

**Comprehensive Annual
Financial Report**

of the

Township of Upper Board of Education

Upper Township, New Jersey

For the Fiscal Year Ended June 30, 2016

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Introductory Section



Upper Township School District

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www.upperschools.org

November 22, 2016

Honorable President and
Members of the Board of Education
Upper Township School District
County of Cape May, New Jersey

Dear Board Members:

The Comprehensive Annual Financial Report of the Upper Township 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 are accurate in all material respects and are 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 basic financial statements and schedules, as well as the auditor's report thereon. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular Uniform Guidance, "Audits of State, Local Governments, and Nonprofit Organizations" and New Jersey OMB's Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the Single Audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES

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

The district provides a full range of educational services appropriate to grade levels pre-school through 8. These include regular, as well as special education for handicapped youngsters. The District sends students in grades 9 through 12 to Ocean City High School on a sending/receiving tuition basis. Upper Township receives Corbin City Board of Education students pre-school through grade 8 on a tuition basis. The District completed the 2015-16 fiscal year with an enrollment of 1,396 students. The following details the changes in the student enrollment of the District over the last five years:

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-2016	1,396	-1.30%
2014-2015	1,415	3.36%
2013-2014	1,369	-0.03%
2012-2013	1,401	-0.03%
2011-2012	1,438	0.27%

2. ECONOMIC OUTLOOK

Atlantic City Electric operates a power plant in Beesley's Point located in Upper Township. Through the Energy Receipts Tax, the Township of Upper is a major benefactor. Because of these revenues, the Township of Upper has had no local purpose tax until 2011. The Township had allocated a portion of the revenues generated by the Energy Receipts Tax to the school district however, since the 2007-08 school budget year; the Township has not allocated any funds to offset the tax impact.

Cost of Major Building Projects/Renovations

In the 2015/16 school year, asbestos abatement at a cost of \$89,347.50 was completed at the elementary school in order to complete main office and classroom renovations. Main office renovations began in June, 2016. The total cost for the project is valued at \$610,054.00.

Also in the 2015/16 school year, the HVAC system at the primary school was completely renovated at a cost of \$2,984,000.

A security vestibule was installed at the Board Office at a cost of \$21,032.30.

3. INTERNAL ACCOUNTING CONTROLS

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

As a recipient of federal and state financial assistance, the District also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management. As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

4. 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 reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

5. 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. These funds are explained in "Notes to the Financial Statements," Note 1.

6. 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.

7. DEBT ADMINISTRATION

As of June 30, 2016, the District has no outstanding bond issues.

8. CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan, 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.

9. RISK MANAGEMENT

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

10. OTHER INFORMATION

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Ford, Scott & Associates, L.L.C., CPAs, 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 1984 and the related OMB Circular Uniform Guidance and New Jersey OMB's Circular 15-08. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11. ACKNOWLEDGMENTS

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

We would like to thank the Township Committee for their continued support of local funds to strengthen the educational endeavors of the community.

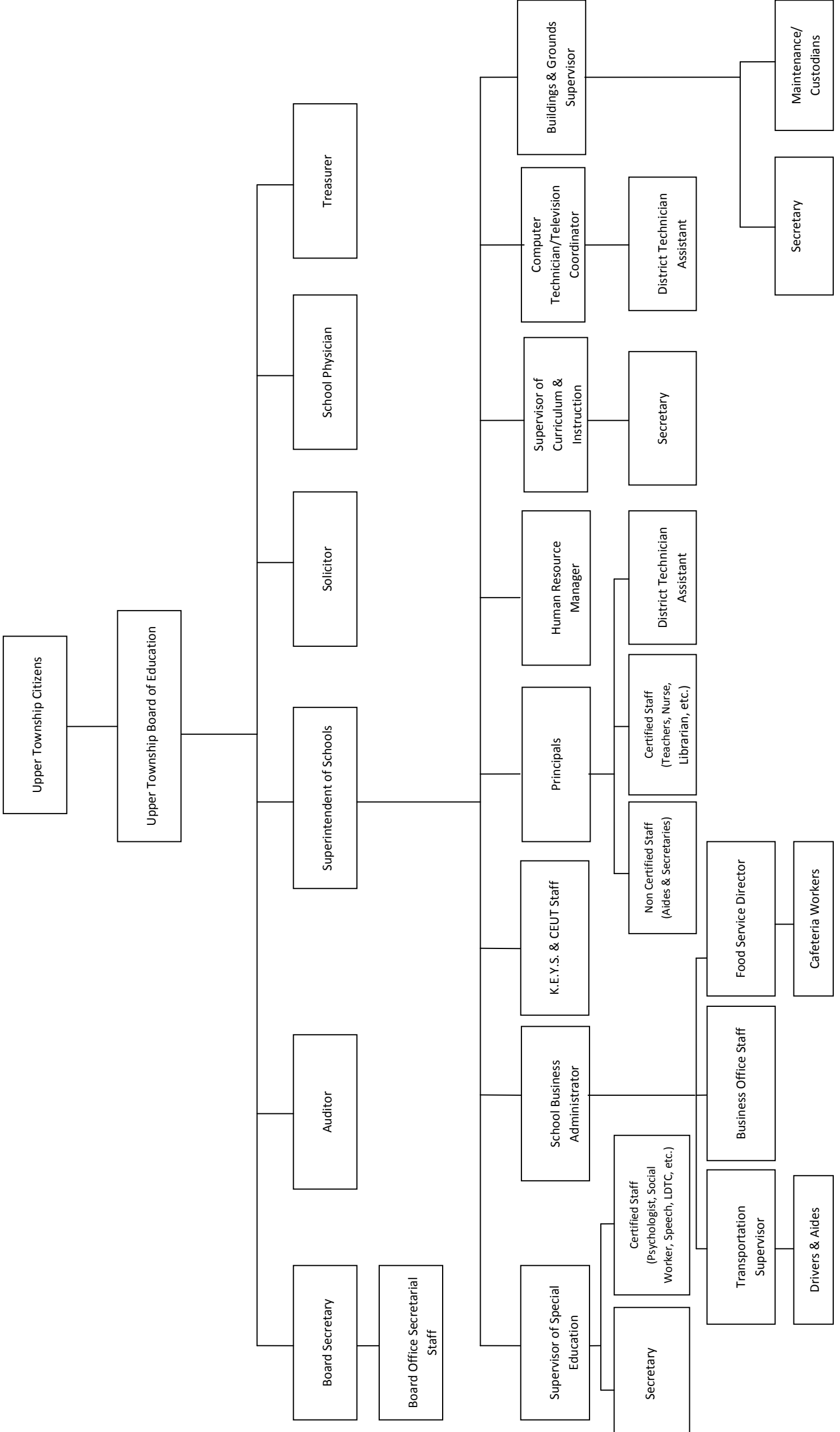
Respectfully submitted,

Vincent J. Palmieri

Vincent J. Palmieri, Jr.
Superintendent

Laurie A. Ryan

Laurie A. Ryan
Business Administrator/ Board Secretary



**TOWNSHIP OF UPPER BOARD OF EDUCATION
COUNTY OF CAPE MAY, NEW JERSEY
ROSTER OF OFFICIALS
JUNE 30, 2016**

Members of the Board of Education

Term Expires

Michele Barbieri, President	2016
Debra McLees, Vice President	2017
Rachel Mammele	2017
Andrea Olenik-Hipkins	2017
William Sooy	2016
Willaim Holmes	2018
Frances T. Newman	2018
Robert Evans	2016
Christie Chisholm	2016
Candace Ochs, Corbin City	2018

Other Officials

Vincent J. Palmieri Jr., Superintendent
Laurie A. Ryan, School Business Administrator/Board Secretary
Carroll A. Bailey, Treasurer

**TOWNSHIP OF UPPER BOARD OF EDUCATION
COUNTY OF CAPE MAY, NEW JERSEY
CONSULTANTS AND ADVISORS
JUNE 30, 2016**

AUDIT FIRM

Ford, Scott & Associates, L.L.C.
Certified Public Accountants
1535 Haven Avenue
Ocean City, NJ 08226-0538

ATTORNEY

William S. Donio
Cooper Levenson Attorneys at Law
1125 Atlantic Avenue
Atlantic City, NJ 08401

OFFICIAL DEPOSITORY

Ocean City Home Bank
105 Roosevelt Boulevard
Marmora, NJ 08223-0945

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Financial Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

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Independent Auditor's Report

Honorable President and
Members of the Board of Education
Township of Upper School District
County of Cape May, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Upper School District, Township of Upper, 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 did not audit the financial statements of the Food Service Enterprise Fund, which is both a major fund and 21%, 20%, and 56%, respectively of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the business-type activities, enterprise fund – food service component, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Township of Upper School District, Township of Upper, New Jersey, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary 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 Township of Upper School District's basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of state financial assistance as required by NJ OMB 15-08, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, combining statements, and individual non-major fund financial statements, schedule of expenditures of federal awards, as required by Office of Management and Budget Circular Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of state financial assistance as required by NJ OMB 15-08, and statistical information 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 Office of Management and Budget Circular Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of state financial assistance as required by NJ OMB 15-08 is 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 November 22, 2016 on our consideration of the Township of Upper School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township of Upper School District's internal control over financial reporting and compliance.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

November 22, 2016

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Required Supplementary Information – Part I

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township of Upper School District ("District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statement.

FINANCIAL HIGHLIGHTS

- The net position of the District increased compared to the prior year as a result of an excess of revenues over expenses.
- The State of New Jersey reimbursed the District \$761,900 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions. The State of New Jersey also paid \$1,662,043 in pension contributions and retiree health coverage for TPAF members as calculated on their base salaries on behalf of the District. This amount, which is not budgeted, is included as both a revenue and appropriation in the financial statements.
- As indicated by New Jersey State Statutes, the unreserved fund balance of the general fund is limited to 2% of the total general fund expenditures or \$250,000, whichever is greater. Any excess is required to be designated as Reserved Fund Balance – Excess Surplus and included in the next year's budget as budgeted fund balance. As of June 30, 2016 the District had excess surplus of \$2,390,906, of which \$903,896 was required to be budgeted as a revenue for the year ending June 30, 2017 and \$1,487,010 is designated for subsequent year budgets.
- During the fiscal year ended June 30, 2016, the District's revenues were approximately \$764,000 less than total expenditures in the fund financial statements. The decrease is mainly due to the capital projects expenditures for the primary school under the ROD grant.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the basic *financial statements, required supplementary information*, and an optional section that presents *combining statements for special revenue, proprietary, and fiduciary funds*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District's government, reporting on the District's operations in *more detail* than the government-wide statements.

- The *governmental funds* statements tell how *general government* services like instruction were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the District operates like businesses, such as the milk program.
- *Fiduciary fund* statements provide information about the financial relationships – like the unemployment trust fund – in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District’s government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1
Major Features of Township of Upper Board of Education’s
Government-wide and Fund Financial Statements

	Government wide Statements	Fund 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 food service and student activities	Activities the District operates similar to private businesses; food service	Instances in which the District is the trustee or agent for someone else’s resources, such as payroll agency and student activities.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses, and changes in net position	Statement of fiduciary net position Statement of changes in fiduciary net position

			Statement of cash flows	
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, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets 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.
Type of inflow/outflow information	All revenues and expenses during the 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 payment is due during the year or soon thereafter	All revenues and expenses, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-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 government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

The government-wide financial statements of the District are divided into two categories:

- *Governmental activities* – most of the District's basic services are included here, such as instruction, transportation, administration, and plant operations. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* – the District charges fees to customers to help it cover the costs of certain services it provides.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* – not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement that explains the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. 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 flows.
- *Fiduciary funds* – The District is the trustee, or *fiduciary*, for other assets that - because of a trust arrangement – can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in separate statement of fiduciary net position and a statement of

changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's governmental activities net position increased between fiscal years 2016 and 2015 as a result of an excess of revenues over expenses. The business-type activities net position increased due to an excess of revenues over costs.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 7,060,160	7,838,137	465,827	356,762	7,525,987	8,194,899
Capital assets	12,879,242	10,874,727	-	536	12,879,242	10,875,263
Total assets	19,939,402	18,712,864	465,827	357,298	20,405,229	19,070,162
Deferred outflows of resources	797,568	488,538	-	-	797,568	488,538
Long-term liabilities	6,086,740	5,745,898	-	-	6,086,740	5,745,898
Other liabilities	131,048	162,977	9,186	7,793	140,234	170,770
Total liabilities	6,217,788	5,908,875	9,186	7,793	6,226,974	5,916,668
Deferred inflows of resources	530,500	299,425	-	-	530,500	299,425
Net position						
Invested in capital assets	9,969,674	10,665,433	-	536	9,969,674	10,665,969
Restricted	2,390,906	1,726,565	-	-	2,390,906	1,726,565
Unrestricted	1,628,102	601,104	456,641	348,969	2,084,743	950,073
Total net position	\$ 13,988,682	12,993,102	456,641	349,505	14,445,323	13,342,607

Net position of the District increased slightly due to an excess of revenues over expenses. Also, included in long-term liabilities are amounts due to be paid on compensated absences.

As required by New Jersey Statutes, the unrestricted fund balance of the District are not permitted to exceed 2% of total general fund expenditures, after reductions for On-behalf TPAF pension and social security. Any excess must be appropriated as budgeted fund balance in the subsequent years' budget. As of June 30, 2016, the District had excess fund balance in the amount of \$2,390,906 of which \$903,896 has been included in the 2016-2017 budget and the remaining \$1,487,010 will be included in the 2017-2018 budget.

Changes in net position. The total general fund revenue of the District increased approximately \$1,900,000 due to an increase in the tax levy, tuition and federal and state aid.

Approximately 34% of the District's governmental funds revenue comes from the State of New Jersey in the form of non-restricted federal and state aid. This aid is based on the District's enrollment as well as other factors related to the District's formula aid which is a relationship of the adequacy budget and the Township's property values and income of the residents. The District expenses are primarily related to instruction, administration, and plant operations.

	2016		2015	
	Amount	Percentage	Amount	Percentage
Property taxes	\$ 23,200,000	59.68%	22,975,000	62.09%
Unrestricted Federal and State aid	13,310,259	34.24%	11,894,785	32.15%
Tuition	962,741	2.48%	838,772	2.27%
Transportation Fees	82,407	0.21%	72,973	0.20%
Operating grants and contributions	1,203,252	3.10%	1,088,873	2.94%
Other	112,596	0.29%	129,970	0.35%
Totals	\$ 38,871,255	100.00%	37,000,373	100.00%

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Governmental Activities

The following schedule summarizes the governmental and business-type activities of the District during the 2016 and 2015 fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenue						
Charges for services	\$ 1,045,148	911,745	475,916	434,364	1,521,064	1,346,109
Grants and entitlements	4,444,958	3,311,000	130,245	131,414	4,575,203	3,442,414
General revenues						
Property taxes	23,200,000	22,975,000			23,200,000	22,975,000
State aid entitlements	13,310,259	11,894,785			13,310,259	11,894,785
Other	112,596	129,970	591	473	113,187	130,443
Total revenues	42,112,961	39,222,500	606,753	566,251	42,719,714	39,788,751
Expenses						
Instruction:						
Regular	11,177,513	10,405,256			11,177,513	10,405,256
Special Education	3,512,911	3,244,159			3,512,911	3,244,159
Other Instruction	1,332,906	1,220,260			1,332,906	1,220,260
Support services:						
Tuition	11,635,035	10,005,740			11,635,035	10,005,740
Student & instruction related	4,055,337	3,442,238			4,055,337	3,442,238
School administration services	1,157,392	1,088,419			1,157,392	1,088,419
General & business admin	1,679,291	1,611,819			1,679,291	1,611,819
Plant operations & maintenance	3,817,651	3,195,915			3,817,651	3,195,915
Pupil transportation	2,564,212	2,386,717			2,564,212	2,386,717
Capital Outlay	103,640	11,658			103,640	11,658
Special Schools	12,651	13,517			12,651	13,517
Charter Schools	68,842	65,198			68,842	65,198
Business-type activities			499,617	497,182	499,617	497,182
Total expenses	41,117,381	36,690,896	499,617	497,182	41,616,998	37,188,078
Transfer	-	-	-	-	-	-
Increase/(Decrease) in net assets	995,580	2,531,604	107,136	69,069	1,102,716	2,600,673

Business-type Activities

Operating and non-operating revenues of the District's business-type activities increased \$40,502 from the previous year and expenses increased by \$2,435.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of the year end, the governmental funds reported a combined fund balance of \$14,445,323 which is approximately \$1,100,000 higher than the beginning of the year.

General Fund Budgetary Highlights

As further explained in the Notes to the Financial Statements, annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the County office and, as a Type II School District, are approved by the voters annually if the District exceeds the statutory CAP limitations. Effective with the 2012-2013 school year, if the District stays within the statutory limitations, there is no vote on the budget by the District voters and Board Members are elected at the time of the general election in November. Transfers of appropriations may be made by Board resolution at any time during the fiscal year. The District is permitted to encumber funds throughout the year for purchases ordered but not yet received. Any open encumbrances as of June 30th carry over to the next fiscal year and are added to the appropriation reflected in the certified budget.

After adjusting total revenue reported on Exhibit C-1 for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, which are not budgeted, the District's actual revenue exceeded the budgeted revenue by approximately \$409,000. This is a result of excess unbudgeted tuition and state aid. Again, after adjusting for the Reimbursed TPAF Social Security Contribution and on-behalf TPAF Pension Contributions, actual expenditures were below the budgeted appropriations by approximately \$3,079,000.

CAPITAL ASSET

Capital Assets

At the end of 2016, the District had invested \$12,879,242 in a broad range of capital assets, including land, buildings, vehicles and machinery.

	Governmental Activities		Business-type Activities		Totals	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 420,564	\$ 420,564			420,564	420,564
Construction in Progress	2,909,569	209,294			2,909,569	209,294
Buildings and Bldg improvements	9,246,417	9,781,710			9,246,417	9,781,710
Machinery & equipment	302,692	463,159	-	536	302,692	463,695
Total	\$ 12,879,242	10,874,727	-	536	12,879,242	10,875,263

Long-term Debt

	<u>Balance</u> <u>June 30, 2015</u>	<u>Issued</u>	<u>Retired/ Adjusted</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities				
Compensated Absences Payable	\$ 721,536	-	31,777	689,759
Net Pension Liability	5,024,362	1,598,355	1,225,736	5,396,981
Total Governmental Activities	<u>\$ 5,745,898</u>	<u>1,598,355</u>	<u>1,257,513</u>	<u>6,086,740</u>

More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Upper Township School District is in good financial condition presently. The District is proud of its community support of the public schools. A major concern is the continued tuition increases, the elimination of the Municipal Surplus Contribution and flat state aid, which increases the reliance on local property taxes.

In conclusion, the District has committed itself to financial excellence for many years. The District's system for financial planning, budgeting, and internal financial controls are well regarded. The District plans to continue its sound financial management to meet the challenges of the present and future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to present users (residents, receiving districts, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, contact the District's business administrator at 525 Perry Road, Petersburg, NJ 08270 or the District's website at www.upperschools.org.

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Basic Financial Statements

DISTRICT – WIDE FINANCIAL STATEMENTS

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

TOWNSHIP OF UPPER SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,515,290	442,214	5,957,504
Receivables, Net	1,540,670	19,578	1,560,248
Internal Balances	4,200	(4,200)	-
Inventory	-	8,235	8,235
Capital Assets, Net			
Land	420,564	-	420,564
Construction in Progress	2,909,568	-	2,909,568
Capital Assets being Depreciated, net	9,549,110	-	9,549,110
Total Assets	<u>19,939,402</u>	<u>465,827</u>	<u>20,405,229</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>797,568</u>		<u>797,568</u>
Total Deferred outflows of Resources	<u>797,568</u>	<u>-</u>	<u>797,568</u>
LIABILITIES			
Accounts Payable	101,341	-	101,341
Unearned Revenue	29,707	9,186	38,893
Noncurrent Liabilities			
Due Within One Year	-		-
Due Beyond One Year	689,759		689,759
Net Pension Liability	5,396,981		5,396,981
Total Liabilities	<u>6,217,788</u>	<u>9,186</u>	<u>6,226,974</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>530,500</u>		<u>530,500</u>
Total Deferred inflows of Resources	<u>530,500</u>	<u>-</u>	<u>530,500</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	9,969,674	-	9,969,674
Restricted for:			
Other Purposes	2,390,906		2,390,906
Unrestricted	1,628,102	456,641	2,084,743
Total Net Position	<u>\$ 13,988,682</u>	<u>456,641</u>	<u>14,445,323</u>

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

TOWNSHIP OF UPPER SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Function/Programs	Expenses	Indirect Expenses Allocation	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:								
Instruction:								
Regular	\$ 9,000,557	2,176,956	962,741	1,436,258		(8,778,514)	-	(8,778,514)
Special Education	2,828,729	684,182		1,086,005		(2,426,906)		(2,426,906)
Other Special Instruction	1,073,306	259,600		171,272		(1,161,634)		(1,161,634)
Support Services:								
Tuition	11,635,035	-				(11,635,035)		(11,635,035)
Student & Instruction Related Services	3,265,511	789,826		565,257		(3,490,080)		(3,490,080)
General Administrative Services	725,596	175,499		115,786		(785,309)		(785,309)
Central and Technical Services	626,633	151,563		99,994		(678,202)		(678,202)
School Administrative Services	931,976	225,416		148,720		(1,008,672)		(1,008,672)
Plant Operation and Maintenance	3,074,117	743,534	82,407	490,551		(3,327,100)		(3,327,100)
Pupil Transportation	2,064,801	499,411		329,489		(2,152,316)		(2,152,316)
Unallocated Benefits	5,708,451	(5,708,451)				-		-
Capital Outlay	103,640					(103,640)		(103,640)
Special Schools	10,187	2,464		1,626		(11,025)		(11,025)
Charter Schools	68,842					(68,842)		(68,842)
Total Governmental Activities	41,117,381	0	1,045,148	4,444,958	-	(35,627,275)	-	(35,627,275)
Business-Type Activities:								
Food Service	310,401		210,350	130,245		30,194		30,194
KEYS	189,216		265,566			76,351		76,351
Total Business-Type Activities	499,617		475,916	130,245	-	106,545	-	106,545
Total Primary Government	\$ 41,616,998		1,521,064	4,575,203	-	(35,627,275)	106,545	(35,520,731)
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes, Net						23,200,000		23,200,000
Federal and State Aid not Restricted						13,310,259		13,310,259
Miscellaneous Income						112,596	591	113,187
Transfers						-	-	-
Total General Revenues, Special Items, Extraordinary Items and Transfers						36,622,855	591	36,623,446
Change in Net Assets						995,580	107,136	1,102,716
Net Position - Beginning						12,993,102	349,505	13,342,607
Net Position - Ending						13,988,682	456,641	14,445,323

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

FUND FINANCIAL STATEMENTS

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

TOWNSHIP OF UPPER SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 5,353,630	153,778	7,882	5,515,290
Due from Other Funds	1,119,326		-	1,119,326
Receivables from Other Governments	144,102	91,573	1,246,904	1,482,579
Other Receivables	58,091		-	58,091
Total Assets	6,675,149	245,351	1,254,786	8,175,286
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	73,112	28,114		101,226
Interfund Payable	-	187,415	927,711	1,115,126
Payable to Federal Government		115		115
Unearned Revenue	-	29,707		29,707
Total Liabilities	73,112	245,351	927,711	1,246,174
Fund Balances:				
Restricted for:				
Excess Surplus - Current Year	1,487,010			1,487,010
Excess Surplus Designated for Subsequent Year's Expenditures	903,896			903,896
Committed to:				
Maintenance Reserve	1,680,000			1,680,000
Capital Reserve	1,355,003			1,355,003
Assigned to:				
Encumbrances	1,176,128		327,075	1,503,203
Unassigned:				
General Fund	-	-		-
Total Fund Balances (Deficits)	6,602,037	-	327,075	6,929,112
Total Liabilities and Fund Balances	\$ 6,675,149	245,351	1,254,786	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 12,879,242

Long-term pension liabilities are not due and payable in the current period and therefore are not reported in the funds (5,129,913)

Long - term liabilities, including compensated absences and capital leases, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (689,759)

Net position of governmental activities **13,988,682**

TOWNSHIP OF UPPER SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Local Sources:				
Local Tax Levy	\$ 23,200,000			23,200,000
Tuition Charges	962,741			962,741
Transportation Fees	82,407			82,407
Miscellaneous	112,596			112,596
Total Local Sources	<u>24,357,744</u>	-	-	<u>24,357,744</u>
State Sources	12,632,693	-	1,167,314	13,800,007
Federal Sources	34,727	678,777		713,504
Total Revenues	<u>37,025,164</u>	<u>678,777</u>	<u>1,167,314</u>	<u>38,871,255</u>
EXPENDITURES				
Current:				
Regular Instruction	7,383,314			7,383,314
Special Education Instruction	1,685,844	634,612		2,320,456
Other Special Instruction	880,452			880,452
Support Services and Undistributed Costs:				
Tuition	11,635,035			11,635,035
Student & Instruction Related Serv.	2,634,591	44,165		2,678,756
General Administrative Services	595,219			595,219
Central and Technical Administrative Services	514,038			514,038
School Administrative Services	764,516			764,516
Plant Operation and Maintenance	2,521,752			2,521,752
Pupil Transportation	1,693,792			1,693,792
Unallocated Employee Benefits	5,708,451			5,708,451
Capital Outlay	144,051		2,700,274	2,844,325
Special Schools	8,355			8,355
Transfer to Charter School	68,842			68,842
Total Expenditures	<u>36,238,252</u>	<u>678,777</u>	<u>2,700,274</u>	<u>39,617,303</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>786,912</u>	<u>-</u>	<u>(1,532,960)</u>	<u>(746,048)</u>
OTHER FINANCING SOURCES/(USES)				
Transfer in	-		-	-
Transfer Out	-			-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Changes in Fund Balance	786,912	-	(1,532,960)	(746,048)
Fund Balance - July 1	5,815,125	-	1,860,035	7,675,160
Fund Balance - June 30	<u>\$ 6,602,037</u>	<u>-</u>	<u>327,075</u>	<u>6,929,112</u>

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

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

Total Net Change in Fund Balance - Governmental Funds (from B-2)	\$	(746,048)
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Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation expense	(736,170)	
Capital Outlay	<u>2,740,685</u>	2,004,515

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long - term liabilities in the statement of net assets and is not reported in the statement of activities.

Capital Lease Payments		-
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In the statement of activities, certain operating expenses, e.g. pension expense are measured under full accrual accounting. In the governmental funds, however, expenditures are reported on the amounts actually billed by the State.

District pension contributions	206,698	
Cost of benefits earned, net of employee contributions	<u>(501,362)</u>	(294,664)

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

		31,777
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Change in Net Assets of Governmental Activities	<u>\$</u>	<u>995,580</u>
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TOWNSHIP OF UPPER SCHOOL DISTRICT
Proprietary Funds
Statement of Net Position
June 30, 2016

	Business-Type Activities - Enterprise Fund		
	Food Service	KEYS	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 71,293	370,921	442,214
Accounts Receivable	19,578	-	19,578
Interfunds	-	-	-
Inventories	8,235	-	8,235
Total Current Assets	<u>99,106</u>	<u>370,921</u>	<u>470,027</u>
Noncurrent Assets:			
Furniture, Machinery & Equipment	226,883	65,861	292,744
Less: Accumulated Depreciation	<u>(226,883)</u>	<u>(65,861)</u>	<u>(292,744)</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>99,106</u></u>	<u><u>370,921</u></u>	<u><u>470,027</u></u>
LIABILITIES			
Current Liabilities:			
Interfunds	-	4,200	4,200
Accounts Payable	-	-	-
Unearned Revenue	9,186	-	9,186
Total Current Liabilities	<u>9,186</u>	<u>4,200</u>	<u>13,386</u>
Noncurrent Liabilities:			
None	-	-	-
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Invested in Capital Assets Net of Related Debt	-	-	-
Unrestricted	89,920	366,721	456,641
Total Net Position	<u><u>\$ 89,920</u></u>	<u><u>366,721</u></u>	<u><u>456,641</u></u>

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

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

	Business-Type Activities - Enterprise Fund		Totals Enterprise
	Food Service	KEYS	
Operating Revenues:			
Charges for Services:			
Sales	\$ 210,350		210,350
Program Fees		265,566	265,566
Total Operating Revenue	<u>210,350</u>	<u>265,566</u>	<u>475,916</u>
Operating Expenses:			
Cost of Sales	135,019		135,019
Salaries	97,283	158,984	256,267
Employee Benefits	28,232	30,232	58,464
Insurance	5,150		5,150
Management Fee	29,070		29,070
Supplies & Miscellaneous	15,111	-	15,111
Depreciation	536		536
Total Operating Expenses	<u>310,401</u>	<u>189,216</u>	<u>499,617</u>
Operating Income (Loss)	(100,051)	76,351	(23,700)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	3,311		3,311
Federal Sources:			
National School Lunch Program	85,661		85,661
National School Breakfast Program	7,917		7,917
Food Distribution Program	33,356		33,356
Interest and Investment Income	110	482	592
Total Nonoperating Revenues (Expenses)	<u>130,355</u>	<u>482</u>	<u>130,837</u>
Income (Loss) before Contributions & Transfers	30,304	76,833	107,137
Transfers In (Out)	-	-	-
Changes in Net Position	30,304	76,833	107,137
Total Net Position - Beginning	<u>59,616</u>	<u>289,889</u>	<u>349,505</u>
Total Net Position - Ending	<u>\$ 89,920</u>	<u>366,721</u>	<u>456,641</u>

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

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

	Business-Type Activities - Enterprise Fund		
	Food Service	KEYS	Totals Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 211,743	265,566	477,309
Payments to Employees	(97,283)	(158,984)	(256,267)
Payments for Employee Benefits	(28,232)	(30,232)	(58,464)
Payments for Management Fee	(29,926)		(29,926)
Payments for Suppliers	(122,820)	-	(122,820)
Net Cash Provided by (Used for) Operating Activities	<u>(66,518)</u>	<u>76,351</u>	<u>9,833</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	3,450		3,450
Federal Sources	97,223		97,223
Operating Subsidies and Transfers to Other Funds	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>100,673</u>	<u>-</u>	<u>100,673</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interfunds	-	-	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Interest and Dividends	110	482	592
Net Cash Provided by (Used for) Investing Activities	<u>110</u>	<u>482</u>	<u>592</u>
Net Increase (Decrease) in Cash and Cash Equivalents	34,265	76,833	111,098
Balance - Beginning of Year	37,028	294,088	331,116
Balance - End of Year	<u>\$ 71,293</u>	<u>370,921</u>	<u>442,214</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (100,051)	76,351	(23,700)
Adjustments to Reconcile Operating Income(Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Net Amortization	536	-	536
Food Distribution Program	33,356		33,356
Decrease in Accounts Receivable	(856)		(856)
Decrease in Inventories	(896)		(896)
(Increase) in Deferred Revenue	1,393		1,393
(Decrease) in Accounts Payable	-		-
Total Adjustments	<u>33,533</u>	<u>-</u>	<u>33,533</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (66,518)</u>	<u>76,351</u>	<u>9,833</u>

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

TOWNSHIP OF UPPER SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2016

	Unemployment Compensation	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 61,299	93,127
Total Assets	61,299	93,127
LIABILITIES		
Payable to Student Groups	-	89,415
Payroll Deductions & Withholdings	-	3,712
Total Liabilities	-	93,127
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	\$ 61,299	
Reserved for Scholarships		

TOWNSHIP OF UPPER SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	<u>Unemployment Compensation</u>	<u>Total</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 31,962	31,962
Other		
Total Contributions	<u>31,962</u>	<u>31,962</u>
Investment Earnings:		
Interest	<u>70</u>	<u>70</u>
Net Investment Earnings	<u>70</u>	<u>70</u>
Total Additions	<u>32,032</u>	<u>32,032</u>
DEDUCTIONS		
Unemployment Claims	10,847	10,847
Total Deductions	<u>10,847</u>	<u>10,847</u>
Changes in Net Assets	21,185	21,185
Net Position - Beginning of the Year	40,114	40,114
Net Position - End of the Year	<u>\$ 61,299</u>	<u>61,299</u>

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

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the Board of Education (Board) of the Upper Township School District (District) have been prepared in conformity with generally accepted accounting principles (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 Upper Township School District is a Type II district located in the County of Cape May, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. Students in grades 9-12 attend Ocean City High School on a tuition basis. The Upper Township School District had an enrollment at June 30, 2016 of 2,040 students.

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.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The 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 and special revenue activities are classified as governmental activities. The District's food service program is classified as business-type activities.

In the governmental-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 are 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.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities (food service and KEYS). 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 revenues, operating and capital grants. Program revenues must be directly associated with the function (regular instruction, vocational programs, student & instruction related services, etc.) or a business-type activity. 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, interest income, etc.).

- a. The District does allocate indirect costs such as depreciation expense, compensated absences, On-behalf TPAF Pension Contributions, and Reimbursed 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. Fiduciary funds are not included in the government-wide statements.

C. BASIC FINANCIAL STATEMENTS – 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 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 standards sets forth minimum criteria (percentage of the assets, liabilities, revenues or 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 State of New Jersey Department of Education has

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

mandated that all New Jersey School Districts must report all governmental funds as major, regardless of the fund meeting the GASB definition of a major fund. However, the criteria are applied to proprietary funds.

The following fund types are used by the District:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes 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.

- a. **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.
- b. **Special revenue** funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for a specific purpose. The special revenue fund is specifically used to account for state and federal grant monies that have been allocated to the District.
- c. **Capital projects** funds are used to account for all financial resources to be used for the acquisition or construction of major capital facilities. 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.

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

The details of the fund balances are included in the Governmental Funds Balance Sheet. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is 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.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.

The following is a description of the proprietary funds of the District:

- a. **Enterprise funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designated to recover similar costs. The District operates a food service fund to provide a child nutrition program for the students of the district and a KEYS program providing for child care before and after school hours.

3. Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support District programs. The reporting focus is on net position and changes in net position, and are reported using accounting principles similar to proprietary funds.

The District's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.), and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

All fund internal activity is eliminated when carried to the Government-wide statements.

D. BASIS OF ACCOUNTING

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

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

1. Accrual:

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.

2. Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "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 liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

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

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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 public 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 at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental units.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

2. Investments:

Investments, including deferred compensation and pension funds, are stated at fair value, (quoted market price or the best available estimate). Interest earned on investments in the Capital Projects Fund is recognized as a reserve to pay future debt service or transferred to the general fund.

3. Inventories:

Inventories in the general fund consist of expendable supplies held for the District's use and are carried at cost using the first-in, first-out method. Inventories in the enterprise fund are valued at cost, which approximates market, using the first-in, first –out method. As of June 30, 2016, the District did not have inventory in the general fund and had the following inventory in the enterprise fund:

Food & Supplies	\$ <u>8,235</u>
	\$ <u><u>8,235</u></u>

The value of Federal donated commodities 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. The value of commodities included in the food inventory on June 30, 2016 is \$0.

4. Capital Assets:

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of 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 provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Infrastructure Assets	50-65 years

Infrastructure assets include roads, parking lots, underground pipe, etc. The District includes all infrastructure assets as depreciable assets in the financial statements.

5. Revenues:

Substantially all governmental fund revenues are accrued. Property taxes are susceptible to accrual and under New Jersey State Statutes a municipality is required to remit to its school district the entire balance of taxes in the amount 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. Subsidies and grants to proprietary

Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016

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 the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and unearned revenue by the recipient. Program revenues, including tuition revenue are reported as reductions to expenses in the statement of activities.

6. Expenditures:

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

7. 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 for in the period in which such services are rendered or in which such events take place.

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as both an expenditure and a fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences 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.

8. Interfund Activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

9. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budgets are submitted to the county office for approval and, as long as the District budget is within State mandated CAPs, there is no public vote on the budget. If the budget exceeds State mandated CAPs, the voters have an opportunity to approve or reject the budget at the regular election held 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 N.J.A.C. 6:23-2(g). Transfers of appropriations may 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.

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**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

Significant transfers approved by the Board of Education during the fiscal year were as follows:

Grade 1-5 Salaries of Teachers	-
Undist. Instruction - Oth. Purch. Svc.	(137,194)
Undist. Instruction - General Supplies	148,744
Undistributed Expenditures - Instruction	
Tuition to CSSD & Reg Day Sch	(93,171)
Undist. Expend - Required Maint. - Clean, Rep, Maint	(134,878)
Undist. Expend - Required Maint. - Supplies	187,801
Undist. Expend - Other Oper. & Maint. - Lease Purch Pmts	94,254
Undist. Expend - Other Oper. & Maint. - Energy(Electricity)	(145,000)
Contracted Svc. (Special Ed. Students) - Vendors	(173,002)

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 payments 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.

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.

10. Tuition Receivable:

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined. The final cost is based on an agreement with the Ocean City Board of Education with a negotiated amount up to the final cost as determined by State of New Jersey.

11. Tuition Payable:

Tuition charges for the fiscal years 2015/16 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

12. Use of Estimates:

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

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

13. Allocation of Costs:

In the government-wide statement of activities, the District has allocated unallocated benefits to various programs based on the budgetary expenditures by program.

14. Pensions

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

G. RECENT ACCOUNTING PRONOUNCEMENTS NOT YET EFFECTIVE

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 is effective for fiscal periods beginning after June 30, 2016 establishes new accounting and financial reporting requirements for OPEB plans. It is anticipated that this statement 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 is effective for fiscal periods beginning after June 30, 2017. Although not determinable, 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 Disclosure". This statement 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 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 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. 81, "Irrevocable Split-Interest Agreements". This statement is effective for fiscal periods beginning after December 15, 2016, will not have any effect on the District's financial reporting.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82, "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No.73". This statement is effective for fiscal periods beginning after June 15, 2016, will not have any effect on the District's financial reporting, however will affect the disclosure of pension related items.

NOTE 2. CASH

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The district's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 18A:20-37 that are treated as cash equivalents. As of June 30, 2016, \$6,656,136 of the government's bank balance of \$256,533 was exposed to custodial credit risk.

NOTE 3. INVESTMENTS

As of June 30, 2016, the District had no investments.

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

Credit Risk. New Jersey Statutes 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.

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**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

NOTE 4. FIXED ASSETS

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

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance June 30, 2016</u>
Governmental Activities:				
Capital assets that are not being				
Construction in process	209,294	2,700,275	-	2,909,569
Land	\$ 420,564			420,564
Total capital assets not being	<u>629,858</u>	<u>2,700,275</u>	<u>-</u>	<u>3,330,133</u>
Bldg and bldg improve	20,249,399	-	-	20,249,399
Machinery & equipment	2,205,526	40,410		2,245,936
Total at historical cost	<u>22,454,925</u>	<u>40,410</u>	<u>-</u>	<u>22,495,335</u>
Less accum depr for:				
Bldg and improve	(10,467,689)	(535,293)		(11,002,982)
Equipment	(1,742,367)	(200,877)		(1,943,244)
Total accum deprec	<u>(12,210,056)</u>	<u>(736,170)</u>	<u>-</u>	<u>(12,946,226)</u>
Total capital assets being depr,	<u>10,244,869</u>	<u>(695,760)</u>	<u>-</u>	<u>9,549,109</u>
Governmental activities capital	<u>\$ 10,874,727</u>	<u>2,004,515</u>	<u>-</u>	<u>12,879,242</u>
Business-type activities:				
Equipment	292,744			292,744
Less accum depr for:				
Equipment	(292,208)	(536)		(292,744)
Business-type activities capital	<u>\$ 536</u>	<u>(536)</u>	<u>-</u>	<u>0</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 280,743
Special Education	88,233
Other Special Instruction	33,478
Student & Instruction Related Svc	101,857
General Administrative Services	22,633
Central & Tech. Administrative	19,546
School Administrative Services	29,070
Plant Operation & Maintenance	95,887
Pupil Transportation	64,405
Special Schools	318
	<u>\$ 736,170</u>

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

NOTE 5. PENSION PLANS

Description of Plans

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

Teachers' Pension and Annuity Fund

The Teachers' Pension and Annuity Fund was established in January, 1955 under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 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.

Public Employees' Retirement System

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

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement program (DCRP) was established as of July 1, 2008 under the provisions of Chapter 92, P.L. 2008 and Chapter 103, P.L. 2008 (NJSA 43:15C-1 et seq). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by NJSA 43:15C-1 et seq.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 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 5.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 7.06% and the PERS rate is 7.06% of covered payroll. The School District's contributions to TPAF for the years ending June 30, 2016, 2015 and 2014 were \$758,673, \$527,607 and \$404,477 respectively, and paid by the State of New Jersey on behalf of the board, equal to the required contributions for each year. The School District's contributions to PERS for the years ending June 30, 2016, 2015 and 2014 were \$206,698, \$221,229 and \$197,099 respectively, equal to the required contributions for each year.

During the fiscal years ended June 30, 2016, 2015 and 2014, the State of New Jersey contributed \$903,370, \$837,576, and \$714,701, respectively, to the TPAF for post-retirement medical benefits on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$761,900, \$752,709, and \$749,653, during the same fiscal years for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts, which are not required to be budgeted, have been included in the financial statements, and the combining and individual fund statements and schedules as revenues and expenditures in accordance in GASB 27.

The Board's total covered payroll for the year ended June 30, 2016, 2015, and 2014 was \$10,444,234, \$10,040,080, and \$9,517,531 for TPAF; and \$2,017,575, \$1,755,895, and \$1,716,833 for PERS.

Significant Legislation

Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Teacher's Pension and Annuity Fund (TPAF) operate and to the benefit provisions of those systems.

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

- New members of the PERS and TPAF hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65.
- The eligibility age to qualify for a service retirement in the systems is increased from age 63 to 65 for Tier 5 members.
- Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years. For fiscal year 2013, the member contribution rates increased in October 2012. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

- New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS and TPAF from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS and TPAF to 1/60th from 1/55th, and it provided that new members of PERS and TPAF have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS and TPAF will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. The law also requires the State to make its full pension contribution, defined a 1/7th of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS and TPAF with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

NOTE 6. PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

At June 30, 2016, the District reported a liability of \$5,396,981 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the District's proportion was 0.0240421488%, which was a decrease of 10.41% from its proportion measured as of June 30, 2014.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

For the year ended June 30, 2016, the District recognized pension expense of \$294,664. 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
Differences between expensed and actual experience	\$ 128,753	
Changes of assumptions	579,593	
Net difference between projected and actual earnings on pension plan investments		86,773
Changes in proportion and differences between District contributions and proportionate share of contributions	89,222	443,727
District contributions subsequent to the measurement date	206,698	
Total	<u>\$ 1,004,266</u>	<u>530,500</u>

\$206,698 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (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,		
2017	\$	43,381
2018	\$	43,381
2019	\$	43,381
2020	\$	65,120
2021	\$	36,805
Total	<u>\$</u>	<u>232,068</u>

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation 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 assumptions, applied to all period 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 males and females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projections 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, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.9% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

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

Discount Rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the collective net pension liability of the participated employers as of June 30, 2015, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the net pension liability	\$ 6,511,220	5,396,981	4,464,361

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

Pension plan fiduciary net position.

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

NOTE 7 - TEACHERS' PENSION AND ANNUITY FUND (TPAF)

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$	-
State's proportionate share of the net position liability associated with the District		<u>61,681,017</u>
Total	\$	<u>61,681,017</u>

The net pension liability was measured as of June 30, 2015 and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the District's proportion was 0.00%, which was no change from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,241,706 and revenue of \$3,241,706 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to TPAF from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 313,483	18,581
Changes of assumptions	7,026,626	
Net difference between projected and actual earnings on pension plan investments		522,457
Changes in proportion and differences between District contributions and proportionate share of contributions		-
District contributions subsequent to the measurement date	<u>634,593</u>	
Total	<u>\$ 7,974,702</u>	<u>\$ 541,038</u>

\$524,475 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date (June 30, 2015) will be recognized as a

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

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,	
2017	\$ 873,257
2018	\$ 873,257
2019	\$ 873,257
2020	\$ 1,337,725
2021	\$ 1,132,179
Thereafter	\$ 2,343,990
Total	<u>\$ 7,433,665</u>

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

Inflation Rate	2.50%
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.90%

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

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

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

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return.
US Cash	5.00%	53.00%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign Developed Equity	12.00%	6.22%
Emerging market equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - Multi Strategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.13% as well as what the District's proportionate share of the net

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.13%) or 1-percentage point higher (5.13%) than the current rate:

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net pension liability	\$ -	-	-

Pension plan fiduciary net position.

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

NOTE 8. POST-RETIREMENT BENEFITS

P.L. 1987, Chapter 384 and P.L. 1990 Chapter 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 funding and payment of post-retirement medical benefits for retired State employees and educational employees. As of June 30, 2016, there were 0 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with Chapter 62, P.L. 1994.

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

NOTE 9. DEFERRED COMPENSATION

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

- Delaware Group
- Safeco

NOTE 10. COMPENSATED ABSENCES

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

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

District employees are granted varying amounts of vacation and sick leave in accordance with the district's personnel policy. Upon termination, employees are paid for accrued vacation. Sick leave benefits provide for ordinary sick pay and is capped based on the various employee contracts.

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

NOTE 11. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Upper Township Board of Education by inclusion of \$1.00 on September 26, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. A 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 (June 1 to June 30) 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 on 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 activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Beginning balance, July 1, 2015		\$ 1,056,803
Interest earnings		-
Deposits:		
Approved by resolution		300,000
Withdrawals		
Interest Transfer	(1,800)	
Total withdrawals		(1,800)
Ending balance , June 30, 2016		\$ 1,355,003

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

NOTE 12. GENERAL LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016 was as follows:

	<u>Balance June 30, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Compensated Absences Payable	\$ 721,536	-	31,777	689,759	-
Net Pension Liability	5,024,362	1,598,355	1,225,736	5,396,981	-
Total Governmental Activities	<u>5,745,898</u>	<u>1,598,355</u>	<u>1,257,513</u>	<u>6,086,740</u>	<u>-</u>
Total Debt	<u>\$ 5,745,898</u>	<u>1,598,355</u>	<u>1,257,513</u>	<u>6,086,740</u>	<u>-</u>

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 1,119,326	-
Special Revenue Fund	-	187,415
Capital Projects Fund	-	927,711
Enterprise Fund	-	4,200
Total	<u>\$ 1,119,326</u>	<u>1,119,326</u>

Interfunds were created throughout the year due to short term borrowings to cover cash flow needs in the various funds and to cover cash overdrafts for pooled funds. The governmental fund interfunds were eliminated in the governmental-wide statements.

NOTE 14. FUND BALANCE APPROPRIATED

General Fund – Of the \$6,602,037 General Fund fund balance, at June 30, 2016, \$1,364,478 is reserved for encumbrances, however only \$1,176,128 is shown as committed on the balance sheet since GASB requires that unassigned fund balance cannot be deficit when assigned balances are available; \$2,390,906 is reserved as excess surplus in accordance with NJSA 18A:7F-7 of which \$903,896 has been appropriated as revenue in the 2016-2017 budget and the balance of \$1,487,010 will be budgeted in the 2017-2018 budget, \$1,355,003 has been reserved in the Capital Reserve Account; \$1,680,000 has been reserved in the Maintenance Reserve Account; \$0 has been anticipated as revenue in the 2016-2017 budget; and \$0 is

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

classified as Unassigned, after adjusting for the encumbrance amount of \$188,350. Capital Projects Fund – Of the \$327,075 Capital Projects Fund fund balance, at June 30, 2016, \$327,075 is reserved for encumbrances, however \$327,075 is shown as committed on the balance sheet since GASB requires that unassigned fund balance cannot be deficit when assigned balances are available; and \$0 is classified as Unassigned, after adjusting for the encumbrance amount of \$0.

NOTE 15. CALCULATION OF EXCESS SURPLUS

In accordance with NJSA 18A:7F-7, as amended by P.L. 2004, c.73, the designation for Reserved Fund Balance – Excess Surplus is a required calculation. 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 \$2,390,906, of which \$903,896 has been appropriated in the 2016-2017 budget and the balance of \$1,487,010 will be appropriated in the 2017-2018 budget.

NOTE 16. 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. During the fiscal year ended June 30, 2016 the District did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

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

<u>Fiscal Year</u>	<u>Interest on Investments</u>	<u>Employee/Board Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	70	31,962	(10,847)	61,299
2014-2015	64	30,986	(52,337)	40,114
2013-2014	102	29,474	(39,112)	61,401

NOTE 17. LITIGATION

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. In the best judgment of the District’s management, the outcome of any legal proceedings will not have any adverse affect on the accompanying financial statements.

**Upper Township School District
Notes to Financial Statements
For the Fiscal Year ended June 30, 2016**

NOTE 18. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 22, 2016, the date which the financial statements were available to be issued and no items were noted for disclosure or adjustment.

Required Supplementary Information – Part II

Budgetary Comparison Schedules

TOWNSHIP OF UPPER SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 23,200,000	-	23,200,000	23,200,000	-
Tuition from Individuals	109,000	-	109,000	186,029	77,029
Tuition - Other LEA's within the State	626,825	-	626,825	776,712	149,887
Transportation Fees	64,000	-	64,000	82,407	18,407
Restricted Miscellaneous	1,965	-	1,965	-	(1,965)
Miscellaneous	67,000	-	67,000	112,596	45,596
Total Local Sources	24,068,790	-	24,068,790	24,357,744	288,954
State Sources:					
School Choice Aid	417,360	-	417,360	417,360	-
Categorical Special Education Aid	1,098,835	-	1,098,835	1,098,835	-
Equalization Aid	4,307,772	-	4,307,772	4,307,772	-
Categorical Security Aid	164,852	-	164,852	164,852	-
Adjustment Aid	2,640,282	-	2,640,282	2,640,282	-
Categorical Transportation Aid	1,445,583	-	1,445,583	1,445,583	-
Extraordinary Aid	-	-	-	99,197	99,197
PARCC Rediness Aid	19,270	-	19,270	19,270	-
Per Pupil Growth Aid	19,270	-	19,270	19,270	-
Non-public Transportation Aid	-	-	-	8,764	8,764
On-Behalf TPAF Pension Contribution (Non-Budgeted)	-	-	-	1,662,043	1,662,043
Reimbursed TPAF Social Security (Non-Budgeted)	-	-	-	761,900	761,900
Total State Sources	10,113,224	-	10,113,224	12,645,128	2,531,904
Federal Sources:					
Medical Assistance Program	23,056	-	23,056	34,727	11,671
Total Federal Sources	23,056	-	23,056	34,727	11,671
Total Revenues	34,205,070	-	34,205,070	37,037,599	2,832,529
EXPENDITURES:					
CURRENT EXPENSE					
REGULAR PROGRAMS - INSTRUCTION					
Preschool - Salaries of Teachers	284,071	54,565	338,636	338,632	4
Kindergarten - Salaries of Teachers	605,343	(12,000)	593,343	593,274	69
Grades 1 - 5 Salaries of Teachers	2,927,085	30,842	2,957,927	2,955,241	2,686
Grades 6 - 8 Salaries of Teachers	2,386,429	12,042	2,398,471	2,398,167	304
Regular Programs - Home Instruction					
Salaries of Teachers	12,000	-	12,000	4,337	7,663
Purchased Professional - Educational Services	750	-	750	105	645
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	204,818	32,518	237,336	236,940	396
Purchased Professional - Educational Services	-	-	-	-	-
Purchased Technical Services	11,000	-	11,000	6,349	4,651
Other Purchased Services (400-500 series)	276,836	(137,194)	139,642	126,614	13,028
General Supplies	1,157,690	148,744	1,306,434	713,730	592,704
Textbooks	10,000	-	10,000	9,925	75
TOTAL REGULAR PROGRAMS - INSTRUCTION	7,876,022	129,517	8,005,539	7,383,314	622,225
Special Education Instruction-Multiple Disabilities					
Salaries of Teachers	115,430	(54,400)	61,030	60,039	991
Other Salaries for Instruction	120,905	(102,328)	18,577	16,734	1,843
General Supplies	2,250	-	2,250	2,010	240
Total Multiple Disabilities	238,585	(156,728)	81,857	78,783	3,074
Special Education Instruction-Resource Room/Resource Center					
Salaries of Teachers	1,146,655	9,561	1,156,216	1,138,648	17,568
Other Salaries for Instruction	192,024	79,279	271,303	270,895	408
General Supplies	10,500	700	11,200	10,681	519
Total Resource Room/Resource Center	1,349,179	89,540	1,438,719	1,420,224	18,495
Special Education Instruction-Autism					
Salaries of Teachers	111,624	18,034	129,658	117,135	12,523
Other Salaries for Instruction	54,514	10,845	65,359	64,793	566
Purchased Professional - Educational Services	1,000	(500)	500	-	500
General Supplies	1,250	(600)	650	476	174
Total Autism	168,388	27,779	196,167	182,404	13,763

TOWNSHIP OF UPPER SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Special Education Instruction- Home Instruction					
Salaries of Teachers	5,000	-	5,000	4,433	567
Total Home Instruction	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>4,433</u>	<u>567</u>
TOTAL SPECIAL EDUCATION - INSTRUCTION	<u>1,761,152</u>	<u>(39,409)</u>	<u>1,721,743</u>	<u>1,685,844</u>	<u>35,899</u>
Basic Skills/Remedial - Instruction					
Salaries of Teachers	758,437	8,666	767,103	758,808	8,295
General Supplies	5,300	(500)	4,800	1,709	3,091
Total Basic Skills/Remedial - Instruction	<u>763,737</u>	<u>8,166</u>	<u>771,903</u>	<u>760,517</u>	<u>11,386</u>
School-Spon. Co/Extra-Curr. Activities - Instruction					
Salaries	18,830	300	19,130	19,122	8
Supplies & Materials	1,500	-	1,500	920	580
Other Objects	1,000	-	1,000	930	70
Total School-Spon Co/Extra-Curr. Activities - Inst.	<u>21,330</u>	<u>300</u>	<u>21,630</u>	<u>20,972</u>	<u>658</u>
School-Sponsored Athletics - Instruction					
Salaries	36,120	-	36,120	35,279	841
Purchased Services (300-500 series)	5,500	-	5,500	5,327	173
Supplies & Materials	5,000	-	5,000	4,974	26
Other Objects	1,000	-	1,000	275	725
Total School-Sponsored Athletics - Inst.	<u>47,620</u>	<u>-</u>	<u>47,620</u>	<u>45,855</u>	<u>1,765</u>
Before/After School Programs - Instruction					
Salaries of Teachers	20,245	-	20,245	9,048	11,197
Total Before/After School Programs - Instruction	<u>20,245</u>	<u>-</u>	<u>20,245</u>	<u>9,048</u>	<u>11,197</u>
Summer School - Instruction					
Salaries of Teachers	35,617	2,600	38,217	34,981	3,236
Other Salaries of Instruction	17,793	(2,600)	15,193	9,079	6,114
General Supplies	1,000	-	1,000	-	1,000
Total Summer School - Instruction	<u>54,410</u>	<u>-</u>	<u>54,410</u>	<u>44,060</u>	<u>10,350</u>
TOTAL INSTRUCTION	<u>10,544,516</u>	<u>98,574</u>	<u>10,643,090</u>	<u>9,949,610</u>	<u>693,480</u>
UNDISTRIBUTED EXPENDITURES					
Undistributed Expenditures - Instruction					
Tuition to Other LEAs Within the State-Regular	10,833,352	(30,960)	10,802,392	10,737,072	65,320
Tuition to Other LEAs Within the State-Special	299,780	-	299,780	295,780	4,000
Tuition to County Voc. School Dist. - Regular	141,281	-	141,281	141,281	-
Tuition to County Voc. School Dist. - Special	11,226	-	11,226	11,226	-
Tuition to CSSD & Regional Day Schools	354,861	(93,171)	261,690	43,005	218,685
Tuition to Private Schools for the Disabled - W/I State	542,813	(51,807)	491,006	406,671	84,335
Tuition - Other	-	-	-	-	-
Total Undistributed Expenditures - Instruction	<u>12,183,313</u>	<u>(175,938)</u>	<u>12,007,375</u>	<u>11,635,035</u>	<u>372,340</u>
Undistributed Expend. - Attend. & Social Worker					
Salaries	29,493	-	29,493	29,347	146
Other Purchased Services (400-500 series)	8,200	45,000	53,200	45,000	8,200
Total Undist. Expend. - Attend. & Social Worker	<u>37,693</u>	<u>45,000</u>	<u>82,693</u>	<u>74,347</u>	<u>8,346</u>

TOWNSHIP OF UPPER SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undistributed Expend. - Health Services					
Salaries	218,061	1,833	219,894	219,894	-
Purchased Professional and Technical Services	7,820	-	7,820	7,515	305
Other Purchased Services (400-500 series)	225	75	300	100	200
Supplies & Materials	6,850	1,575	8,425	7,769	656
Total Undistributed Expend. - Health Services	232,956	3,483	236,439	235,278	1,161
Undist. Expend. - Speech, OT, PT, & Related Services					
Salaries	302,979	(500)	302,479	272,513	29,966
Purchased Professional - Education Services	97,300	-	97,300	82,845	14,455
Supplies & Materials	5,938	-	5,938	5,925	13
Total Undist. Expend. - Speech, OT, PT, & Related Services	406,217	(500)	405,717	361,283	44,434
Undist. Expend. - Other Support Serv. Students - Extraordinary Services					
Salaries	320,613	17,730	338,343	338,314	29
Purchased Professional - Education Services	186,976	(6,912)	180,064	111,062	69,002
Total Undist. Expend. - Other Support Services Students - Extraordinary Services	507,589	10,818	518,407	449,376	69,031
Undistributed Expenditures - Guidance					
Salaries of Other Professional Staff	216,296	1,260	217,556	217,356	200
Supplies & Materials	7,500	-	7,500	5,573	1,927
Total Undistributed Expenditures - Guidance	223,796	1,260	225,056	222,929	2,127
Undistributed Expenditures - Child Study Teams					
Salaries of Other Professional Staff	386,544	8,088	394,632	391,199	3,433
Salaries of Secretarial and Clerical Assistants	36,624	-	36,624	36,624	-
Purchased Professional - Education Services	10,000	3,000	13,000	11,869	1,131
Other Purchased Professional and Tech. Services	10,000	4,000	14,000	11,746	2,254
Misc Pur Serv (400-500 series other than Resid costs)	13,200	(1,000)	12,200	10,878	1,322
Supplies & Materials	8,500	11,562	20,062	17,125	2,937
Total Undistributed Expenditures - Child Study Teams	464,868	25,650	490,518	479,441	11,077
Undist. Expend. - Improvement of Inst. Services					
Salaries of Other Professional Staff	160,176	11,500	171,676	171,336	340
Salaries of Secretarial and Clerical Assistants	43,050	-	43,050	42,000	1,050
Purchased Professional Educational Services	67,800	78,400	146,200	128,815	17,385
Other Purchased Services (400-500 series)	3,000	-	3,000	420	2,580
Supplies & Materials	271,643	(3,900)	267,743	247,580	20,163
Other Objects	1,200	-	1,200	1,003	197
Total Undist. Expend. - Improvement of Inst. Serv.	546,869	86,000	632,869	591,154	41,715
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	140,644	20,598	161,242	160,945	297
Purchased Professional and Technical Services	3,650	-	3,650	3,570	80
Supplies & Materials	29,193	-	29,193	28,066	1,127
Total Undistributed Expenditures - Educational Media Services - School Library	173,487	20,598	194,085	192,581	1,504
Undist. Expend. - Instructional Staff Training Serv.					
Salaries of Other Professional Staff	12,000	10,000	22,000	13,387	8,613
Purchased Professional Educational Services	9,200	-	9,200	3,900	5,300
Other Purchased Services (400-500 series)	30,000	(15,000)	15,000	9,702	5,298
Supplies & Materials	2,000	4,800	6,800	1,213	5,587
Total Undistributed Expenditures - Instructional Staff Training Services	53,200	(200)	53,000	28,202	24,798
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	204,755	19,338	224,093	216,205	7,888
Legal Services	76,771	5,122	81,893	81,893	-
Audit Fee	20,700	6,700	27,400	27,400	-
Architectural/Engineering Services	18,000	57,000	75,000	74,859	141
Other Purchased Professional Services	34,435	2,200	36,635	35,048	1,587
Communications/Telephone	107,080	(39,742)	67,338	60,225	7,113
BOE Other Purchased Services	450	900	1,350	1,302	48
Misc. Purchased Services (400-500 series)	71,440	5,976	77,416	74,040	3,376
General Supplies	5,483	(1,400)	4,083	2,689	1,394
BOE In-House Training/Meeting Supplies	700	-	700	161	539
Miscellaneous Expenditures	6,945	-	6,945	4,829	2,116
BOE Membership Dues and Fees	18,500	(250)	18,250	16,568	1,682
Total Undistributed Expenditures - Support Services - General Administration	565,259	55,844	621,103	595,219	25,884

TOWNSHIP OF UPPER SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Undist. Expend. - Supp. Serv. - School Admin.					
Salaries of Principals/Assistant Principals	286,138	12,071	298,209	298,209	-
Salaries Other Professional Staff	237,753	5,266	243,019	243,019	-
Salaries of Secretarial and Clerical Assistants	205,919	4,563	210,482	210,296	186
Other Purchased Services (400-500 series)	11,056	(3,166)	7,890	4,175	3,715
Supplies & Materials	18,000	(11,850)	6,150	4,176	1,974
Other Objects	6,000	-	6,000	4,641	1,359
Total Undistributed Expenditures - Support Services - School Administration	764,866	6,884	771,750	764,516	7,234
Undistributed Expenditures - Central Services					
Salaries	331,746	(605)	331,141	331,130	11
Purchased Professional Services	11,000	(5,395)	5,605	2,900	2,705
Purchased Technical Services	7,500	-	7,500	6,844	656
Misc. Purchased Services (400-500 Series)	9,050	2,324	11,374	11,123	251
Supplies and Materials	7,294	(240)	7,054	6,890	164
Other Objects	2,050	2,340	4,390	2,729	1,661
Total Undistributed Expenditures - Central Service	368,640	(1,576)	367,064	361,616	5,448
Undistributed Expenditures- Admin. Info. Tech.					
Salaries	137,411	(13,100)	124,311	116,799	7,512
Purchased Technical Services	50,375	(20,000)	30,375	29,341	1,034
Other Purchased Services (400-500 series)	4,318	-	4,318	377	3,941
Supplies and Materials	9,000	(3,065)	5,935	5,905	30
Total Undistrib Expend- Admin. Info. Technology	201,104	(36,165)	164,939	152,422	12,517
Undist. Expend. - Required Maint. School Fac.					
Salaries	115,397	(32,150)	83,247	82,370	877
Cleaning, Repair and Maintenance Service	1,009,996	(134,878)	875,118	750,159	124,959
General Supplies	761,828	187,801	949,629	144,678	804,951
Total Undistributed Expenditures - Allowable Maintenance for School Facilities	1,887,221	20,773	1,907,994	977,207	930,787
Undist. Expend. - Other Oper. & Maint. of Plant					
Salaries	658,072	4,985	663,057	653,261	9,796
Purchased Professional and Technical Services	24,257	10,125	34,382	34,187	195
Cleaning, Repair, and Maintenance Services	28,654	-	28,654	18,794	9,860
Lease Purchase Payments - Energy Savings	-	94,254	94,254	94,254	-
Other Purchased Property Services	18,445	(80)	18,365	14,421	3,944
Insurance	58,665	7,080	65,745	65,374	371
Misc. Purchased Services (400-500 Series)	3,500	-	3,500	3	3,497
General Supplies	103,185	(32,000)	71,185	69,322	1,863
Energy(Natural Gas)	121,000	(29,064)	91,936	73,686	18,250
Energy(Electricity)	535,000	(145,000)	390,000	388,041	1,959
Other Objects	1,200	-	1,200	375	825
Total Undistributed Expenditures - Other Operations and Maintenance of Plant	1,551,978	(89,700)	1,462,278	1,411,718	50,560
Undistributed Expenditures - Care & Upkeep of Grounds					
Salaries	27,622	1,300	28,922	28,175	747
Cleaning, Repair, and Maintenance Services	47,400	(1,300)	46,100	27,670	18,430
General Supplies	8,140	-	8,140	4,534	3,606
Total Undistributed Expenditures - Care & Upkeep of Grounds	83,162	-	83,162	60,379	22,783
Undistributed Expenditures - Security					
Salaries	65,023	8,847	73,870	72,448	1,422
Total Undistributed Expenditures - Security	65,023	8,847	73,870	72,448	1,422
Total Undistributed Expenditures Operations and Maintenance of Plant	3,587,384	(60,080)	3,527,304	2,521,752	1,005,552
Undist. Expend. - Student Transportation Serv.					
Salaries of Non-Instructional Aides	70,283	3,960	74,243	53,367	20,876
Sal. - Pup. Trans. (Bet. Home & School) - Reg.	86,010	2,992	89,002	77,010	11,992
Sal. - Pup. Trans. (Bet. Home & School) - Special Ed	61,228	9,500	70,728	66,426	4,302
Other Purchased Professional and Tech. Services	4,250	-	4,250	4,220	30
Cleaning, Repair, & Maint. Services	12,200	-	12,200	6,436	5,764
Rental Payments - School Buses	1,440	4,150	5,590	4,955	635
Contracted Services - (Bet. Home & School) - Vendors	832,190	35,000	867,190	851,448	15,742
Contracted Services - (Other than Home & Sch) - Vendors	94,673	520	95,193	70,209	24,984
Contr. Serv. - (Bet. Home & School) Joint Agrm.	4,502	-	4,502	-	4,502
Contr. Serv. - (Special Ed. Students) - Vendors	694,559	(173,002)	521,557	429,499	92,058
Contr. Serv. - (Spc Ed. Students) - Joint Agrmt	87,210	-	87,210	60,963	26,247
Contr. Serv. - Aid in Lieu Payments - NonPub School	66,300	(3,700)	62,600	52,894	9,706
Misc. Purchased Service - Transportation	32,400	(32,400)	-	-	-
General Supplies	-	32,400	32,400	15,222	17,178
Miscellaneous	6,700	-	6,700	1,143	5,557
Total Undistributed Expenditures - Student					

TOWNSHIP OF UPPER SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Transportation Services	2,053,945	(120,580)	1,933,365	1,693,792	239,573
Unallocated Benefits					
Social Security Contribution	235,000	14,000	249,000	247,701	1,299
Other Retirement Contributions - PERS	247,285	-	247,285	220,188	27,097
Workmen's Compensation	176,465	(15,000)	161,465	143,493	17,972
Health Benefits	2,958,320	(62,280)	2,896,040	2,559,502	336,538
Tuition Reimbursement	39,850	-	39,850	30,845	9,005
Other Employee Benefits	136,275	(9,150)	127,125	82,779	44,346
Total Unallocated Benefits	3,793,195	(72,430)	3,720,765	3,284,508	436,257
On-Behalf Contributions					
On-Behalf TPAF Pension Contribution (Non-Budgeted)	-	-	-	1,662,043	(1,662,043)
Reimbursed TPAF Social Security (Non-Budgeted)	-	-	-	761,900	(761,900)
Total On-Behalf Contributions	-	-	-	2,423,943	(2,423,943)
Total Personal Services - Employee Benefits	3,793,195	(72,430)	3,720,765	5,708,451	(1,987,686)
TOTAL UNDISTRIBUTED EXPENDITURES	26,164,381	(211,932)	25,952,449	26,067,394	(114,945)
TOTAL GENERAL CURRENT EXPENSE	36,708,897	(113,358)	36,595,539	36,017,004	578,535
CAPITAL OUTLAY					
Interest Deposit to Capital Reserve	-	-	-	-	-
Equipment					
Grades 1-5	14,999	-	14,999	14,999	-
Grades 6-8	-	28,950	28,950	3,950	25,000
Multiple Disabilities	9,406	-	9,406	9,406	-
Support Services - Related & Extraordinary	-	10,950	10,950	2,585	8,365
Undist. Expend. - Admin. Info. Tech. Equipment	17,231	20,260	37,491	17,144	20,347
Operation of Maintenance	17,000	46,648	63,648	54,225	9,423
School Buses - Special	-	-	-	-	-
Undist. Expend. - Non Instructional Services	-	6,550	6,550	6,550	-
Food Service	-	-	-	-	-
Total Equipment	58,636	113,358	171,994	108,859	63,135
Facilities Acquisition and Construction Services					
Construction Services	32,098	-	32,098	31,292	806
Other Objects	3,900	-	3,900	3,900	-
Total Facilities Acquisition and Construction Services	35,998	-	35,998	35,192	806
TOTAL CAPITAL OUTLAY	94,634	113,358	207,992	144,051	63,941
SPECIAL SCHOOLS					
Adult Education -Local- Instruction					
Salaries of Teachers	7,000	1,000	8,000	7,590	410
Other Purchased Services (400-500 Series)	800	-	800	445	355
General Supplies	1,000	-	1,000	320	680
Total Adult Education	8,800	1,000	9,800	8,355	1,445
Adult Education- Local- Support Services					
Salaries	6,000	(1,000)	5,000	-	5,000
Total Adult Education-Local-Support Serv.	6,000	(1,000)	5,000	-	5,000
TOTAL SPECIAL SCHOOLS	14,800	-	14,800	8,355	6,445
Transfer of Funds to Charter Schools	74,765	-	74,765	68,842	5,923
TOTAL EXPENDITURES	36,893,096	-	36,893,096	36,238,252	654,844
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,688,026)	-	(2,688,026)	799,347	(1,888,679)

TOWNSHIP OF UPPER SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
Other Financing Sources and Uses:					
Increase in Capital Reserve				(300,000)	(300,000)
Transfer to Capital Reserve				301,965	301,965
Interest Deposit to Capital Reserve				(1,965)	(1,965)
Increase in Maintenance Reserve				(150,000)	(150,000)
Transfer to Maintenance Reserve				150,000	150,000
Total Other Financing Sources:	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(2,688,026)	-	(2,688,026)	799,347	3,487,373
Fund Balance July 1	6,774,353		6,774,353	6,774,353	-
Fund Balance June 30	<u>\$ 4,086,327</u>	<u>-</u>	<u>4,086,327</u>	<u>7,573,700</u>	<u>3,487,373</u>
Restricted Fund Balance					
Excess Surplus - Designated for Subsequent Year's Expenditures				903,896	
Excess Surplus - Current Year				1,487,010	
Committed Fund Balance:					
Capital Reserve				1,355,003	
Maintenance Reserve				1,680,000	
Assigned Fund Balance					
Year-End Encumbrances				1,364,478	
Unassigned Fund Balance				<u>783,313</u>	
				7,573,700	
Reconciliation to Governmental Funds Statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				<u>(971,663)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>6,602,037</u>	

TOWNSHIP OF UPPER SCHOOL DISTRICT
Special Revenue Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Federal Sources	\$ 511,160	195,660	706,820	706,820	-
Total Revenues	<u>511,160</u>	<u>195,660</u>	<u>706,820</u>	<u>706,820</u>	<u>-</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	82,447	51,769	134,216	134,216	-
Other Salaries for Instruction				-	-
Purchased Professional and Technical Services				-	-
Tuition	390,273	88,900	479,173	479,173	-
Other Purchased Services (400-500 series)		-		-	-
General Supplies		21,223	21,223	21,223	-
Other Objects				-	-
Total Instruction	<u>472,720</u>	<u>161,892</u>	<u>634,612</u>	<u>634,612</u>	<u>-</u>
Support Services:					
Salaries of Other Professional Staff		-		-	-
Personal Services - Employee Benefits		27,934	27,934	27,934	-
Purchased Technical Services		-		-	-
Purchased Professional and Technical Services	38,440	(36,745)	1,695	1,695	-
Other Purchased Services (400-500 series)		15,049	15,049	15,049	-
Supplies & Materials		27,530	27,530	27,530	-
Total Support Services	<u>38,440</u>	<u>33,768</u>	<u>72,208</u>	<u>72,208</u>	<u>-</u>
Total Expenditures	<u>511,160</u>	<u>195,660</u>	<u>706,820</u>	<u>706,820</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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Notes to the Required Supplementary Information

**TOWNSHIP OF UPPER SCHOOL DISTRICT
Required Supplementary Information
Budget-to-GAAP Reconciliation
Note to Required Supplementary Information
For the Year Ended June 30, 2016**

Note A - Explanation of Differences Between Budgetary Inflows and Outflows GAAP Revenue and Expenditures

		General Fund		Special Revenue Fund
Sources / inflows of resources				
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	[C-1]	\$ 37,037,599	[C-2]	706,820
Difference - budget to GAAP:				
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.				(28,043)
The Final State Aid payment for the Year Ended June 30, 2015 that was delayed until July 2015 was recorded as budgetary revenue for the Year Ended June 30, 2015 but is not recognized under GAAP until the Year Ended June 30, 2016.		959,228		
The Final State Aid payment for the Year Ended June 30, 2016 that was delayed until July 2016 was recorded as budgetary revenue for the Year Ended June 30, 2016 but is not recognized under GAAP until the Year Ended June 30, 2017.		(971,663)		
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	37,025,164	[B-2]	678,777
Uses / outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	36,238,252	[C-2]	706,820
Difference - budget to GAAP:				
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for GAAP financial reporting purposes.				(28,043)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds.	[B-2]	\$ 36,238,252	[B-2]	678,777

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Required Supplementary Information – Part III

TOWNSHIP OF UPPER SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employee Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0240421488%	0.0268356223%
District's proportionate of the net pension liability (asset)	\$ 5,396,981	\$ 5,024,362
District's covered payroll	\$ 2,017,575	\$ 1,716,833
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	267.50%	292.65%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

TOWNSHIP OF UPPER SCHOOL DISTRICT
Schedule of District Contributions
Public Employee Retirement System
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 206,698	\$ 197,099
Contributions in relation to the contractually required contribution	<u>206,698</u>	<u>197,099</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 2,017,575	\$ 1,716,833
Contributions as a percentage of covered-employee payroll	10.24%	11.48%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period.
However, information is only currently available for two years.
Additional years will be presented as they become available.

TOWNSHIP OF UPPER SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.00%	0.00%
District's proportionate of the net pension liability (asset)	\$ -	\$ -
State's proportionate share of the net pension liability (asset) associated with the District	<u>61,681,017</u>	<u>51,101,385</u>
Total	<u>\$ 61,681,017</u>	<u>\$ 51,101,385</u>
District's covered payroll	\$ 10,444,234	\$ 9,517,531
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%

Source: GASB 68 report on Public Employees' Retirement System; District records

Note: This schedule is required by GASB 68 to be show information for a 10 year period. However, information is only currently available for two years. Additional years will be presented as they become available.

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Other Supplementary Information

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

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

	Title I Part A	Title IIA	IDEA	IDEA Preschool	Totals 2016
REVENUES:					
Federal Sources	\$ 183,373	44,274	462,803	16,370	706,820
Total Revenues	183,373	44,274	462,803	16,370	706,820
EXPENDITURES:					
Instruction:					
Salaries of Teachers	134,216				134,216
Tuition			462,803	16,370	479,173
General Supplies	21,223				21,223
Total Instruction	155,439	-	462,803	16,370	634,612
Support Services:					
Personal Services - Employee Benefits	27,934				27,934
Purchased Professional and Technical Services		1,695			1,695
Other Purchased Services (400-500 series)		15,049			15,049
Supplies & Materials		27,530			27,530
Total Support Services	27,934	44,274	-	-	72,208
Other Financing Sources (Uses)					
None	-	-	-	-	-
Total Expenditures	183,373	44,274	462,803	16,370	706,820
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	\$ -	-	-	-	-

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CAPITAL PROJECTS FUND DETAIL STATEMENTS

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by proprietary funds.

TOWNSHIP OF UPPER SCHOOL DISTRICT
Capital Projects Fund
Summary Statement of Project Expenditures
For the Fiscal Year Ended June 30, 2016

Project Title/Issue	Original Date	Appropriations	Expenditures to Date		Unexpended Balance June 30, 2016
			Prior Years	Current Year	
HVAC & Electrical Upgrades - Primary School	8/27/2014	\$ 3,316,233	209,295	2,700,274	406,664
		<u>\$ 3,316,233</u>	<u>209,295</u>	<u>2,700,274</u>	<u>406,664</u>

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

Revenues and Other Financing Sources	
State Sources	
School Construction Corporation Grant	\$ <u> -</u>
Total revenue	<u> -</u>
Expenditures and Other Financing Uses	
Purchased professional and technical services	29,424
Construction Services	<u>2,670,850</u>
Total expenditures	<u>2,700,274</u>
Deficiency of revenues over expenditures	(2,700,274)
Other Financing Sources/(Uses)	
Transfers in	-
Fund balance - beginning	<u>3,106,938</u>
Fund balance - ending	<u><u>\$ 406,664</u></u>

TOWNSHIP OF UPPER SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance,
and Project Status - Budgetary Basis
HVAC & Electrical Upgrades - Primary School
From Inception and for the Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State Sources				
School Development Authority	\$ 1,326,493	-	1,326,493	1,326,493
Bond proceeds and transfers				
Transfers from General Fund	1,989,740	-	1,989,740	1,989,740
Total revenue	<u>3,316,233</u>	<u>-</u>	<u>3,316,233</u>	<u>3,316,233</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	209,295	29,424	238,719	326,493
Construction services	-	2,670,850	2,670,850	2,989,740
Total expenditures	<u>209,295</u>	<u>2,700,274</u>	<u>2,909,569</u>	<u>3,316,233</u>
Excess of revenues over expenditures	<u>\$ 3,106,938</u>	<u>(2,700,274)</u>	<u>406,664</u>	<u>-</u>

Additional project information:

Project number	5340-055-14-1003
Grant date	8/27/2014
Bond authorization date	N/A
Bond authorized	N/A
Bonds issued	N/A
Original authorized cost	3,316,233
Additional authorized cost	-
Revised authorized cost	3,316,233
Percentage increase over original cost	0%
Percentage completion	88%
Original target completion date	9/30/2015
Revised target completion date	N/A

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FIDUCIARY FUNDS DETAIL STATEMENTS

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

Unemployment Compensation Fund - This Trust Fund is an expendable trust fund and limits expenses set aside for this purpose in current and prior budgets and contributions from employee withholding in prior years.

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

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

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

TOWNSHIP OF UPPER SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Fiduciary Net Position
June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Agency Funds</u>	<u>Totals</u>
ASSETS			
Cash and Cash Equivalents	\$ 61,299	93,127	154,426
Total Assets	<u>61,299</u>	<u>93,127</u>	<u>154,426</u>
LIABILITIES			
Payable to Student Groups	-	89,415	89,415
Payroll Deductions & Withholdings	<u>-</u>	<u>3,712</u>	<u>3,712</u>
Total Liabilities	<u>-</u>	<u>93,127</u>	<u>93,127</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 61,299</u>		61,299
Total Net Position			<u>61,299</u>
Total Liabilities and Net Position			<u>154,426</u>

TOWNSHIP OF UPPER SCHOOL DISTRICT
Fiduciary Funds
Combining Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Totals</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 31,962	31,962
Total Contributions	<u>31,962</u>	<u>31,962</u>
Investments Earnings:		
Interest	70	70
Net Investment Earnings	<u>70</u>	<u>70</u>
Total Additions	<u>32,032</u>	<u>32,032</u>
Deductions		
Unemployment Claims	10,847	10,847
Total Deductions	<u>10,847</u>	<u>10,847</u>
Change in Net Position	21,185	21,185
Net Position - Beginning of the Year	<u>40,114</u>	<u>40,114</u>
Net Position - End of the Year	<u>\$ 61,299</u>	<u>61,299</u>

TOWNSHIP OF UPPER SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Primary School	\$ 18,512	33,100	30,743	20,869
Elementary School	28,358	32,530	31,319	29,569
Middle School	30,178	95,173	86,374	38,977
Total Assets	<u>\$ 77,048</u>	<u>160,803</u>	<u>148,436</u>	<u>89,415</u>

TOWNSHIP OF UPPER SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
As of June 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS:				
Cash and Cash Equivalents	\$ 11,329	15,262,210	15,269,827	3,712
Total Assets	<u>11,329</u>	<u>15,262,210</u>	<u>15,269,827</u>	<u>3,712</u>
LIABILITIES:				
Payroll Deductions & Withholding	11,329	7,065,273	7,072,890	3,712
Net Pay	-	8,196,937	8,196,937	-
Total Liabilities	<u>\$ 11,329</u>	<u>15,262,210</u>	<u>15,269,827</u>	<u>3,712</u>

Statistical Section

UPPER TOWNSHIP SCHOOL DISTRICT
 Net Position by Component,
 Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets, net of related debt	8,308,249	8,450,065	7,916,718	7,732,637	8,349,822	8,162,119	8,925,047	10,389,753	10,665,433	9,989,674
Restricted	(30,285)	(24,887)	434,428	705,158	1,112,321	1,573,167	2,020,091	1,785,954	1,726,565	2,390,906
Unrestricted*	(138,029)	233,991	57,779	405,553	872,221	2,221,324	1,772,393	(1,714,209)	601,104	1,628,102
Total governmental activities net position	8,139,935	8,659,169	8,408,925	8,843,348	10,334,364	11,956,610	12,717,531	10,461,498	12,993,102	13,988,682
Business-type activities										
Invested in capital assets, net of related debt	16,295	11,639	6,984	4,968	6,868	5,211	3,555	1,898	536	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	90,256	93,929	59,900	71,506	68,826	127,240	203,389	278,538	348,969	456,641
Total business-type activities net position	106,551	105,568	66,884	76,474	75,694	132,451	206,944	280,436	349,505	456,641
District-wide										
Invested in capital assets, net of related debt	8,324,544	8,461,704	7,923,702	7,737,605	8,356,690	8,167,330	8,928,602	10,391,651	10,665,969	9,989,674
Restricted	(30,285)	(24,887)	434,428	705,158	1,112,321	1,573,167	2,020,091	1,785,954	1,726,565	2,390,906
Unrestricted	(47,773)	327,920	117,679	477,059	941,047	2,348,564	1,975,782	(1,435,671)	950,073	2,084,743
Total district net position	\$ 8,246,486	8,764,737	8,475,809	8,919,822	10,410,058	12,089,061	12,924,475	10,741,934	13,342,607	14,445,323

* - Restated Unrestricted in 2014 for the effects of GASB 68

UPPER TOWNSHIP SCHOOL DISTRICT
 Changes in Net Position,
 Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
Instruction:										
Regular	8,934,938	8,960,480	9,533,683	9,470,799	9,377,274	8,920,874	8,341,566	8,957,017	10,405,256	11,177,513
Special education	2,683,880	2,821,074	2,776,914	3,079,127	2,935,387	2,991,941	2,645,265	3,034,663	3,244,159	3,512,911
Other special education	660,483	760,661	875,847	1,163,909	905,708	761,682	733,037	883,008	1,220,260	1,332,906
Support Services:										
Tuition	13,755,502	14,465,731	13,301,431	13,342,810	12,549,057	12,167,396	13,741,490	10,023,586	10,005,740	11,635,035
Student & instruction related services	2,495,360	2,389,854	3,251,984	2,442,002	2,412,985	2,835,879	2,780,593	3,076,178	3,442,238	4,055,337
General administrative services	581,624	580,264	686,650	682,330	644,043	739,592	597,337	679,856	892,085	901,095
School administrative services	816,557	873,634	894,010	1,041,241	1,028,187	1,024,769	905,603	914,407	1,088,419	1,157,382
Business administrative services	419,376	470,226	550,180	716,448	643,626	682,479	567,572	622,911	719,734	778,196
Plant operations and maintenance	1,928,952	1,878,886	1,974,344	2,049,605	1,585,791	2,229,622	2,467,023	2,900,311	3,195,915	3,817,651
Pupil transportation	1,655,924	1,906,262	1,917,357	1,526,923	1,705,324	1,558,054	2,071,843	2,364,623	2,386,717	2,564,212
Capital Outlay							61,078	21,375	11,658	103,640
Special schools	36,300	36,121	29,286	26,197	8,332	17,284	14,755	15,590	13,517	12,651
Charter Schools	50,204	31,931	44,077	64,674	48,440	17,284	52,619	78,068	65,198	66,842
Interest on long-term debt	104,742	72,616	40,394	32,737	21,147	61,595	-	-	-	-
Total governmental activities expenses	34,124,842	35,247,740	35,876,157	35,638,802	33,865,302	33,961,167	34,979,781	33,571,593	36,690,896	41,117,381
Business-type activities:										
Food service	463,784	473,459	503,923	482,235	468,002	418,085	374,212	317,304	332,998	310,401
KEYS	156,319	164,539	175,579	163,819	154,359	165,905	157,116	165,287	164,184	189,216
Total business-type activities expenses	620,103	637,998	679,502	646,054	622,361	583,990	531,328	482,591	497,182	499,617
Total district expenses	34,744,945	35,885,738	36,555,659	36,284,856	34,487,663	34,545,157	35,511,109	34,054,184	37,188,078	41,616,998
Program Revenues										
Governmental activities:										
Charges for services:										
Pupil transportation	150,637	169,535	142,056	100,644	68,377	67,092	722,287	861,074	911,745	1,045,148
Operating grants and contributions	705,440	694,127	765,813	895,595	1,040,729	1,470,366	714,400	681,614	3,311,000	4,444,958
Capital grants and contributions	310,100	154,392	156,711	149,565	128,392	-	-	-	-	-
Total governmental activities program revenues	1,166,177	1,018,054	1,064,580	1,145,804	1,237,498	1,537,458	1,436,687	1,542,688	4,222,745	5,490,106
Business-type activities:										
Charges for services:										
Food service	353,488	332,642	325,746	330,419	318,736	289,624	239,783	212,886	212,071	210,350
KEYS	173,773	195,853	173,041	161,302	156,339	219,032	226,000	217,506	222,293	265,566
Operating grants and contributions	107,389	124,844	141,158	162,145	144,942	131,443	139,730	131,384	131,414	130,245
Total business-type activities program revenue	634,650	653,339	639,945	653,866	620,017	640,099	605,513	561,776	565,778	606,161
Total district program revenue	1,800,827	1,671,393	1,704,525	1,799,670	1,857,515	2,177,557	2,042,200	2,104,464	4,788,523	6,096,267
Net (Expense)/Revenue										
Governmental activities	(32,958,665)	(34,229,686)	(34,811,577)	(34,492,998)	(32,627,804)	(32,423,709)	(33,543,094)	(32,028,905)	(32,468,151)	(35,627,275)
Business-type activities	14,547	15,341	(39,557)	7,812	(2,344)	56,109	74,185	79,185	68,596	106,545
Total district-wide net expense	(32,944,118)	(34,214,345)	(34,851,134)	(34,485,186)	(32,630,148)	(32,367,600)	(33,468,909)	(31,949,720)	(32,399,555)	(35,520,731)

UPPER TOWNSHIP SCHOOL DISTRICT
 Changes in Net Position,
 Last Ten Fiscal Years
 (accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	18,592,003	19,667,131	20,882,604	21,717,908	21,683,008	22,100,328	21,928,000	22,813,892	22,975,000	23,200,000
Taxes levied for debt service	600,668	585,622	286,622	293,156	278,902	290,743	-	-	-	-
Unrestricted grants and contributions	11,335,346	12,132,135	12,541,736	11,762,715	11,812,942	10,830,328	11,854,449	11,598,394	11,894,785	13,310,259
Municipal Surplus	1,000,000	-	-	-	-	-	-	-	-	-
Tuition	650,766	668,999	681,701	649,545	820,274	773,600	-	-	-	-
Cancellation of Prior Year Accounts Payable	345,757	378,820	336,258	137,010	332,296	123,821	263,504	162,897	129,970	112,596
Miscellaneous income	8,383	12,000	20,000	1,000	-	-	-	-	-	-
Transfers	32,532,923	33,444,707	34,748,921	34,561,334	34,927,422	34,118,820	34,045,953	34,575,183	34,999,755	36,622,855
Total governmental activities										
Business-type activities:										
Investment earnings	4,292	5,211	3,678	1,871	1,778	1,563	649	361	473	591
Transfers	(14,383)	(12,000)	(20,000)	(1,000)	-	-	-	(6,052)	-	-
Total business-type activities	(10,091)	(6,789)	(16,322)	871	1,778	1,563	649	(5,691)	473	591
Total district-wide	32,522,832	33,437,918	34,732,599	34,562,205	34,929,200	34,120,383	34,046,602	34,569,492	35,000,228	36,623,446
Changes in Net Position	(425,742)	(784,979)	(62,656)	66,336	2,299,618	1,695,111	502,859	2,546,278	2,531,604	995,580
Governmental activities	4,456	8,552	(55,879)	8,683	(566)	57,672	74,834	73,494	69,069	107,136
Business-type activities	(421,286)	(776,427)	(118,535)	77,019	2,299,052	1,752,783	577,693	2,619,772	2,600,673	1,102,716
Total district										

Source: CAFR Schedule A-2

UPPER TOWNSHIP SCHOOL DISTRICT
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Restricted										
Committed	-	-	-	-	1,710,811	1,573,167	2,020,091	1,770,961	1,726,565	2,390,906
Assigned					807,503	1,125,003	1,725,003	2,225,003	2,586,803	3,035,003
Unassigned						1,759,877	773,610	1,348,884	1,501,757	1,176,128
Reserved	1,445,777	1,656,329	1,569,679	2,559,846				14,993	-	-
Unreserved	148,516	163,265	(341,728)	(879,200)						
Total general fund	1,594,293	1,819,594	1,227,951	1,680,646	2,518,314	4,458,047	4,518,704	5,359,841	5,815,125	6,602,037
All Other Governmental Funds										
Restricted										
Debt Service Fund	-	-	-	-	-	-	-	-	-	-
Committed									1,860,035	327,075
Assigned										
Unassigned										
Reserved										
Unreserved, reported in:					12,958					
Special revenue fund										
Capital projects fund	2,915	513	1,525	13,970						
Debt service fund										
Permanent fund		513	1,525	13,970	12,958	-	-	-	-	-
Total all other governmental funds	\$ 2,915	\$ 513	\$ 1,525	\$ 13,970	\$ 12,958	\$ -	\$ -	\$ -	\$ 1,860,035	\$ 327,075

Beginning with fiscal year ended June 30, 2011 the District was required to comply with GASB 54, which required a change in the method of presentation of fund balances.

Source: CAFR Schedule B-1

UPPER TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	20,252,753	21,169,226	22,011,064	21,961,910	22,391,071	21,928,000	22,366,560	22,813,892	22,975,000	23,200,000
Municipal Surplus	-	-	-	-	-	-	-	-	-	-
Tuition charges	748,289	760,990	728,835	899,564	773,600	701,995	666,363	669,893	838,772	962,741
Transportation charges	150,637	169,535	142,056	100,644	68,377	67,092	55,924	191,181	72,973	82,407
Miscellaneous	378,820	336,258	137,010	332,296	123,821	263,504	81,432	162,897	129,970	112,596
State sources	12,450,257	12,696,810	11,919,426	10,926,033	10,966,720	11,480,189	11,819,451	11,562,478	12,376,998	13,800,007
Federal sources	697,417	693,445	680,018	1,931,069	1,040,729	1,142,631	715,334	727,530	604,660	713,504
Local Sources				85,795	1,000					
Total revenue	34,678,173	35,826,264	35,618,409	36,237,311	35,357,318	35,583,411	35,705,064	36,117,871	37,000,373	38,871,255
Expenditures										
Instruction:										
Regular instruction	6,379,157	6,298,933	6,966,720	6,579,492	6,968,399	6,452,129	7,501,056	6,856,387	7,220,134	7,383,314
Special education instruction	2,086,369	2,188,737	2,208,734	2,374,628	2,258,803	2,135,144	2,211,028	2,289,941	2,251,099	2,320,456
Other special education instruction	470,468	540,257	641,990	807,595	662,264	549,066	612,705	666,314	846,730	880,452
Support Services:										
Tuition	13,755,502	14,754,407	14,296,649	13,502,293	12,549,057	12,167,396	11,485,737	10,023,586	10,005,740	11,635,035
Student & instruction related services	1,872,137	1,754,640	1,885,722	1,971,591	1,834,636	2,044,270	2,324,141	2,321,268	2,388,544	2,678,756
General administrative services	480,340	468,430	579,503	556,205	552,179	533,142	499,280	513,016	619,012	595,219
School administrative services	662,208	695,476	727,923	712,775	737,922	491,971	756,942	690,007	755,246	764,516
Business administrative services	303,616	348,120	366,962	509,634	471,356	738,715	474,402	470,046	499,418	514,038
Plant operations and maintenance	1,758,752	1,678,473	1,812,015	1,715,646	1,843,874	1,982,349	2,231,973	2,188,560	2,217,623	2,521,792
Pupil transportation	1,615,143	1,873,525	1,885,470	1,496,490	1,511,995	1,516,354	1,731,737	1,784,333	1,656,126	1,693,792
Unallocated employee benefits	4,330,639	4,413,828	4,246,639	4,644,423	4,347,255	4,612,836	5,026,739	4,912,030	5,238,519	5,708,451
Special schools	27,122	27,143	20,837	18,074	6,155	10,788	12,333	11,764	9,380	8,355
Charter Schools	50,204	31,931	44,077	64,674	48,440	61,595	52,619	78,068	65,198	68,842
Capital outlay	84,477	106,049	133,719	317,633	317,180	360,883	1,490,683	2,471,414	912,285	2,844,325
Debt service:										
Principal	777,000	363,000	387,580	375,000	399,000	-	-	-	-	-
Interest and other charges	1,18,722	80,416	61,274	41,022	21,147	-	-	-	-	-
Total Expenditures	34,771,856	35,623,365	36,295,834	35,687,375	34,519,662	33,656,638	36,411,375	35,276,734	34,685,054	39,617,303
Excess (Deficiency) of revenues over (under) expenditures	(93,683)	202,899	(677,425)	549,936	837,656	1,926,773	(706,311)	841,137	2,315,319	(746,048)
Other Financing Sources (Uses)										
Bond and Lease Proceeds	-	-	-	-	-	-	-	-	-	-
Transfers	12,000	20,000	1,000	1,000	-	-	731,330	-	-	-
Cancellation of Prior Year Accounts Payable	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	12,000	20,000	1,000	1,000	-	-	766,968	-	-	-
Net change in fund balances	\$(81,683)	222,899	(676,425)	550,936	837,656	1,926,773	60,657	841,137	2,315,319	(746,048)
Debt service as a percentage of noncapital expenditures	3%	1%	1%	1%	1%	0%	0%	0%	0%	0%

Source: CAFR Schedule B-2

UPPER TOWNSHIP SCHOOL DISTRICT
General Fund Other Local Revenue by Source,
Last Ten Fiscal Years
Unaudited

Fiscal Year Ended June 30,	Municipal Surplus	Tuition Revenue	Transportation Revenue	Interest on Investments	Community Education Fees	Miscellaneous	Totals
2007	-	748,289	150,637	258,728	25,609	94,483	1,277,746
2008	-	760,990	169,535	185,469	21,475	129,313	1,266,782
2009	-	728,835	142,056	77,536	21,144	38,330	1,007,901
2010	-	899,564	100,644	98,543	27,197	206,556	1,332,504
2011	-	773,600	68,377	65,876	10,561	47,384	965,798
2012	-	701,995	67,092	31,599	19,683	212,214	1,032,583
2013	-	666,363	55,924	12,337	15,201	81,432	831,257
2014	-	669,893	191,181	12,060	12,151	138,686	1,023,971
2015	-	838,772	72,973	13,771	14,042	102,157	1,041,715
2016	-	962,741	82,407	-	-	112,596	1,157,744

Source: District Records

UPPER TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Regular	Q Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Total District School Tax Rate	Estimated County Equalized Value
2007	116,926,300	1,899,588,000	10,865,700	520,000	185,939,000	25,986,700	1,246,700	2,241,072,400	6,944,408	2,248,016,808	0.944	2,034,823,426
2008	106,083,800	1,916,690,500	14,202,100	531,400	194,482,400	25,986,700	1,246,700	2,259,223,600	6,985,529	2,266,209,129	0.972	2,190,231,314
2009	100,064,300	1,914,369,900	13,379,300	441,900	198,697,500	24,019,300	1,369,500	2,252,341,700	6,696,647	2,259,038,347	0.974	2,224,974,513
2010	90,746,500	1,897,263,600	14,681,600	1,487,200	204,273,800	24,019,300	1,115,200	2,233,587,200	6,688,992	2,240,276,192	0.980	2,209,366,894
2011	89,391,100	1,901,222,300	13,167,600	455,500	204,294,500	24,019,300	1,115,200	2,233,665,500	6,327,264	2,239,992,764	0.979	2,180,136,713
2012	83,753,100	1,885,358,600	12,790,900	466,700	203,823,700	24,019,300	1,132,200	2,211,344,500	6,237,698	2,217,582,198	1.009	2,121,045,983
2013	79,424,700	1,862,085,800	13,171,400	495,700	200,508,000	24,019,300	1,404,600	2,181,109,500	5,122,905	2,186,232,405	1.044	1,999,140,912
2014	75,968,300	1,840,681,400	12,545,300	511,700	198,419,400	24,019,300	3,279,300	2,155,424,700	4,322,083	2,159,746,783	1.064	1,901,835,701
2015	67,165,500	1,487,098,100	10,247,300	525,300	197,528,800	16,982,600	2,224,500	1,761,762,100	4,411,317	1,766,193,417	1.299	1,933,545,482
2016	67,137,400	1,492,490,400	8,029,200	502,200	198,925,300	16,982,600	2,049,500	1,786,126,600	4,097,961	1,790,224,561	1.322	1,940,116,125

R = Revaluation

Source: County Abstract of Ratables & Municipal Tax Assessor

UPPER TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	UPPER TOWNSHIP SCHOOL DISTRICT			Overlapping Rates				Total Direct and Overlapping Tax Rate
	Basic Rate	General		County General	County Library	County Open Space	Municipal Local Purpose	
		Obligation Debt Service	Total Direct					
2007	0.917	0.027	0.944	0.137	0.028	0.011	-	1.120
2008	0.946	0.026	0.972	0.147	0.029	0.010	-	1.158
2009	0.961	0.013	0.974	0.160	0.029	0.010	-	1.173
2010	0.967	0.013	0.980	0.160	0.029	0.010	-	1.179
2011	0.967	0.012	0.979	0.177	0.029	0.010	0.094	1.289
2012	0.996	0.013	1.009	0.184	0.028	0.010	0.094	1.325
2013	1.043	-	1.043	0.186	0.027	0.010	0.094	1.360
2014	1.063	-	1.063	0.184	0.026	0.009	0.125	1.407
2015	1.299	-	1.299	0.232	0.032	0.011	0.151	1.725
2016	1.322	-	1.322	0.236	0.032	0.011	0.171	1.772

Source: District Records and Municipal Tax Collector

**UPPER TOWNSHIP SCHOOL DISTRICT
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Taxpayer	2016				2007			
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value		
RC Cape May Holdings, LLC	24,019,300	1	1.34%					
SP Marmora, LLC (Shoprte)	9,691,400	2	0.54%					
Ocean Sands Resort Assoc., Inc.	7,532,000	3	0.42%					
Ruth Management, LLC	5,668,400	4	0.32%					
Acme #7835	5,502,700	5	0.31%					
Individual Property owner # 1	5,500,000	6	0.31%					
Individual Property owner # 2	5,256,500	7	0.29%					
All Seasons Marina	4,564,600	8	0.25%					
Nugent Enterprises Inc	4,038,100	9	0.23%					
Pine Hill Trailer Park Inc	3,741,200	10	0.21%					
Totals	\$ 75,514,200			\$ -			0.00%	
				District Assessed Value		\$ 1,790,224,561		\$ 2,248,016,808

Source: District CAFR & Municipal Tax Assessor

**UPPER TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	20,252,753.00	20,252,753.00	100%	-
2008	21,169,226.00	21,169,226.00	100%	-
2009	22,011,064.00	22,011,064.00	100%	-
2010	21,961,910.00	21,961,910.00	100%	-
2011	22,391,071.00	22,391,071.00	100%	-
2012	21,928,000.00	21,928,000.00	100%	-
2013	22,366,560.00	22,366,560.00	100%	-
2014	22,813,892.00	22,813,892.00	100%	-
2015	22,975,000.00	22,975,000.00	100%	-
2016	23,200,000.00	23,200,000.00	100%	-

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

UPPER TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income	Per Capita Personal Income *
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2007	1,499,000	336,812	38,580	1,874,392	0.00892%	44,360
2008	1,149,000	223,592	25,580	1,398,172	0.00902%	46,747
2009	774,000	828,430	-	1,602,430	0.00907%	46,005
2010	399,000	592,413	-	991,413	0.00808%	47,498
2011	-	75,354	-	75,354	0.00814%	46,329
2012	-	30,380	-	30,380	0.00814%	47,498
2013	-	129,165	-	129,165	0.00817%	48,694
2014	-	-	-	-	0.00821%	52,276
2015	-	-	-	-	0.00826%	53,932
2016	-	-	-	-	0.00832%	51,912

* = Data shown is for the entire County of Cape May.

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

UPPER TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property	Per Capita Personal Income
	General Obligation Bonds	Deductions			
2007	\$ 1,499,000	\$	\$ 1,499,000	\$ 0.07%	\$ 44,360
2008	1,149,000		1,149,000	0.05%	46,747
2009	774,000		774,000	0.03%	46,005
2010	399,000		399,000	0.02%	47,498
2011	-		-	0.00%	46,329
2012	-		-	0.00%	47,498
2013	-		-	0.00%	48,694
2014	-		-	0.00%	52,276
2015	-		-	0.00%	53,932
2016	-		-	0.00%	51,912

**UPPER TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt,
As of June 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
Township of Upper	\$ 5,230,600	100.00%	\$ 5,230,600
Other Debt			
County of Cape May	\$ 181,290,405	4.07%	7,378,383
Subtotal, Overlapping Debt			12,608,983
School District Direct Debt			-
Total Direct and Overlapping Debt			\$ 12,608,983

UPPER TOWNSHIP SCHOOL DISTRICT
 Legal Debt Margin Information,
 Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	51,421,061	58,973,630	64,591,216	66,276,248	66,325,461	65,362,088	63,339,605	60,758,885	58,657,989	57,750,454
Total net debt applicable to limit	1,149,000	774,000	399,000	-	-	-	-	-	-	-
Legal debt margin	\$ 50,272,061	58,199,530	64,192,216	66,276,248	66,325,461	65,362,088	57,824,530	60,758,885	57,750,454	57,750,454
Total net debt applicable to the limit as a percentage of debt limit	2.23%	1.31%	0.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Equalized valuation basis	
2015	\$ 1,930,215,686
2014	1,925,345,869
2013	1,919,483,851
	<u>\$ 5,779,045,406</u>

Average equalized valuation of taxable property	
	\$ 1,925,015,135

Debt limit (3% of average)	
Net bonded school debt	57,750,454
Legal debt margin	<u>57,750,454</u>

Source: Abstract of Rates and District Records.

UPPER TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Rate
2007	11,206	497,098	44,360	2.0%
2008	11,089	518,377	46,747	1.9%
2009	11,030	507,435	46,005	2.4%
2010	12,371	587,598	47,498	3.5%
2011	12,286	569,198	46,329	3.7%
2012	12,286	583,560	47,498	3.9%
2013	12,247	596,355	48,694	4.2%
2014	12,187	637,088	52,276	9.5%
2015	12,113	653,278	53,932	8.0%
2016	12,014	623,671	51,912	7.6%

UPPER TOWNSHIP SCHOOL DISTRICT
Principal Employers,
Current Year and Nine Years Ago

Employer	2016			2007		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment

This information is not Available

UPPER TOWNSHIP SCHOOL DISTRICT
 Full-time Equivalent District Employees by Function/Program,
 Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Function/Program										
Instruction:										
Regular instruction	101	103	101	93	93	94	96	99	111	111
Special education instruction	35	38	39	48	46	40	38	42	30	32
Support Services:										
Student & instruction related services	30	28	27	23	24	26	31	37	43	43
General administrative services	4	4	4	3	3	3	3	3	3	3
School administrative services	12	12	12	12	13	12	12	11	11	11
Business administrative services	5	6	6	6	6	7	6	6	6	6
Plant operations and maintenance	32	32	31	32	33	32	25	29	31	31
Pupil transportation	3	2	2	2	2	4	4	8	10	10
Child Care	1	1	1	1	1	1	1	1	1	1
Total	223	226	223	220	221	219	216	236	246	248

Source: District Personnel Records

UPPER TOWNSHIP SCHOOL DISTRICT
Operating Statistics,
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Enrollment	Operating Expenditures	Cost per Pupil	% Change	Teaching Staff	Pupil/Teacher Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
						Primary School	Elementary School	Middle School				
2007	2,505	35,073,900	14,002	2.22%	143	12:1	11:1	1,588	1,503	-3.44%	94.65%	
2008	2,387	35,713,261	14,962	6.86%	120	13:1	14:1	1,573	1,490	-0.94%	94.72%	
2009	2,302	34,953,720	15,184	1.49%	118	12:1	13:1	1,529	1,447	-2.80%	94.64%	
2010	2,212	33,782,335	15,272	0.58%	121	13:1	11:1	1,472	1,392	-3.73%	94.57%	
2011	2,161	33,295,755	15,408	0.89%	118	11:1	11:1	1,434	1,352	-2.58%	94.28%	
2012	2,149	34,920,692	16,250	5.47%	117	11:1	11:1	1,407	1,340	-1.88%	95.24%	
2013	2,051	32,805,320	15,995	-1.57%	114	11:1	11:1	1,404	1,324	-0.21%	94.30%	
2014	2,025	33,772,769	16,678	4.27%	118	12:1	12:1	1,369	1,326	-2.49%	96.86%	
2015	2,079	36,772,978	17,688	6.06%	117	12:1	12:1	1,408	1,341	2.85%	95.24%	
2016	2,040	36,772,978	18,026	1.91%	120	12:1	12:1	1,423	1,366	1.07%	95.29%	

Source: District records

UPPER TOWNSHIP SCHOOL DISTRICT
School Building Information,
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Buildings</u>										
<u>Elementary</u>										
Primary School - 1990										
Square Feet	84,825	84,825	84,825	84,825	84,825	84,825	84,825	84,825	84,825	84,825
Capacity (students)	613	613	613	613	613	613	613	613	613	613
Enrollment	497	475	465	481	456	471	398	464	487	498
Elementary School - 1952										
Square Feet	69,607	69,607	69,607	69,607	69,607	69,607	69,607	69,607	69,607	69,607
Capacity (students)	488	488	488	488	488	488	488	488	488	488
Enrollment	432	444	417	411	386	471	428	423	458	440
<u>Middle School</u>										
Middle School - 1973										
Square Feet	94,264	94,264	94,264	94,264	94,264	94,264	94,264	94,264	94,264	94,264
Capacity (students)	652	652	652	652	652	652	652	652	652	652
Enrollment	594	581	563	514	518	496	482	478	475	485
<u>Other</u>										
Modular Classrooms (4)										
Square Feet	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Capacity (students)	80	80	80	80	80	80	80	80	80	80
Enrollment	71	78	67	71	74	-	-	-	-	-

Number of Schools at June 30, 2015

- Elementary - 2
- Middle - 1
- Other - 0

Source: District Records, ASSA

UPPER TOWNSHIP SCHOOL DISTRICT
General Fund
Schedule of Required Maintenance for School Facilities,
Last Ten Fiscal Years
(Unaudited)

Undistributed Expenditures - Required Maintenance for School Facilities

School Facilities	Project# (s)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Primary School	N/A	116,297	110,601	144,610	99,382	206,273	356,870	221,526	225,519	319,101	420,199
Elementary School	N/A	106,190	68,976	128,477	97,469	104,114	171,895	414,516	262,457	100,976	136,809
Middle School	N/A	124,245	134,471	165,950	131,230	114,085	115,736	124,429	218,770	316,428	420,199
Total School Facilities		346,732	314,048	439,037	328,081	424,472	644,501	760,471	706,746	736,505	977,207
Other Facilities	N/A	5,606	5,417	15,468	-	-	-	-	-	-	-
Grand Total		352,338	319,465	454,505	328,081	424,472	644,501	760,471	706,746	736,505	977,207

Source: District Records

UPPER TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Type of Coverage	Amount of Coverage	Deductible
School Package Policy		
Property - Blanket Buildings & Contents	\$ 43,898,901	\$ 5,000
Comprehensive General Liability	6,000,000	
Commercial Auto	6,000,000	1,000
Legal Liability	2,000,000	
Commercial Crime	50,000	1,000
Abuse or Molestation Liability Coverage	6,000,000	
Earthquake and Flood	10,000,000	10,000
School Board Legal Liability	1,000,000	5,000
Workers Compensation	2,000,000	
Commercial Excess Liability	6,000,000	
Environmental Impairment Liability	1,000,000	
Student Accident Coverage	1,000,000	

Source: District Records

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Single Audit Section



FORD - SCOTT

& ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

1535 HAVEN AVENUE • OCEAN CITY, NJ • 08226

PHONE 609.399.6333 • FAX 609.399.3710

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Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Township of Upper School District
County of Cape May
Upper Township, New Jersey

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 Township of Upper School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Township of Upper School District's basic financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

November 22, 2016



FORD - SCOTT

& ASSOCIATES, L.L.C.

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Independent Auditor's Report

Honorable President and
Members of the Board of Education
Township of Upper School District
County of Cape May, New Jersey

Report on Compliance for Each Major State Program

We have audited the Township of Upper School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular Uniform Guidance Compliance Supplement* and the New Jersey *State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Township of Upper School District's major federal and state programs for the year ended June 30, 2016. The Township of Upper 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 Township of Upper 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; OMB *Circular Uniform Guidance*; and New Jersey 15-08 *State Aid/Grant Compliance Supplement*. Those standards and Circulars require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Township of Upper 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 Township of Upper School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Township of Upper 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 major federal and state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Township of Upper 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 Township of Upper 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 OMB Circular Uniform Guidance and NJ OMB 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 Township of Upper School District's internal control over compliance.

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

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

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

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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Michael S. Garcia
Michael S. Garcia
Certified Public Accountant
Licensed Public School Accountant
No. 2080

November 22, 2016

TOWNSHIP OF UPPER 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 From	Grant Period To	Balance at June 30, 2015	Carryover/ (Walkover) Amount	Cash Received	Source		Total	Balance at June 30, 2016	
										Pass Through	Direct		(Accounts Receivable)	Deferred Revenue
U.S. Department of Education														
Passed-Through State Department														
Education:														
General Fund:														
Medical Assistance Program (SEMI)	93.778	1605NJ5MAP	N/A	\$ 34,727	7/1/2015	6/30/2016	-	-	34,727	(34,727)	(34,727)	-	-	-
Total General Fund									34,727	(34,727)	(34,727)	-	-	-
U.S. Department of Education														
Passed-Through State Department														
Education:														
Special Revenue Fund:														
Title I														
Title I	84.010	S010A150030	NCLB 15	96,997	7/1/2014	6/30/2015	(27,816)	-	27,816	(183,373)	(183,373)	-	(82,175)	-
Title I	84.010	S010A150030	NCLB 16	183,373	7/1/2015	6/30/2016	-	-	101,198	(183,373)	(183,373)	-	(82,175)	-
Title IA	84.367A	S010A150029	NCLB 15	45,224	7/1/2014	6/30/2015	(32,667)	-	32,667	(44,274)	(44,274)	-	(9,284)	-
Title IA	84.367A	S010A150029	NCLB 16	44,274	7/1/2015	6/30/2016	-	-	34,990	(44,274)	(44,274)	-	(9,284)	-
ID.E.A. Part B, Basic Regular	84.027A	S027A150100	FT-0110	443,326	7/1/2014	6/30/2015	(88,757)	-	88,757	(462,803)	(462,803)	-	-	-
ID.E.A. Part B, Basic Regular	84.027A	S027A150100	FT-0110	462,803	7/1/2015	6/30/2016	-	-	462,803	(462,803)	(462,803)	-	-	-
ID.E.A. Part B, Preschool	84.173	S173A150114	FT-0110	15,934	7/1/2014	6/30/2015	(3,187)	-	3,187	(16,370)	(16,370)	-	-	-
ID.E.A. Part B, Preschool	84.173	S173A150114	FT-0110	16,370	7/1/2015	6/30/2016	-	-	16,370	(16,370)	(16,370)	-	-	-
ARRA I.D.E.A. Part B, Basic Regular	84.391	N/A	FT-0110	521,045	7/1/2009	8/31/2011	-	-	115	-	-	-	-	115
Total Special Revenue Fund							(152,427)	-	767,903	(706,820)	(706,820)	-	(91,459)	115
U.S. Department of Education														
Passed-through State Department														
of Education:														
Enterprise Fund:														
National School Lunch Program	10.555	16161NJ304N1099	N/A	89,516	7/1/2014	6/30/2015	(18,838)	-	18,838	-	-	-	-	-
National School Breakfast Program	10.553	16161NJ304N1099	N/A	10,004	7/1/2014	6/30/2015	(2,436)	-	2,436	-	-	-	-	-
National School Lunch Program	10.555	16161NJ304N1099	N/A	81,446	7/1/2015	6/30/2016	-	-	65,759	(81,446)	(81,446)	-	(15,687)	-
National School Breakfast Program	10.553	16161NJ304N1099	N/A	7,917	7/1/2015	6/30/2016	-	-	5,975	(7,917)	(7,917)	-	(1,942)	-
Food Distribution Program	10.550	16161NJ304N1099	N/A	33,356	7/1/2015	6/30/2016	-	-	33,356	(33,356)	(33,356)	-	-	-
Total Enterprise Fund							(21,274)	-	126,364	(122,719)	(122,719)	-	(17,629)	-
Total Federal Financial Awards							\$ (173,701)	-	928,994	(864,266)	(864,266)	-	(109,088)	115

TOWNSHIP OF UPPER 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		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2016		Cumulative Total Expenditures
			From	To	Deferred Revenue (Accts Receivable)	Due to Grantor						(Accounts Receivable) June 30, 2016	Due to Grantor at	
State Department of Education														
General Fund:														
Special Education: Categorical Aid	16-495-004-5120-098 \$	1,098,835	7/1/2015	6/30/2016				(1,098,835)						1,098,835
Special Education: Categorical Aid	16-495-004-5120-076	4,307,772	7/1/2015	6/30/2016				(4,307,772)						4,307,772
Security Aid	16-495-004-5120-084	164,852	7/1/2015	6/30/2016				(164,852)						164,852
Adjustment Aid	16-495-004-5120-085	2,640,282	7/1/2015	6/30/2016				(2,640,282)						2,640,282
School Choice Aid	16-495-004-5120-068	417,360	7/1/2015	6/30/2016				(417,360)						417,360
PARCC Readiness	16-495-004-5120-098	19,270	7/1/2015	6/30/2016				(19,270)						19,270
Per Pupil Growth Aid	16-495-004-5120-097	19,270	7/1/2015	6/30/2016				(19,270)						19,270
Categorical Transportation Aid	16-100-004-5120-014	1,445,583	7/1/2015	6/30/2016				(1,445,583)						1,445,583
Extraordinary Aid	16-100-004-5120-473	110,972	7/1/2014	6/30/2015				(98,197)			(98,197)			110,972
Additional Transportation Aid	16-100-004-5120-473	98,197	7/1/2015	6/30/2016				(98,197)						98,197
Additional Transportation Aid	16-100-004-5120-473	15,250	7/1/2015	6/30/2016				(7,830)			(7,830)			15,250
Reimbursed TPAF Social Security Contributions	15-495-004-5095-003	752,709	7/1/2014	6/30/2015				(752,709)						752,709
Reimbursed TPAF Social Security Contributions	16-495-004-5095-003	761,900	7/1/2015	6/30/2016				(761,900)			(37,075)			761,900
Total General Fund					\$ (182,796)			(11,000,845)	(10,982,451)		(144,192)			11,861,082
Capital Projects Fund:														
School Facilities Grant Program - Regular														
Operating Districts (ROD)	5340-065-04-00K1	1,326,493	8/27/2014	9/30/2015					(1,167,314)					1,167,314
Total Capital Projects Fund					(79,690)				(1,167,314)					1,167,314
State Department of Agriculture:														
Enterprise Fund:														
National School Lunch Program (State Share)	15-100-010-3360-023	3,373	7/1/2014	6/30/2015				709	(3,172)					3,373
National School Lunch Program (State Share)	16-100-010-3360-023	3,172	7/1/2015	6/30/2016				2,602	(3,172)		(570)			3,172
Total Enterprise Fund					(709)			709	(3,172)					6,545
Total State Financial Assistance					\$ (243,095)			11,004,156	(12,152,637)		(1,391,579)			13,034,941

**TOWNSHIP OF UPPER SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016**

NOTE 1. GENERAL

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Township of Upper School District. The Board of Education is defined in Note 1 (A) to the Board's basic financial statements. All federal and state assistance 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 federal financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (D) to the Board's basic financial statements. The District has elected not to use the 10% de minimis indirect cost rate.

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 revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003,c.97 (A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,649,608 for the general fund and (\$28,043) for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

**TOWNSHIP OF UPPER SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016**

	<u>General fund</u>	<u>Capital Projects fund</u>	<u>Food service fund</u>	<u>Total</u>
State Assistance:				
Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of State Financial Assistance	\$ 10,982,151	1,167,314	3,172	12,152,637
Difference – budget to "GAAP"				
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes	959,228			959,228
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(971,663)			(971,663)
On behalf payments recognized for GAAP purposes but not included on the Schedule of Expenditures of State Financial Assistance	1,662,043			1,662,043
Total State revenue as reported on the statement of revenues, expenditures and changes in fund balances	<u>\$ 12,631,759</u>	<u>1,167,314</u>	<u>3,172</u>	<u>13,802,245</u>

**TOWNSHIP OF UPPER SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service Fund</u>	<u>Total</u>
Federal Assistance:				
Actual amounts (budgetary) "revenues" from the Schedule of Expenditures of Federal Awards	\$ 34,727	706,820	122,719	864,266
Difference - budget to "GAAP" Grant accounting budgetary basis differs from "GAAP" in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(28,043)		(28,043)
Total Federal revenue as reported on the statement of revenue, expenditures, and changes in fund balance	<u>\$ 34,727</u>	<u>678,777</u>	<u>122,719</u>	<u>836,223</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. OTHER

Revenues and expenditures reported under the U.S.D.A. Commodities Program represent current year value received and current year distributions respectively. 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.

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

Section I -- Summary of Auditor's Results

Financial Statement

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

Federal Awards

Internal Control over major programs:				
• Material weakness(es) identified?	<hr/>	yes	<hr/> <u> X </u>	no
• Significant deficiency(ies) identified?	<hr/>	yes	<hr/> <u> X </u>	none reported
Type of auditor's report issued on compliance for major programs			Unmodified	
<hr/>				
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<hr/>	yes	<hr/> <u> X </u>	no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<hr/> <u>84.027</u>	<hr/> <u>IDEA Part B - Basic</u>
<hr/> <u>84.173</u>	<hr/> <u>IDEA Part B - Preschool</u>
<hr/>	<hr/>
<hr/>	<hr/>
<hr/>	<hr/>

Dollar Threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	<hr/> <u> X </u>	yes		no
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**TOWNSHIP OF UPPER SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDING JUNE 30, 2016**

Part 2 – Schedule of Financial Statement Findings

NONE

Part 3 – Federal Awards and State Financial Assistance Findings and Questioned Costs

NONE

STATUS OF PRIOR YEAR FINDINGS

NONE