outstanding 2009 school bonds with an interest rate of 3.77%.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7: GENERAL LONG-TERM DEBT (CONTINUED)

Advance Refunding (Continued)

The net proceeds of \$6,264,787, including a premium on the bonds of \$517,626 and net of payments of \$32,230 in underwriting fees and \$80,609 of issuance costs, were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for part of future debt service payments when due. Payable in annual installments through August 1, 2025. Interest is paid semi-annually at varying rates ranging from 2% to 4% per annum. The balance remaining as of June 30, 2016, was \$5,860,000.

Other Permanently Funded Debt

\$4,229,000 School Bonds dated January 15, 2006, payable in annual installments through August 1, 2018. Interest is paid semi-annually at an interest rate from 3.65% to 4%. The remaining balance at June 30, 2016, was \$545,000.

\$2,095,000 School Bonds dated December 16, 2009, payable in annual installments through March 1, 2019. Interest is paid semi-annually at an interest rate of 3%. The remaining balance at June 30, 2016, was \$415,000.

Long-Term Obligation Activity

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
Compensated absences	\$ 509,662	\$ 73,342	\$ 132,234	\$ 450,770	\$ 38,801
Capital leases	126,382	143,482	129,332	140,532	92,714
Premium on bond sale	44,945	517,626	49,223	513,348	51,335
Serial bonds payable	7,654,000	5,860,000	6,694,000	6,820,000	900,000
	<u>\$ 8,334,989</u>	<u>\$ 6,594,450</u>	<u>\$ 7,004,789</u>	<u>\$ 7,924,650</u>	<u>\$ 1,082,850</u>

The District has several leases for computers. Lease terms are three years. Interest rates vary from 2.37% to 2.52%, see Exhibit I-2. The following is a schedule of the future minimum lease payments under their capital leases:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 92,714	\$ 3,473	\$ 96,187
2018	47,818	1,205	49,023
	<u>\$ 140,532</u>	<u>\$ 4,678</u>	<u>\$ 145,210</u>

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7: GENERAL LONG-TERM DEBT (CONTINUED)

Bonds Payable

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

Year Ended June 30,	Principal	Interest	Total
2017	\$ 900,000	\$ 155,650	\$ 1,055,650
2018	830,000	198,861	1,028,861
2019	580,000	175,400	755,400
2020	600,000	153,350	753,350
2021	625,000	131,950	756,950
2022-2025	3,285,000	295,975	3,580,975
	<u>\$ 6,820,000</u>	<u>\$ 1,111,186</u>	<u>\$ 7,931,186</u>

Bonds Authorized But Not Issued

As of June 30, 2016, the Board has \$0 of bonds authorized but not issued.

Other

Interest paid on debt issued by the District is exempt from federal income tax. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the Federal Government based on the requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in Governmental Funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the Federal Government. Thus, rebatable arbitrage liabilities related to Governmental debt will be accrued as incurred at least annually (at fiscal year-end) on the District-wide financial statements.

For the year ended June 30, 2016, it is not necessary for the Board to establish a liability for arbitrage rebate.

Compensated absences are recorded as long-term liabilities due in more than one year.

NOTE 8: PENSION FUNDS

Description of Plans - All eligible employees of the District are covered by the Public Employees' Retirement System (PERS), or Teachers' Pension and Annuity Fund (TPAF) a cost-sharing, multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8: PENSION FUNDS

Description of Plans (Continued) - financial report that includes the financial statements and required supplementary information for the Public Employees' Retirement System and the Teachers' Pension and Annuity Fund. The reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295 or can be accessed on the internet at: <http://www.state.nj.us/treasury/pensions/actuarial-rpts.shtml>.

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

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

Funding Policy - The contribution policy is set by NJSA 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997, and NJSA 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 7.06% of employees' annual compensation, as defined. Subsequent increases will be phased in over 7 years (each July 1) to bring the total pension contribution rate to 7.5% as of July 1, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The actuarially determined contribution includes funding for, cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The District's contributions to PERS for the years ending June 30, 2016, 2015, and 2014, were \$309,425, \$275,972, and \$250,504, respectively, equal to the required contributions for each year. The School District's employer share of TPAF for the years ending June 30, 2016, 2015, and 2014, were \$1,970,121, \$1,613,480, and \$1,219,269, respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year.

The Board's total payroll for the year ended June 30, 2016, 2015, and 2014, were \$16,212,019, \$15,702,316, and \$15,529,938; covered payroll for TPAF was \$11,924,909, \$11,366,670, and \$11,271,219; PERS was \$2,205,914, \$2,169,341, and \$2,397,778.

Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board for the years ending June 30, 2016, 2015, and 2014, \$873,127, \$849,020, and \$839,330, for the employer's share of social security contributions for TPAF members as calculated on their base

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8: PENSION FUNDS (CONTINUED)

Funding Policy (Continued) - salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance in GASB 27.

For the year ended June 30, 2016, the District recognized pension expense of \$536,842. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	830,911	
Net difference between expected and actual experience	192,630	
Net difference between projected and actual earnings on pension plan investments		\$ 36,444
Changes in proportion and differences between District contributions and proportionate share of contributions	419,595	
District contributions subsequent to the measurement date	309,245	
	\$ 1,752,381	\$ 36,444

\$309,245 reported as deferred outflows of resources related to pensions, resulting from School District contributions, subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 275,847
2018	274,847
2019	275,847
2020	369,226
2021	209,925
Thereafter	0
	\$ 1,405,692

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8: PENSION FUNDS (CONTINUED)

Additional information – Collective balances at June 30, 2015 and 2014, are as follows:

	June 30, 2015	June 30, 2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	993,410,455	1,479,224,662
Collective net pension liability	<u>22,447,996,119</u>	<u>18,722,735,003</u>
District's proportion	0.0359699384%	0.0334760830%

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

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, state statute also requires the return to the normal rate when such surplus pension assets no longer exist. In addition to the employee contributions, the School District's contributes amounts 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. The District's contributions to DCRP for the years ending June 30, 2016, 2015, and 2014, were \$14,792, \$12,645, and \$9,922 for covered employees.

NOTE 9: POST-EMPLOYMENT BENEFITS

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

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

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9: POST-EMPLOYMENT BENEFITS (CONTINUED)

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

NOTE 10: DEFERRED COMPENSATION

The Board offers its employees a choice of various deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, 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, Inc.	MetLife
MetLife Universal-Travelers	Voya Financial

NOTE 11: COMPENSATED ABSENCES

The District accounts for compensated absences using the termination method (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 that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policies. The District's policy permits Association employees to accumulate sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave if the employee has a minimum of 100 days in accordance with District's agreements with the various employee unions. The District uses the vesting method to record the liability.

For the District-wide *Statement of Net Position*, the liabilities whose average maturities are greater than one year should be reported in two components - the amount due within one year and the amount due in more than one year. The liability for compensated absences in the Governmental Fund at June 30, 2016, is \$450,770. The liability for compensated absences in the Food Service Fund at June 30, 2016, is \$13,405.

NOTE 12: LABOR CONTRACTS

As of June 30, 2016, the District's teachers, school nurses, LDT-C, social workers, guidance counselors, and psychologists are organized in the Pitman Education Association collective bargaining unit which will expire on June 30, 2019, and the Pitman Administrator's Association collective bargaining unit will expire on June 30, 2018.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13: EMPLOYEE BENEFITS

The District established and maintains a cafeteria plan for health benefits required by NJSA 18A:16-19.1 as amended by P.L. 2011, c.78, s.51. The District entered into a pre-tax benefits plan with AFLAC. The medical care reimbursement plan maximum amount for staff was \$2,500 for medical and \$5,000 for dependent care.

NOTE 14: RISK MANAGEMENT

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

Property and Liability Insurance:

The District maintains commercial insurance coverage for property, liability, and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Exhibit J-20) of this Comprehensive Annual Financial Report. During the fiscal year ended June 30, 2016, the District did not incur claims in excess of their coverage.

The District is a member of the New Jersey School Boards Association Insurance Group - ERIC - South. The purpose of this is to permit member Boards of Education to make use of their powers and resources by cooperating on a basis that will be of mutual advantage and to provide a procedure for development, administration, and provision of Risk Management Programs, a Joint Self Insurance Fund, Joint Insurance Purchases and related services for members and their employees for the following:

- Worker's Compensation and Employers Liability
- Automobile and Equipment Liability
- General Liability and Property Damage
- School Board Legal Liability
- Boiler and Machinery

New Jersey Unemployment Compensation Insurance:

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

Fiscal Year	Interest Contributions	Employer Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2015-2016	\$ 1,269		\$ 22,844	\$ 10,820	\$ 328,052
2014-2015	1,199		26,499	20,368	314,759
2013-2014	878	100,000	28,235	33,369	307,429

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 15: OPERATING LEASES

The District has commitments to lease copy machines under non-cancelable operating leases spanning 48 to 60 months. Monthly payments range from \$67-\$656 a month per machine. The District also has a commitment for a postage machine under non-cancelable operating leases spanning 60 months at a monthly payment of \$290. Total lease payments made during the year ended June 30, 2016, amounted to \$52,376. Future minimum lease payments are as follows:

Year Ended	
June 30,	Amount
2017	\$ 41,180
2018	7,459
2019	7,459
2020	6,425
	<u>\$ 62,523</u>

NOTE 16: FUND BALANCE APPROPRIATED

Restrictions of fund balances of Governmental Funds are established to either (1) satisfy legal covenants that require a portion of the fund balance to be segregated or (2) identify the portion of the fund balance that is not appropriate for future expenditures.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the District does not have a formal fund balance spending policy therefore the default spending order requires committed, assigned and then unassigned to be used/spent first when expenditures are made.

The District follows the State of New Jersey's minimum fund balance policy for New Jersey Public School Districts (NJSA 18A:7F-7). Pursuant to that policy, an undesignated fund balance of 2% of the General Fund budget or \$250,000, whichever is greater may be maintained.

Specific classifications of fund balance are summarized below:

Non-Spendable Fund Balance - The District had no non-spendable fund balance at June 30, 2016.

Restricted Fund Balance:

Capital Reserve Account - Of the \$270,394 balance in the capital reserve account at June 30, 2016, \$0 has been designated for utilization in the 2016-2017 budget. These funds are restricted for future capital outlay expenditures for projects in the School District's long range facilities plan.

Maintenance Reserve Account - Of the \$364,022 balance in the maintenance reserve account at June 30, 2016, \$0 has been designated for utilization in the 2016-2017 budget. These funds are restricted for required maintenance of school facilities in accordance with the Educational Facilities Construction and Financing Act (EFCFA) (NJSA 18A:7G-9) as amended by P.L. 2004, c.73 (S1701).

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 16: FUND BALANCE APPROPRIATED (CONTINUED)

Excess Surplus - At June 30, 2016, excess surplus created in FY 2015 of \$531,058 will be utilized for expenditures in the 2016-2017 budget, while excess surplus created in FY 2016 of \$246,934 is restricted and will be utilized for budget expenditures in 2017-2018.

Debt Service Fund - At June 30, 2016, there was a \$50,765 fund balance, of which, \$50,750 will be utilized for expenditures in the 2016-2017 budget.

Committed Fund Balance - The District had no fund balance at June 30, 2016.

Assigned Fund Balance - At June 30, 2016, the District has assigned \$449,240 of General Fund balance; \$3,942 has been designated for utilization in the 2016-2017 budget. \$445,298 was assigned for other purposes as of the year-end. This represents encumbrances resulting from issuing purchase orders as a result of normal purchasing activities approved by District officials.

Unassigned Fund Balance - At June 30, 2016, the District has (\$481,209) of unassigned fund balance in the General Fund.

NOTE 17: CALCULATION OF EXCESS SURPLUS

The designation of Reserve Fund Balance - Excess surplus is a required calculation pursuant NJSA 18A:7F-7, as amended. New Jersey School Districts are required to reserve General Fund, fund balance, at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016, is \$777,992.

NOTE 18: DEFICIT FUND BALANCES

The District has a deficit fund balance of \$481,209 (Exhibit B-1) in the General Fund as of June 30, 2016, as reported in the fund statements (modified accrual basis). NJSA 18A:22-44.2 provides that in the event the June state school aid payments are not made until the following school budget year, districts must record the last 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. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the state is recording the June state aid payments in the subsequent fiscal year, the School District cannot recognize the last state aid payments on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the June state aid payments, the General Fund balance deficit does not alone indicate that the District is facing financial difficulties.

NOTE 19: ECONOMIC DEPENDENCY

The District is heavily reliant on state aid and local tax levy to fund the District operations. State sources funded approximately 47.6% and taxes fund 48.3% of the District's 2015-2016 governmental operations excluding capital projects.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 20: INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remain on the balance sheet at June 30, 2016:

	Interfund	
	Receivable	Payable
General fund	\$ 31,900	
Food service fund		\$ 21,900
Unemployment trust	3,587	
Payroll and agency		13,587
	\$ 35,487	\$ 35,487

The interfund is a result of advance funding of the Section 125 Plan and second quarter unemployment overpayment.

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description - Borough of Pitman School District, New Jersey Postemployment Healthcare Benefit Plan is a single-employer defined benefit healthcare plan administered by AmeriHealth. AmeriHealth provides fully-insured medical, dental, and prescription drug coverage to eligible retirees and their spouses.

Funding Policy - The individual contribution requirements of the School District healthcare plan, are established by negotiated labor contracts. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016 the School District contributed \$87,027 to the plan for current premiums.

Annual OPEB Cost and Net OPEB Obligation - The School District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed ten years. The following table shows the components of the School District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the School District's net OPEB obligation to Brown and Brown Consulting (dollar amounts in thousands): The School District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 was as follows:

Annual required contribution	\$ 56,793
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	56,793
Contribution made	87,027
Decrease in net OPEB obligation	(30,234)
Net OPEB obligation - beginning of year	137,192
Net OPEB obligation - end of year	\$ 106,958

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 21: POST-EMPLOYMENT HEALTHCARE PLAN (CONTINUED)

The District's most recent actuarial valuation to determine ARC was performed for the year ended June 30, 2015. The next actuarial valuation is expected to be performed for the year ending June 30, 2018. GASB 45 permits the calculation of ARC in the intervening years to be based on the annual rate of inflation. In determining the ARC for the year ended June 30, 2015, the District utilized the U.S. Bureau of Labor Statistics annual report on inflation for medical care services, which yielded a rate of inflation of 3.2%.

Funded Status and Funding Progress - As of June 30, 2016, the School District is considered to be an unfunded plan. There are no plan assets. The retiree benefits are paid annually on a cash basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

The Actuarial Accrued Liability ("AAL") is the present value of all future expected post-retirement medical payments and administrative costs which are attributable to past service. The School District's unfunded AAL is calculated at June 30, 2015, to be \$386,308 for the unfunded portion.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2015, actuarial valuation, the projected unit credit method was utilized with amortization on a straight line basis, for a period of 8 years.

NOTE 22: INVESTMENT IN SOLAR RENEWABLE ENERGY CERTIFICATES (SREC'S)

The SREC program provides a means for Solar Renewable Energy Certificates (SREC's) to be created for every megawatt-hour of solar electricity created. The SREC is sold separately from the electricity and represents the "solar" aspect of the electricity that was produced. The value of a SREC is determined by the market subject to supply and demand constraints. SRECS can be sold to electricity suppliers needing to meet their solar RPS requirement. The market is typically capped by a fine or solar alternative compliance payment paid by any electricity suppliers for every SREC they fall short of the requirement.

The School District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quotes prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of June 30, 2016, the investment in SREC's was \$0. All SREC's available as of June 30, 2016, were sold within 60 days of year-end and the amount was recorded as a receivable for \$49,898.

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 23: COMMITMENTS AND CONTINGENCIES

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

It is the opinion of the administration and legal counsels, that there exists no litigation or contingent liability that may be pending against the Borough of Pitman School District that would have a material or adverse effect on the Board or the financial position of the District

NOTE 24: SUBSEQUENT EVENT

On July 20, 2016, the Board approved a three year lease for computers. The capital lease is for \$149,412.49 at a rate of 2.5%. The lease/purchase agreement is with U.S. Bancorp Government Leasing & Finance and payable to First Hope Bank. The following is a schedule of the future minimum lease payments under their capital leases:

Year Ended June 30,	Principal	Interest	Total
2017	\$ 50,772	\$ 405	\$ 51,177
2018	48,711	2,466	51,177
2019	49,929	1,248	51,177
	<u>\$ 149,412</u>	<u>\$ 4,119</u>	<u>\$ 153,531</u>

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2016 and September 21, 2016, the date that the financial statements were issued for possible disclosure and recognition in the financial statements, and no additional items have come to the attention of the District that would require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF PITMAN SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 12,824,105		\$ 12,824,105	\$ 12,824,105	
Tuition from individuals	95,000		95,000	117,255	\$ 22,255
Tuition from other LEA's within the state	20,000		20,000	53,252	33,252
Interest on investments	25,000		25,000	13,168	(11,832)
Interest on capital reserve funds	1,350		1,350	168	(1,182)
Miscellaneous	151,695		151,695	304,697	153,002
Total - local sources	13,117,150		13,117,150	13,312,645	195,495
State sources:					
Transportation aid	149,546		149,546	149,546	
Extraordinary aid	75,000		75,000	66,343	(8,657)
Special education aid	792,393		792,393	792,393	
Equalization aid	7,077,074		7,077,074	7,077,074	
Security aid	135,567		135,567	135,567	
Adjustment aid	1,645,845		1,645,845	1,645,845	
PARCC readiness aid	13,720		13,720	13,720	
Per pupil growth aid	13,720		13,720	13,720	
Teachers' pension and annuity fund (on-behalf non-budgeted)				899,301	899,301
TPAF post-retirement medical (on-behalf non-budgeted)				1,070,820	1,070,820
Reimbursed TPAF social security contributions (non-budgeted)				873,127	873,127
Total - State sources	9,902,865		9,902,865	12,737,456	2,834,591
Federal sources:					
Medical assistance program	25,252		25,252	10,859	(14,393)
Total - federal sources	25,252		25,252	10,859	(14,393)
Total revenues	\$ 23,045,267		\$ 23,045,267	\$ 26,060,960	\$ 3,015,693

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
Current expense:					
Regular programs - instruction:					
Salaries of teachers:					
Preschool	\$ 68,890	\$ 2,963	\$ 71,853	\$ 71,351	\$ 502
Kindergarten	199,105	1,362	200,467	200,427	40
Grades 1-5	2,631,897	(3,605)	2,628,292	2,626,232	2,060
Grades 6-8	1,646,852	(14,450)	1,632,402	1,629,080	3,322
Grades 9-12	2,249,617	1,735	2,251,352	2,249,031	2,321
Regular programs - home instruction:					
Salaries of teachers	5,000	1,775	6,775	6,774	1
Purchased professional - educational services	12,000	1,220	13,220	12,720	500
Regular programs - undistributed instruction:					
Purchased professional - educational services		2,000	2,000	2,000	
Purchased technical services	219,720	(18,618)	201,102	199,567	1,535
Other purchased services (400-500 series)	202,500	(17,733)	184,767	179,458	5,309
General supplies	359,632	122,618	482,250	436,285	45,965
Textbooks	165,905	35,297	201,202	190,790	10,412
Miscellaneous expenditures	5,600	(1,200)	4,400	562	3,838
Total regular programs	7,766,718	113,364	7,880,082	7,804,277	75,805
Learning and/or language disabilities:					
Salaries of teachers	81,912	1,443	83,355	81,205	2,150
Other salaries for instruction	47,321	(13,443)	33,878	32,178	1,700
General supplies	3,410		3,410	3,006	404
Textbooks	500		500	80	420
Total learning and/or language disabilities	133,143	(12,000)	121,143	116,469	4,674
Multiple disabilities:					
Salaries of teachers	579,756	1,620	581,376	581,052	324
Other salaries for instruction	238,852	(3,877)	234,975	234,393	582
General supplies	7,500	100	7,600	6,748	852
Textbooks	24,500		24,500	22,329	2,171
Total multiple disabilities	850,608	(2,157)	848,451	844,522	3,929
Resource room:					
Salaries of teachers	1,392,703	(33,600)	1,359,103	1,358,992	111
Other salaries for instruction	301,340	27,500	328,840	328,789	51
General supplies	10,000	15,000	25,000	23,674	1,326
Textbooks	4,500	5,700	10,200	10,102	98
Total resource room	1,708,543	14,600	1,723,143	1,721,557	1,586

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Preschool disabilities:					
Salaries of teachers	60,299	(430)	59,869	59,803	66
Other salaries for instruction	15,004	14,155	29,159	28,974	185
General supplies	3,233	(50)	3,183	2,570	613
Textbooks	300		300		300
Total preschool disabilities	78,836	13,675	92,511	91,347	1,164
Home instruction:					
Salaries of teachers	3,000	(1,800)	1,200	1,148	52
Purchased professional - educational services	15,000	(1,765)	13,235	12,969	266
Total home instruction	18,000	(3,565)	14,435	14,117	318
Total special education	2,789,130	10,553	2,799,683	2,788,012	11,671
Basic skills/remedial:					
Salaries of teachers	279,678	133,140	412,818	412,686	132
General supplies	1,605	(250)	1,355	1,065	290
Textbooks	16,250	(4,242)	12,008	8,119	3,889
Total basic skills/remedial	297,533	128,648	426,181	421,870	4,311
Bilingual:					
General supplies	500		500	156	344
Textbooks	200		200	151	49
Total bilingual	700		700	307	393
School sponsored co-curricular activities:					
Salaries	117,277	5,650	122,927	122,884	43
Purchased services (300-500 series)	17,400	(2,723)	14,677	13,275	1,402
General supplies	4,200	(1,048)	3,152	3,117	35
Miscellaneous expenditures	4,500	(1,225)	3,275	2,913	362
Funds transfer		9,737	9,737	9,737	
Total school sponsored co-curricular activities	143,377	10,391	153,768	151,926	1,842
School sponsored athletics - instruction:					
Salaries	243,000	13,981	256,981	256,910	71
Purchased services (300-500 series)	59,590	11,845	71,435	71,205	230
General supplies	37,730	2,515	40,245	39,950	295
Miscellaneous expenditures	17,125	4,738	21,863	19,912	1,951
Total school sponsored athletics - instruction	357,445	33,079	390,524	387,977	2,547
Total other instructional programs	799,055	172,118	971,173	962,080	9,093
Total - instruction	11,354,903	296,035	11,650,938	11,554,369	96,569

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed expenditures:					
Instruction:					
Tuition to LEA's within state regular	45,000	16,938	61,938	54,207	7,731
Tuition to LEA's within state special	61,290	(25,450)	35,840	830	35,010
Tuition county vocational school regular	168,684	(14,982)	153,702	144,096	9,606
Tuition to county special services district & regional day schools	101,760	47,404	149,164	132,904	16,260
Tuition to private schools for the handicapped-state	739,372	(129,758)	609,614	582,607	27,007
Total undistributed expenditures - instruction	1,116,106	(105,848)	1,010,258	914,644	95,614
Health services:					
Salaries	396,333	125	396,458	395,907	551
Purchased professional - educational services	10,071	30	10,101	9,765	336
Supplies and materials	6,455	119	6,574	5,727	847
Total health services	412,859	274	413,133	411,399	1,734
Related services:					
Salaries of teachers	334,204	(58,675)	275,529	273,310	2,219
Purchased professional - educational services	25,000	(12,400)	12,600	10,818	1,782
General supplies	2,736		2,736	2,354	382
Total related services	361,940	(71,075)	290,865	286,482	4,383
Extraordinary services:					
Purchased professional - educational services	89,440	(44,700)	44,740	37,792	6,948
Total extraordinary services	89,440	(44,700)	44,740	37,792	6,948
Guidance services:					
Salaries of other professional staff	624,175	(92,295)	531,880	530,149	1,731
Salaries of secretarial and clerical assistants	47,286	(2,855)	44,431	42,407	2,024
Purchased professional technical services	16,528	(10,870)	5,658	1,745	3,913
Other purchased services (400-500 series)	450	270	720	418	302
Supplies and materials	5,855	1,599	7,454	5,867	1,587
Other objects	890	(340)	550	385	165
Total guidance services	695,184	(104,491)	590,693	580,971	9,722
Child study team:					
Salaries of other professional staff	471,043	35,357	506,400	506,131	269
Salaries of secretarial and clerical assistants	92,340	(400)	91,940	91,840	100
Purchased professional - technical services	22,780	2,100	24,880	24,833	47
Other purchased services (400-500 series)	1,500	(525)	975	486	489
Supplies and materials	16,005	12,480	28,485	26,674	1,811
Other objects	150	1,645	1,795	1,780	15
Total child study team	603,818	50,657	654,475	651,744	2,731

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Improvement of instructional services/other support services - instructional staff:					
Salaries of supervisors of instruction	96,073	5,000	101,073	101,000	73
Salaries of other professional staff	44,031	2,000	46,031	46,000	31
Salaries of secretarial and clerical assistants	43,721		43,721	40,783	2,938
Purchased professional - technical services	5,000	(2,208)	2,792		2,792
Other purchased services (400-500 series)	1,500		1,500	668	832
Supplies and materials	44,097	(5,457)	38,640	31,010	7,630
Other objects	16,540	(7,000)	9,540	2,226	7,314
Total improvement of instructional services/other support services - instructional staff	250,962	(7,665)	243,297	221,687	21,610
Educational media services/school library:					
Salaries	303,017	(11,850)	291,167	284,130	7,037
Salaries of technology coordinator	80,928	(23,800)	57,128	56,375	753
Other purchased services (400-500 series)	1,000	560	1,560	960	600
Supplies and materials	30,050	1,127	31,177	29,040	2,137
Other objects	1,500	65	1,565	1,099	466
Total educational media services/school library	416,495	(33,898)	382,597	371,604	10,993
Instructional staff training:					
Salaries of other professional staff	9,000		9,000	3,291	5,709
Purchased professional - educational services	6,000	7,836	13,836	10,689	3,147
Other purchased services (400-500 series)	20,000	10,000	30,000	18,717	11,283
Total instructional staff training	35,000	17,836	52,836	32,697	20,139
Support services general administration:					
Salaries	216,572	(6,500)	210,072	205,000	5,072
Legal services	12,400	34,100	46,500	45,710	790
Audit fees	18,800		18,800	18,750	50
Other professional services	27,012	8,563	35,575	32,296	3,279
Purchased technical services	10,626	(13)	10,613	10,569	44
Communications/telephone	33,970	(900)	33,070	25,650	7,420
Other purchased services (400-500 series)	79,463	5,850	85,313	84,821	492
General supplies	5,621	(3,100)	2,521	1,899	622
Miscellaneous expenditures	6,000	1,840	7,840	7,837	3
BOE member dues/fees	11,165	(190)	10,975	10,945	30
Total support services general administration	421,629	39,650	461,279	443,477	17,802

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support services school administration					
Salaries of principals/assistant principals	791,759	(3,060)	788,699	788,654	45
Salaries of other professional staff	75,448	2,610	78,058	73,984	4,074
Salaries of secretarial and clerical assistants	314,374	(850)	313,524	312,511	1,013
Purchased professional - technical services	5,000		5,000	4,375	625
Other purchased services (400-500 series)	11,100	1,000	12,100	10,670	1,430
Supplies and materials	22,392	1,908	24,300	22,474	1,826
Other objects	14,650	(1,531)	13,119	9,330	3,789
Total support services school administration	1,234,723	77	1,234,800	1,221,998	12,802
Central services:					
Salaries	265,031		265,031	263,039	1,992
Purchased technical services	31,299	2,750	34,049	33,981	68
Other purchased services (400-500 series)	2,540	(250)	2,290	1,684	606
Supplies and materials	6,834	(1,000)	5,834	3,020	2,814
Interest on lease purchase agreements	5,531	(1,460)	4,071	3,031	1,040
Other objects	2,340	10	2,350	2,344	6
Total central services	313,575	50	313,625	307,099	6,526
Required maintenance:					
Cleaning, repair, and maintenance services	280,573	520,881	801,454	438,423	363,031
Total required maintenance	280,573	520,881	801,454	438,423	363,031
Custodial services					
Salaries	945,866	(17,930)	927,936	922,430	5,506
Purchased professional - technical services	11,000	700	11,700	11,689	11
Cleaning, repair, and maintenance services	44,000	11,070	55,070	55,070	
Insurance	121,757		121,757	121,755	2
Miscellaneous purchased services	2,000		2,000	60	1,940
General supplies	98,742	11,032	109,774	108,566	1,208
Natural gas	120,125	(41,590)	78,535	76,155	2,380
Electricity	248,000	(26,468)	221,532	220,161	1,371
Other objects	1,000	7,950	8,950	7,310	1,640
Total custodial services	1,592,490	(55,236)	1,537,254	1,523,196	14,058
Total operation and maintenance of plant services	1,873,063	465,645	2,338,708	1,961,619	377,089
Student transportation services:					
Salaries non-instructional aides		22,300	22,300	20,723	1,577
Cleaning, repair, and maintenance services		600	600	594	6
Rental school bus		6,000	6,000	6,000	
Lease purchase school bus	20,000	(20,000)			
Contracted services (between home and school) - vendors	1,768	(1,500)	268		268
Contracted services (other than between home and school) - vendors	73,080	4,390	77,470	74,647	2,823
Contracted services (special education students) - vendors	118,707		118,707	75,695	43,012
Contracted services (special education students) - joint agreements	324,738	(64,265)	260,473	181,484	78,989
General supplies		1,950	1,950	1,323	627
Other objects		50	50	25	25
Total student transportation services	538,293	(50,475)	487,818	360,491	127,327

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated benefits:					
Group insurance	4,680	550	5,230	5,180	50
Social security	295,000	3,150	298,150	297,838	312
Other retirement - regular	295,000	29,100	324,100	324,045	55
Worker's compensation	144,657		144,657	144,656	1
Health benefits	2,992,333	(226,076)	2,766,257	2,763,048	3,209
Tuition reimbursement	45,000	14,800	59,800	50,847	8,953
Other employee benefits	316,023	69,678	385,701	382,736	2,965
Total unallocated benefits	4,092,693	(108,798)	3,983,895	3,968,350	15,545
Teachers' Pension and Annuity Fund (on-behalf non-budgeted)				899,301	(899,301)
TPAF post-retirement (on-behalf non-budgeted)				1,070,820	(1,070,820)
Reimbursed TPAF social security contributions (non-budgeted)				873,127	(873,127)
Total on-behalf contributions				2,843,248	(2,843,248)
Total undistributed expenditures	12,455,780	47,239	12,503,019	14,615,302	(2,112,283)
Total expenditures - current expense	23,810,683	343,274	24,153,957	26,169,671	(2,015,714)
CAPITAL OUTLAY:					
Equipment:					
Regular programs - instruction:					
Grades 1-5		2,500	2,500		2,500
Grades 6-8		40,490	40,490	40,490	
Grades 9-12		2,493	2,493	2,493	
Undistributed expenditures:					
Operations and maintenance	25,000	36,024	61,024	31,024	30,000
Student transportation - bus special	52,927		52,927	52,927	
Total equipment	77,927	81,507	159,434	126,934	32,500
Facilities acquisition and construction services:					
Purchased professional - technical services		51,875	51,875	26,227	25,648
Construction services		69,600	69,600	69,600	
SDA assessments	2,213		2,213	2,213	
Total facilities acquisition and construction services	2,213	121,475	123,688	98,040	25,648
Assets acquired under capital leases (non-budgeted):					
Support services - students regular				143,482	(143,482)
Total assets acquired under capital leases (non-budgeted)				143,482	(143,482)
Total capital outlay	80,140	202,982	283,122	368,456	(85,334)
Total expenditures	\$ 23,890,823	\$ 546,256	\$ 24,437,079	\$ 26,538,127	\$ (2,101,048)

BOROUGH OF PITMAN SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (deficiency) of revenues over (under) expenditures	\$ (845,556)	\$ (546,256)	\$ (1,391,812)	\$ (477,167)	\$ 914,645
Other financing sources (uses):					
Transfer to food service	(60,000)	(81,000)	(141,000)	(141,000)	
Capital leases (non-budgeted)				143,482	(143,482)
Capital reserve to capital outlay		(121,475)	(121,475)		
Maintenance reserve to required maintenance		(505,781)	(505,781)		(505,781)
Total other financing sources (uses)	(60,000)	(546,256)	(768,256)	2,482	(649,263)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(905,556)		905,556	(474,685)	265,382
Fund balances - July 1	2,807,362		2,807,362	2,807,362	
Fund balances - June 30	\$ 1,901,805		\$ 3,712,918	\$ 2,332,677	\$ 265,382

Recapitulation:

Restricted fund balance:

Capital reserve	\$ 270,394
Maintenance reserve	364,022
Excess surplus - designated for subsequent year's expenditures	531,058
Excess surplus - current year	246,934

Assigned fund balance:

Year-end encumbrances	445,298
Designated for subsequent year's expenditures	3,942

Unassigned fund balance

	471,029
	<u>2,332,677</u>

Reconciliation to Governmental Fund Statements (GAAP):

Last state aid payment not recognized on GAAP Basis	(952,238)
Fund balance per Governmental Funds (GAAP)	<u>\$ 1,380,439</u>

BOROUGH OF PITMAN SCHOOL DISTRICT
 Budgetary Comparison Schedule
 Special Revenue Fund
 For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal sources	\$ 516,780	\$ 106,409	\$ 623,189	\$ 623,109	\$ 80
Total revenues	<u>\$ 516,780</u>	<u>\$ 106,409</u>	<u>\$ 623,189</u>	<u>\$ 623,109</u>	<u>\$ 80</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 181,500	\$ (77,388)	\$ 104,112	\$ 104,112	
Other salaries for instruction		14,337	14,337	14,337	
Tuition	335,280	53,717	388,997	388,997	
General supplies		28,747	28,747	28,667	\$ 80
Total instruction	<u>516,780</u>	<u>19,413</u>	<u>536,193</u>	<u>536,113</u>	<u>80</u>
Support services:					
Personal services - employee benefits		19,149	19,149	19,149	
Purchased professional - technical services		67,847	67,847	67,847	
Total support services		<u>86,996</u>	<u>86,996</u>	<u>86,996</u>	
Total expenditures	<u>\$ 516,780</u>	<u>\$ 106,409</u>	<u>\$ 623,189</u>	<u>\$ 623,109</u>	<u>\$ 80</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

BOROUGH OF PITMAN SCHOOL DISTRICT
 Required Supplementary Information
 Budget-to-GAAP Reconciliation -
 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.

	General Fund	Special Revenue Fund
Sources/inflows of resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule.	[C-1] \$ 26,060,960	[C-2] \$ 623,109
State aid payment recognized for budgetary purposes, not recognized for GAAP statements.	(952,238)	
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	949,891	
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 26,058,613	[B-2] \$ 623,109
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule.	[C-1] \$ 26,538,127	[C-2] \$ 623,109
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.	[B-2] \$ 26,538,127	[B-2] \$ 623,109

REQUIRED SUPPLEMENTARY INFORMATION - PART III

SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSIONS (GASB 68)

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability - PERS
 Last Three Fiscal Years

	Fiscal Year Ended		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's proportion of the net pension liability (asset)	0.0359699384%	0.0334760830%	0.0332462894%
District's proportionate share of the net pension liability (asset)	\$ 8,074,530	\$ 6,267,638	\$ 6,354,026
District's covered-employee payroll	2,169,341	2,397,778	2,313,411
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	372.21%	261.39%	274.66%
Plan fiduciary net position as a percentage of the total pension liability	47.92%	52.08%	48.72%
Measurement date	6/30/2015	6/30/2014	6/30/2013

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of District Contributions - PERS
 Last Three Fiscal Years

	Fiscal Year Ended		
	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 309,425	\$ 275,972	\$ 250,504
Contributions in relation to the contractually required contribution	<u>309,425</u>	<u>275,972</u>	<u>250,504</u>
Contribution deficiency (excess)	<u>None</u>	<u>None</u>	<u>None</u>
District's covered-employee payroll	\$ 2,169,341	\$ 2,397,778	\$ 2,313,411
Contributions as a percentage of covered-employee payroll	14.26%	11.51%	10.83%
Measurement date	6/30/2015	6/30/2014	6/30/2013

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
 Last Three Fiscal Years

	Fiscal Year Ended		
	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability (asset)	0.1153393978%	0.1091881787%	0.1138993907%
District's proportionate share of the net pension liability (asset)	\$ 72,899,425	\$ 58,357,528	\$ 57,563,856
District's covered-employee payroll	11,366,670	11,271,219	12,028,488
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	641.34%	517.76%	478.56%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%
Measurement date	6/30/2015	6/30/2014	6/30/2013

The data in the above schedule represents the allocation of the State of New Jersey's obligation on behalf of the District.

The Teachers' Pension and Annuity Fund (TPAF) On-behalf Payments is a Cost Sharing, Multi-Employer Defined Benefit Plan with a Special Funding Situation – 100% Legal Obligation of the State of New Jersey (State).

Since the State is the only entity with a legal obligation, the District's proportionate share percentage determined under paragraph 48 of GASB No. 68 is zero percent. Accordingly, the District did not recognize any portion of the TPAF collective net pension liability on the Statement of Net Position (A-1). Also on the A-1, and for the same reasons, the District did not recognize any portion of TPAF collective deferred outflows of resources and TPAF deferred inflows of resources.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART III

**BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

NOTE 1: CONTRIBUTIONS

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. The District's contribution amount was based on an actuarially determined rate which includes the normal cost and unfunded accrued liability.

NOTE 2: ACTUARIAL ASSUMPTIONS

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

Inflation rate	3.04%
Salary increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment rate of return	7.90%

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

The actuarial assumptions used in the July 1, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

	Total Brought Forward Ex. E-1a	Title I Part A	Totals	
			FY 2016	FY 2015
REVENUES:				
Federal sources	\$ 460,929	\$ 162,180	\$ 623,109	\$ 607,981
Total revenues	<u>\$ 460,929</u>	<u>\$ 162,180</u>	<u>\$ 623,109</u>	<u>\$ 607,981</u>
EXPENDITURES:				
Instruction:				
Salaries of teachers		\$ 104,112	\$ 104,112	\$ 105,835
Other salaries for instruction	\$ 14,337		14,337	14,013
Tuition	388,997		388,997	380,438
General supplies	1,848	26,819	28,667	33,045
Total instruction	<u>405,182</u>	<u>130,931</u>	<u>536,113</u>	<u>533,331</u>
Support services:				
Personal services - employee benefits		19,149	19,149	18,905
Purchased professional - technical services	55,747	12,100	67,847	52,674
Other purchased services (400-500 series)				2,747
General supplies				324
Total support services	<u>55,747</u>	<u>31,249</u>	<u>86,996</u>	<u>74,650</u>
Total expenditures	<u>\$ 460,929</u>	<u>\$ 162,180</u>	<u>\$ 623,109</u>	<u>\$ 607,981</u>

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

	IDEA Preschool	IDEA-Part B - Basic	Title II, Part A Teacher & Principal Training & Recruiting	Title III	Total Carried Forward
REVENUES:					
Federal sources	\$ 14,337	\$ 388,997	\$ 55,747	\$ 1,848	\$ 460,929
Total revenues	<u>\$ 14,337</u>	<u>\$ 388,997</u>	<u>\$ 55,747</u>	<u>\$ 1,848</u>	<u>\$ 460,929</u>
EXPENDITURES:					
Instruction:					
Other salaries for instruction	\$ 14,337				\$ 14,337
Tuition		\$ 388,997			388,997
General supplies				\$ 1,848	1,848
Total instruction	<u>14,337</u>	<u>388,997</u>		<u>1,848</u>	<u>405,182</u>
Support services:					
Purchased professional - technical services			\$ 55,747		55,747
Total support services			<u>55,747</u>		<u>55,747</u>
Total expenditures	<u>\$ 14,337</u>	<u>\$ 388,997</u>	<u>\$ 55,747</u>	<u>\$ 1,848</u>	<u>\$ 460,929</u>

CAPITAL PROJECTS FUND

BOROUGH OF PITMAN SCHOOL DISTRICT
 Capital Projects Fund
 Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance -
 Budgetary Basis
 For the Fiscal Year Ended June 30, 2016

	FY 2016
Revenues & other financing sources	
Interest earned	\$ 15
Total revenues	15
Excess (deficiency) or revenues over (under) expenditures	15
Other financing sources (uses)	
Transfer to debt service fund	(15)

PROPRIETARY FUNDS

BOROUGH OF PITMAN SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Net Position
For the Fiscal Year Ended June 30, 2016

	Business-type Activities			Totals	
	Food Service	Preschool	Before/After	FY 2016	FY 2015
	Fund		School		
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 44	\$ 40,417	\$ 296,825	\$ 337,286	\$ 296,975
Accounts receivable:					
Federal	21,585			21,585	8,096
State	538			538	299
Other		700		700	500
Inventory	7,422			7,422	1,904
Total current assets	29,589	41,117	296,825	367,531	307,774
NON-CURRENT ASSETS					
Furniture, machinery & equipment	196,861			196,861	196,861
Less: accumulated depreciation	(165,384)			(165,384)	(160,955)
Total noncurrent assets	31,477			31,477	35,906
Total assets	61,066	41,117	296,825	399,008	343,680
LIABILITIES AND NET POSITION					
Current liabilities:					
Accounts payable			1,085	1,085	840
Interfund accounts payable	21,900			21,900	21,900
Unearned revenue	4,395	800		5,195	3,810
Compensated absences	13,405			13,405	13,715
Total current liabilities	39,700	800	1,085	41,585	40,265
Net position:					
Invested in capital assets, net of related debt	31,477			31,477	35,906
Unrestricted	(10,111)	40,317	295,740	325,946	267,509
Total net position	\$ 21,366	\$ 40,317	\$ 295,740	\$ 357,423	\$ 303,415

BOROUGH OF PITMAN SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
For the Fiscal Year Ended June 30, 2016

	Business-type Activities			Totals	
	Food Service Fund	Preschool	Before/After School	FY 2016	FY 2015
OPERATING REVENUES:					
Local sources:					
Daily sales - reimbursable programs:	\$ 93,980			\$ 93,980	\$ 98,286
Daily sales milk program	1,873			1,873	1,972
Daily sales - non-reimbursable programs	80,040			80,040	82,042
Special function/miscellaneous	1,111			1,111	1,046
Tuition		\$ 86,045	\$ 265,614	351,659	314,852
Total operating revenue	177,004	86,045	265,614	528,663	498,198
OPERATING EXPENSES:					
Salaries	229,041	98,249	172,341	499,631	491,471
Employee benefits	17,545		13,184	30,729	30,094
Other purchased services (400-500 series)	8,385		22,068	30,453	9,115
Supplies and materials	12,360			12,360	22,264
Cost of sales	182,499			182,499	184,901
Miscellaneous other expenses	482		2,899	3,381	1,139
Depreciation	4,429			4,429	4,050
Total operating expenses	454,741	98,249	210,492	763,482	743,034
Operating income (loss)	(277,737)	(12,204)	55,122	(234,819)	(244,836)
NON-OPERATING REVENUES:					
State sources:					
National school lunch program - state	3,076			3,076	3,406
Federal sources:					
National school lunch program	108,967			108,967	114,204
School breakfast program	14,807			14,807	15,125
Special milk program	1,466			1,466	1,688
Food distribution program	19,511			19,511	20,033
Total non-operating revenues (expenses)	147,827			147,827	154,456
Income (loss) before contributions	(129,910)	(12,204)	55,122	(86,992)	(90,380)
Transfers from general fund	141,000			141,000	90,000
Loss from inventory - food					(1,085)
Loss from inventory - commodities					(4,419)
Net income (loss)	11,090	(12,204)	55,122	54,008	(5,884)
Total net position - July 1	10,276	52,521	240,618	303,415	309,299
Total net position - June 30	\$ 21,366	\$ 40,317	\$ 295,740	\$ 357,423	\$ 303,415

BOROUGH OF PITMAN SCHOOL DISTRICT
Enterprise Funds
Combining Schedule of Cash Flows
For the Fiscal Year Ended June 30, 2016

	Business-type Activities			Totals	
	Food Service	Preschool	Before/After	FY 2016	FY 2015
	Fund		School		
Cash flows from operating activities:					
Receipts from customers	\$ 176,679	\$ 85,745	\$ 263,029	\$ 525,453	\$ 501,903
Payments to suppliers	(185,338)		(24,722)	(210,060)	(201,491)
Payments to employees	(229,351)	(98,249)	(172,341)	(499,941)	(490,701)
Payments for employee benefits	(17,545)		(13,184)	(30,729)	(30,036)
Net cash provided (used) by operating activities	(255,555)	(12,504)	52,782	(215,277)	(220,325)
Cash flows from non-capital financing activities:					
Cash received from state & federal reimbursements	114,588			114,588	133,750
Net cash provided by non-capital financing activities	114,588			114,588	133,750
Cash flows from investing activities:					
Capital expenditures					
Interfund accounts receivable					
Payments from general fund	141,000			141,000	70,000
Net cash provided by investing activities	141,000			141,000	70,000
Net increase in cash and cash equivalents	33	(12,504)	52,782	40,311	(16,575)
Cash and cash equivalents - July 1	11	52,921	244,043	296,975	298,742
Cash and cash equivalents - June 30	\$ 44	\$ 40,417	\$ 296,825	\$ 337,286	\$ 282,167
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (277,737)	\$ (12,204)	\$ 55,122	\$ (234,819)	\$ (244,836)
Adjustments to reconcile operating income (loss) to cash provided (used) by operating activities:					
Depreciation	4,429			4,429	4,050
Food distribution program	19,511			19,511	20,033
Change in assets and liabilities:					
(Increase) decrease in accounts receivable		(200)		(200)	1,430
(Increase) decrease in inventory	(5,518)			(5,518)	(2,488)
Increase (decrease) in accounts payable			245	245	840
Increase (decrease) in compensated absences	(310)			(310)	828
Increase (decrease) in unearned revenue	4,070	(100)	(2,585)	1,385	(182)
	\$ (255,555)	\$ (12,504)	\$ 52,782	\$ (215,277)	\$ (220,325)

FIDUCIARY FUNDS

BOROUGH OF PITMAN SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Unemployment Trust Fund	Agency Funds	Totals	
			FY 2016	FY 2015
ASSETS				
Cash and cash equivalents	\$ 324,465	\$ 161,221	\$ 485,686	\$ 693,835
Intergovernmental receivable Due from agency funds	3,587		3,587	
Total assets	<u>\$ 328,052</u>	<u>\$ 161,221</u>	<u>489,273</u>	<u>693,835</u>
LIABILITIES				
Payroll deductions and withholdings		\$ 27,553	27,553	140,831
Due to student groups		120,081	120,081	146,656
Interfund payables:				
General fund		10,000	10,000	91,589
Unemployment trust		3,587	3,587	
Total liabilities		<u>\$ 161,221</u>	<u>161,221</u>	<u>379,076</u>
NET POSITION				
Unreserved	\$ 328,052		328,052	314,759
Total net position	<u>\$ 328,052</u>		<u>\$ 328,052</u>	<u>\$ 314,759</u>

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

	Unemployment Trust Fund	Totals	
		FY 2016	FY 2015
ADDITIONS:			
Contributions:			
Plan members	\$ 22,844	\$ 22,844	\$ 26,499
Total contributions	<u>22,844</u>	<u>22,844</u>	<u>26,499</u>
Investment earnings:			
Interest	1,269	1,269	1,199
Total investment earnings	<u>1,269</u>	<u>1,269</u>	<u>1,199</u>
Total additions	<u>24,113</u>	<u>24,113</u>	<u>27,698</u>
DEDUCTIONS:			
Unemployment claims	10,820	10,820	20,368
Change in net position	13,293	13,293	7,330
Net position - beginning of year	314,759	314,759	307,429
Net position - end of year	<u>\$ 328,052</u>	<u>\$ 328,052</u>	<u>\$ 314,759</u>

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

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
Elementary:				
Kindle	\$ 5,903	\$ 11,044	\$ 16,278	\$ 669
Walls	8,114	15,330	13,668	9,776
Memorial	7,770	9,871	8,702	8,939
Elementary subtotal	<u>21,787</u>	<u>36,245</u>	<u>38,648</u>	<u>19,384</u>
Middle school	39,088	40,545	53,958	25,675
High school	68,894	209,860	221,223	57,531
District-wide	16,887	16,868	16,264	17,491
	<u>\$ 146,656</u>	<u>\$ 303,518</u>	<u>\$ 330,093</u>	<u>\$ 120,081</u>

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS				
Cash and cash equivalents	\$ 232,420	\$ 17,782,479	\$ 17,973,759	\$ 41,140
Total assets	<u>\$ 232,420</u>	<u>\$ 17,782,479</u>	<u>\$ 17,973,759</u>	<u>\$ 41,140</u>
LIABILITIES				
Employees' net pay		\$ 9,542,320	\$ 9,542,320	
Payroll deductions and withholdings	\$ 140,831	8,230,547	8,343,825	\$ 27,553
Interfund payable				
General fund	91,589	6,025	87,614	10,000
Unemployment trust		3,587		3,587
Total liabilities	<u>\$ 232,420</u>	<u>\$ 17,782,479</u>	<u>\$ 17,973,759</u>	<u>\$ 41,140</u>

LONG-TERM DEBT

BOROUGH OF PITMAN SCHOOL DISTRICT
 Long-Term Debt Account Group
 Schedule of Serial Bonds
 June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
			Date	Amount					
Refunding Bonds of 2005	06/01/05	\$ 6,185,000				\$ 1,940,000		\$ 1,940,000	
School Bonds	01/11/06	4,229,000	08/01/16	\$ 45,000	3.65%				
			08/01/17	65,000	3.65%				
			08/01/18	435,000	4.00%	4,169,000		3,624,000	\$ 545,000
School Bonds	12/16/2009	2,095,000.00	03/01/17	130,000.00	3.000%				
			03/01/18	140,000.00	3.000%				
			03/01/19	145,000.00	3.000%	1,545,000		1,130,000	415,000
Refunding School Bonds	06/02/16	5,860,000.00	08/01/16	725,000.00	2.000%				
			08/01/17	625,000.00	3.000%				
			08/01/19	600,000.00	3.000%				
			08/01/20	620,000.00	4.000%				
			08/01/21	645,000.00	3.000%				
			08/01/22	665,000.00	4.000%				
			08/01/23	700,000.00	4.000%				
			08/01/24	720,000.00	4.000%				
			08/01/25	560,000.00	3.000%				
						\$ 5,860,000		5,860,000	
						\$ 7,654,000	\$ 5,860,000	\$ 6,694,000	\$ 6,820,000

BOROUGH OF PITMAN SCHOOL DISTRICT
 Schedule of Obligations Under Capital Leases
 Debt Service Fund
 For the Fiscal Year Ended June 30, 2016

Purpose	Date of Lease	Term of Lease	Amount of Original Issue		Interest Rate	Amount Outstanding	Issued	Retired	Amount Outstanding
			Principal	Interest		July 1, 2015			June 30, 2016
2013 Computers	07/30/13	3 years	\$ 105,932	\$ 2,595	2.47%	\$ 35,303		\$ 35,303	
2014 Computers	09/25/14	3 years	138,243	3,250	2.37%	91,079		45,006	\$ 46,073
2015 Computers	10/01/15	3 years	143,482	3,250	2.37%		\$ 143,482	49,023	94,459
						\$ 126,382	\$ 143,482	\$ 129,332	\$ 140,532

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Positive (Negative) Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 571,441		\$ 571,441	\$ 571,441	
State sources:					
Debt service aid type II	460,557		460,557	460,557	
Total revenues	<u>1,031,998</u>		<u>1,031,998</u>	<u>1,031,998</u>	
EXPENDITURES:					
Regular debt service:					
Interest	299,062		299,062	299,062	
Redemption of principal	815,000		815,000	815,000	
Total expenditures	<u>1,114,062</u>		<u>1,114,062</u>	<u>1,114,062</u>	
Excess (deficiency) of revenues over (under) expenditures	(82,064)		(82,064)	(82,064)	
Other financing sources (uses)					
Transfer from capital projects:					
Interest earned				15	\$ (15)
	(82,064)		(82,064)	(82,049)	(15)
Fund balance - July 1	132,814		132,814	132,814	8,943
Fund balance - June 30	<u>\$ 50,750</u>	<u>None</u>	<u>\$ 50,750</u>	<u>\$ 50,765</u>	<u>\$ 8,928</u>
Recapitulation of excess of revenues over expenditures:					
Budgeted fund balance				<u>\$ 50,750</u>	

**STATISTICAL SECTION
(Unaudited)**

**BOROUGH OF PITMAN SCHOOL DISTRICT
STATISTICAL SECTION**

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	107-113
Revenue Capacity These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.	114-117
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	118-121
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	122-123
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	124-128

BOROUGH OF PITMAN SCHOOL DISTRICT
 Net Position By Component
 Last Ten Fiscal Years
 Fiscal Year Ending June 30, 2016
 Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities:										
Invested in capital assets, net of related debt	\$ 1,583,445	\$ 1,711,957	\$ 1,292,415	\$ 728,731	\$ 966,163	\$ 1,185,715	\$ 1,397,748	\$ 2,137,578	\$ 2,455,097	\$ 2,705,438
Restricted	1,048,991	1,483,397	1,221,806	1,570,508	2,247,509	2,527,992	2,557,021	2,244,406	2,440,263	1,912,414
Unrestricted	(769,877)	(989,351)	(1,323,226)	(1,374,651)	(1,007,082)	(948,770)	(907,488)	(916,702)	(7,227,828)	(7,397,530)
Total governmental activities net position	\$ 1,862,558	\$ 2,206,002	\$ 1,190,995	\$ 924,588	\$ 2,206,590	\$ 2,764,937	\$ 3,047,281	\$ 3,465,282	\$ (2,332,468)	\$ (2,779,678)
Business-type activities:										
Invested in capital assets, net of related debt	\$ 40,752	\$ 53,101	\$ 46,109	\$ 39,704	\$ 34,100	\$ 28,708	\$ 24,344	\$ 21,089	\$ 35,906	\$ 31,477
Unrestricted	84,323	67,713	90,861	147,132	258,557	280,336	290,890	288,210	267,509	325,946
Total business-type activities net position	\$ 125,076	\$ 120,814	\$ 136,970	\$ 186,836	\$ 292,657	\$ 309,044	\$ 315,234	\$ 309,299	\$ 303,415	\$ 357,423
District-wide:										
Invested in capital assets, net of related debt	\$ 1,624,197	\$ 1,765,058	\$ 1,338,524	\$ 768,435	\$ 1,000,263	\$ 1,214,423	\$ 1,422,092	\$ 2,158,667	\$ 2,491,003	\$ 2,736,915
Restricted	1,048,991	1,483,397	1,221,806	1,570,508	2,247,509	2,527,992	2,557,021	2,244,406	2,440,263	1,912,414
Unrestricted	(685,554)	(921,638)	(1,232,365)	(1,227,519)	(748,525)	(668,434)	(616,598)	(628,492)	(6,960,319)	(7,071,584)
Total district-wide net position	\$ 1,987,634	\$ 2,326,817	\$ 1,327,965	\$ 1,111,424	\$ 2,499,247	\$ 3,073,981	\$ 3,362,515	\$ 3,774,581	\$ (2,029,053)	\$ (2,422,255)

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes In Net Position
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2016
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EXPENSES:										
Governmental activities:										
Instruction:										
Regular	\$ 8,606,958	\$ 8,501,777	\$ 7,015,470	\$ 7,171,531	\$ 6,731,858	\$ 6,661,467	\$ 6,986,990	\$ 7,117,731	\$ 7,304,641	\$ 7,668,672
Special education	2,369,447	2,717,915	2,689,344	2,980,476	2,780,416	3,088,349	3,137,435	3,088,673	3,252,223	3,331,472
Other special education	186,454	251,314	301,076	349,147	331,244	260,897	284,660	293,898	316,196	422,095
Other instruction	536,472	597,451	558,183	547,663	424,990	437,599	465,823	503,066	516,624	542,216
Support services:										
Tuition	746,314	787,556	984,272	1,039,671	1,164,917	1,209,693	1,321,132	1,236,898	805,871	914,644
Student instruction and related services	2,652,756	2,710,522	2,437,554	2,582,864	2,351,234	2,357,910	2,467,666	2,477,237	2,569,859	2,656,449
General administration & central services	794,717	757,769	850,992	613,345	721,101	730,561	700,222	688,915	720,747	745,457
School administrative services	1,295,775	1,383,220	1,124,103	1,032,468	1,131,922	1,151,486	1,126,185	1,189,997	1,229,376	1,215,352
Plant operations and maintenance & grounds	2,101,508	2,356,830	2,083,627	1,710,533	1,581,643	1,699,936	1,839,748	1,829,674	1,986,009	1,965,852
Pupil transportation	308,470	299,661	384,427	424,838	464,048	501,909	537,632	529,031	498,680	360,491
Employee benefits	2,626,831	2,595,796	4,565,166	5,037,668	4,948,448	5,530,397	5,988,795	5,835,766	6,098,670	7,023,925
Interest on long-term debt	468,447	446,419	426,657	439,885	457,979	429,518	402,070	371,780	336,273	235,119
Capital outlay			203,837	105,000	27,238	37,858	108,776	110,921	140,456	256,609
Unallocated depreciation	398,195	506,410	490,540	480,815	530,301	543,989	544,252	559,310	570,309	568,753
Total governmental activities expenses	23,092,342	23,912,640	24,115,248	24,515,904	23,647,339	24,641,569	25,911,386	25,832,897	26,345,934	27,907,106
Business-type activities:										
Food service	465,551	456,014	461,529	480,534	439,623	454,484	462,856	465,673	460,104	454,741
Before/after school	132,273	250,152	252,362	227,745	193,727	191,764	189,132	185,643	188,460	210,492
Preschool	81,566	115,668	117,298	120,864	56,963	84,744	83,922	88,027	94,470	98,249
Purchased business services		12,380								
Total business-type activities expense	679,391	834,215	831,189	829,143	690,313	730,992	735,910	739,343	743,034	763,482
Total District expenses	\$ 23,771,733	\$ 24,746,855	\$ 24,946,437	\$ 25,345,047	\$ 24,337,652	\$ 25,372,561	\$ 26,647,296	\$ 26,572,240	\$ 27,088,968	\$ 28,670,588
PROGRAM REVENUES:										
Governmental activities:										
Charges for services:										
Central services										
Operating grants and contributions	\$ 2,626,831	\$ 33,500	\$ 49,955	\$ 783,936	\$ 641,830	\$ 628,474	\$ 601,256	\$ 604,209	\$ 607,981	\$ 623,109
Total governmental activities program revenues	2,626,831	2,629,296	596,663	783,936	641,830	628,474	601,256	604,209	607,981	623,109

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes In Net Position
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2016
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Business-type activities:										
Charges for services:										
Food service	271,738	276,882	285,024	272,368	272,373	242,826	219,129	201,449	183,346	177,004
Before/after school	196,436	224,854	271,769	263,870	241,369	224,216	211,330	221,581	228,383	265,614
Preschool	93,055	115,585	115,704	126,639	125,843	62,435	85,576	81,503	86,469	86,045
Operating grants and contributions	81,278	94,895	106,386	131,132	126,549	137,902	151,065	158,875	154,456	147,827
Inventory loss									(5,504)	
Total business-type activities program revenues	642,507	712,216	778,883	794,009	766,134	667,379	667,100	663,408	652,654	676,490
Total District program revenue	\$ 3,269,338	\$ 3,341,512	\$ 1,375,546	\$ 1,577,945	\$ 1,407,964	\$ 1,295,853	\$ 1,268,356	\$ 1,267,617	\$ 1,260,635	\$ 1,299,599
Net (expense) revenue:										
Governmental activities	\$ (20,465,512)	\$ (21,283,344)	\$ (23,518,585)	\$ (23,731,968)	\$ (23,005,509)	\$ (24,013,095)	\$ (25,310,130)	\$ (25,228,688)	\$ (25,737,953)	\$ (27,283,997)
Business-type activities	(36,883)	(121,999)	(52,306)	(35,134)	75,821	(63,613)	(68,810)	(75,935)	(90,380)	(86,992)
Total District-wide net expense	\$ (20,502,395)	\$ (21,405,343)	\$ (23,570,891)	\$ (23,767,102)	\$ (22,929,688)	\$ (24,076,708)	\$ (25,378,940)	\$ (25,304,623)	\$ (25,828,333)	\$ (27,370,989)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION:										
Governmental activities:										
Property taxes levied for government purposes	\$ 10,004,998	\$ 10,223,501	\$ 10,474,358	\$ 10,893,332	\$ 11,403,562	\$ 11,453,127	\$ 12,032,190	\$ 12,326,130	\$ 12,572,652	\$ 12,824,105
Taxes levied for debt service	473,014	395,812	392,273	422,193	673,890	580,479	686,763	670,384	585,213	571,441
Grants and contributions	10,678,122	10,893,729	11,558,592	12,005,361	11,505,267	12,259,048	12,632,312	12,425,177	12,858,137	13,206,525
Tuition received	91,133	85,599	98,909	160,171	134,843	156,858	194,463	201,522	162,656	170,507
Investment earnings	159,868	97,326	27,269	11,391	1,850	37,407	32,885	15,723	16,627	13,351
Miscellaneous income	48,149	48,558	21,057	58,113	334,747	164,523	88,861	77,753	79,666	304,697
Other financing sources (uses)					298,031					(112,839)
Transfers	(123,681)	(84,238)	(90,000)	(85,000)	(30,000)	(80,000)	(75,000)	(70,000)	(90,000)	(141,000)
Total governmental activities	21,331,603	21,660,287	22,482,458	23,465,561	24,322,190	24,571,442	25,592,474	25,646,689	26,184,951	26,836,787
Business-type activities:										
Transfers	123,681	84,238	90,000	85,000	30,000	80,000	75,000	70,000	90,000	141,000
Total business-type activities	123,681	84,238	90,000	85,000	30,000	80,000	75,000	70,000	90,000	141,000
Total District-wide	\$ 21,455,284	\$ 21,744,525	\$ 22,572,458	\$ 23,550,561	\$ 24,352,190	\$ 24,651,442	\$ 25,667,474	\$ 25,716,689	\$ 26,274,951	\$ 26,977,787
Change in net position:										
Governmental activities	\$ 866,091	\$ 376,943	\$ (1,036,127)	\$ (266,407)	\$ 1,316,681	\$ 558,347	\$ 282,344	\$ (75,935)	\$ 446,998	\$ (447,210)
Business-type activities	86,797	(37,761)	37,694	49,866	105,821	16,387	6,190	412,066	(380)	54,008
Total District	\$ 952,888	\$ 339,182	\$ (998,433)	\$ (216,541)	\$ 1,422,502	\$ 574,734	\$ 288,534	\$ 336,131	\$ 446,618	\$ (393,202)

BOROUGH OF PITMAN SCHOOL DISTRICT
Fund Balances - Governmental Funds
Last Ten Fiscal Years
For the Fiscal Year Ended June 30, 2016
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted					\$ 997,366	\$ 1,532,551	\$ 1,308,556	\$ 1,594,158	\$ 1,851,200	\$ 1,412,408
Assigned					360,846	138,680	409,560	338,803	456,249	449,240
Unassigned					(307,465)	(361,628)	(361,554)	(412,351)	(449,978)	(481,209)
Reserved	\$ 936,059	\$ 1,483,397	\$ 1,127,994	\$ 961,595						
Unreserved	124,869	(51,354)	(439,647)	(561,782)						
Total general fund	<u>\$ 1,060,928</u>	<u>\$ 1,432,042</u>	<u>\$ 688,347</u>	<u>\$ 399,813</u>	<u>\$ 1,050,747</u>	<u>\$ 1,309,603</u>	<u>\$ 1,356,562</u>	<u>\$ 1,520,610</u>	<u>\$ 1,857,471</u>	<u>\$ 1,380,439</u>
All other governmental funds										
Restricted										
Capital projects fund					\$ 649,014	\$ 649,014	\$ 626,436	\$ 103,340		
Debt service fund					301,129	207,747	212,469	208,105	\$ 132,814	\$ 50,766
Reserved	\$ 112,931									
Unreserved, reported in:										
Special revenue fund	(2,947)	\$ (2,947)								
Capital projects fund		87,551	\$ 87,551	\$ 650,832						
Debt service fund	126,217	52,481	6,261	8,943						
Total all other governmental funds	<u>\$ 236,201</u>	<u>\$ 137,085</u>	<u>\$ 93,812</u>	<u>\$ 659,775</u>	<u>\$ 950,143</u>	<u>\$ 856,761</u>	<u>\$ 838,905</u>	<u>\$ 311,445</u>	<u>\$ 132,814</u>	<u>\$ 50,766</u>

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
REVENUES:										
Tax levy	\$ 10,478,012	\$ 10,619,313	\$ 10,866,631	\$ 11,315,525	\$ 12,077,452	\$ 12,033,606	\$ 12,718,953	\$ 12,996,514	\$ 13,157,865	\$ 13,395,546
Tuition charges	91,133	85,599	98,909	160,171	134,843	156,858	194,463	201,522	162,656	170,507
Interest earnings	112,793	91,921	27,269	11,391	1,850	37,407	32,885	15,723	16,627	13,351
Miscellaneous	95,224	53,963	21,057	58,113	334,747	164,523	88,861	77,753	79,666	304,697
State sources	12,276,179	12,945,500	11,560,887	10,499,202	11,440,935	11,884,726	12,587,011	12,383,938	12,794,979	13,195,666
Federal sources	1,028,773	544,025	544,413	2,290,095	671,483	1,002,796	646,557	645,448	671,139	633,968
Total revenue	24,082,114	24,340,321	23,119,166	24,334,497	24,661,310	25,279,916	26,268,730	26,320,898	26,882,932	27,713,735
EXPENDITURES:										
Instruction:										
Regular	6,564,888	6,623,399	7,007,608	6,954,855	6,698,176	6,668,995	6,982,719	7,253,214	7,453,380	7,804,277
Special	2,498,517	2,701,016	2,673,045	2,978,305	2,763,311	3,084,910	3,137,428	3,086,230	3,239,169	3,324,125
Other special	186,454	209,966	300,243	356,549	323,054	268,682	286,708	293,853	323,935	421,870
Other	500,900	533,613	553,615	543,964	421,936	434,558	462,617	500,235	514,143	540,210
Support Services:										
Tuition	746,314	787,556	934,652	1,039,671	1,164,917	1,209,693	1,321,132	1,236,898	805,871	914,644
Student & inst. related services	2,190,628	2,333,126	2,421,416	2,523,983	2,345,942	2,351,469	2,436,769	2,450,331	2,549,709	2,662,223
General administration	400,243	412,661	402,334	415,723	433,527	409,306	411,247	404,270	426,695	443,477
School administrative services	1,050,803	1,099,471	1,104,078	1,134,481	1,118,052	1,132,625	1,159,533	1,213,756	1,213,762	1,221,998
Central services	284,717	306,444	334,668	295,152	285,873	301,283	295,154	279,451	286,132	307,099
Plant operations and maintenance	1,779,069	2,009,566	2,083,627	1,672,971	1,504,066	1,703,157	1,833,604	1,825,043	1,976,080	1,961,619
Grounds				72,793	76,740					
Pupil transportation	308,470	299,661	376,355	424,838	464,048	501,909	537,632	529,031	498,680	360,491
Employee benefits	5,437,046	5,543,213	4,563,111	5,061,205	5,139,937	5,693,846	5,991,723	5,838,721	6,074,853	6,830,747
Capital outlay	2,721,722	307,620	415,023	1,713,836	171,671	222,772	241,868	658,602	285,344	368,456
Debt service:										
Principal	450,000	475,000	430,000	580,000	695,000	730,000	770,000	780,000	790,000	815,000
Interest and other charges	470,910	441,775	418,975	403,742	462,754	426,237	399,172	370,607	335,192	299,062
Total expenditures	25,590,681	24,084,085	24,018,750	26,172,068	24,069,004	25,139,442	26,267,306	26,720,242	26,772,945	28,275,298
Excess (deficiency of revenues over (under) expenditures	(1,508,567)	256,235	(899,584)	(1,837,571)	592,306	140,474	1,424	(399,344)	109,987	(561,563)

BOROUGH OF PITMAN SCHOOL DISTRICT
Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
Unaudited

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
OTHER FINANCING SOURCES (USES):										
Proceeds from bonds				2,095,000						
Capital leases (non-budgeted)	128,787	100,000	202,616	105,000	42,270	105,000	102,679	105,932	138,243	143,482
Other financing sources					298,031					
Transfers out (food service)	(123,681)	(84,238)	(90,000)	(85,000)	(80,000)	(80,000)	(75,000)	(70,000)	(90,000)	(141,000)
Transfers in					88,695					
Total other financing sources (uses)	5,106	15,762	112,616	2,115,000	348,996	25,000	27,679	35,932	48,243	2,482
Net change in fund balance	<u>\$ (1,503,461)</u>	<u>\$ 271,997</u>	<u>\$ (786,968)</u>	<u>\$ 277,429</u>	<u>\$ 941,302</u>	<u>\$ 165,474</u>	<u>\$ 29,103</u>	<u>\$ (363,412)</u>	<u>\$ 158,230</u>	<u>\$ (559,081)</u>
Debt service as a percentage of noncapital expenditures	4.03%	3.86%	3.60%	4.02%	4.84%	4.64%	4.49%	4.41%	4.25%	3.99%
Source District records										

BOROUGH OF PITMAN SCHOOL DISTRICT
General Fund Other Local Revenue by Source
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Prior Year Refunds	Gate Receipts	Rentals	SREC'S	Sales & Rebates	Miscellaneous	Annual Totals
2007		\$ 17,491	\$ 3,213		\$ 1,094	\$ 26,352	\$ 48,150
2008		11,802	18,567			2,089	32,458
2009		15,407	3,662			1,988	21,057
2010	\$ 9,018	15,293	25,225			8,577	58,113
2011	118,236	16,056	14,389	\$ 186,066			334,747
2012	62,261	16,038	14,035	70,491		1,698	164,523
2013	21,848	21,251	14,059	30,492		1,211	88,861
2014		17,279	12,915	43,914		3,645	77,753
2015	1,670	12,031	12,463	51,660		1,842	79,666
2016	3,719	13,281	8,500	218,476		60,721	304,697
	<u>\$ 216,752</u>	<u>\$ 155,929</u>	<u>\$ 127,028</u>	<u>\$ 601,099</u>	<u>\$ 1,094</u>	<u>\$ 108,123</u>	<u>\$ 1,210,025</u>

Source: District records

BOROUGH OF PITMAN SCHOOL DISTRICT
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Q Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utility	Net Valuation Taxable	Estimated Actual (County Equalized Value)	Total Direct School Tax Rate
2007	2,004,500	323,975,700	189,700	10,100	24,195,400	22,074,500	8,501,800	380,951,700	359,718	381,311,418	665,886,208	2.767
2008	1,920,000	325,903,100	189,700	10,100	24,051,100	22,074,500	8,165,500	382,314,000	343,357	382,657,357	736,767,130	2.808
2009	1,951,000	327,629,400	189,700	13,000	22,944,400	22,074,500	8,165,500	382,967,500	362,196	383,329,696	763,260,720	2.893
2010	1,867,500	328,242,800	189,700	13,000	22,736,700	22,074,500	8,165,500	383,289,700	366,154	383,655,854	749,180,506	3.049
2011	1,493,600	328,606,700	189,700	32,200	22,167,000	15,074,500	8,007,000	375,570,700	308,395	375,879,095	730,802,858	3.208
2012	1,578,200	328,466,700	189,700	32,200	22,520,000	15,074,500	8,007,000	375,868,300	392,100	376,260,400	717,252,099	3.289
2013	2,694,200	503,186,700	225,800	13,800	44,362,500	18,289,200	17,451,600	586,223,800	743,943	586,967,743	673,172,118	2.191
2014	2,158,200	502,983,700	225,800	14,100	41,687,600	15,289,200	15,790,300	578,148,900	585,442	578,734,342	624,599,842	2.259
2015	1,973,300	503,624,700	225,800	14,300	40,188,500	10,678,800	15,790,300	572,495,700	603,264	573,098,964	600,466,502	2.316
2016	1,942,900	503,301,600	225,800	14,300	38,804,000	8,678,800	15,790,300	568,757,700	562,862	569,320,562	600,466,502	2.378

Source: County Tax Assessor

(**) - Tax exempt property is not included in calculation.

BOROUGH OF PITMAN SCHOOL DISTRICT
 Direct and Overlapping Property Tax Rates
 Per \$100 of Assessed Valuation
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Borough of Pitman School District Direct Rate			Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate	General Obligation Debt Service	Total Direct School Tax Rate	Borough of Pitman	Gloucester County	
2007	2.291	0.138	2.429	0.771	0.717	3.917
2008	2.629	0.138	2.767	0.777	0.749	4.293
2009	2.683	0.125	2.808	0.842	0.866	4.516
2010	2.788	0.105	2.893	1.014	0.907	4.814
2011	2.945	0.104	3.049	1.132	0.963	5.144
2012	3.094	0.114	3.208	1.205	1.060	5.473
2013	3.110	0.179	3.289	1.240	1.015	5.544
2014	2.032	0.159	2.191	1.274	1.075	4.540
2015	2.141	0.118	2.259	0.914	0.693	3.866
2016	2.199	0.117	2.316	0.962	0.664	3.942

Source: Municipal Tax Collector

BOROUGH OF PITMAN SCHOOL DISTRICT
Principal Property Taxpayers
Current and Nine Years Ago
Unaudited

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Valuation	Taxable Assessed Value	% of Total District Net Assessed Valuation
Sony Music			18,000,000	4.72%
Lake Front LLC	7,369,200	1.29%	2,372,400	0.62%
Lake Front LLC Suite 314	3,055,400	0.54%	1,509,300	0.40%
400 N Woodbury Road LLC	3,000,000	0.53%		
Taxpayer #1	2,800,000	0.49%	1,700,200	0.45%
Comet Tool Company	2,047,000	0.36%	1,303,100	0.34%
Taxpayer #3	1,927,000	0.34%		
Andbro Division			1,793,800	0.47%
Andbro Division			977,600	0.26%
LCR Leasing Corp.	1,648,100	0.29%	876,000	0.23%
Commerce Bank			827,000	0.22%
Lake Front LLC			825,300	0.22%
Taxpayer #4	1,416,400	0.25%		
Taxpayer #5	1,303,700	0.23%		
Taxpayer #6	1,188,000	0.21%		
	<u>25,754,800</u>	<u>4.52%</u>	<u>30,184,700</u>	<u>7.92%</u>

Source: Municipal Tax Assessor

BOROUGH OF PITMAN SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year		Collections in Subsequent Year
		Amount	Percent of Levy	
2007	\$ 8,461,158	\$ 8,461,158	100.00%	
2008	9,044,961	9,044,961	100.00%	
2009	8,883,262	8,883,262	100.00%	
2010	9,531,498	9,531,498	100.00%	
2011	10,478,012	10,478,012	100.00%	
2012	10,619,313	10,619,313	100.00%	
2013	12,033,606	12,033,606	100.00%	
2014	12,996,514	12,996,514	100.00%	
2015	13,157,865	13,157,865	100.00%	
2016	13,395,546	13,395,546	100.00%	

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

BOROUGH OF PITMAN SCHOOL DISTRICT
 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Governmental Activities				Business-type Activates	Total District	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes	Capital Leases			
2007	\$10,809,000		\$ 135,116			\$ 10,944,116	1.75%	1,169
2008	10,334,000		125,349			10,459,349	2.89%	1,119
2009	9,904,000		182,621			10,086,621	2.64%	1,074
2010	11,419,000		142,658			11,561,658	3.06%	1,267
2011	10,724,000		77,454			10,801,454	2.89%	1,193
2012	9,994,000		98,621			10,092,621	2.60%	1,117
2013	9,224,000		117,214			9,341,214	2.35%	1,034
2014	8,444,000		103,977			8,547,977	2.13%	948
2015	7,654,000		126,382			7,780,382	1.87%	860
2016	6,820,000		140,532			6,960,532	*	*

Source: District records

(*) - Not available

BOROUGH OF PITMAN SCHOOL DISTRICT
 Ratios of General Bonded Debt Outstanding
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per capita
	General Obligation Bonds	Deductions			
2007	\$ 10,809,000		\$ 10,809,000	2.84%	1,174
2008	10,334,000		10,334,000	2.70%	1,118
2009	9,904,000		9,904,000	2.59%	1,073
2010	11,419,000		11,419,000	2.98%	1,238
2011	10,724,000		10,724,000	2.86%	1,190
2012	9,994,000		9,994,000	2.66%	1,112
2013	9,224,000		9,224,000	1.57%	1,030
2014	8,444,000		8,444,000	1.46%	946
2015	7,654,000		7,654,000	1.34%	859
2016	6,820,000		6,820,000	1.20%	*

Source: District records

(*) - Not available

BOROUGH OF PITMAN SCHOOL DISTRICT
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2016
 Unaudited

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Borough of Pitman (1)	\$ 14,954,162	100.00%	\$ 14,954,162
County of Gloucester (2)	239,760,175	2.35%	5,645,468
Subtotal, overlapping debt			20,599,630
Borough of Pitman School District			6,820,000
Total direct and overlapping debt			<u>\$ 27,419,630</u>

Sources:

- (1) Borough of Pitman annual debt statement
- (2) Gloucester County - The County's debt was apportioned to the Borough of Pitman by dividing the Borough's taxable assessed property values by the total taxable assessed property values for Gloucester County, which results in an apportionment rate of 2.35%*.

* The source for this computation was the Abstract of Ratables.

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

BOROUGH OF PITMAN SCHOOL DISTRICT
 Legal Debt Margin Information
 Last Ten Fiscal Years
 Unaudited

	Year	Equalized Valuation Basis								
	2015	\$ 605,239,137								
	2014	602,426,696								
	2013	629,062,990								
		<u>\$ 1,836,728,823</u>								
Average equalized valuation of taxable property		\$ 612,242,941								
Debt limit (4% of average equalized value)		24,489,718								
Total net debt applicable to limit		<u>6,820,000</u>								
Legal debt margin		<u>\$ 17,669,718</u>								
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 23,243,325	\$ 26,229,636	\$ 28,626,818	\$ 29,735,955	\$ 29,890,262	\$ 29,291,062	\$ 28,280,767	\$ 26,787,126	\$ 25,324,584	\$ 24,489,718
Municipal borrowing capacity utilized										
Total net debt applicable to limit	<u>10,809,000</u>	<u>10,334,000</u>	<u>9,904,000</u>	<u>11,419,000</u>	<u>10,724,000</u>	<u>9,994,000</u>	<u>9,224,000</u>	<u>8,444,000</u>	<u>7,654,000</u>	<u>6,820,000</u>
Legal debt margin	<u>\$ 12,434,325</u>	<u>\$ 15,895,636</u>	<u>\$ 18,722,818</u>	<u>\$ 18,316,955</u>	<u>\$ 19,166,262</u>	<u>\$ 19,297,062</u>	<u>\$ 19,056,767</u>	<u>\$ 18,343,126</u>	<u>\$ 17,670,584</u>	<u>\$ 17,669,718</u>
Total net debt applicable to the limit as a percentage of debt limit	46.50%	39.40%	34.60%	38.40%	35.88%	34.12%	32.62%	31.52%	30.22%	27.85%

Source: Gloucester County Board of Taxation and District records.

BOROUGH OF PITMAN SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2007	9,209	\$ 626,497,479	68,031	4.60%
2008	9,244	361,532,840	39,110	7.50%
2009	9,234	381,419,604	41,306	11.00%
2010	9,223	378,059,993	40,991	11.70%
2011	9,011	374,064,632	41,512	11.40%
2012	8,989	388,639,415	43,235	11.70%
2013	8,951	397,352,792	44,392	6.80%
2014	8,924	401,678,164	45,011	6.20%
2015	8,911	415,279,333	46,603	5.40%
2016	8,898	414,673,494	46,603	*

Source: Population and unemployment data provided by the NJ Department of Labor and Workforce Development.

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

Per capita personal income by municipality estimated based upon the Census published by the U.S. Bureau of Economic Analysis.

(*) - Not available

BOROUGH OF PITMAN SCHOOL DISTRICT
Principal Employers
Current and Nine Years Ago
Unaudited

Employer	2016			2007		
	Employees	Rank	Percentage of Total Municipal Employment	Employees	Rank	Percentage of Total Municipal Employment
Inspira Health	1,825	1	1.22%			
Kennedy Memorial Hospital	1,675	2	1.12%			
Washington Township School District	1,592	3	1.06%			
Rowan University	1,483	4	0.99%			
County of Gloucester	1,354	5	0.07%			
Missa Bay, LLC	950	6	0.63%			
Monroe Township School District	806	7	0.54%			
US Foodservices	725	8	0.48%			
Exxon Mobil Research & Engineering	540	9	0.00%			
LaBrea Bakery	525	10	0.35%			
	<u>11,475</u>		<u>6.47%</u>	<u>N/A</u>		<u>N/A</u>

Source: Gloucester County Economic Development Office and Employer Directly.

Note: The information is for the County of Gloucester, information at the municipal level is not readily available.
N/A - Information is not available

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction:										
Regular	108.20	116.00	102.00	106.00	100.20	101.00	103.30	104.72	101.80	101.80
Special education	27.50	40.00	66.00	52.50	59.20	66.40	71.00	71.09	70.60	70.96
Support services:										
Student & instruction related services	26.40	29.50	45.50	31.90	34.00	34.60	34.30	31.13	33.80	33.38
School administrative services	21.40	25.00	19.00	17.00	14.50	14.70	16.60	17.35	18.40	19.14
Central services	7.00	7.00	4.00	8.50	5.70	5.70	3.70	3.70	3.70	4.00
Plants operations & maintenance	20.00	20.20	23.00	24.00	19.30	19.10	19.80	19.90	19.90	20.81
Other support services	3.00	3.70	3.00	3.00						1.26
Food service	13.50	13.50	8.00	7.00	7.00	7.00	7.00	7.00	7.00	10.11
Total	<u>227.00</u>	<u>254.90</u>	<u>270.50</u>	<u>249.90</u>	<u>239.90</u>	<u>248.50</u>	<u>255.70</u>	<u>254.89</u>	<u>255.20</u>	<u>261.46</u>

Source: District Personnel Records

BOROUGH OF PITMAN SCHOOL DISTRICT
 Operating Statistics
 Last Ten Fiscal Years
 Unaudited

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	Percentage Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School				
2007	1,617	\$ 21,948,049	\$ 13,573	34.40%	138.2	10.30	10.10	10.50	1,603.5	1,505.7	1.76%	93.90%
2008	1,609	22,859,691	14,207	4.67%	137.2	9.87	10.70	9.70	1,524.5	1,449.2	-4.93%	95.06%
2009	1,631	22,754,752	13,951	-1.80%	135.7	9.57	9.80	9.20	1,524.5	1,449.2	0.00%	95.06%
2010	1,559	23,474,490	15,057	7.93%	164.0	10.47	10.00	9.60	1,515.9	1,434.4	-0.56%	94.62%
2011	1,567	22,739,579	14,512	-3.63%	158.5	11.30	10.50	9.70	1,543.2	1,456.3	1.80%	94.37%
2012	1,565	23,760,433	15,182	4.62%	167.4	*	*	*	1,525.0	1,450.7	-1.18%	95.13%
2013	1,513	24,856,266	16,428	8.21%	0.0	10.28	11.40	11.29	1,505.1	1,439.2	-1.30%	95.62%
2014	1,505	24,911,033	16,552	0.75%	164.9	9.12	9.17	9.63	1,447.4	1,391.3	-3.84%	96.13%
2015	1,461	25,362,409	17,360	4.88%	161.1	9.04	8.35	9.52	1,405.8	1,349.8	-2.87%	96.02%
2016	1,418	26,792,780	18,895	8.84%	162.3	8.45	8.98	9.00	1,359.5	1,305.4	-3.29%	96.02%

Source: District records

Note: Enrollment based on annual October District count.

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

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

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

(*) - Information not available

BOROUGH OF PITMAN SCHOOL DISTRICT
 School Building Information
 Last Ten Fiscal Years
 Unaudited

District Building	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Elementary</u>										
Memorial School - 1962										
Square feet	65,717	65,717	65,717	65,717	65,717	65,717	65,717	65,717	65,717	65,717
Capacity (students)	309	309	309	309	309	309	309	309	309	309
Enrollment	286	286	269	289	267	254	251	230	221	208
Kindle School - 1926										
Square feet	32,977	32,977	32,977	32,977	32,977	32,977	32,977	32,977	32,977	32,977
Capacity (students)	217	217	217	217	217	217	217	217	217	217
Enrollment	192	192	253	224	230	207	205	211	205	195
W.C.K. Walls School - 1926										
Square feet	38,902	38,902	38,902	38,902	38,902	38,902	38,902	38,902	38,902	38,902
Capacity (students)	274	274	274	274	274	274	274	274	274	274
Enrollment	257	257	252	246	248	243	247	238	236	228
<u>Middle School</u>										
Pitman Middle School - 1922										
Square feet	78,684	78,684	78,684	78,684	78,684	78,684	78,684	78,684	78,684	78,684
Capacity (students)	381	381	381	381	381	381	381	381	381	381
Enrollment	363	363	404	362	379	383	349	359	350	343
<u>High School</u>										
Pitman High School - 1971										
Square feet	99,415	99,415	99,415	99,415	99,415	99,415	99,415	99,415	99,415	99,415
Capacity (students)	556	556	556	556	556	556	556	556	556	556
Enrollment	498	498	529	443	435	443	456	436	436	433

Number of Schools at June 30, 2016

- Elementary = 3
- Middle School = 1
- Senior High School = 1

Source: District Facilities Office. Enrollment is based on June student counts.

BOROUGH OF PITMAN SCHOOL DISTRICT
 General Fund
 Schedule of Required Maintenance Expenditures by School Facility
 For the Fiscal Year Ended June 30, 2016

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

* School Facilities

Project # (s)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Memorial	\$ 4,550	\$ 23,981	\$ 3,107	\$ 23,453	\$ 3,412	\$ 38,898	\$ 6,369	\$ 16,493	\$ 38,508	\$ 59,750	\$ 218,521
Kindle	6,390	28,197	22,530	5,795	6,041	59,916	13,930	19,909	54,747	145,441	362,896
Walls	13,146	20,386	6,940	5,465	8,668	78,238	19,948	11,813	16,393	21,229	202,226
Middle	24,861	15,610	33,352	9,947	18,300	88,492	36,477	70,458	38,563	69,653	405,713
High School	33,519	50,552	41,894	28,999	60,027	56,838	260,167	131,443	295,446	142,350	1,101,235
Total School Facilities	\$ 82,466	\$ 138,726	\$ 107,823	\$ 73,659	\$ 96,448	\$ 322,382	\$ 336,891	\$ 250,116	\$ 443,657	\$ 438,423	\$ 2,290,591

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

Source: District records

BOROUGH OF PITMAN SCHOOL DISTRICT
Insurance Schedule
June 30, 2016
Unaudited

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Property and Automobile Physical Damages	\$ 150,000,000	
Boiler and Machinery	125,000,000	1,000
Pollution Legal Liability	3,000,000	25,000
Cyber Liability	1,000,000	25,000
Crime	500,000	None
General and Automobile Liability	20,000,000	None
Workers' Compensation	Statutory	None
Educator's Legal Liability	20,000,000	None
Student Accident Insurance (2)		
Accident Medical Expense	1,000,000	
Surety Bonds (3)		
Board Secretary/Business Administrator - Deborah J. Roncace	250,000	

- (1) Atlantic & Cape May Counties Association of School Business Officials Joint Insurance Fund
(2) National Union Fire Insurance Company
(3) Massachusetts Bay Insurance Company

Source: District records

SINGLE AUDIT SECTION

PETRONI & ASSOCIATES LLC

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

Independent Auditor's Report

Honorable President and
Members of the Board of Education
Borough of Pitman School District
420 Hudson Avenue
Pitman, New Jersey 08071

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental activities, the Business-type Activities, each major fund, and the aggregate remaining fund information of the Borough of Pitman School District, in the County of Gloucester, State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Borough of Pitman School District's basic financial statements, and have issued our report thereon dated September 21, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Pitman School District's 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 Borough of Pitman School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

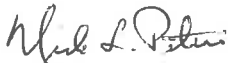
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies 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 Pitman School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

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

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542
Glassboro, New Jersey

September 21, 2016

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE REQUIRED BY *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST
PRINCIPLES, AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE),
AND NEW JERSEY OMB'S CIRCULAR 15-08***

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Borough of Pitman School District
420 Hudson Avenue
Pitman, New Jersey 08071

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Pitman School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Borough of Pitman School District's major Federal and State programs for the year ended June 30, 2016. The Borough of Pitman 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 the requirements of laws, regulations, contracts, and grants applicable to its Federal and State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Pitman 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; and the audit requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards (Uniform Guidance), *New Jersey State Aid/Grant Compliance Supplement, Audits of States, Local Governments, and Non-Profit Organizations*, and the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, Uniform Guidance and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to

above that could have a direct and material effect on a major Federal and State program occurred. An audit includes examining, on a test basis, evidence about the Borough of Pitman School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Programs

In our opinion, the Borough of Pitman School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal and State programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Borough of Pitman School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Pitman School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal and State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal and State program and to test and report on internal control over compliance in accordance with Uniform Guidance, and New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Pitman 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 and 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 and 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 and 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal controls 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 Uniform Guidance and New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by Uniform Guidance and Expenditures of State Financial Assistance Required by NJ OMB's Circular 15-08

We have audited the financial statements Borough of Pitman School District as of and for the year ended June 30, 2016, and have issued our report thereon dated September 21, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by Uniform Guidance and NJ OMB's Circular 15-08 and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

PETRONI & ASSOCIATES LLC



Nick L. Petroni
Certified Public Accountant
Licensed Public School Accountant #542
Glassboro, New Jersey

September 21, 2016

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

Federal Grantor/Pass-Through/Grantor/Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2016			MEMO Cumulative Total Expenditures
					From	To							(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education																
Passed-through State Department of Education:																
General Fund:																
Medical Assistance Program	93.778	1605NJ5MAP	N/A	\$ 10,859	07/1/14	06/30/15			\$ 10,794	\$ (10,859)			\$ (65)			\$ 10,859
Total General Fund									10,794	(10,859)			(65)			10,859
U.S. Department of Education																
Passed-through State Department of Education:																
Special Revenue Fund:																
Title I - Part A	84.010	S010A150030	NCLB414016	162,180	07/1/15	06/30/16			162,180	(162,180)						162,180
Title II A, Teacher & Principal Training	84.367	S367A150029	NCLB414016	55,747	07/1/15	06/30/16			55,747	(55,747)						55,747
Title III	84.365	S365A150030	NCLB414016	1,928	07/1/15	06/30/16			1,928	(1,848)			\$ 80			1,848
IDEA Part B, Basic Regular	84.027A	H027A150100	IDEA414016	388,997	07/1/15	06/30/16			388,997	(388,997)						388,997
IDEA Part B, Preschool	84.173	H173A150114	IDEA414016	14,337	07/1/15	06/30/16			14,337	(14,337)						14,337
Total Special Revenue Fund									623,189	(623,109)				80		623,109
U.S. Department of Agriculture																
Passed-through State Department of Education:																
Enterprise Fund:																
Food Distribution Program	10.550	N/A	N/A	19,511	07/1/15	06/30/16			19,511	(15,116)				4,395		15,116
Food Distribution Program	10.550	N/A	N/A	20,033	07/1/14	06/30/15	\$ 325			(325)						20,033
School Breakfast Program	10.553	16161NJ304N1099	N/A	14,807	07/1/15	06/30/16			12,156	(14,807)			(2,651)			14,807
School Breakfast Program	10.553	16161NJ304N1099	N/A	15,125	07/1/14	06/30/15	(1,037)		1,037							15,125
National School Lunch Program	10.555	16161NJ304N1099	N/A	108,967	07/1/15	06/30/16			90,304	(108,967)			(18,663)			108,967
National School Lunch Program	10.555	16161NJ304N1099	N/A	114,204	07/1/14	06/30/15	(6,936)		6,936							114,204
Special Milk Program	10.556	16161NJ304N1099	N/A	1,465	07/1/15	06/30/16			1,194	(1,465)			(271)			1,465
Special Milk Program	10.556	16161NJ304N1099	N/A	1,688	07/1/14	06/30/15	(123)		123							1,688
Total Enterprise Fund							(7,771)		131,261	(140,680)			(21,585)	4,395		291,405
Total Federal Financial Awards							\$ (7,771)		\$ 765,244	\$ (774,648)			\$ (21,650)	\$ 4,475		\$ 925,373

The accompanying notes to schedules of expenditures of awards and financial assistance are an integral part of this schedule.

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

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015			Cash Received	Budgetary Expenditures	Adjustments/Repayment of Prior Year's Expenditures	Balance at June 30, 2016			MEMO	
			From	To	Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
State Department of Education															
General Fund:															
Transportation Aid	16-495-034-5120-014	\$ 149,546	07/1/15 - 06/30/16					\$ 149,546	\$ (149,546)				\$ 14,490	\$ 149,546	
State Aid Public															
Equalization Aid	16-495-034-5120-078	7,077,074	07/1/15 - 06/30/16				7,077,074	(7,077,074)					685,710	7,077,074	
Special Education Categorical Aid	16-495-034-5120-089	792,393	07/1/15 - 06/30/16				792,393	(792,393)					76,776	792,393	
Security Aid	16-495-034-5120-084	135,567	07/1/15 - 06/30/16				135,567	(135,567)					13,135	135,567	
Adjustment Aid	16-495-034-5120-085	1,645,845	07/1/15 - 06/30/16				1,645,845	(1,645,845)					159,469	1,645,845	
PARCC Readiness Aid	16-495-034-5120-098	13,720	07/1/15 - 06/30/16				13,720	(13,720)					1,329	13,720	
Per Pupil Growth Aid	16-495-034-5120-097	13,720	07/1/15 - 06/30/16				13,720	(13,720)					1,329	13,720	
Extraordinary Aid	16-100-034-5120-044	66,343	07/1/15 - 06/30/16					(66,343)		\$ (66,343)				66,343	
Extraordinary Aid	15-100-034-5120-044	52,374	07/1/14 - 06/30/15		\$ (52,374)		52,374							52,374	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	873,127	07/1/14 - 06/30/15				873,127	(873,127)						873,127	
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	848,420	07/1/14 - 06/30/15		(39,671)		39,671							848,420	
On-Behalf TPAF Pension	16-495-034-5094-002	899,301	07/1/15 - 06/30/16				899,301	(899,301)						899,301	
On-Behalf TPAF Post Retirement Medical	16-495-034-5094-001	1,070,820	07/1/15 - 06/30/16				1,070,820	(1,070,820)						1,070,820	
Total General Fund					(92,045)		12,763,158	(12,737,456)		(66,343)		952,238	13,638,250		
Debt Service Fund:															
Debt Service Aid Type II	16-495-034-5120-017	460,557	07/1/15 - 06/30/16				460,557	(460,557)						460,557	
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State Share)	16-100-010-3350-023	3,076	07/1/15 - 06/30/16				2,538	(3,076)		(538)				3,076	
National School Lunch Program (State Share)	15-100-010-3350-023	3,406	07/1/14 - 06/30/15		(299)		299							3,406	
Total Enterprise Fund					(299)		2,837	(3,076)		(538)			6,482		
Total State Financial Assistance					\$ (92,344)		\$ 13,226,552	\$ (13,201,089)		\$ (66,881)		\$ 952,238	\$ 14,105,289		
Less: On-Behalf TPAF Pension System Contributions									\$ (1,970,121)						
Total for State Financial Assistance - Major Program Determinations									\$ (11,230,968)						

The accompanying notes to schedules of expenditures of awards and financial assistance are an integral part of this schedule.

BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF
AWARDS AND FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1: GENERAL

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance include Federal and State activity of the Board of Education, Borough of Pitman School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All Federal and State Awards received directly from Federal and State agencies, as well as federal awards and state financial assistance passed through other government agencies, is included on the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200 - *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey OMB's Circular 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO 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 NJSA 18A:22-44-.2. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral and recording of one or more June state aid payments in the subsequent year. The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The Special Revenue Fund also recognizes the one or more June state aid payments in the current budget year, consistent with NJSA 18A:22-4-.2.

BOROUGH OF PITMAN SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF
AWARDS FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$2,347) for the General Fund and \$0 for the Special Revenue Fund. See Note A (the 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 revenues are reported in the Board's basic financial statements on a GAAP basis as presented:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 10,859	\$ 12,735,109	\$ 12,745,968
Special Revenue Fund	623,109		623,109
Debt Service Fund		460,557	460,557
Food Service Fund	144,751	3,076	147,827
Total Financial Assistance	<u>\$ 778,719</u>	<u>\$ 13,198,742</u>	<u>\$ 13,977,461</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: FOOD DISTRIBUTION PROGRAM

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. Non-monetary assistance is reported in the schedule at the market value of the commodities received and disbursed. At June 30, 2016, Borough of Pitman School District has food commodities totaling \$4,395 in inventory.

NOTE 6: OTHER

The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2016. 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 year ended June 30, 2016.

NOTE 7: INDIRECT COST RATE

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

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

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

1. Material weakness(es) identified? Yes X No

2. Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to basic financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

1. Material weakness(es) identified? Yes X No

2. Significant deficiencies identified that are not considered to be material weaknesses? 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 2 CFR 200 section .516(a)? Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027	Special Education Cluster (IDEA)
84.173	IDEA Basic
	IDEA Preschool

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

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

Section I – Summary of Auditor’s Results (Continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Internal control over major programs:

1. Material weakness(es) identified? Yes No
2. Significant deficiencies identified that are not considered to be material weaknesses? Yes 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 NJ OMB’s Circular 15-08? Yes No

Identification of major programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	State Aid Public:
495-034-5120-078	Equalization Aid
495-034-5120-089	Special Education Aid
495-034-5120-085	Adjustment Aid
495-034-5120-084	Security Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-097	Per Pupil Growth Aid

Section II – Financial Statement Findings

No matters reported.

FEDERAL AWARDS

No matters reported.

STATE AWARDS

No matters reported.

BOROUGH OF PITMAN SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Finding 2015-001

The District purchased 423 computers from a vendor approved as a national cooperative contract, at a cost of \$175,081. However, no Board approval was obtained, no documentation of the cost savings determination was made, nor did the contracting unit provide public notice to current contract holders and prospective bidders of their decision to utilize a national cooperative purchasing agreement that would otherwise require public bidding as required by P.L. 2011, c.139.

Current status: Corrective action taken.

Finding 2015-002

The District purchased computer lab management services for \$6,400. There was no documentation that quotes were solicited.

Current status: Corrective action taken.

Finding 2015-003

The District purchased transportation services for athletic activities. There was no contract on file for the service. The Executive County Superintendent's approval was not obtained for the renewal.

Current status: Corrective action taken.

Finding 2015-004

Payments to an employee for travel exceed the federal per diem rates and maximum per employee as established by the School Board.

Current status: Corrective action taken.