

SCHOOL DISTRICT
OF
WASHINGTON BOROUGH

Washington Borough School District
Board of Education
Washington, Warren County
New Jersey

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

Comprehensive Annual

Financial Report

of the

**Washington Borough School District
Board of Education**

Washington, New Jersey

For the Fiscal Year Ending June 30, 2016

Prepared by

Washington Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

WASHINGTON BOROUGH PUBLIC SCHOOLS
Lance S. Rozsa, Superintendent of Schools
Tim Mantz, Business Administrator

Memorial School ~ 300 West Stewart Street ~ Washington, NJ 07882
Tel (908) 689-0241 ~ Fax (908) 689-8269
Taylor Street School ~ 16-24 Taylor Street ~ Washington, NJ 07882
Tel (908) 689-0091 ~ Fax (908) 689-8273

Honorable President and
Members of the Board of Education
Washington Borough School District
Warren County, Washington, N.J. 07882

August 31, 2016

Dear Board Members:

The comprehensive annual financial report of the Washington Borough 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 (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to fairly present 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: introduction, 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 general purpose financial statements and schedules, as well as the auditor's report there on. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This District is required to under go an annual single audit in conformity with the provisions of the single Audit Action of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments" and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aide Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws, regulations, findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Washington Borough School District is an independent reporting entity within the criteria adopted by the GASB as

established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Washington Borough Board of Education and all of its schools constitute the District's reporting entity.

The District provided a full range of educational services appropriate to grade level K through 6. This included regular, as well as special education for handicapped youngsters. The District completed the 2015-16 fiscal year with an enrollment of 548 students. The following details the changes in the student enrollment of the District over the last twenty years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
1994-95	633	1.85%
1995-96	661	4.50%
1996-97	658	(.99%)
1997-98	653	(.078%)
1998-99	635	(2.71%)
1999-00	629	(.99%)
2000-01	622	(1.1%)
2001-02	604	(1.0%)
2002-03	594	(.98%)
2003-04	560	(5.80%)
2004-05	499	(10.78%)
2005-06	505	1.14%
2006-07	520	1.05%
2007-08	513	(1.36%)
2008-09	546	6.5%
2009-10	551	5.0%
2010-11	543	(4.34%)
2011-12	556	2.4%
2012-13	550	(1.08%)
2013-14	560	1.8%
2014-15	566	1.07%
2015-16	548	(3.18%)

2) **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 the generally accepted accounting principles (GAAP).

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that:

- (1) The cost of control should not exceed the benefits likely to be derived:
- (2) The valuation of costs and benefits requires estimated 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 description earlier, test 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.

3) **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 votes of the municipality.

Annual appropriated budgets are adopted for the general fund, project length budgets are approved to the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

4) **ACCOUNTING SYSTEM AND REPORTS:** The districts account records reflect generally accepted account principals, as promulgated by the governmental accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account programs. These funds and account groups.

5) **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.

6) **DEBT ADMINISTRATION:** At June 30, 2016 the district's outstanding debt is \$ 3,468,956.

7) **CASH MANAGEMENT:** The investment policy of the district is guided in large part by state a statute as detailed in Notes of the Financial Statements, Note 2. The District had adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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.

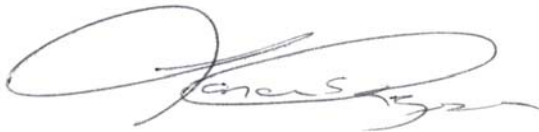
10) **OTHER INFORMATION**:

(A) Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The accounting firm of Ardito and Company, L.L.P., Accountants and Auditors was appointed by the Washington Borough Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining 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 Washington Borough Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial accounting and secretarial staff.

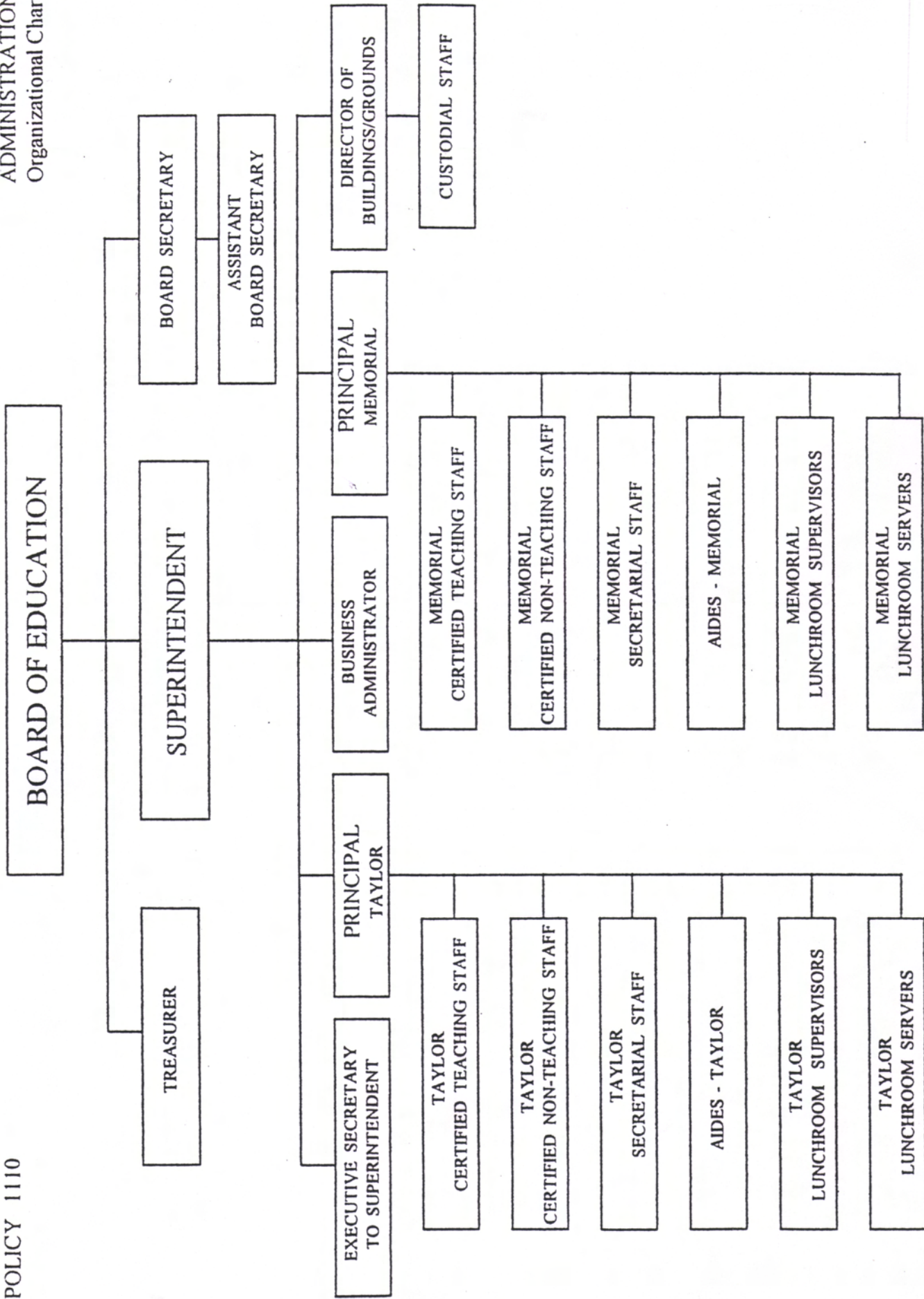
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lance S. Rozsa". The signature is fluid and cursive, with a large initial "L" and "R".

Mr. Lance S. Rozsa, Superintendent

A handwritten signature in black ink, appearing to read "Tim Mantz". The signature is fluid and cursive, with a large initial "T" and "M".

Tim Mantz, Business Administrator/Board Secretary



* The Board Attorney, while not represented on organizational chart, reports directly to the Board of Education.

WASHINGTON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION

ROSTER OF OFFICIALS

June 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Christopher Reyes, <i>President</i>	2017
Maryanne Andreula, <i>Vice-President</i>	2017
Melissa Vitalos	2018
Bartley Howley	2017
Katherine Moore	2018
Kristin Dufner	2018
Kathy Albrecht	2016
Lisa Eller	2016
Michelle Wydner	2016

Other Officials

Lance S. Rozsa, *Superintendent*

Tim Mantz, *Business Administrator/Board Secretary*

Cindy L. Hanics, *Treasurer*

John M. Zaiter, Esquire, *Solicitor*

**WASHINGTON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHITECT

The Spiegle Architectural Group
120 Sanhican Drive
Trenton, NJ 08618

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192

ATTORNEY

BROSCIOUS & FISCHER
111 West Washington Avenue
P.O. Box 230
Washington, New Jersey 07882

OFFICIAL DEPOSITORIES

PNC Bank
Washington, New Jersey 07882

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Washington Borough School District
County of Warren
Washington, New Jersey 07882

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Washington Borough School District Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

-Continued-

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend information as 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 Washington Borough School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

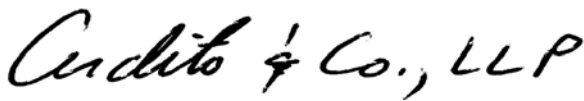
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

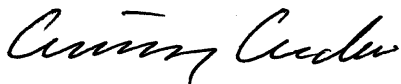
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Washington Borough School District Board of Education'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
August 31, 2016



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

WASHINGTON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

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

Financial Highlights

Key financial highlights for 2016 are as follows:

- ◆ In total, Net Position increased \$227,122 which represents a 18.9% decrease from 2015.
- ◆ General revenues accounted for \$4,753,175 in revenue or 47.0% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$5,361,036 or 53.0% of total revenues of \$10,114,211.
- ◆ Total assets of governmental activities increased by \$177,737, as cash and cash equivalents increased by \$403,305, receivables increased by \$130, and capital assets decreased by \$227,042.
- ◆ The School District had \$9,887,089 in expenses; only \$5,361,036 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$4,753,175 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$8,250,775 in revenues and \$7,864,523 in expenditures. The General Fund's surplus balance increased \$386,252 over 2015, which compares favorably to the budgeted decrease of \$259,062.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Washington Borough School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Washington Borough School District, the General Fund is by far the most significant fund.

WASHINGTON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 26. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

WASHINGTON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Governmental Funds

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's Net Position for 2016 compared to 2015.

	<u>2016</u>	<u>2015</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 1,279,069	\$ 874,290
Capital Assets	<u>2,026,490</u>	<u>2,253,532</u>
Total Assets	<u>3,305,559</u>	<u>3,127,822</u>
Deferred Outflows of Resources	<u>455,202</u>	<u>264,047</u>
Liabilities		
Long-Term Liabilities	4,579,476	4,397,497
Other Liabilities	<u>77,554</u>	<u>88,089</u>
Total Liabilities	<u>4,657,030</u>	<u>4,485,586</u>
Deferred Inflows of Resources	<u>75,421</u>	<u>105,095</u>
Net Position		
Invested in Capital Assets, Net of Debt	(478,510)	(356,468)
Restricted	1,104,167	729,162
Unrestricted	<u>(1,597,347)</u>	<u>(1,571,506)</u>
Total Net Position	<u>\$ (971,690)</u>	<u>\$ (1,198,812)</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Total assets of governmental activities increased by \$177,737, as cash and cash equivalents increased by \$403,305, receivables increased by \$130, and capital assets decreased by \$227,042.

The cash increase was mainly due operational results of expenditures over revenues. The decrease in capital assets was entirely due to depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2015.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 112,929	\$ 103,331
Operating Grants and Contributions	5,248,107	4,817,925
General Revenues:		
Property Taxes	4,660,394	4,569,906
Federal & State Aid on Capital Asset Projects	-	-
Investment Earnings	776	593
Other	<u>92,005</u>	<u>3,809</u>
Total Revenues	<u>10,114,211</u>	<u>9,495,564</u>
Program Expenses		
Instruction	6,039,808	6,048,745
Support Services:		
Tuition	39,886	334,847
Pupils and Instructional Staff	1,656,121	1,388,812
General Administration, School Administration, Business	823,663	799,059
Operations and Maintenance of Facilities	814,248	753,041
Pupil Transportation	167,745	234,473
Business-Type Activities	220,553	200,158
Interest and Fiscal Charges	<u>125,065</u>	<u>137,016</u>
Total Expenses	<u>9,887,089</u>	<u>9,896,151</u>
Increase in Net Position	<u>\$ 227,122</u>	<u>\$ (400,587)</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 46.1% percent of revenues for governmental activities for the Washington Borough School District for the fiscal year 2016.

Instruction comprises 61.1% of district expenses. Support services expenses make up 35.4% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2015. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 6,039,808	\$ 2,763,249	\$ 6,048,745	\$ 2,989,758
Support Services:				
Tuition	39,886	19,795	334,847	180,667
Pupils and Instructional Staff	1,656,121	712,708	1,388,812	712,223
General Admin., School Admin., Business	823,663	408,784	799,059	431,132
Operation and Maintenance of Facilities	814,248	404,112	753,041	406,304
Pupil Transportation	167,745	83,252	234,473	126,510
Business-Type Activities	220,553	9,088	200,158	(8,715)
Interest and Fiscal Charges	<u>125,065</u>	<u>125,065</u>	<u>137,016</u>	<u>137,016</u>
Total Expenses	<u>\$ 9,887,089</u>	<u>\$ 4,526,053</u>	<u>\$ 9,896,151</u>	<u>\$ 4,974,895</u>

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

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

General administration, school administration and business include expenses associated with administrative and financial supervision of the District.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

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

WASHINGTON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to debt of the School District and unallocated depreciation.

The dependence upon tax revenues is apparent. Over 45.8% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 46.5%. The community, as a whole, is the primary support for the Washington Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 26. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$8,793,945 and expenditures of \$8,370,505. The General Fund's surplus balance increased \$386,252 over 2015, which compares favorably to the budgeted decrease of \$259,062.

General Fund Budgeting Highlights

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

During the course of the fiscal 2016 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$7,334,949, \$82,965 over original budgeted estimates of \$7,251,984. This difference was due primarily to an increase in tuition based programs and homeless reimbursement aid.

General fund revenues exceeded expenditures by \$390,765. Again this surplus compares to a budgeted deficit of \$259,062, which was due to the budgeted use of surplus required to balance the 2015-2016 budget. The budgeted deficit was reduced due to revenue increases and cost savings in the areas of instruction, tuition, maintenance, and benefits.

Overall general fund balance (budget basis) was \$1,418,778, and amounts ear-marked and reserved for future purposes were \$1,163,596, creating a surplus in unreserved fund balance of \$255,182. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

WASHINGTON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

Capital Assets

At the end of the fiscal year 2016, the School District had \$2,026,490 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

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

	<u>2016</u>	<u>2015</u>
Land Improvements	\$ 127,239	\$ 127,239
Buildings and Improvements	1,833,548	2,045,865
Machinery and Equipment	<u>65,703</u>	<u>80,428</u>
 Totals	 <u>\$ 2,026,490</u>	 <u>\$ 2,253,532</u>

Overall capital assets decreased \$227,042 from fiscal year 2015 to fiscal year 2016. The decrease in capital assets was due to depreciation expense for the year.

No capital improvements were purchased during fiscal year 2016.

Debt Administration

At June 30, 2016, the School District had \$2,525,000 as outstanding long term debt. Of this amount, \$20,000 is for compensated absences and \$2,505,000 is for bonds payable.

At June 30, 2016, the School District's overall legal debt margin was \$8,629,004 and the unvoted debt margin was the same.

WASHINGTON BOROUGH SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
UNAUDITED

For the Future

The Washington Borough School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/ Board Secretary at Washington Borough School District, 300 W.Stewart Street, Washington, NJ, 07882.

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.

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
JUNE 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 1,174,828	\$ 52,187	\$ 1,227,015
Receivables from Other Governments	40,806	5,396	46,202
Interfunds Receivable		2,991	2,991
Inventory		2,860	2,860
Restricted Assets:			
Capital Reserve Cash	1		1
Capital Assets, Net (Note 6):	2,026,490		2,026,490
Total Assets	3,242,125	63,434	3,305,559
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	455,202		455,202
LIABILITIES			
Accounts Payable	3,500		3,500
Interfunds Payable	2,991		2,991
Unearned Revenue	28,931	979	29,910
Accrued Interest	41,153		41,153
Net Pension Liability (Note 8)	2,054,476		2,054,476
Noncurrent Liabilities (Note 7):			
Due Within One Year	110,000		110,000
Due Beyond One Year	2,415,000		2,415,000
Total Liabilities	4,656,051	979	4,657,030
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	75,421		75,421
NET POSITION			
Invested in Capital Assets, Net of Related Debt	(478,510)		(478,510)
Restricted for:			
Other Purposes	1,104,167		1,104,167
Unrestricted	(1,659,802)	62,455	(1,597,347)
Total Net Position	\$ (1,034,145)	\$ 62,455	\$ (971,690)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 4,572,490	\$ 33,392	\$ 2,504,080		\$ (2,035,018)	\$ (2,035,018)
Special Education	1,193,727		601,280		(592,447)	(592,447)
Other Special Instruction	273,591		137,807		(135,784)	(135,784)
Support Services:						
Tuition	39,886		20,091		(19,795)	(19,795)
Student & Instruction Related Serv.	1,656,121		943,413		(712,708)	(712,708)
School Administrative Services	225,061		113,363		(111,698)	(111,698)
General and Business Admin. Serv.	598,602		301,516		(297,086)	(297,086)
Plant Operations and Maintenance	814,248		410,136		(404,112)	(404,112)
Pupil Transportation	167,745		84,493		(83,252)	(83,252)
Interest on Long-Term Debt	102,361				(102,361)	(102,361)
Unallocated Depreciation	22,704				(22,704)	(22,704)
Total Governmental Activities	9,666,536	33,392	5,116,179		(4,516,965)	(4,516,965)
Business-Type Activities:						
Food Service	220,553	79,537	131,928			(9,088)
Total Business-Type Activities	220,553	79,537	131,928			(9,088)
Total Primary Government	\$ 9,887,089	\$ 112,929	\$ 5,248,107	-	\$ (4,516,965)	\$ (9,088)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 4,464,558		\$ 4,464,558
Taxes Levied for Debt Service				195,836		195,836
Investment Earnings				776		776
Miscellaneous Income				92,005		92,005
Total General Revenues, Special Items, Extraor. Items and Transfers				4,753,175		4,753,175
Change in Net Position				236,210	(9,088)	227,122
Net Position—Beginning(As Restated)				(1,270,355)	71,543	(1,198,812)
Net Position—Ending				\$ (1,034,145)	\$ 62,455	\$ (971,690)

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

FUND FINANCIAL STATEMENTS

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,137,639		\$ 37,190	\$ 1,174,829
Receivables from Other Governments	34,927	\$ 5,879		40,806
Interfund Receivables	3,252	26,304		29,556
TOTAL ASSETS	\$ 1,175,818	\$ 32,183	\$ 37,190	\$ 1,245,191
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 3,500			\$ 3,500
Interfund Payables	29,295	\$ 3,252		32,547
Deferred Revenue	-	28,931		28,931
Total Liabilities	32,795	32,183	-	64,978
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	1			1
Excess Surplus	614,226			614,226
Excess Surplus - Designated for Subsequent Year's Expenditures	470,099			470,099
<u>Assigned to:</u>				
Year-End Encumbrances	59,429			59,429
Designated for Subsequent Year's Expenditures	19,841			19,841
<u>Unassigned:</u>				
Debt Service Fund			\$ 37,190	37,190
General Fund	(20,573)			(20,573)
Total Fund Balances	1,143,023	-	37,190	1,180,213
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,175,818	\$ 32,183	\$ 37,190	\$ 1,245,191

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$6,814,003 and the accumulated depreciation is \$4,787,513.	\$2,026,490
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)	455,202
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(75,421)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(2,054,476)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(41,153)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(2,525,000)
Net Position of governmental activities	(<u>\$1,034,145</u>)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 4,464,558		\$ 195,836	\$ 4,660,394
Tuition	33,392			33,392
Miscellaneous	55,591		37,190	92,781
Total - Local Sources	4,553,541	-	233,026	4,786,567
State Sources	3,697,234			3,697,234
Federal Sources	-	\$ 310,144		310,144
Total Revenues	8,250,775	310,144	233,026	8,793,945
EXPENDITURES				
Current:				
Regular Instruction	2,447,301	200,918		2,648,219
Special Education Instruction	744,709			744,709
Other Special Instruction	170,680			170,680
Support services and undistributed costs:				
Tuition	24,883			24,883
Student and Instruction Related Services	923,948	109,226		1,033,174
School Administrative Services	140,405			140,405
Other Administrative Services	373,439			373,439
Plant Operations and Maintenance	507,970			507,970
Pupil Transportation	104,648			104,648
Unallocated Benefits	2,414,055			2,414,055
Transfer to Charter School	-			-
Debt Service:				
Principal			105,000	105,000
Interest and Other Charges			90,838	90,838
Capital Outlay	12,485	-		12,485
Total Expenditures	7,864,523	310,144	195,838	8,370,505
Excess (Deficiency) of Revenues Over Expenditures	386,252	-	37,188	423,440
Net Change in Fund Balances	386,252	-	37,188	423,440
Fund Balance—July 1	756,771		2	756,773
Fund Balance—June 30	\$ 1,143,023	-	\$ 37,190	\$ 1,180,213

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

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 423,440

Amounts reported for governmental activities in the statement of activities (A-2) are different because:

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

Depreciation Expense	\$ (227,042)	
Capital Outlays	<u> -</u>	(227,042)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

(70,150)

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

105,000

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This is the amount by which the current year's compensated absence payments exceed the current year's amount earned.

4,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which current year's amount of interest accrual exceeds the prior year's amount.

962

Change in Net Position of Governmental Activities (A-2) \$ 236,210

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2016

		Business-Type Activities- Enterprise Funds	
		Food	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 52,187	\$ 52,187
Accounts Receivable		5,396	5,396
Interfund Receivables		2,991	2,991
Inventories		2,860	2,860
Total Current Assets		<u>63,434</u>	<u>63,434</u>
	Total Assets	<u>63,434</u>	<u>63,434</u>
LIABILITIES			
Current liabilities:			
Deferred Revenue		979	979
Total Current Liabilities		<u>979</u>	<u>979</u>
	Total Liabilities	<u>979</u>	<u>979</u>
NET POSITION			
Unrestricted		62,455	62,455
Total Net Position		<u>\$ 62,455</u>	<u>\$ 62,455</u>

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities-	
	Enterprise Fund	
	Food	Total
	Service	Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 63,993	\$ 63,993
Daily Sales - Non-Reimb. Programs	15,467	15,467
Miscellaneous	77	77
Total Operating Revenues	<u>79,537</u>	<u>79,537</u>
Operating Expenses:		
Cost of Sales	115,185	115,185
Salaries	67,972	67,972
Employee Benefits	13,796	13,796
Supplies	7,036	7,036
Administrative Expenses	11,156	11,156
Other Purchased Professional Services	5,408	5,408
Total Operating Expenses	<u>220,553</u>	<u>220,553</u>
	<u>(141,016)</u>	<u>(141,016)</u>
Operating Income (Loss)		
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	2,528	2,528
Federal Sources:		
National School Lunch Program	99,167	99,167
National School Breakfast Program	20,009	20,009
Food Distribution Program	10,224	10,224
Total Nonoperating Revenues (Expenses)	<u>131,928</u>	<u>131,928</u>
	(9,088)	(9,088)
Income (Loss) Before Contributions and Transfers		
Transfers In (Out)		-
Change in Net Position	<u>(9,088)</u>	<u>(9,088)</u>
Total Net Position—Beginning	71,543	71,543
Total Net Position—Ending	<u>\$ 62,455</u>	<u>\$ 62,455</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2016

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 76,201	\$ 76,201
Payments to Employees	(67,972)	(67,972)
Payments for Employee Benefits	(13,796)	(13,796)
Payments to Suppliers	(126,026)	(126,026)
Net Cash Provided by (used for) Operating Activities	(131,593)	(131,593)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	2,619	2,619
Federal Sources	122,964	122,964
Operating Subsidies and Transfer from Other Funds	-	-
Net Cash Provided by (used for) Non-Capital Financing Activities	125,583	125,583
Net Increase (Decrease) in Cash and Cash Equivalents	(6,010)	(6,010)
Balances—Beginning of Year	58,197	58,197
Balances—End of Year	\$ 52,187	\$ 52,187
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (141,016)	\$ (141,016)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Operating Transfers (Non-Cash)	-	-
Federal Commodities	10,224	10,224
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Inventories	(1,344)	(1,344)
Increase (Decrease) in Accounts Payable	543	543
Total Adjustments	9,423	9,423
Net Cash Provided by (used for) Operating Activities	\$ (131,593)	\$ (131,593)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2016

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	<u>\$6,078</u>	<u>\$219,166</u>
Total Assets	<u>6,078</u>	<u>219,166</u>
LIABILITIES		
Accrued Salaries and Wages and Payroll Taxes Payable to Student Groups		\$213,840 <u>5,326</u>
Total Liabilities		<u>\$219,166</u>
NET POSITION		
Held in Trust for Scholarships & Other Purposes	<u>\$6,078</u>	<u> </u>

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

Notes to Financial Statements

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Washington Borough 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. The more significant of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided for the most significant change in financial reporting in over twenty years and was phased-in (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2015.

A. Reporting Entity:

The Washington Borough School District is a Type II district located in the County of Warren, 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-6. The Washington Borough School District had an approximate enrollment at June 30, 2016, of 549 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.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and,

therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

General Fund - The General Fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the Capital Outlay subfund.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund and the Payroll Agency Fund.

Measurement Focus-Basis of Accounting

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the county office for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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.

D. Encumbrance Accounting:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are not allowed to accrue vacation time beyond the current period. The District's policy allow all district teaching staff employees to accrue sick leave. At present, the District pays stipends for sick leave based upon attendance. There is no other provision for the accrual of sick leave.

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net Position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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

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

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2016, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	Cash and Cash Equivalents (A-1)	Cash and Cash Equivalents (H-1)	Total
Capital Reserve	\$ 1		\$ 1
Checking Accounts	1,227,015	\$ 225,244	1,452,259
	<u>\$ 1,227,016</u>	<u>\$ 225,244</u>	<u>\$ 1,452,260</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$1,452,260 and the bank balance was \$1,592,414. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,342,414 was covered by collateral pool.

NOTE 3: RECEIVABLES

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

	Governmental Fund Financial Statements	Government-Wide Financial Statements
Federal Aid	\$ 5,879	\$ 11,160
State Aid	34,927	35,042
Other	-	-
Gross Receivable	<u>40,806</u>	<u>46,202</u>
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	<u>\$ 40,806</u>	<u>\$ 46,202</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4: INVENTORY

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

Food	\$ 2,417
Supplies	<u>443</u>
	<u>\$ 2,860</u>

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

NOTE 6: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
Total Capital Assets Not Being Depreciated	-	-	-	-
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 127,239			\$ 127,239
Buildings and Building Improvements	6,512,020			6,512,020
Machinery and Equipment	174,744			174,744
Total at Historical Cost	<u>6,814,003</u>	-		<u>6,814,003</u>
Less Accumulated Depreciation for:				
Building and Improvements	(4,466,155)	\$ (212,317)		(4,678,472)
Equipment	(94,316)	(14,725)		(109,041)
Total Accumulated Depreciation	<u>(4,560,471)</u>	<u>(227,042)</u>		<u>(4,787,513)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>2,253,532</u>	<u>(227,042)</u>		<u>2,026,490</u>
Government Activity Capital Assets, Net	<u>\$ 2,253,532</u>	<u>\$ (227,042)</u>		<u>\$ 2,026,490</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 6: CAPITAL ASSETS - (CONTINUED)

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 204,338
Unallocated	<u>22,704</u>
Total	<u>\$ 227,042</u>

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

NOTE 7: LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity:

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

	Balance <u>7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2016</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$2,610,000		\$105,000	\$2,505,000	\$110,000
Other Liabilities:					
Compensated Absences Payable	\$24,000		\$4,000	\$20,000	
Total	<u>\$2,634,000</u>		<u>\$109,000</u>	<u>\$2,525,000</u>	<u>\$110,000</u>

Compensated absences and capital leases have ben liquidated in the General Fund.

On December 28, 2011, \$2,885,000 in School Bonds were issued to advance refund \$2,666,000 of the board's outstanding callable series 2002 bonds, maturing on July 15 in the years 2016 through 2033, at a redemption price of 100% of the principal amount on the call date, and when due, interest accrued on the refunded bonds. The balance on deposit with Wells Fargo Servicing Paying Agent for the future redeption of the 2002 bonds was \$2,506,000 at June 30, 2016.

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7: LONG-TERM OBLIGATIONS- (CONTINUED)

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

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

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

	Government Activities			Balance 6/30/16
	Issue Dates	Interest Rates	Date of Maturity	
Refunding School Bonds Series 2015	12/28/11	3.41%-4.23%	7/15/33	\$ 2,505,000
Total Bonds				<u>\$ 2,505,000</u>

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2016, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 110,000	\$ 88,688	\$ 198,688
2018	110,000	86,487	196,487
2019	115,000	83,662	198,662
2020	110,000	80,287	190,287
2021	115,000	76,912	191,912
Thereafter	<u>1,945,000</u>	<u>547,921</u>	<u>2,492,921</u>
	<u>\$ 2,505,000</u>	<u>\$ 963,957</u>	<u>\$ 3,468,957</u>

As of June 30, 2016, the District had no authorized but not issued bonds.

NOTE 8: PENSION PLANS

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$23,152,287 as measured on June 30, 2015 and \$19,249,269 as measured on June 30, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$1,413,656 and revenue of \$1,413,656 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2016 is based upon changes in the collective net pension liability with a measurement period of June 30, 2014 through June 30, 2015. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2014 and June 30, 2015.

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$2,306,623,861	\$7,521,378,257
Collective deferred inflows of resources	\$1,763,205,593	\$554,399,005
Collective net pension liability (Nonemployer-State of New Jersey)	\$53,446,745,367	\$63,204,270,305
State's portion of the net pension liability that was associated with the district	\$19,249,269	\$23,152,287
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.036016%	0.036631%

Actuarial assumptions - The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	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 Markets Equity	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

Discount rate. The discount rate used to measure the State's total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. 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% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers (State of New Jersey) will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determinir

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

At June 30, 2016, the District reported a liability of \$2,054,476 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. At June 30, 2015, the District's proportion was 0.00915% which was a decrease of 0.00027% from its proportion measured as of June 30, 2014.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$149,862. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 49,013	-
Changes of assumptions	220,634	
Net difference between projected and actual earnings on pension plan investments		\$ 33,032
Changes in proportion and differences between District contributions and proportionate share of contributions	106,871	42,389
District contributions subsequent to the measurement date	78,684	
Total	<u>\$ 455,202</u>	<u>\$ 75,421</u>

\$78,684 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability measured as of June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>	
	<u>6/30/2014</u>	<u>6/30/2015</u>
Collective deferred outflows of resources	\$952,194,675	\$3,578,755,666
Collective deferred inflows of resources	1,479,224,662	993,410,455
Collective net pension liability (Non State - Local Group)	\$18,722,735,003	\$22,447,996,119
District's portion of net pension liability	\$1,763,497	\$2,054,476
District's proportion %	0.00941901%	0.00915216%

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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 I Absolute	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%

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

Discount rate. The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. 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% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

	<u>1% Decrease</u> <u>(3.90%)</u>	<u>Current</u> <u>Discount</u> <u>Rate</u> <u>(4.90%)</u>	<u>1% Increase</u> <u>(5.90%)</u>
District's proportionate share of the net pension liability	\$ 2,553,462	\$ 2,054,476	\$ 1,636,129

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

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

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

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

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of $\frac{1}{4}$ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 8: PENSION PLANS (Continued)

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee’s annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78’s effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems’ unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% 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 6.5% and the PERS rate is 6.5% of covered payroll.

Three-Year Trend Information for PERS

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2016	\$78,684	100 %	-0-
6/30/2015	\$77,649	100	-0-
6/30/2014	\$67,827	100	-0-

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

<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2016	\$304,855	100 %	-0-
6/30/2015	\$198,040	100	-0-
6/30/2014	\$152,361	100	-0-

During the fiscal year ended June 30, 2016, the State of New Jersey did contribute \$667,853 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$252,486 during the year ended June 30, 2016, for the employer’s share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9: POST-RETIREMENT BENEFITS

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

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

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

NOTE 10: DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). 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:

Prudential Financial Planning

NOTE 11: COMPENSATED ABSENCES

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

District employees are not allowed to accrue vacation time beyond the current period. The District's policy allow all district teaching staff employees to accrue sick leave. At present, the District pays stipends for sick leave based upon attendance. There is no other provision for the accrual of sick leave.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11: COMPENSATED ABSENCES-(Continued)

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

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

NOTE 12: 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, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

The Board is not involved in claims or lawsuits incidental to its operations.

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,143,023 General Fund fund balance at June 30, 2016, \$59,429 is reserved for encumbrances; \$1,084,325 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$470,099 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2017); \$1. has been reserved in the Capital Reserve Account; \$19,841 is designated for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the year ending June 30, 2017, and (\$20,573) is unreserved and undesignated.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Washington Borough School District Board of Education by inclusion of \$1. on September 26, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

There was no activity in the capital reserve account for the year ended June 30, 2016.

NOTE 16: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to 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 \$614,226.

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The amount of \$2,991 interfund receivable in the Food Service Fund represents state and federal lunch reimbursements received in the general fund and not yet transferred to the food service fund. The amount of \$24,907 interfund receivable in the special revenue account is for cash advances to the general fund.

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 18: RETROACTIVE RESTATEMENT OF NET POSITION

Restatement of Prior Period:

As an ongoing process of maintaining records in accordance with GASB#34, the district conducted a physical appraisal of capital assets as of June 30, 2016. The appraisal revealed asset activity that that should be recorded as of June 30, 2015. Accordingly, a restatement of Net Position as of June 30, 2015 was necessary.

Governmental Activities Net Position:

Net Position (per A-1), June 30, 2015	\$ (1,540,546)
Restatement of Capital Assets	<u>270,191</u>
Net Position (per A-1), June 30, 2016, as Restated	<u>\$ (1,270,355)</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,464,558		\$ 4,464,558	\$ 4,464,558	-
Tuition	10,000		10,000	33,392	\$ 23,392
Miscellaneous	1,200		1,200	55,591	54,391
Total - Local Sources	<u>4,475,758</u>		<u>4,475,758</u>	<u>4,553,541</u>	<u>77,783</u>
State Sources:					
Equalization Aid	2,428,322		2,428,322	2,428,322	
Transportation Aid	10,316		10,316	10,316	
Special Education Aid	290,035		290,035	290,035	
Security Aid	19,533		19,533	19,533	
PARCC Readiness Aid	5,260		5,260	5,260	
Per Pupil Growth Aid	5,260		5,260	5,260	
Other State Aid	17,500		17,500	22,682	5,182
TPAF Pension (On-Behalf - Non-Budgeted)				290,390	290,390
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				362,998	362,998
TPAF Pension Non-contributory Insurance (On-Behalf - Non-Budgeted)				14,465	14,465
TPAF Social Security (Reimbursed - Non-Budgeted)				252,486	252,486
Total State Sources	<u>2,776,226</u>		<u>2,776,226</u>	<u>3,701,747</u>	<u>925,521</u>
TOTAL REVENUES	<u>7,251,984</u>		<u>7,251,984</u>	<u>8,255,288</u>	<u>1,003,304</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	212,265	45,912	258,177	258,177	
Grades 1-5 - Salaries of Teachers	1,730,633	43,105	1,773,738	1,770,949	2,789
Grades 6-8 - Salaries of Teachers	270,270	(27,367)	242,903	238,820	4,083
Regular Programs - Home Instruction:					
Salaries of Teachers	4,866		4,866	1,725	3,141

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	84,068	(11,600)	72,468	64,148	8,320
Other Purchased Services (400-500 series)	31,000	(9,971)	21,029	7,732	13,297
General Supplies	77,330	46,172	123,502	104,438	19,064
Textbooks	5,000	(5,000)			
Other Objects	5,000	(3,095)	1,905	1,312	593
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,420,432	78,156	2,498,588	2,447,301	51,287
SPECIAL EDUCATION - INSTRUCTION					
Learning/Language Disabilities:					
Salaries of Teachers	249,335	(30,000)	219,335	214,753	4,582
Other Salaries for Instruction	81,034	(10,000)	71,034	59,832	11,202
General Supplies	800		800		800
Total Learning/Language Disabilities	331,169	(40,000)	291,169	274,585	16,584
Resource Room/Resource Center:					
Salaries of Teachers	232,178	(5,843)	226,335	213,102	13,233
Other Salaries for Instruction	49,144	(20,790)	28,354	22,787	5,567
General Supplies	2,500		2,500	886	1,614
Total Resource Room/Resource Center	283,822	(26,633)	257,189	236,775	20,414
Autism:					
Other Salaries for Instruction	25,139		25,139	24,485	654
Purchased Professional - Educational Services	125,000		125,000	121,812	3,188
General Supplies	750		750	394	356
Total Autism	150,889		150,889	146,691	4,198
Preschool Disabilities - Part-Time:					
Salaries of Teachers	65,703	(61,523)	4,180		4,180
Other Salaries for Instruction	25,629		25,629	24,925	704
Purchased Professional - Educational Services		61,523	61,523	61,523	
General Supplies	750	(539)	211	210	1
Total Preschool Disabilities - Part-Time	92,082	(539)	91,543	86,658	4,885
TOTAL SPECIAL EDUCATION - INSTRUCTION	857,962	(67,172)	790,790	744,709	46,081

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	186,597	(12,473)	174,124	123,970	50,154
General Supplies	1,000	(1,000)			
Total Basic Skills/Remedial - Instruction	<u>187,597</u>	<u>(13,473)</u>	<u>174,124</u>	<u>123,970</u>	<u>50,154</u>
Bilingual Education - Instruction					
Salaries of Teachers	71,330	8,251	79,581	46,376	33,205
General Supplies	1,000		1,000	334	666
Total Bilingual Education - Instruction	<u>72,330</u>	<u>8,251</u>	<u>80,581</u>	<u>46,710</u>	<u>33,871</u>
TOTAL INSTRUCTION	<u>3,538,321</u>	<u>5,762</u>	<u>3,544,083</u>	<u>3,362,690</u>	<u>181,393</u>
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State - Special	55,000	(55,000)			
Tuition to CSSD & Regional Day Schools		154	154	154	
Tuition to Private Schools for the Disabled - Within State	32,269	57,198	89,467	24,729	64,738
Total Instruction	<u>87,269</u>	<u>2,352</u>	<u>89,621</u>	<u>24,883</u>	<u>64,738</u>
Health Services:					
Salaries	138,181		138,181	134,277	3,904
Purchased Professional and Technical Services	5,000	(2,744)	2,256	2,256	
Supplies and Materials	2,600	290	2,890	2,191	699
Total Health Services	<u>145,781</u>	<u>(2,454)</u>	<u>143,327</u>	<u>138,724</u>	<u>4,603</u>
Other Supp. Services Students-Related Services:					
Salaries	79,207	(19,478)	59,729	59,729	
Purchased Professional - Educational Services	150,000	70,039	220,039	208,296	11,743
Supplies and Materials	500	96	596	596	
Total Other Supp. Services Students-Related Services	<u>229,707</u>	<u>50,657</u>	<u>280,364</u>	<u>268,621</u>	<u>11,743</u>
Other Supp. Services Students-Extra Services:					
Salaries	74,159	(32,361)	41,798	41,798	
Total Other Supp. Services Students-Extra Services	<u>74,159</u>	<u>(32,361)</u>	<u>41,798</u>	<u>41,798</u>	

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Regular:					
Salaries of Secretarial and Clerical Assistants	100,436		100,436	98,993	1,443
Supplies and Materials	19,000	(6,888)	12,112	6,809	5,303
Total Other Supp. Services Students-Regular	<u>119,436</u>	<u>(6,888)</u>	<u>112,548</u>	<u>105,802</u>	<u>6,746</u>
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	198,866	1,097	199,963	199,963	
Purchased Professional - Educational Services	2,000	(1,097)	903	470	433
Supplies and Materials	4,000	1,423	5,423	5,213	210
Other Objects	1,000		1,000		1,000
Total Other Supp. Services Students-Special	<u>205,866</u>	<u>1,423</u>	<u>207,289</u>	<u>205,646</u>	<u>1,643</u>
Educational Media Services/School Library:					
Salaries	34,228	25,392	59,620	58,939	681
Supplies and Materials	6,750	(1,392)	5,358	3,638	1,720
Total Educational Media Services/School Library	<u>40,978</u>	<u>24,000</u>	<u>64,978</u>	<u>62,577</u>	<u>2,401</u>
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	93,531		93,531	93,075	456
Purchased Professional - Educational Services	1,500		1,500	1,500	
Other Purchased Services (400-500 series)	10,000	389	10,389	6,205	4,184
Total Instructional Staff Training Services	<u>105,031</u>	<u>389</u>	<u>105,420</u>	<u>100,780</u>	<u>4,640</u>
Supp. Services - General Administration:					
Salaries	208,606		208,606	200,643	7,963
Legal Services	7,500	1,840	9,340	9,340	
Audit Services	15,500	930	16,430	16,430	
Other Purchased Professional Services	12,000	(212)	11,788	10,908	880
Communications/Telephone	5,270		5,270	4,751	519
BOE Other Purchased Services	500		500		500
Other Purchased Services (400-500 series)	13,305	(2,558)	10,747	10,579	168
General Supplies	1,000		1,000	442	558
Miscellaneous Expenditures	7,500		7,500	7,500	
Total Supp. Services - General Administration	<u>271,181</u>		<u>271,181</u>	<u>260,593</u>	<u>10,588</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	105,063		105,063	104,550	513
Salaries of Secretarial and Clerical Assistants	34,088		34,088	33,905	183
General Supplies	2,000		2,000	745	1,255
Other Objects	1,300		1,300	1,205	95
Total Support Services - School Administration	142,451		142,451	140,405	2,046
Central Services:					
Salaries	43,563		43,563	43,350	213
Purchased Professional Services	67,500		67,500	65,000	2,500
Purchased Technical Services	4,145	(24)	4,121	3,750	371
General Supplies	750		750	722	28
Other Objects		24	24	24	
Total Central Services:	115,958		115,958	112,846	3,112
Required Maintenance for School Facilities:					
Salaries	75,265		75,265	70,034	5,231
Cleaning, Repair and Maintenance Services	30,000		30,000	23,150	6,850
General Supplies	6,000	229	6,229	5,348	881
Total Required Maintenance for School Facilities	111,265	229	111,494	98,532	12,962
Other Operations and Maintenance of Plant:					
Salaries	178,651	276	178,927	151,129	27,798
Cleaning, Repair and Maintenance Services	40,000	1,575	41,575	36,818	4,757
Other Purchased Property Services	39,500	(3,237)	36,263	28,756	7,507
Insurance	37,230	(4,800)	32,430	32,411	19
Miscellaneous Purchased Services	1,000		1,000	332	668
General Supplies	18,000	12,158	30,158	21,552	8,606
Energy (Natural Gas)	30,000		30,000	18,199	11,801
Energy (Electricity)	90,000		90,000	70,420	19,580
Energy (Gasoline)		500	500	311	189
Other Objects	1,500	(84)	1,416	100	1,316
Total Other Operations and Maintenance of Plant	435,881	6,388	442,269	360,028	82,241
Undist. Expend. -Care and Upkeep of Grounds:					
Purchased Professional and Technical Services	60,000		60,000	49,410	10,590
Total Undist. Expend. -Care and Upkeep of Grounds	60,000		60,000	49,410	10,590

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	17,680	(442)	17,238	17,238	
Contracted Services (Oth. Than Bet.Home and Sch)-Vendors	5,000	2,023	7,023	2,667	4,356
Contracted Services (Bet.Home and School)-Joint Agrmts.	1,500	(1,429)	71		71
Contracted Services (Special Ed. Students)-Vendors	100,000	(8,901)	91,099	64,060	27,039
Contr Serv (Regular Students) - ESCs & CTSA	18,500	2,183	20,683	20,683	
Total Student Transportation Services	142,680	(6,566)	136,114	104,648	31,466
ALLOCATED BENEFITS					
Health Benefits	516,330	(3,609)	512,721	362,338	150,383
Tuition Reimbursement	20,000	(9,354)	10,646	10,646	
Health Benefits-Special Programs	353,041	(8,251)	344,790	330,297	14,493
Health Benefits-Health services	58,172		58,172	58,172	
Health Benefits-Speech/OT/PT	13,257		13,257	13,257	
Health Benefits-Other Supp Serv - Stud - Extraord.	46,647		46,647	46,647	
Health Benefits-Other Supp Serv - Guidance	91,542		91,542	91,542	
Health Benefits-Other Supp Serv - Child Study Team	88,665		88,665	88,665	
Health Benefits-Other Supp Serv - School Library	33,390		33,390	33,390	
Health Benefits-Operations and Maintenance of Plant	138,188		138,188	138,188	
TOTAL ALLOCATED BENEFITS	1,359,232	(21,214)	1,338,018	1,173,142	164,876
UNALLOCATED BENEFITS					
Social Security Contributions	80,000	2,483	82,483	82,483	
Other Retirement Contributions - Regular	85,000	(6,316)	78,684	78,684	
Unemployment Compensation	9,000	9,601	18,601	18,601	
Workmen's Compensation	45,323		45,323	45,323	
Health Benefits	91,542		91,542	91,542	
Other Employee Benefits	2,500	1,525	4,025	3,941	84
TOTAL UNALLOCATED BENEFITS	313,365	7,293	320,658	320,574	84
On-behalf TPAF pension Contrib. (non-budgeted)				290,390	(290,390)
On-behalf TPAF PRM Contrib. (non-budgeted)				362,998	(362,998)
On-behalf TPAF pension Non-contributory Ins. (non-budgeted)				14,465	(14,465)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				252,486	(252,486)
TOTAL ON-BEHALF CONTRIBUTIONS				920,339	(920,339)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,672,597	(13,921)	1,658,676	2,414,055	(755,379)
TOTAL UNDISTRIBUTED EXPENDITURES	3,960,240	23,248	3,983,488	4,489,348	(505,860)
TOTAL GENERAL CURRENT EXPENSE	7,498,561	29,010	7,527,571	7,852,038	(324,467)

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Facilities Acquisition and Construction Services					
Assessment for Debt Service on SDA Funding	12,485		12,485	12,485	
Total Facilities Acquisition and Construction Services	<u>12,485</u>		<u>12,485</u>	<u>12,485</u>	
TOTAL EXPENDITURES	<u>7,511,046</u>	<u>29,010</u>	<u>7,540,056</u>	<u>7,864,523</u>	<u>(324,467)</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(259,062)</u>	<u>(29,010)</u>	<u>(288,072)</u>	<u>390,765</u>	<u>678,837</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(259,062)	(29,010)	(288,072)	390,765	678,837
Fund Balance, July 1	1,028,013		1,028,013	1,028,013	
Fund Balance, June 30	<u>\$ 768,951</u>	<u>\$ (29,010)</u>	<u>\$ 739,941</u>	<u>\$ 1,418,778</u>	<u>\$ 678,837</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 1	
Excess Surplus				614,226	
Excess Surplus - Designated for Subsequent Year's Expenditures				470,099	
Assigned to:					
Year-End Encumbrances				59,429	
Designated for Subsequent Year's Expenditures				19,841	
Unassigned:					
Unrestricted Fund Balance				<u>255,182</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				<u>1,418,778</u>	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(275,755)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u><u>\$ 1,143,023</u></u>	

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources	-	\$ 100	\$ 100	-	\$ (100)
Federal Sources	\$ 305,210	2,354	307,564	\$ 297,934	(9,630)
Total Revenues	305,210	2,454	307,664	297,934	(9,730)
EXPENDITURES:					
Instruction					
Salaries of Teachers	45,768	-	45,768	44,371	1,397
Tuition	152,442	-	152,442	152,442	
General Supplies	1,751	2,454	4,205	4,105	100
Total Instruction	199,961	2,454	202,415	200,918	1,497
Support Services					
Salaries of Supervisors	71,789	-	71,789	71,789	
Personal Services - Employee Bene.	14,462	-	14,462	11,066	3,396
Supplies & Materials	18,998	-	18,998	14,161	4,837
Total Support Services	105,249	-	105,249	97,016	8,233
Total Expenditures	305,210	2,454	307,664	297,934	9,730
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)					
Total Outflows	305,210	2,454	307,664	297,934	9,730
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2016

**Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures**

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 8,255,288	\$ 297,934
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	23,276
Current Year Encumbrances	N/A	(11,066)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	271,242	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(275,755)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 8,250,775</u>	<u>\$ 310,144</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 7,864,523	\$ 297,934
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	23,276
Current Year Encumbrances	N/A	(11,066)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 7,864,523</u>	<u>\$ 310,144</u>

Washington Borough School District
 Required Supplementary Information - Part III
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years *

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A							
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A							
State's proportionate share of the net pension liability (asset) associated with the District	\$ 23,152,287	\$ 19,249,269	\$ 17,454,111							
Total	\$ 23,152,287	\$ 19,249,269	\$ 17,454,111							
District's covered employee payroll	\$ 3,645,121	\$ 3,956,625	\$ 3,798,293							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A							
Plan fiduciary net position as a percentage of the total pension liability	28.71%	33.64%	33.76%							

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

Exhibit L-1

Public Employees' Retirement System (PERS)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset)	0.00915216%	0.00941901%	0.00860793%							
District's proportionate share of the net pension liability (asset)	\$ 2,054,476	\$ 1,763,497	\$ 1,645,147							
District's covered employee payroll	\$ 977,890	\$ 783,314	\$ 912,374							
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	210.09%	225.13%	180.31%							
Plan fiduciary net position as a percentage of the total pension liability (Local)	47.92%	52.08%	48.72%							

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

**Washington Borough School District
Required Supplementary Information - Part III
Schedule of District Contributions
Last Ten Fiscal Years ***

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution **	N/A	N/A	N/A							
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A							
Contribution deficiency (excess)	N/A	N/A	N/A							
District's covered employee payroll	\$ 3,645,121	\$ 3,956,625	\$ 3,798,293							
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A							

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contribution	\$ 78,684	\$ 77,649	\$ 67,827							
Contributions in relation to the contractually required contribution	<u>(78,684)</u>	<u>(77,649)</u>	<u>(67,827)</u>							
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>							
District's covered employee payroll	\$ 977,890	\$ 783,314	\$ 912,374							
Contributions as a percentage of covered-employee payroll	8.05%	9.91%	7.43%							

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2016

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2016

	Title I Part A	Title I I Part A	Title III	IDEA Basic	IDEA Preschool	Totals
REVENUES						
Federal Sources	\$ 120,962	\$ 14,161	\$ 2,354	\$ 152,442	\$ 8,015	\$ 297,934
TOTAL REVENUES	120,962	14,161	2,354	152,442	8,015	297,934
EXPENDITURES:						
Instruction:						
Salaries of Teachers	38,768				5,603	44,371
Tuition				152,442		152,442
General Supplies	736		2,354		1,015	4,105
Total Instruction	39,504		2,354	152,442	6,618	200,918
Support Services:						
Salaries of Supervisors	71,789					71,789
Personal Services - Employee Bene.	9,669				1,397	11,066
Supplies and Materials		14,161				14,161
Total Support Services	81,458	14,161			1,397	97,016
Facilities Acq. & Construction Svs						
Instructional Equipment						
Total Support Services						
TOTAL EXPENDITURES	120,962	14,161	2,354	152,442	8,015	297,934
Other Financing Sources (Uses)						
Total Other Financing Sources (Uses)						
Total Outflows	120,962	14,161	2,354	152,442	8,015	297,934
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)						

**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.

N/A

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the district's board is that the costs of providing goods or services be financed through user charges.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	<u>TRUST FUNDS</u>	<u>AGENCY FUNDS</u>		<u>TOTALS</u>
		<u>STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>	
ASSETS:				
Cash and Cash Equivalents	\$ 6,078	\$ 5,326	\$ 213,840	\$ 225,244
TOTAL ASSETS	<u>\$ 6,078</u>	<u>\$ 5,326</u>	<u>\$ 213,840</u>	<u>\$ 225,244</u>
LIABILITIES:				
Liabilities:				
Accrued Salaries and Payroll Taxes			\$ 213,840	\$ 213,840
Payable to Student Groups	-	\$ 5,326	-	5,326
Total Liabilities	<u>-</u>	<u>5,326</u>	<u>213,840</u>	<u>219,166</u>
NET POSITION				
Held in Trust for Other Purposes	\$ 6,078			6,078
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,078</u>	<u>\$ 5,326</u>	<u>\$ 213,840</u>	<u>\$ 225,244</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2015</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2016</u>
Mary T. Harle Scholarship Fund	\$5,055	\$10		\$5,065
AB Davidson Scholarship Fund	1,011	2		1,013
	<hr/>			
Totals	\$6,066	\$12		\$6,078
	<hr/> <hr/>			

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2015</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2016</u>
Student Activity Funds	\$7,584	\$11,268	\$13,526	\$5,326
Totals	<u>\$7,584</u>	<u>\$11,268</u>	<u>\$13,526</u>	<u>\$5,326</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>BALANCE</u> <u>JULY 1, 2015</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 206,816	\$ 5,365,211	\$ 5,358,187	\$ 213,840
Total Assets	<u>\$ 206,816</u>	<u>\$ 5,365,211</u>	<u>\$ 5,358,187</u>	<u>\$ 213,840</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 1,404	\$ 2,433,809	\$ 2,433,826	\$ 1,387
Accrued Salaries and Wages	205,412	2,931,402	2,924,361	212,453
Total Liabilities	<u>\$ 206,816</u>	<u>\$ 5,365,211</u>	<u>\$ 5,358,187</u>	<u>\$ 213,840</u>

LONG-TERM DEBT SCHEDULES

The Long-Term Schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the school district. This includes serial bonds outstanding and obligations under capital leases.

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2016**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2015</u>	<u>REFUNDED</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2016</u>
			<u>DATE</u>	<u>AMOUNT</u>					
School Refunding Bonds Series 2015	12/28/11	2,885,000	7/15/16	\$ 110,000	3.410% to 4.25%	\$ 2,610,000		\$ 105,000	\$ 2,505,000
			7/15/17	110,000					
			7/15/18	115,000					
			7/15/19	110,000					
			7/15/20	115,000					
			7/15/21	120,000					
			7/15/22	125,000					
			7/15/23	125,000					
			7/15/24	135,000					
			7/15/25	140,000					
			7/15/26	140,000					
			7/15/27	145,000					
			7/15/28	155,000					
			7/15/29	160,000					
			7/15/30	165,000					
			7/15/31	170,000					
7/15/32	180,000								
7/15/33	185,000								
Total						<u>\$ 2,610,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 2,505,000</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 195,836	-	\$ 195,836	\$ 195,836	
Miscellaneous-Property Sales				37,190	\$ 37,190
Total - Local Sources	<u>195,836</u>	<u>-</u>	<u>195,836</u>	<u>233,026</u>	<u>37,190</u>
TOTAL REVENUES	<u>195,836</u>		<u>195,836</u>	<u>233,026</u>	<u>37,190</u>
EXPENDITURES:					
Regular Debt Service:					
Interest	90,838		90,838	90,838	
Redemption of Principal	105,000		105,000	105,000	
Total Regular Debt Service	<u>195,838</u>		<u>195,838</u>	<u>195,838</u>	
TOTAL EXPENDITURES	<u>195,838</u>		<u>195,838</u>	<u>195,838</u>	
Excess (Deficiency) of Revenues Over Expenditures	(2)		(2)	37,188	37,190
Fund Balance, July 1	<u>2</u>		<u>2</u>	<u>2</u>	
Fund Balance, June 30	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 37,190</u>	<u>\$ 37,190</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 37,190</u>	<u>\$ 37,190</u>

Washington Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	88-93
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	94-97
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	98-101
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	102-103
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	104-108

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2004; schedules presenting district-wide information include information beginning in that year.

**Washington Borough School District
Net Position by Component,
Last Ten Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	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	\$ 1,921,712	\$ 1,555,418	\$ 1,189,124	\$ 827,830	\$ 474,745	\$ 144	\$ (180,457)	\$ (401,058)	\$ (626,659)	\$ (478,510)
Restricted	1,063,987	1,075,200	1,069,733	729,421	1,039,992	972,446	929,643	862,622	729,162	1,104,167
Unrestricted	160,549	104,024	(32,856)	12,088	5,827	185,259	(24,640)	(28,318)	(1,643,049)	(1,659,802)
Total governmental activities net position	\$ 3,146,248	\$ 2,734,642	\$ 2,226,001	\$ 1,569,339	\$ 1,520,564	\$ 1,157,849	\$ 724,546	\$ 433,246	\$ (1,540,546)	\$ (1,034,145)
Business-type activities										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	\$ 20,026	\$ 14,790	\$ 15,232	\$ 26,751	\$ 44,329	\$ 62,364	\$ 66,333	\$ 62,828	\$ 71,543	\$ 62,455
Total business-type activities net position	\$ 20,026	\$ 14,790	\$ 15,232	\$ 26,751	\$ 44,329	\$ 62,364	\$ 66,333	\$ 62,828	\$ 71,543	\$ 62,455
District-wide										
Invested in capital assets, net of related debt	\$ 1,921,712	\$ 1,555,418	\$ 1,189,124	\$ 827,830	\$ 474,745	\$ 144	\$ (180,457)	\$ (401,058)	\$ (626,659)	\$ (478,510)
Restricted	1,063,987	1,075,200	1,069,733	729,421	1,039,992	972,446	929,643	862,622	729,162	1,104,167
Unrestricted	180,575	118,814	(17,624)	38,839	50,156	247,623	41,693	34,510	(1,571,506)	(1,597,347)
Total district net position	\$ 3,166,274	\$ 2,749,432	\$ 2,241,233	\$ 1,596,090	\$ 1,564,893	\$ 1,220,213	\$ 790,879	\$ 496,074	\$ (1,469,003)	\$ (971,690)

Source: CAFR Schedule A-1

Washington Borough School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 3,863,874	\$ 3,998,000	\$ 3,796,231	\$ 3,975,060	\$ 3,478,325	\$ 3,863,484	\$ 4,231,902	\$ 4,199,465	\$ 4,656,902	\$ 4,572,490
Special education	927,509	768,618	920,067	854,518	837,710	1,081,042	969,494	1,021,393	1,047,021	1,193,727
Other special education	234,621	248,301	205,416	222,314	259,936	116,706	347,273	200,665	344,822	273,591
Support Services:										
Tuition	124,759	158,504	113,588	74,927	158,997	112,151	60,104	260,742	334,847	39,886
Student & instruction related services	1,048,416	1,156,341	1,104,507	1,102,063	1,014,479	1,154,146	1,245,220	1,172,728	1,388,812	1,656,121
General administrative services	484,021	482,721	503,200	515,963	473,803	760,079	508,881	510,034	590,892	598,602
School administrative services	161,549	176,111	178,628	185,840	179,619	179,768	179,272	182,555	208,167	225,061
Business administrative services										
Plant operations and maintenance	634,132	732,989	698,515	661,825	698,111	628,099	671,418	659,959	753,041	814,248
Pupil transportation	142,995	143,015	129,778	129,245	200,286	189,493	236,847	255,637	234,473	167,745
Interest on long-term debt	148,176	145,336	142,484	139,683	151,459	56,298	110,694	106,460	104,456	102,361
Unallocated depreciation	42,456	42,629	42,629	42,629	42,629	32,560	32,560	32,560	32,560	22,704
Total governmental activities expenses	<u>7,812,508</u>	<u>8,052,565</u>	<u>7,835,043</u>	<u>7,904,067</u>	<u>7,495,354</u>	<u>8,173,826</u>	<u>8,593,665</u>	<u>8,602,198</u>	<u>9,695,993</u>	<u>9,666,536</u>
Business-type activities:										
Food service	125,413	130,900	148,395	146,330	150,061	158,528	173,317	199,082	200,158	220,553
Total business-type activities expense	<u>125,413</u>	<u>130,900</u>	<u>148,395</u>	<u>146,330</u>	<u>150,061</u>	<u>158,528</u>	<u>173,317</u>	<u>199,082</u>	<u>200,158</u>	<u>220,553</u>
Total district expenses	<u>\$ 7,937,921</u>	<u>\$ 8,183,465</u>	<u>\$ 7,983,438</u>	<u>\$ 8,050,397</u>	<u>\$ 7,645,415</u>	<u>\$ 8,332,354</u>	<u>\$ 8,766,982</u>	<u>\$ 8,801,280</u>	<u>\$ 9,896,151</u>	<u>\$ 9,887,089</u>
Program Revenues										
Governmental activities:										
Charges for services							\$ 28,720	\$ 10,251	\$ 20,500	33,392
Operating grants and contributions	\$ 3,707,377	\$ 3,798,112	\$ 3,426,627	\$ 3,228,927	\$ 3,294,355	\$ 3,582,754	3,822,675	3,742,773	4,691,883	5,116,179
Capital grants and contributions										
Total governmental activities program revenues	<u>3,707,377</u>	<u>3,798,112</u>	<u>3,426,627</u>	<u>3,228,927</u>	<u>3,294,355</u>	<u>3,582,754</u>	<u>3,851,395</u>	<u>3,753,024</u>	<u>4,712,383</u>	<u>5,149,571</u>
Business-type activities:										
Charges for services										
Food service	67,526	61,866	68,064	66,795	69,026	70,670	73,327	76,221	82,831	79,537
Operating grants and contributions	64,143	62,209	80,743	91,054	95,513	105,893	103,959	119,356	126,042	131,928
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>131,669</u>	<u>124,075</u>	<u>148,807</u>	<u>157,849</u>	<u>164,539</u>	<u>176,563</u>	<u>177,286</u>	<u>195,577</u>	<u>208,873</u>	<u>211,465</u>
Total district program revenues	<u>\$ 3,839,046</u>	<u>\$ 3,922,187</u>	<u>\$ 3,575,434</u>	<u>\$ 3,386,776</u>	<u>\$ 3,458,894</u>	<u>\$ 3,759,317</u>	<u>\$ 4,028,681</u>	<u>\$ 3,948,601</u>	<u>\$ 4,921,256</u>	<u>\$ 5,361,036</u>

-Continued-

Washington Borough School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Net (Expense)/Revenue										
Governmental activities	\$ (4,105,131)	\$ (4,254,453)	\$ (4,408,416)	\$ (4,675,140)	\$ (4,200,999)	\$ (4,591,072)	\$ (4,742,270)	\$ (4,849,174)	\$ (4,983,610)	\$ (4,516,965)
Business-type activities	6,256	(6,825)	412	11,519	14,478	18,035	3,969	(3,505)	8,715	(9,088)
Total district-wide net expense	<u>\$ (4,098,875)</u>	<u>\$ (4,261,278)</u>	<u>\$ (4,408,004)</u>	<u>\$ (4,663,621)</u>	<u>\$ (4,186,521)</u>	<u>\$ (4,573,037)</u>	<u>\$ (4,738,301)</u>	<u>\$ (4,852,679)</u>	<u>\$ (4,974,895)</u>	<u>\$ (4,526,053)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 3,313,716	\$ 3,507,666	\$ 3,647,973	\$ 3,793,892	\$ 3,904,892	\$ 3,982,989	\$ 4,062,649	\$ 4,291,193	\$ 4,377,018	\$ 4,464,558
Taxes levied for debt service	204,373	206,639	203,972	205,823	140,534	204,292	200,074	183,399	192,888	195,836
Unrestricted grants and contributions	-	59,751	-	-	-	-	-	-	-	-
Investment earnings	79,201	59,724	22,607	6,010	2,016	1,468	1,130	854	593	776
Miscellaneous income	9,573	9,067	25,223	12,753	104,783	39,608	45,114	82,428	3,809	92,005
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	<u>3,606,863</u>	<u>3,842,847</u>	<u>3,899,775</u>	<u>4,018,478</u>	<u>4,152,225</u>	<u>4,228,357</u>	<u>4,308,967</u>	<u>4,557,874</u>	<u>4,574,308</u>	<u>4,753,175</u>
Business-type activities:										
Miscellaneous income	46	1,589	30	-	3,100	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>46</u>	<u>1,589</u>	<u>30</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 3,606,909</u>	<u>\$ 3,844,436</u>	<u>\$ 3,899,805</u>	<u>\$ 4,018,478</u>	<u>\$ 4,155,325</u>	<u>\$ 4,228,357</u>	<u>\$ 4,308,967</u>	<u>\$ 4,557,874</u>	<u>\$ 4,574,308</u>	<u>\$ 4,753,175</u>
Change in Net Position										
Governmental activities	\$ (498,268)	\$ (411,606)	\$ (508,641)	\$ (656,662)	\$ (48,774)	\$ (362,715)	\$ (433,303)	\$ (291,300)	\$ (409,302)	\$ 236,210
Business-type activities	6,302	(5,236)	442	11,519	17,578	18,035	3,969	(3,505)	8,715	(9,088)
Total district	<u>\$ (491,966)</u>	<u>\$ (416,842)</u>	<u>\$ (508,199)</u>	<u>\$ (645,143)</u>	<u>\$ (31,196)</u>	<u>\$ (344,680)</u>	<u>\$ (429,334)</u>	<u>\$ (294,805)</u>	<u>\$ (400,587)</u>	<u>\$ 227,122</u>

Source: CAFR Schedule A-2

**Washington Borough School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 1,087,262	\$ 949,203	\$ 1,004,763	\$ 761,680	\$ 1,074,348	\$ 1,147,166	\$ 960,694	\$ 905,058	\$ 758,172	\$ 1,163,596
Unreserved	119,924	235,042	30,282	(23,143)	33,783	16,857	(3,237)	(2,724)	(1,401)	(20,573)
Total general fund	<u>\$ 1,207,186</u>	<u>\$ 1,184,245</u>	<u>\$ 1,035,045</u>	<u>\$ 738,537</u>	<u>\$ 1,108,131</u>	<u>\$ 1,164,023</u>	<u>\$ 957,457</u>	<u>\$ 902,334</u>	<u>\$ 756,771</u>	<u>\$ 1,143,023</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	\$ (1,940)	\$ (5,365)								
Capital projects fund	7,151	66,902	\$ 66,902							
Debt service fund	3	-	181	\$ 67,083		\$ 64,534	\$ 16,540	\$ 2	\$ 2	\$ 37,190
Total all other governmental funds	<u>\$ 5,214</u>	<u>\$ 61,537</u>	<u>\$ 67,083</u>	<u>\$ 67,083</u>		<u>\$ 64,534</u>	<u>\$ 16,540</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 37,190</u>

Source: CAFR Schedule B-1

**Washington Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues										
Tax levy	\$ 3,518,089	\$ 3,714,305	\$ 3,851,945	\$ 3,999,715	\$ 4,045,426	\$ 4,187,281	\$ 4,262,723	\$ 4,474,592	\$ 4,569,906	\$ 4,660,394
Interest earnings										
Miscellaneous	88,774	68,791	47,830	18,763	106,798	41,076	74,964	93,533	24,902	126,173
State sources	3,421,451	3,594,317	3,170,175	2,409,269	3,017,497	3,193,621	3,505,849	3,458,277	3,563,676	3,697,234
Federal sources	285,926	263,546	256,452	819,658	276,858	389,133	316,826	284,496	290,456	310,144
Total revenue	7,314,240	7,640,959	7,326,402	7,247,405	7,446,579	7,811,111	8,160,362	8,310,898	8,448,940	8,793,945
Expenditures										
Instruction										
Regular Instruction	2,399,259	2,513,191	2,415,160	2,519,926	2,245,646	2,601,008	2,781,254	2,775,343	2,779,655	2,648,219
Special education instruction	667,967	556,922	678,332	624,270	633,236	812,945	706,379	746,292	688,101	744,709
Other special instruction	168,968	179,913	151,446	162,412	196,489	87,763	253,025	146,618	227,519	170,680
Other instruction										
Support Services:										
Tuition	89,848	114,848	83,744	54,738	120,188	84,338	43,792	190,514	220,937	24,883
Student & instruction related services	755,041	837,857	814,313	805,115	766,858	867,919	907,275	856,866	916,360	1,033,174
School administrative services	116,343	127,606	131,696	135,766	135,776	135,186	130,619	133,386	137,352	140,405
Other administrative services	348,579	349,768	370,991	376,938	358,154	352,580	370,774	372,662	389,880	373,439
Plant operations and maintenance	456,685	531,106	514,990	483,498	527,711	472,331	489,199	482,206	496,868	507,970
Pupil transportation	102,981	103,625	95,681	94,420	151,399	142,499	172,568	186,784	154,709	104,648
Unallocated employee benefits	2,132,804	2,166,099	2,009,912	2,080,607	1,782,144	1,983,063	2,281,687	2,258,878	2,374,516	2,414,055
Transfer to Charter School							8,702	20,588	493	-
Special Revenue										
Capital Outlay	35,934	-	-	400	18,850	11,295	21,580	12,485	15,225	12,485
Debt service:										
Principal	55,000	60,000	60,000	65,000	70,000	70,000	145,000	105,000	100,000	105,000
Interest and other charges	149,373	146,642	143,791	140,823	137,617	69,758	103,068	94,937	92,888	90,838
Total expenditures	7,478,782	7,687,577	7,470,056	7,543,913	7,144,068	7,690,685	8,414,922	8,382,559	8,594,503	8,370,505
Excess (Deficiency) of revenues over (under) expenditures	(164,542)	(46,618)	(143,654)	(296,508)	302,511	120,426	(254,560)	(71,661)	(145,563)	423,440
Other Financing Sources (uses)										
Bond proceeds										
Accrued interest										
Transfers in				66,902				-	-	-
Transfers out	(21,000)	-	-	(66,902)				-	-	-
Total other financing sources (uses)	(21,000)	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (185,542)	\$ (46,618)	\$ (143,654)	\$ (296,508)	\$ 302,511	\$ 120,426	\$ (254,560)	\$ (71,661)	\$ (145,563)	\$ 423,440
Debt service as a percentage of noncapital expenditures	2.7%	2.7%	2.7%	2.7%	2.9%	1.8%	3.0%	2.4%	2.2%	2.3%

Source: CAFR Schedule B-2

WASHINGTON BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Rentals</u>	<u>Cable TV</u> <u>Proceeds</u>	<u>Tuition</u>	<u>Other</u> <u>State</u> <u>Aid</u>	<u>Miscellaneous</u>	<u>Total</u>
2007	79,201						7,861	87,062
2008	59,724	\$ 1,108					5,258	66,090
2009	22,607	4,225			\$ 5,772		13,060	45,664
2010	6,010				3,240	5,220	4,134	18,604
2011	2,017	98,143				3,546	3,094	106,800
2012	1,468	2,318			19,927	3,700	6,260	33,673
2013	1,130				5,916	41,124	(1,926)	46,244
2014	854	10,086			10,251	63,247	9,095	93,533
2015	593	881			20,500		2,928	24,902
2016	776	7,348			33,392	47,662	1,202	90,380

SOURCE: District Records

**Washington Borough School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2007	\$3,297,700	\$279,454,560	\$437,600	\$5,300	\$49,213,100	\$16,803,900	\$23,983,000	\$405,879,343	\$29,951,425	\$2,732,758	\$375,927,918	\$0.937	\$511,173,796
2008	5,960,300	282,165,460	437,600	5,300	48,804,000	16,823,900	23,083,000	409,737,532	30,395,825	2,062,147	379,341,707	0.980	575,868,580
2009	9,560,900	283,120,170	437,600	5,300	48,586,900	16,823,900	22,783,000	413,338,625	29,975,825	2,045,030	383,362,800	1.005	595,390,516
2010	8,457,100	278,216,160	437,600	5,300	48,064,100	16,823,900	22,283,000	410,238,951	33,852,325	2,099,466	376,386,626	1.063	587,949,681
2011	6,827,300	278,559,460	437,600	5,300	47,575,200	16,823,900	21,890,900	407,186,249	32,932,625	2,133,964	374,253,624	1.081	583,927,229
2012	5,350,500	278,666,860	437,600	5,300	47,429,000	16,323,400	21,890,900	404,055,686	31,906,225	2,045,901	372,149,461	1.125	577,042,195
2013	5,303,400	278,655,460	437,600	5,300	46,893,500	16,323,400	21,890,900	403,100,524	31,331,625	2,259,339	371,768,899	1.147	521,268,396
2014	3,861,800	283,660,960	437,600	5,300	45,295,800	16,323,400	19,350,900	401,645,750	30,736,425	1,973,565	370,909,325	1.206	475,996,770
2015	3,519,500	285,790,960	437,600	5,300	45,255,400	16,323,400	19,350,900	404,384,507	31,893,625	1,807,822	372,490,882	1.227	463,639,899
2016	2,340,900	290,037,560		10,100	43,632,300	14,766,600	18,450,900	405,151,573	33,944,425	1,968,788	371,207,148	1.255	443,330,536

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Washington Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Washington Borough Board of Education			Warren Hills Regional School District	Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct		Washington Borough	Warren County	
2007	\$0.883	\$0.054	\$0.937	\$1.076	\$0.926	\$0.781	\$3.720
2008	\$0.926	\$0.054	\$0.980	\$1.138	\$1.005	\$0.847	\$3.970
2009	\$0.952	\$0.053	\$1.005	\$1.104	\$1.054	\$0.864	\$4.027
2010	\$1.008	\$0.055	\$1.063	\$1.106	\$1.240	\$0.864	\$4.273
2011	\$1.026	\$0.055	\$1.081	\$1.118	\$1.415	\$0.873	\$4.487
2012	\$1.070	\$0.055	\$1.125	\$1.141	\$1.443	\$0.961	\$4.670
2013	\$1.093	\$0.054	\$1.147	\$1.098	\$1.495	\$0.859	\$4.599
2014	\$1.157	\$0.049	\$1.206	\$1.094	\$1.475	\$0.850	\$4.625
2015	\$1.175	\$0.052	\$1.227	\$1.123	\$1.455	\$0.890	\$4.695
2016	\$1.192	\$0.063	\$1.255	\$1.077	\$1.460	\$0.864	\$4.656

Source: District Records and Municipal Tax Collector

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

b Rates for debt service are based on each year's requirements.

**Washington Borough School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Warren Washington Assn.	\$ 5,500,000	1	1.48%	\$ 5,800,000	2	2.02%
BASF Corporation	4,722,000	2	1.27%	4,114,400	3	1.43%
Twist Beauty Packaging	4,052,900	3	1.09%			
Washington Plaza Assoc.	3,400,000	4	0.92%			1.08%
Bell Atlantic	3,266,765	5	0.88%	1,499,500	5	
Washington Gardens LOC	2,950,000	6	0.79%	1,700,000	7	0.59%
Washington Heights, LLC	2,000,000	7	0.54%	3,438,100	4	0.54%
Individual Taxpayer #1	1,939,800	8	0.52%	1,547,000	8	1.20%
Midtown/Limited, Inc.	1,755,200	9	0.47%			
Rural Housing Service (Westgate Apts)	1,740,000	10	0.47%			
American National Can Co.				6,060,000	1	2.11%
Total	\$ 31,326,665		8.44%	\$ 24,159,000		8.97%

Washington Gardens LOC

Source: District CAFR & Municipal Tax Assessor

**Washington Borough School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$3,313,716	\$3,313,716	100.00%	-
2008	\$3,507,666	\$3,507,666	100.00%	-
2009	\$3,647,973	\$3,647,973	100.00%	-
2010	\$3,793,892	\$3,793,892	100.00%	-
2011	\$3,904,892	\$3,904,892	100.00%	-
2012	\$3,982,989	\$3,982,989	100.00%	-
2013	\$4,062,649	\$4,062,649	100.00%	-
2014	\$4,291,193	\$4,291,193	100.00%	-
2015	\$4,377,018	\$4,377,018	100.00%	-
2016	\$4,464,558	\$4,464,558	100.00%	-

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

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

**Washington Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	\$ 3,066,000	-0-	-0-	-0-	-0-	\$ 3,066,000	1.08%	\$453.75
2008	\$ 3,006,000	-0-	-0-	-0-	-0-	\$ 3,006,000	1.02%	\$448.52
2009	\$ 2,946,000	-0-	-0-	-0-	-0-	\$ 2,946,000	1.03%	\$439.37
2010	\$ 2,881,000	-0-	-0-	-0-	-0-	\$ 2,881,000	1.00%	\$431.42
2011	\$ 2,811,000	-0-	-0-	-0-	-0-	\$ 2,811,000	0.97%	\$435.81
2012	\$ 2,960,000	-0-	-0-	-0-	-0-	\$ 2,960,000	1.00%	\$461.06
2013	\$ 2,815,000	-0-	-0-	-0-	-0-	\$ 2,815,000	0.94%	\$435.96
2014	\$ 2,710,000	-0-	-0-	-0-	-0-	\$ 2,710,000	0.86%	\$419.70
2015	\$ 2,610,000	-0-	-0-	-0-	-0-	\$ 2,610,000	0.83%	\$401.54
2016	\$ 2,505,000	-0-	-0-	-0-	-0-	\$ 2,505,000	0.79%	\$385.50

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

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

- a** See Exhibit NJ J-13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.
- b** Includes Early Retirement Incentive Plan (ERIP) refunding
- * Current data unavailable

**Washington Borough School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years**

Exhibit J-11

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2007	\$ 3,066,000	-0-	\$ 3,066,000	0.82%	\$ 454
2008	\$ 3,006,000	-0-	\$ 3,006,000	0.79%	\$ 449
2009	\$ 2,946,000	-0-	\$ 2,946,000	0.77%	\$ 439
2010	\$ 2,881,000	-0-	\$ 2,881,000	0.77%	\$ 431
2011	\$ 2,811,000	-0-	\$ 2,811,000	0.75%	\$ 436
2012	\$ 2,960,000	-0-	\$ 2,960,000	0.80%	\$ 461
2013	\$ 2,815,000	-0-	\$ 2,815,000	0.76%	\$ 436
2014	\$ 2,710,000	-0-	\$ 2,710,000	0.73%	\$ 420
2015	\$ 2,610,000	-0-	\$ 2,610,000	0.70%	\$ 402
2016	\$ 2,505,000	-0-	\$ 2,505,000	0.67%	\$ 386

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

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

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

* Current data unavailable

**Washington Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2016**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Borough of Washington	\$ 7,413,242	100.000%	\$ 7,413,242
Other debt Warren County	4,075,000	4.120%	<u>167,897</u>
Subtotal, overlapping debt			7,581,139
Washington Borough School District Direct Debt			<u>2,505,000</u>
Total direct and overlapping debt			<u><u>\$ 10,086,139</u></u>

Sources: Borough Finance Officer, Warren County Finance Office and Utility Authorities

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

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

Washington Borough School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2015 \$ 439,883,679
	2014 \$ 439,875,472
	2013 \$ 456,321,286
	[A] \$ <u>1,336,080,437</u>
Average equalized valuation of taxable property	[A/3] \$ 445,360,146
Debt limit (2.5% of average equalization value)	[B] 11,134,004
Net bonded school debt	[C] <u>2,505,000</u>
Legal debt margin	[B-C] \$ <u>8,629,004</u>

	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$12,559,471	\$13,723,978	\$14,481,900	\$14,627,832	\$14,556,276	\$13,920,572	\$13,006,676	\$12,026,816	\$11,393,914	\$11,134,004
Total net debt applicable to limit	<u>3,066,000</u>	<u>3,006,000</u>	<u>2,946,000</u>	<u>2,881,000</u>	<u>2,811,000</u>	<u>2,960,000</u>	<u>2,815,000</u>	<u>2,710,000</u>	<u>2,610,000</u>	<u>2,505,000</u>
Legal debt margin	<u>\$9,493,471</u>	<u>\$10,717,978</u>	<u>\$11,535,900</u>	<u>\$11,746,832</u>	<u>\$11,745,276</u>	<u>\$10,960,572</u>	<u>\$10,191,676</u>	<u>\$9,316,816</u>	<u>\$8,783,914</u>	<u>\$8,629,004</u>
Total net debt applicable to the limit as a percentage of debt limit	24.41%	21.90%	20.34%	19.70%	19.31%	21.26%	21.64%	22.53%	22.91%	22.50%

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

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

**Washington Borough School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	6,757	\$ 283,266,954	\$41,922 R	3.5%
2008	6,702	\$ 293,929,614	\$43,857 R	4.7%
2009	6,705	\$ 286,256,565	\$42,693 R	8.3%
2010	6,678	\$ 288,402,786	\$43,187 R	8.6%
2011	6,450	\$ 289,714,650	\$44,917 R	7.9%
2012	6,420	\$ 296,424,240	\$46,172 R	7.7%
2013	6,457	\$ 300,218,215	\$46,495 R	6.1%
2014	6,457	\$ 314,100,765	\$48,645 R	6.4%
2015	6,500	\$ 316,192,500	\$48,645 *	5.7%
2016	6,498	\$ 316,095,210	\$48,645 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

Washington Borough School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15
N/A

Employer	2016			2007		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

**Washington Borough School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction										
Regular	37.0	37.0	36.0	36.0	35.0	35.0	37.8	38.6	38.6	37.0
Special education	10.0	10.0	12.0	12.0	11.0	11.0	11.0	12.5	12.5	12.0
Other special education	10.0	9.5	10.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0
Other instruction	6.2	6.2	6.2	5.2	5.2	5.2	10.0	10.0	10.0	10.0
Support Services:										
Tuition										
Student & instruction related services	0.0	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
General administrative services	3.6	3.6	3.6	3.6	3.6	3.6	5.0	5.0	5.0	5.0
School administrative services	1.2	1.2	1.2	1.2	1.2	1.2	2.0	2.0	2.0	2.0
Central services	5.2	5.2	5.2	4.0	4.0	3.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Special Schools										
Total	<u>78.2</u>	<u>77.7</u>	<u>79.2</u>	<u>72.0</u>	<u>70.0</u>	<u>69.0</u>	<u>77.8</u>	<u>79.1</u>	<u>79.1</u>	<u>77.0</u>

Source: District Personnel Records

Washington Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2007	521	\$7,238,475	\$ 13,893	2.96%	63	12.7:1	526.0	520.8	4.08%	99.01%
2008	513	\$7,480,935	\$ 14,583	4.96%	63	12.3:1	505.1	478.0	-3.97%	94.63%
2009	548	\$7,266,265	\$ 13,260	-9.07%	63	8.7:1	546.5	517.0	8.20%	94.60%
2010	551	\$7,337,690	\$ 13,317	0.43%	58	9.5:1	551.0	522.0	0.82%	94.74%
2011	535	\$6,917,601	\$ 12,930	-2.91%	56	9.6:1	536.3	509.9	-2.67%	95.08%
2012	568	\$7,539,632	\$ 13,274	2.66%	56	10.1:1	556.2	528.9	3.71%	95.09%
2013	555	\$8,136,572	\$ 14,660	10.45%	55	10.1:1	543.3	515.5	-2.32%	94.88%
2014	560	\$8,149,549	\$ 14,553	-0.73%	56	10.0:1	550.8	525.8	1.38%	95.47%
2015	577	\$8,385,897	\$ 14,534	-0.13%	56	9.7:1	566.2	536.6	2.80%	94.77%
2016	548	\$8,162,182	\$ 14,894	2.48%	56	9.8:1	548.3	520.4	-3.16%	94.91%

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

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**Washington Borough School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
<u>Elementary</u>										
Taylor School										
Square Feet	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512
Capacity (students)	268	268	268	268	268	268	268	268	268	268
Enrollment	241	239	252	248	241	244	248	249	262	236
Memorial School										
Square Feet	48,708	48,708	48,708	48,708	48,708	48,708	48,708	48,708	48,708	48,708
Capacity (students)	358	358	358	358	358	358	358	358	358	358
Enrollment ^a	280	274	296	303	294	324	302	311	315	313
Total Enrollment	521	513	548	551	535	568	550	560	577	549

Nur

7 **Source:** District records, ASSA

Elementary = 2

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

WASHINGTON BOROUGH SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2016

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>Total</u>
Washington Memorial School	055	\$19,999	\$33,629	\$21,852	\$16,980	\$18,286	\$26,623	\$74,969	\$50,202	\$50,478	\$48,084	\$361,101
Taylor Street School	060	20,983	35,282	22,927	17,816	19,185	27,932	78,655	52,671	52,960	50,448	378,860
Total School Facilities		40,982	68,911	44,779	34,796	37,471	54,555	153,624	102,873	103,438	98,532	739,961
Other Facilities												
Grand Total		\$40,982	\$68,911	\$44,779	\$34,796	\$37,471	\$54,555	\$153,624	\$102,873	\$103,438	\$98,532	\$739,961

WASHINGTON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - New Jersey School Boards Ins. Group		
Property-Blanket Building and Contents	\$500,000,000	\$1,000
Comprehensive General Liability:		
General Aggregate	11,000,000	
Occurrence Limit	11,000,000	
Comprehensive Automobile Liability - Blanket	11,000,000	
Theft, Disappearance and Destruction:	100,000	1,000
BOILER AND MACHINERY - New Jersey School Boards		
Property Damage	Not Limited	1,000
SCHOOL BOARD LEGAL LIABILITY - New Jersey School Boards		
Limit Each Loss	11,000,000	5,000
Limit Each Policy Year	11,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-New Jersey School Boards		
Blanket Employee Limit	100,000	1,000
PUBLIC OFFICIAL BOND-Selective Insurance Company		
School Board Secretary	30,000	
Treasurer of School Monies	175,000	

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA

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

Independent Auditor's Report

The Honorable President and
 Members of the Board of Education
 Washington Borough School District
 County of Warren
 Washington, New Jersey 07882

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 Washington Borough School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Washington Borough School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2016.

Internal Control Over Financial Reporting

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

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

-Continued-

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or 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 for New Jersey Department of Education use, 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.

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2016

Cynthia Corder

Licensed Public School Accountant No.2369



ARDITO & Co., LLP

1110 Harrison Street, Suite C
 Frenchtown, New Jersey 08825-1192
 908-996-4711 Fax: 908-996-4688
 e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB Circular 15-08

Independent Auditor's Report

The Honorable President and
 Members of the Board of Education
 Washington Borough School District
 County of Warren
 Washington, New Jersey 07882

Report on Compliance for Each Major State Program

We have audited the Washington Borough School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2016. The Washington Borough School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

Our consideration of 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 New Jersey OMB Circular 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2016

Cumy Cuder

Licensed Public School Accountant No.2369

WASHINGTON BOROUGH SCHOOL DISTRICT

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year ended June 30, 2016

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2015	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2016			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	\$ 2,428,322			\$ 2,428,322	\$ (2,428,322)							\$ 242,729	\$ 2,428,322
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	10,316			10,316	(10,316)							1,031	10,316
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	290,035			290,035	(290,035)							28,991	290,035
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	19,533			19,533	(19,533)							1,952	19,533
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	5,260			5,260	(5,260)							526	5,260
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	5,260			5,260	(5,260)							526	5,260
Extraordinary Aid	15-495-034-5120-044	7/1/14-6/30/15		\$ (19,667)		19,667									
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	20,252				(20,252)			\$ (20,252)					20,252
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15		(174)		174									
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16	2,430				(2,430)			(2,430)					2,430
On Behalf TPAF Pension	16-495-034-5094-002	7/1/15-6/30/16	290,390			290,390	(290,390)								290,390
On Behalf TPAF Pension PRM	16-495-034-5094-001	7/1/15-6/30/16	362,998			362,998	(362,998)								362,998
On Behalf TPAF Pension Non-Contrib Ins	16-495-034-5094-004	7/1/15-6/30/16	14,465			14,465	(14,465)								14,465
Reimbursed TPAF Soc. Secur. Contrib.	16-495-034-5094-003	7/1/15-6/30/16	252,486	(13,355)		253,596	(252,486)			(12,245)					252,486
Total General Fund				(33,196)		3,700,016	(3,701,747)			(34,927)				275,755	3,701,747
Special Revenue Fund:															
N.J. Nonpublic Aid:															
Nonpublic Nursing Aid	15-100-034-5120-070	7/1/14-6/30/15	190	190					\$ (190)						
Nonpublic Textbook Aid	15-100-034-5120-064	7/1/14-6/30/15	119	119					(119)						
Nonpublic Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	684	18							\$ 18				
Nonpublic Technology Aid	15-100-034-5120-373	7/1/14-6/30/15	64	64					(64)						
Total Special Revenue Fund				391					(373)			18			
State Department of Agriculture															
Enterprise Fund:															
Nat. School Lunch Prog.(State Share)	15-100-010-3350-023	7/1/14-6/30/15		(205)		205									
Nat. School Lunch Prog.(State Share)	16-100-010-3350-023	7/1/15-6/30/16	2,528			2,413	(2,528)			(115)					2,528
Total Enterprise Fund				(205)		2,618	(2,528)			(115)					2,528
Total State Financial Assistance				\$ (33,010)		\$ 3,702,634	\$ (3,704,275)		\$ (373)	\$ (35,042)	\$ 18			\$ 275,755	\$ 3,704,275

Less: On-behalf TPAF Pension Amounts 667,853

Total State Expenditures Subject to Major Program Determination \$ (3,036,422)

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying state schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$4,513) for the general fund and \$13,607 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2016

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 3,697,234	\$ 3,697,234
Special Revenue Fund	\$ 310,144	-	310,144
Food Service Fund	<u>129,400</u>	<u>2,528</u>	<u>131,928</u>
Total Financial Assistance	<u>\$ 439,544</u>	<u>\$ 3,699,762</u>	<u>\$ 4,139,306</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

Revenues and expenditures reported under the Food Distribution 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 employer's share of social security contributions for TPAF members for the year ended June 30, 2016.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? ___ Yes __x__ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes __x__ None

Reported

Noncompliance material to financial statements noted? ___ Yes __x__ No

Federal Awards

N/A

Internal control over major programs:

1) Material weakness(es) identified? ___ Yes ___ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ None

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? ___ Yes ___ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

Dollar threshold used to distinguish between Type A and Type B programs: N/A

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Financial Assistance Section

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

Auditee qualified as low-risk auditee? x yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes x no

2) Were significant deficiencies identified that were not considered to be material weaknesses? yes x none

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

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable? yes x no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

16-495-034-5120-078

Equilization Aid

16-495-034-5120-089

Special Education Aid

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II-Financial Statement Findings

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

N/A

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.

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

STATUS OF PRIOR YEAR FINDINGS

N/A

In accordance with *government auditing standards* , our procedures included a review of all prior year recommendations. There were no prior year findings.