

**WHARTON BOARD OF EDUCATION**

**Wharton Borough Board of Education  
Wharton, New Jersey**

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

**Comprehensive Annual  
Financial Report**

**of the**

**WHARTON BOARD OF EDUCATION**

**Wharton, New Jersey**

**For the Fiscal Year Ended June 30, 2016**

**Prepared by**

**Wharton Borough Board of Education  
Business Office**

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INTRODUCTORY SECTION

**WHARTON BOROUGH PUBLIC SCHOOLS***www.wbps.org***“Learn to Thrive in a Dynamic World”****Christopher Herdman**  
Superintendent**Sandy Cammarata**  
Business Administrator

October 14, 2016

The Honorable President and Members  
of the Board of Education  
Wharton Board of Education  
County of Morris, New Jersey

Dear Honorable President and Board Members:

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

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

**1) REPORTING ENTITY AND ITS SERVICES:**

The Wharton Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Wharton Board of Education and its schools constitute the District's reporting entity.

Christopher J. Herdman  
SuperintendentSandy Cammarata  
Business AdministratorColleen Silvestri  
Supervisor  
Curriculum/InstructionMarie Giantomasi  
Director of Special Education  
& Child Study TeamBoard of Educaon  
Theresa Yeager  
PresidentPaul Breda  
Vice PresidentAnthony Astrologo  
Brian Finn  
Jennifer DiSanto  
Robin ghenreal  
Wayne SchieleSuperintendent's Office  
973.361.2592  
Fax 973.895.2187Business Office  
973.361.2593  
Fax 973.442.7593Marie V. Duffy School  
973.361.2506  
Fax 973.361.4917Alfred C. MacKinnon School  
973.361.1253  
Fax 973.361.4805Child Study Team  
973.361.3010  
Fax 973.361.4897Guidance  
973.361.2541  
Fax 973.361.4917137 East Central Avenue  
Wharton, NJ 07885

The Honorable President and Members  
of the Board of Education  
Wharton Board of Education  
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October 14, 2016

## 2) ECONOMIC CONDITION AND OUTLOOK:

The Borough continues to seek new business to the area to improve the industrial and commercial tax base.

## 3) MAJOR INITIATIVES:

The Board's current major initiatives are

- Current Interlocal Service Agreements with Morris Hills Regional High School District for Child Study Team Services, Technology Services, Transportation Services, and Custodial Services. The District is evaluating all shared services continually for cost saving initiatives.
- Continued Stability of Early Childhood Program
- Continued Infusion of Technology
- Enhanced Performance Assessment Tools
- Performance Assessment
- Improved Professional Development
- Continued Infusion of Additional Resources through State and Federal Grants

## 4) INTERNAL ACCOUNTING CONTROLS:

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

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

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

## 5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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



The Honorable President and Members  
of the Board of Education  
Wharton Board of Education  
Page 3  
October 14, 2016

6) ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", No. 1.

7) CASH MANAGEMENT:

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

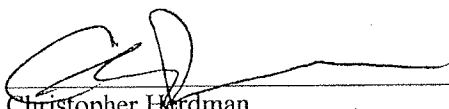
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Business Administrator oversees risk management for the District.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

9) OTHER INFORMATION:

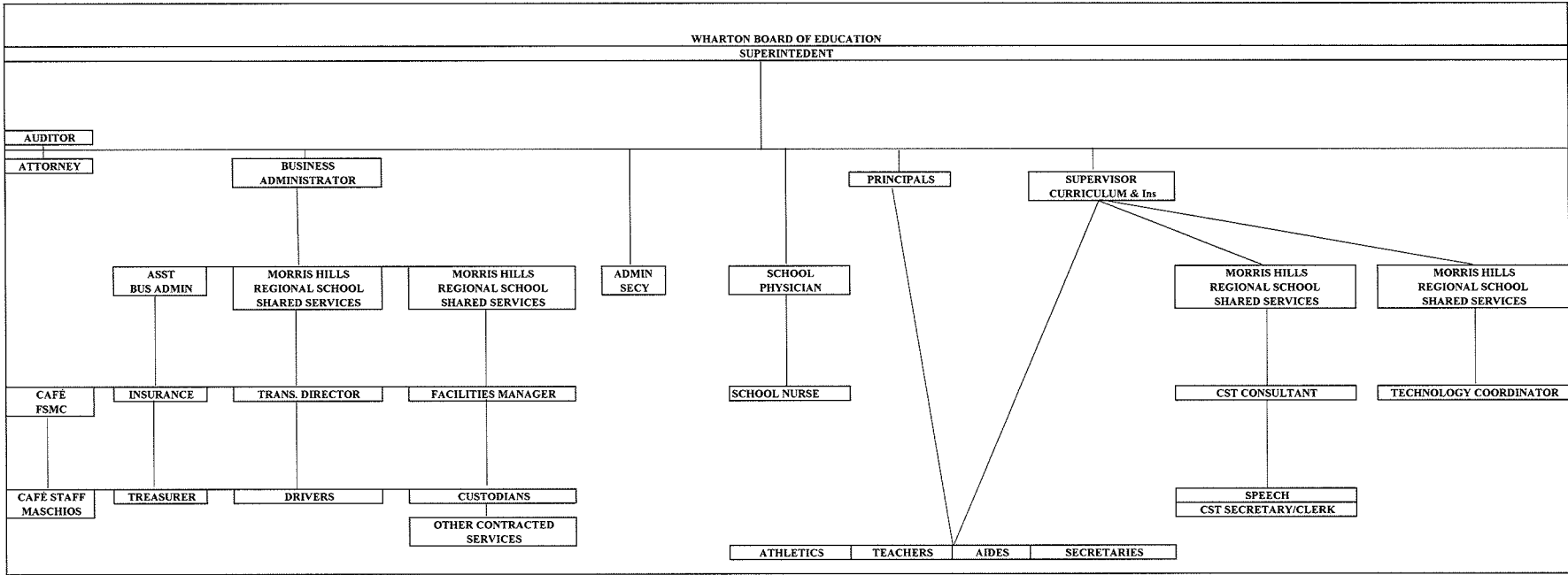
Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The Auditors' Report on the basic financial statements and specific required supplementary information are included in the financial section of this report. The Auditors' Reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of the Wharton 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 the financial and accounting staff.

  
\_\_\_\_\_  
Christopher Herdman  
Superintendent

  
\_\_\_\_\_  
Sandy Cammarata  
Business Administrator/Board Secretary



**WHARTON BOARD OF EDUCATION  
ROSTER OF OFFICIALS  
JUNE 30, 2016**

<u>Members of the Board of Education</u>		<u>Expiration of Term</u>
Theresa Yeager, President		2016
Paul Breda, Vice President		2018
Anthony Astrologo		2017
Jennifer DiSanto		2018
Wayne Schiele		2016
Robin Ghebreal		2016
Brian Finn		2017
 <u>Other Officials</u>		
	<u>Title</u>	
Christopher Herdman	Superintendent	
Warren Ceurvels	Interim Business Administrator/Board Secretary from July 1, 2015 though October 29, 2015	
Sandy Cammarata	Business Administrator/Board Secretary from October 29, 2015	
Diana Fernandez	Treasurer of School Monies	

**WHARTON BOARD OF EDUCATION  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, NJ 07856  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, NJ 07860

**Attorney**

Anthony Sciarrillo  
Lindabury, McCormick, Estabrook & Cooper PC  
53 Cardinal Drive  
Westfield, NJ 07090

**Architect**

Anthony Callerano  
Harbor Consultant, Inc.  
320 North Avenue East  
Cranford, NJ 07016

**Insurance Agent**

Morville Agency  
55 Newton Sparta Road #102  
Newton, NJ 07860

**Official Depository**

TD Bank  
240 Route 10 West  
Succasunna, NJ 07876

FINANCIAL SECTION



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

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

## Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Wharton Board of Education  
 County of Morris, New Jersey

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wharton Board of Education (the "District") in the County of Morris as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

The Honorable President and Members  
of the Board of Education  
Wharton Board of Education  
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### ***Opinions***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 14, 2016  
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant



REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

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

**Financial Highlights**

- Overall revenue was \$17,225,054.
- Overall expenses were \$15,995,492.
- The District's financial condition improved by \$1,259,562 on a district wide basis over the course of the year.

**Overview of the Financial Statements**

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

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

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

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

**Figure A-1  
Organization of Wharton Board of Education's Financial Report**

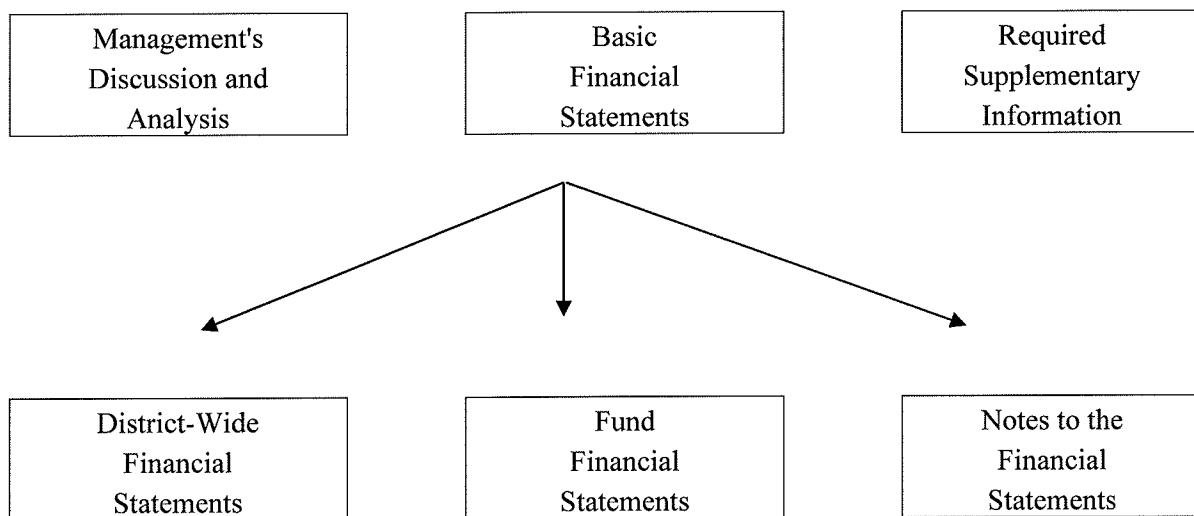


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

Figure A-2

*Major Features of the District-Wide and Fund Financial Statements*

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

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

***District-wide Statements***

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

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

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

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

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

***Fund Financial Statements***

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

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

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

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

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

**Financial Analysis of the District as a Whole**

*Net position.* The District's combined net position increased \$1,259,562. Net position from governmental activities increased \$1,213,177 and net position from business-type activities increased \$46,385. Net investment in capital assets increased \$1,049,223, restricted net position increased \$297,433, and unrestricted net position decreased \$87,094.

**Figure A-3  
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Current/Other Assets	\$ 5,717,911	\$5,493,255	\$160,647	\$ 98,740	\$ 5,878,558	\$ 5,591,995	5.12%
Capital Assets, Net	6,939,520	6,161,297			6,939,520	6,161,297	12.63%
Total Assets	12,657,431	11,654,552	160,647	98,740	12,818,078	11,753,292	9.06%
Deferred Outflows of Resources	372,905	233,035			372,905	233,035	60.02%
Other Liabilities	69,145	87,517	16,472	950	85,617	88,467	-3.22%
Long-term Liabilities	3,735,072	3,826,439			3,735,072	3,826,439	-2.39%
Total Liabilities	3,804,217	3,913,956	16,472	950	3,820,689	3,914,906	-2.41%
Deferred Inflows of Resources	118,196	78,885			118,196	78,885	49.83%
Net Position:							
Net Investment in Capital Assets	4,979,520	3,930,297			4,979,520	3,930,297	26.70%
Restricted	5,558,458	5,261,025			5,558,458	5,261,025	5.65%
Unrestricted/(Deficit)	(1,430,055)	(1,296,576)	144,175	97,790	(1,285,880)	(1,198,786)	-7.27%
Total Net Position	\$ 9,107,923	\$7,894,746	\$144,175	\$ 97,790	\$ 9,252,098	\$ 7,992,536	15.76%

*Changes in Net position.* The District's combined net position was \$9,252,098 on June 30, 2016, or 15.76% more than the year before. (See Figure A-3).

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The increase in net position from governmental activities is due to several factors. Net investment in capital assets increased \$1,049,223 due to a \$271,000 decrease in bonded debt. Also, the District purchased \$1,058,712 of Capital Assets during the fiscal year 2016, offset by \$280,489 in current year depreciation. Restricted net position increased \$297,433 primarily due to increases in the Capital and Maintenance Reserves and excess surplus. Unrestricted net position decreased \$87,094.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2015-2016
	2016	2015	2016	2015	2016	2015	
<b>Revenue:</b>							
Program Revenue:							
Fees for Services	\$ 157,392	\$ 205,551	\$ 97,213	\$ 98,235	\$ 254,605	\$ 303,786	-16.19%
Operating Grants/ Contributions	2,551,518	2,348,085	267,125	245,377	2,818,643	2,593,462	8.68%
General Revenue:							
Property Taxes Unrestricted	8,866,866	8,708,172			8,866,866	8,708,172	1.82%
Federal/State Aid	5,275,776	4,997,074			5,275,776	4,997,074	5.58%
Other	39,071	31,103	93	72	39,164	31,175	25.63%
<b>Total Revenue</b>	<b>16,890,623</b>	<b>16,289,985</b>	<b>364,431</b>	<b>343,684</b>	<b>17,255,054</b>	<b>16,633,669</b>	<b>3.74%</b>
<b>Expenses:</b>							
Instruction	10,931,451	10,504,618			10,931,451	10,504,618	4.06%
Pupil/Instruction Services	2,016,638	1,958,102			2,016,638	1,958,102	2.99%
Administration/ Business	1,339,242	1,214,934			1,339,242	1,214,934	10.23%
Maintenance and Operations	795,040	788,112			795,040	788,112	0.88%
Transportation	277,677	348,667			277,677	348,667	-20.36%
Other	317,398	466,130	318,046	340,918	635,444	807,048	-21.26%
<b>Total Expenses</b>	<b>15,677,446</b>	<b>15,280,563</b>	<b>318,046</b>	<b>340,918</b>	<b>15,995,492</b>	<b>15,621,481</b>	<b>2.39%</b>
<b>Increase in Net Position</b>	<b>\$ 1,213,177</b>	<b>\$ 1,009,422</b>	<b>\$ 46,385</b>	<b>\$ 2,766</b>	<b>\$1,259,562</b>	<b>\$1,012,188</b>	<b>24.44%</b>

*Revenue Sources.* The District's total revenue for the 2015-2016 school year was \$17,255,054. (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$8,866,866, or 51.38 percent. (See Figure A-5). Another 46.91 percent came from state and federal aid for specific programs and general aid, and the remaining 1.71 percent from miscellaneous sources. The Wharton Board of Education basically conducts its operations from the revenues it receives from its local taxpayers and State funding.

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

**Figure A-5  
Sources of Revenue for Fiscal Year 2016**

Sources of Income	Amount	Percentage
State Formula Aid	\$ 3,958,420	22.94%
Property Taxes	8,866,866	51.38%
Federal and State Categorical Grants	4,135,999	23.97%
Charges for Services	254,605	1.48%
Other	39,164	0.23%
	<u>\$ 17,255,054</u>	<u>100.00%</u>

*Expenses.* The total cost of all programs and services was \$15,995,492. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (82.69 percent). (See Figure A-6). The District's administrative and business activities accounted for 8.37 percent of total costs. Maintenance and operations and other expenses represented 8.94% of total costs and includes \$280,489 of depreciation expense related to its capital assets.

**Figure A-6  
Expenses for Fiscal Year 2016**

Expense Category	Amount	Percentage
Instruction	\$ 10,931,451	68.34%
Pupil and Instruction Services	2,016,638	12.61%
Administration and Business	1,339,242	8.37%
Maintenance and Operations	795,040	4.97%
Transportation	277,677	1.74%
Other	635,444	3.97%
	<u>\$ 15,995,492</u>	<u>100.00%</u>



**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

***Governmental Activities***

The financial position of the District has increased significantly over the course of the year. Through careful budgeting the District has managed to maintain programs including extra-curricular activities, in spite of increased special education, salary and fringe benefit costs.

Careful management of expenses remains essential for the District to sustain its financial health. It is crucial that the District constantly monitors all expenditures throughout the fiscal year.

Figure A-7 presents the cost of six major District activities: instruction, pupil and instruction services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

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

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction	\$ 10,931,451	\$ 10,504,618	\$ 8,335,320	\$ 8,064,112
Pupil and Instruction Services	2,016,638	1,958,102	1,968,286	1,912,275
Administration and Business	1,339,242	1,214,934	1,285,796	1,158,604
Maintenance and Operations	795,040	788,112	795,040	788,112
Transportation	277,677	348,667	266,696	337,694
Other	317,398	466,130	317,398	466,130
<b>Total</b>	<b>\$ 15,677,446</b>	<b>\$ 15,280,563</b>	<b>\$ 12,968,536</b>	<b>\$ 12,726,927</b>

- The cost of all governmental activities this year was \$15,677,446.
- The federal and state governments subsidized certain programs with grants and contributions.
- Approximately 51.38% of the District's costs, however, were financed by District taxpayers.
- A portion of the governmental activities was financed with formula-based state aid.
- The remainder of the funding came from fees for services, miscellaneous revenue and investment earnings.

***Business-Type Activities***

Net position from the District's business-type activity increased \$46,385. This is primarily attributable to a decrease in Food Service expenses of \$22,872 and an increase in non-operating income of \$21,769 (Refer to Figure A-4).

**Wharton Board of Education  
Management's Discussion and Analysis  
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(Unaudited)**

**Financial Analysis of the District's Funds**

Significant changes in the student population and difficult economic times have added pressure to the District's budget. Special education costs continue to escalate with several pupils with disabilities placed in out-of-district programs. These pupils are profoundly disabled and require complex educational and related services our District does not have capacity or personnel to provide.

The District allocated Capital Reserve funds during the 2015-16 school year for the following projects that will be executed in the 2016-17 school year:

- Doors and Locks in MacKinnon and Duffy School
- Sound and Light System in Duffy School and Sound System in MacKinnon Gymnasium
- Boiler Replacement in Duffy and MacKinnon School
- Upgrade Technology Network in Duffy and MacKinnon Schools
- MacKinnon and Duffy Roof Repairs

Fringe benefit costs for all staff continue to increase dramatically.

Difficult economic times have had a direct impact upon the District's revenue sources placing a greater burden on our local taxpayers. The District has historically utilized funds from the unappropriated balance to reduce the tax levy.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management.

**General Fund Budgetary Highlights**

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

**Capital Asset and Debt Administration**

*Capital Assets*

The District's capital assets increased \$778,223. This is due to the purchase of \$1,058,712 of assets. Additionally, there was current year depreciation of \$280,489.

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

**Capital Assets**

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage Change 2014-2015
	2016	2015	2016	2015	2016	2015	
Sites (Land)	\$ 164,279	\$ 164,279			\$ 164,279	\$ 164,279	0.00%
Construction in Progress	18,265	18,265			18,265	18,265	0.00%
Site Improvements	757,421	794,568			757,421	794,568	
Buildings/Bldg. Improvements	5,830,861	5,081,280			5,830,861	5,081,280	14.75%
Furniture, Machinery & Equipment	168,694	102,905			168,694	102,905	63.93%
<b>Total</b>	<b>\$ 6,939,520</b>	<b>\$ 6,161,297</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 6,939,520</b>	<b>\$ 6,161,297</b>	<b>12.63%</b>

**Long-term Liabilities**

At year-end, the District had \$1,960,000 in general obligation bonds – a reduction of \$271,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

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

	Total School District		Percentage Change 2015-2016
	2016	2015	
General Obligation Bonds (Financed with Property Taxes)	\$ 1,960,000	\$ 2,231,000	-12.15%
Net Pension Liability	1,453,047	1,323,696	9.77%
Compensated Absences Payable	322,025	271,743	18.50%
	<b>\$ 3,735,072</b>	<b>\$ 3,826,439</b>	<b>-2.39%</b>

- The District continued to pay down its debt, retiring \$271,000 of outstanding bonds.
- Net Pension Liability increased by 129,351.
- Compensated Absences increased by \$50,282 during the year.

**Factors Bearing on the District's Future**

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

- The District's enrollment slightly increased during the current year, which could potentially lead to an increase in state aid in the future.

**Wharton Board of Education  
Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2016  
(Unaudited)**

**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 137 East Central Avenue, Wharton, New Jersey 07885.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

WHARTON BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,183,061	\$ 117,194	\$ 1,300,255
Internal Balances	(26,076)	26,076	
Receivable from State Government	115,055	242	115,297
Receivable from Federal Government	85,294	13,442	98,736
Inventories		3,693	3,693
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	3,520,565		3,520,565
Emergency Reserve Account - Cash and Cash Equivalents	250,000		250,000
Maintenance Reserve Account - Cash and Cash Equivalents	590,012		590,012
Capital Assets, Net:			
Sites (Land) and Construction in Progress	182,544		182,544
Depreciable Site Improvements, Buildings, Building Improvements and Furniture, Machinery and Equipment	6,756,976		6,756,976
Total Assets	<u>12,657,431</u>	<u>160,647</u>	<u>12,818,078</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Changes in Assumptions - Pensions	156,046		156,046
Changes in Proportions - Pensions	124,722		124,722
Difference between Expected and Actual Experience-Pensions	34,665		34,665
District Contribution Subsequent to the Measurement Date-Pensions	57,472		57,472
Total Deferred Outflows of Resources	<u>372,905</u>		<u>372,905</u>
<b>LIABILITIES</b>			
Accounts Payable	65,573	14,745	80,318
Interfund Payable	1,339		1,339
Unearned Revenue	2,233	1,727	3,960
Noncurrent Liabilities:			
Due Within One Year	36,000		36,000
Due Beyond One Year	3,699,072		3,699,072
Total Liabilities	<u>3,804,217</u>	<u>16,472</u>	<u>3,820,689</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Changes in Proportions - Pensions	94,834		94,834
Investment Gains - Pensions	23,362		23,362
Total Deferred Inflows of Resources	<u>118,196</u>		<u>118,196</u>

WHARTON BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
NET POSITION			
Net Investment in Capital Assets	\$ 4,979,520		\$ 4,979,520
Restricted for:			
Capital Projects	3,538,403		3,538,403
Debt Service	16,154		16,154
Maintenance Reserve	590,012		590,012
Emergency Reserve	250,000		250,000
Excess Surplus	1,163,889		1,163,889
Unrestricted/(Deficit)	<u>(1,430,055)</u>	\$ 144,175	<u>(1,285,880)</u>
Total Net Position	<u>\$ 9,107,923</u>	<u>\$ 144,175</u>	<u>\$ 9,252,098</u>

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



WHARTON BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 7,511,041	\$ 157,392	\$ 1,337,298		\$ (6,016,351)		\$ (6,016,351)
Special Education	2,997,502		1,045,683		(1,951,819)		(1,951,819)
Other Instruction	422,908		55,758		(367,150)		(367,150)
Support Services:							
Tuition	240,662				(240,662)		(240,662)
Student & Instruction Related Services	1,775,976		48,352		(1,727,624)		(1,727,624)
General Administration Services	503,252				(503,252)		(503,252)
School Administration Services	517,485		53,446		(464,039)		(464,039)
Central Services	208,324				(208,324)		(208,324)
Administrative Information Technology	110,181				(110,181)		(110,181)
Plant Operations and Maintenance	795,040				(795,040)		(795,040)
Pupil Transportation	277,677		10,981		(266,696)		(266,696)
Interest on Long-Term Debt	18,620				(18,620)		(18,620)
Charter School	23,603				(23,603)		(23,603)
Capital Outlay	4,402				(4,402)		(4,402)
Unallocated Depreciation	270,773				(270,773)		(270,773)
Total Governmental Activities	15,677,446	157,392	2,551,518	\$ -0-	(12,968,536)		(12,968,536)

WHARTON BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Business-Type Activities:							
Food Service	\$ 318,046	\$ 97,213	\$ 267,125			\$ 46,292	\$ 46,292
Total Business-Type Activities	318,046	97,213	267,125			46,292	46,292
Total Primary Government	\$ 15,995,492	\$ 254,605	\$ 2,818,643	\$ -0-	\$ (12,968,536)	46,292	(12,922,244)
General Revenue:							
Taxes:							
					8,634,852		8,634,852
					232,014		232,014
					5,275,776		5,275,776
					3,761	93	3,854
					35,310		35,310
					14,181,713	93	14,181,806
					1,213,177	46,385	1,259,562
					7,894,746	97,790	7,992,536
					\$ 9,107,923	\$ 144,175	\$ 9,252,098

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

FUND FINANCIAL STATEMENTS

Exhibit B-1

WHARTON BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 1,149,069		\$ 17,838	\$ 16,154	\$ 1,183,061
Interfund Receivables	100,764				100,764
Receivables from Federal Government		\$ 85,294			85,294
Receivables from State Government	115,055				115,055
Restricted Cash and Cash Equivalents	<u>4,360,577</u>				<u>4,360,577</u>
<b>Total Assets</b>	<u>\$ 5,725,465</u>	<u>\$ 85,294</u>	<u>\$ 17,838</u>	<u>\$ 16,154</u>	<u>\$ 5,844,751</u>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 8,101				\$ 8,101
Interfund Payable	27,415	\$ 100,764			128,179
Unearned Revenue		<u>2,233</u>			<u>2,233</u>
<b>Total Liabilities</b>	<u>35,516</u>	<u>102,997</u>			<u>138,513</u>
<b>Fund Balances:</b>					
<b>Restricted for:</b>					
Capital Reserve Account	3,520,565				3,520,565
Maintenance Reserve Account	590,012				590,012
Emergency Reserve Account	250,000				250,000
Excess Surplus	663,889				663,889
Excess Surplus - Designated for Subsequent Year's Expenditures	500,000				500,000
Debt Service Fund				\$ 16,154	16,154
Committed			\$ 17,838		17,838
<b>Assigned:</b>					
Other Purposes	165,483				165,483
Unassigned/(Deficit)		<u>(17,703)</u>			<u>(17,703)</u>
<b>Total Fund Balances</b>	<u>5,689,949</u>	<u>(17,703)</u>	<u>17,838</u>	<u>16,154</u>	<u>5,706,238</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,725,465</u>	<u>\$ 85,294</u>	<u>\$ 17,838</u>	<u>\$ 16,154</u>	<u>\$ 5,844,751</u>

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are different because:

Total Fund Balances - Governmental Funds (Above)	\$ 5,706,238
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$12,221,287 and the accumulated depreciation is \$5,281,767.	6,939,520
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.	(2,282,025)
The Net Pension Liability for PERS is not due and payable in the current period and is not reported in the Governmental Funds.	(1,453,047)
Certain amounts related to the Net Pension Liability and Deferred and Amortized in the Statement of Activities are not reported in the Governmental Funds:	
Changes in Assumptions - Pensions	156,046
Changes in Proportions - Pensions	124,722
Difference between Expected and Actual Experience - Pensions	34,665
Changes in Proportions - Pensions	(94,834)
Investment Gains - Pensions	<u>(23,362)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 9,107,923</u>

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

WHARTON BOARD OF EDUCATION  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 8,634,852			\$ 232,014	\$ 8,866,866
Tuition from Other LEA's	157,392				157,392
Investment Interest	3,761				3,761
Miscellaneous	35,310				35,310
Total - Local Sources	8,831,315			232,014	9,063,329
State Sources	5,501,714	\$ 185,612		84,886	5,772,212
Federal Sources	48,263	521,336			569,599
Total Revenue	14,381,292	706,948		316,900	15,405,140
EXPENDITURES:					
Instruction:					
Regular Instruction	4,107,236	458,806			4,566,042
Special Education Instruction	1,641,994	246,123			1,888,117
Other Instruction	224,155				224,155
Support Services and Undistributed Costs:					
Tuition	240,662				240,662
Student & Instruction Related Services	1,486,320				1,486,320
General Administration Services	436,974				436,974
School Administration Services	332,075				332,075
Central Services	152,653				152,653
Administrative Information Technology	95,236				95,236
Plant Operations and Maintenance	785,764				785,764
Pupil Transportation	277,424				277,424
Unallocated Benefits	3,281,481				3,281,481

WHARTON BOARD OF EDUCATION  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
EXPENDITURES (Cont'd):					
Capital Outlay	\$ 1,063,114				\$ 1,063,114
Debt Service:					
Principal				\$ 271,000	271,000
Interest and Other Charges				29,746	29,746
Transfer of Funds to Charter Schools	23,603				23,603
Total Expenditures	<u>14,148,691</u>	<u>\$ 704,929</u>		<u>300,746</u>	<u>15,154,366</u>
Excess/(Deficiency) of Revenue over/(under) Expenditures	232,601	2,019		16,154	250,774
Fund Balance/(Deficit)—July 1	<u>5,457,348</u>	<u>(19,722)</u>	<u>\$ 17,838</u>	<u>-0-</u>	<u>5,455,464</u>
Fund Balance/(Deficit)—June 30	<u>\$ 5,689,949</u>	<u>\$ (17,703)</u>	<u>\$ 17,838</u>	<u>\$ 16,154</u>	<u>\$ 5,706,238</u>

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

WHARTON BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (from B-2)		\$ 250,774
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 differ from depreciation in the period.		
	Depreciation Expense	\$ (280,489)
	Capital Outlays	<u>1,058,712</u>
		778,223
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+)		
		(50,282)
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. (+)		
		271,000
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(129,351)
Deferred Outflows:		
Changes in Assumptions		114,422
Changes in Proportion		(28,089)
Difference between Expected and Actual Experience		34,665
Deferred Inflows:		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		55,523
Changes in Proportion		(94,834)
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. (-)		
		<u>11,126</u>
Change in Net Position - Governmental Activities (from A-2)		<u>\$ 1,213,177</u>

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

Exhibit B-4

WHARTON BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds Food Service</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 117,194
Intergovernmental Accounts Receivable:	
Federal	13,442
State	242
Interfund Receivable	26,076
Inventories	<u>3,693</u>
 <b>Total Current Assets</b>	 <u>160,647</u>
 <b>Non-Current Assets:</b>	
Capital Assets	42,800
Less: Accumulated Depreciation	<u>(42,800)</u>
 <b>Total Non-Current Assets</b>	 <u>- 0-</u>
 <b>Total Assets</b>	 <u>160,647</u>
 <b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts Payable	14,745
Unearned Revenue	<u>1,727</u>
 <b>Total Liabilities</b>	 <u>16,472</u>
 <b>NET POSITION:</b>	
Unrestricted	<u>144,175</u>
 <b>Total Net Position</b>	 <u>\$ 144,175</u>

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



Exhibit B-5

WHARTON BOARD OF EDUCATION  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds
	Food Service
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 90,882
Daily Sales - Non-reimbursable Programs	6,331
Total Operating Revenue	97,213
Operating Expenses:	
Cost of Sales - Reimbursable Programs	137,201
Cost of Sales - Non-Reimbursable Programs	9,558
Salaries, Benefits & Payroll Taxes	117,627
Supplies, Insurance & Other Costs	4,369
Management Fee	8,492
Miscellaneous Expenses	40,799
Total Operating Expenses	318,046
Operating (Loss)	(220,833)
Non-Operating Income:	
Local Sources:	
Interest Income	93
State Sources:	
State School Lunch Program	4,360
Federal Sources:	
National School Lunch Program	200,333
School Breakfast Program	38,286
Food Distribution Program	24,146
Total Non-Operating Income	267,218
Change in Net Position	46,385
Net Position - Beginning of Year	97,790
Net Position - End of Year	\$ 144,175

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

Exhibit B-6

WHARTON BOARD OF EDUCATION  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 97,213
Payments to Employees	(117,627)
Payments to Food Service Vendor	(155,996)
Payments to Suppliers	<u>(4,369)</u>
Net Cash Used for Operating Activities	<u>(180,779)</u>
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	<u>93</u>
Net Cash Provided by Investing Activities	<u>93</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	4,467
Federal Sources:	
National School Lunch Program	205,538
School Breakfast Program	<u>38,286</u>
Net Cash Provided by Noncapital Financing Activities	<u>248,291</u>
Net Increase in Cash and Cash Equivalents	67,605
Cash and Cash Equivalents, July 1	<u>49,589</u>
Cash and Cash Equivalents, June 30	<u>\$ 117,194</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (220,833)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	
Food Distribution Program	24,146
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,469)
Increase in Unearned Revenue	777
Decrease in Interfund Receivable	1,855
Increase in Accounts Payable	<u>14,745</u>
Net Cash Used for Operating Activities	<u>\$ (180,779)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received USDA Donated Commodities through the Food Distribution Program valued at \$24,923 and utilized U.S.D.A Commodities valued at \$24,146, for the fiscal year ended June 30, 2016

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

Exhibit B-7

WHARTON BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Agency</u>		Unemployment Compensation Trust	Total
	<u>Student Activities</u>	<u>Payroll</u>		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 22,688	\$ 144,513	\$ 149,812	\$ 317,013
Interfund Receivable	1,339			1,339
Total Assets	<u>24,027</u>	<u>144,513</u>	<u>149,812</u>	<u>318,352</u>
<b>LIABILITIES:</b>				
Net Payroll		2,011		2,011
Payroll Deductions and Withholdings		142,502		142,502
Due to Student Groups	24,027			24,027
Total Liabilities	<u>24,027</u>	<u>144,513</u>		<u>168,540</u>
<b>NET POSITION:</b>				
Held in Trust for Unemployment Claims			149,812	
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 149,812</u>	<u>\$ 149,812</u>

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

WHARTON BOARD OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
ADDITIONS:	
Contributions:	
Employee	\$ 12,026
Employer	70,000
Total Contributions	<u>82,026</u>
Investment Earnings:	
Interest	104
Net Investment Earnings	<u>104</u>
Total Additions	<u>82,130</u>
DEDUCTIONS:	
Unemployment Compensation Claims	<u>18,420</u>
Total Deductions	<u>18,420</u>
Change in Net Position	63,710
Net Position - Beginning of the Year	<u>86,102</u>
Net Position - End of the Year	<u><u>\$ 149,812</u></u>

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

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

B. Basis of Presentation:

District-Wide Financial Statements:

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

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

B. Basis of Presentation: (Cont'd)

Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses in the program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

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 governmental funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

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

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

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

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

B. Basis of Presentation: (Cont'd)

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, the Payroll Agency Fund and the Unemployment Compensation Trust Fund.

C. Measurement Focus and Basis of Accounting

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

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

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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

D. Budgets/Budgetary Control:

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

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

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

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

The Capital Projects budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full the year the grants are awarded on the budgetary basis; but, are not recognized on the GAAP basis until they are expended and submitted for reimbursement.



WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/Inflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,380,289	\$ 725,659
<b>Differences - Budget to GAAP:</b>		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue while the GAAP basis does not.		(20,730)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	400,655	19,722
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(399,652)</u>	<u>(17,703)</u>
<b>Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds</b>	<u><u>\$ 14,381,292</u></u>	<u><u>\$ 706,948</u></u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Uses/Outflows of Resources:</b>		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,148,691	\$ 725,659
<b>Differences - Budget to GAAP:</b>		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		<u>(20,730)</u>
<b>Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds</b>	<u><u>\$ 14,148,691</u></u>	<u><u>\$ 704,929</u></u>

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

D. Budgets/Budgetary Control: (Cont'd)

	<u>Capital Projects Fund</u>
Committed Fund Balance - Budgetary Basis	\$ 34,104
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Revenue not Recognized on GAAP Basis	<u>(16,266)</u>
Fund Balance per Governmental Funds (GAAP)	<u>\$ 17,838</u>

E. Cash and Cash Equivalents and Investments:

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

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

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

F. Interfund Transactions:

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

F. Interfund Transactions: (Cont'd)

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

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

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after ten years of service.

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$5,689,949 General Fund balance at June 30, 2016, \$3,520,565 is restricted in the capital reserve account; \$590,012 is restricted in the maintenance reserve account; \$250,000 is restricted in the emergency reserve account; \$663,889 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2003, C.73(S1701) and will be appropriated included as anticipated revenue for the fiscal year ending June 30, 2018; \$500,000 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the year ended June 30, 2017; \$165,483 of assigned fund balance for year end encumbrances, which is (\$158,319) less than on a budgetary basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2016; and \$0 is unassigned which is \$329,558 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the last two state aid payments, which are not recognized until the fiscal year ended June 30, 2017 on a GAAP basis.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2016, of \$17,838 is committed.

Special Revenue Fund: There is a (\$17,703) deficit in unassigned Special Revenue fund balance at June 30, 2016. The deficit is due to the last two state aid payments, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2017.

Debt Service Fund: The total Debt Service Fund fund balance of \$16,154 at June 30, 2016 is restricted.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

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

P. Fund Balance Appropriated (Cont'd):

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701) the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2016 as noted on the prior page.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$399,652 as reported in the fund statements and in the Special Revenue Fund by \$17,703 as reported in the fund statements. P.L. 2003, C.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2016 for the changes in assumptions and proportions in pensions, the difference between expected and actual experience in pensions and the district contribution subsequent to the measurement date related to pensions.

The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

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

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

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

Q. Net Position: (Cont'd)

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

R. Fund Balance Restrictions, Commitments and Assignments:

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

Fund balance restrictions have been established for excess surplus, a capital reserve, an emergency reserve, a maintenance reserve and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances in the General Fund at June 30, 2016.

S. Deficit Fund Balance/Net Position:

The \$1,430,055 deficit in the Unrestricted Net Position of the District's Governmental Activities is primarily due to the accrual of \$322,025 of compensated absences, net pension liability of \$1,453,047, investment gains in pensions of \$23,362, changes in proportions in pensions of \$94,834 and accounts payable of \$57,472 offset by \$165,483 of assigned fund balance, changes in assumptions in pensions of \$156,046, changes in proportions in pensions of \$124,722, difference between expected and actual experience in pensions of \$34,665 and district contributions subsequent to the measurement date in pensions of \$57,472. The \$17,703 deficit in unassigned Special Revenue fund balance is due the last two state aid payments, which are not recognized on a GAAP basis until the fiscal year ended June 30, 2017. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

T. Revenue - Exchange and 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, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from 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, interest and tuition.

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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



WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

Custodial Credit Risk – The District does not have a policy with respect to custodial credit risk. However, the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

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.

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.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in statute; and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking & Savings Accounts	\$ 1,617,268	\$ 4,360,577	\$ 5,977,845
	<u>\$ 1,617,268</u>	<u>\$ 4,360,577</u>	<u>\$ 5,977,845</u>

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

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

During the period ended June 30, 2016, the District did not hold any investments other than certificates of deposit. The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$5,977,845 and the bank balance was \$6,453,397.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Board 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 appropriations, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Balance at June 30, 2015	\$ 3,533,424
Increased By Board Resolution June 30, 2016	1,400,000
Budgeted Withdrawal	<u>(1,412,859)</u>
Balance at June 30, 2016	<u>\$ 3,520,565</u>

The balance in the capital reserve account at June 30, 2016 did not exceed the balance of local support costs of uncompleted capital projects in the District's approved Long Range Facilities Plan ("LRFP"). The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 5. CAPITAL ASSETS

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

	Balance 6/30/2015	Increases	Adjustments/ Decreases	Balance 6/30/2016
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 164,279			\$ 164,279
Construction in Progress	18,265			18,265
Total Capital Assets not Being Depreciated	182,544			182,544
Capital Assets Being Depreciated:				
Site Improvements	985,373			985,373
Buildings and Building Improvements	9,827,680	\$ 982,029		10,809,709
Machinery and Equipment	166,978	76,683		243,661
Total Capital Assets Being Depreciated	10,980,031	1,058,712		12,038,743
Governmental Activities Capital Assets	11,162,575	1,058,712		12,221,287
Less Accumulated Depreciation for:				
Site Improvements	(190,805)	(37,147)		(227,952)
Buildings and Building Improvements	(4,746,400)	(232,448)		(4,978,848)
Machinery and Equipment	(64,073)	(10,894)		(74,967)
Total Accumulated Depreciation	(5,001,278)	(280,489)	\$ - 0 -	(5,281,767)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 6,161,297	\$ 778,223	\$ - 0 -	\$ 6,939,520
Business Type Activities:				
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 42,800			\$ 42,800
Less Accumulated Depreciation	(42,800)			(42,800)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	- 0 -	\$ - 0 -	\$ - 0 -	- 0 -
GRAND TOTAL	\$ 6,161,297	\$ 778,223	\$ - 0 -	\$ 6,939,520

Depreciation expense was charged to governmental functions as follows:

Unallocated	\$ 270,773
Operations and Maintenance of Plant	733
Administrative	2,217
Instructional	6,766
	<u>\$ 280,489</u>

NOTE 6. TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$0 to capital outlay.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 7. LONG-TERM LIABILITIES:

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

	<u>Balance</u> <u>6/30/2015</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>6/30/2016</u>
Compensated Absences Payable	\$ 271,743	\$ 50,282		\$ 322,025
Net Pension Liability	1,323,696	129,351		1,453,047
Bonds Payable	2,231,000		\$ 271,000	1,960,000
	<u>\$ 3,826,439</u>	<u>\$ 179,633</u>	<u>\$ 271,000</u>	<u>\$ 3,735,072</u>

A. Bonds Payable:

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

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

<u>Final</u> <u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
7/1/2023	1.900%	\$ 1,960,000

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

<u>Fiscal</u> <u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 271,000	\$ 34,665	\$ 305,665
2018	266,000	29,564	295,564
2019	256,000	24,605	280,605
2020	252,000	19,779	271,779
2021	242,000	15,086	257,086
2022-2024	673,000	18,896	691,896
	<u>\$ 1,960,000</u>	<u>\$ 142,595</u>	<u>\$ 2,102,595</u>

On April 30, 2015, the Wharton Board of Education issued \$1,996,000 refunding bonds with an interest rate of 1.90% to advance refund \$1,930,000 school bonds with interest rates of 3.75% to 4.00%. The refunding bonds mature on July 1, 2015 through 2024. The advance refunding met the requirements of an in-substance debt defeasance and the school bonds were removed from the District's financial statements. As a result of the refunding, the District reduced its total debt service requirement by \$147,359, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$135,916, or a 6.809% net present value savings.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

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

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

The District did not have any Capital Leases Payable at June 30, 2016.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability and will be liquidated through the General Fund. There is no current portion of the compensated absences balance of the governmental funds in the current year; therefore, the entire \$322,025 represents the long-term liability balance of compensated absences.

There is no liability for compensated absences in the District's Enterprise Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$1,453,047. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for PERS:

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

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$55,650 for fiscal year 2016.

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

At June 30, 2016, the District reported a liability of \$1,453,047 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.0065%, which was an increase of 0.0006% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$103,317. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	6.44	\$ 31,104	
Changes in Assumptions - 2015	5.72	124,941	
Changes in Proportion - 2014	6.44	124,722	
Changes in Proportion - 2015	5.72		\$ 94,834
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		54,168
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5	30,805	
District Contribution Subsequent to the Measurement Date	1	57,472	
Difference Between Expected and Actual Experience - 2015	5.72	34,665	
		<u>\$ 403,709</u>	<u>\$ 149,002</u>

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



WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

At June 30, 2016, the District reported a liability of \$1,453,047 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.0065%, which was an increase of 0.0006% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$103,317. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions - 2014	6.44	\$ 31,104	
Changes in Assumptions - 2015	5.72	124,941	
Changes in Proportion - 2014	6.44	124,722	
Changes in Proportion - 2015	5.72		\$ 94,834
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		54,168
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5	30,805	
District Contribution Subsequent to the Measurement Date	1	57,472	
Difference Between Expected and Actual Experience - 2015	5.72	34,665	
		<u>\$ 403,709</u>	<u>\$ 149,002</u>

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

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

Discount Rate

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

	June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 1,805,960	\$ 1,453,047	\$ 1,157,168

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

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

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

Contributions

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$429,226 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,914,710.

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$31,358,349. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.0496%, which was a decrease of 0.0036% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>31,358,349</u>
Total	<u>\$ 31,358,349</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$1,914,710 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

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

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

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows: will be amortized over 5 years.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Actuarial Assumptions

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

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

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

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

Long Term Expected Rate of Return

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

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

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

Discount Rate – TPAF

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

	Fiscal Year Ended June 30, 2015		
	At 1%	At Current	At 1%
	Decrease (3.13%)	Discount Rate (4.13%)	Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 37,268,225	\$ 31,358,349	\$ 26,266,636

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

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

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

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

For DCRP, the District recognized pension expense of \$8,054 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$10,056 for the fiscal year ended June 30, 2016.



WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 9. POST-RETIREMENT BENEFITS

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

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

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

The State's on behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$511,088, \$425,821, and \$368,882 for 2016, 2015, and 2014, respectively.

NOTE 10. RISK MANAGEMENT

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

Property and Liability

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.

The District is a member of School Alliance Insurance Fund ("SAIF") and the Morris-Essex Insurance Group ("MEIG"). The SAIF provides the District with comprehensive general liability, automobile liability, property, and boiler and machinery insurance. The MEIG provides the District with workers' compensation insurance.

The SAIF and MEIG are risk-sharing public entity risk pools that are insured and self-administered groups of school districts established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the SAIF and MEIG are elected.

As a member of the SAIF and MEIG, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the SAIF and MEIG were to be exhausted, members would become responsible for their respective shares of the SAIF and MEIG liabilities. The SAIF and MEIG can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

The June 30, 2016 audit reports for SAIF and MEIG are not available as of the date of this report. Selected, summarized financial information for the SAIF and MEIG as of June 30, 2015 is as follows:

	<u>Morris-Essex Insurance Group</u>	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 9,175,098	\$ 35,565,090
Net Position	\$ 6,102,625	\$ 7,171,390
Total Revenue	\$ 3,268,234	\$ 38,392,884
Total Expenses	\$ 1,811,032	\$ 36,335,763
Change in Net Position	\$ 692,681	\$ 2,057,121
Members Dividends	\$ 764,521	\$ - 0 -

Financial statements for the SAIF and MEIG are available at their respective Executive Director's Office:

SAIF:  
Risk and Loss Managers Inc.  
51 Everett Drive Suite 40B  
West Windsor, NJ 08550  
(609) 275-1140

MEIG:  
The Burton Agency  
44 Bergen Street  
PO Box 270  
Westwood, New Jersey 07675  
(201) 664-0310

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>Interest Earnings/ District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ 70,104	\$ 12,026	\$ 18,420	\$ 149,812
2014-2015	70,011	11,411	1,248	86,102
2013-2014	3	12,630	9,253	5,928

NOTE 11. ECONOMIC DEPENDENCY

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 12. DEFERRED COMPENSATION

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

Equitable	Lincoln National Insurance
Lincoln Financial Group	VALIC
Metropolitan Life Insurance	

NOTE 13. INTERFUND RECEIVABLES AND PAYABLES

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 100,764	\$ 27,415
Special Revenue Fund		100,764
Food Service Fund	26,076	
Student Activity Agency Fund	1,339	
	<u>\$ 128,179</u>	<u>\$ 128,179</u>

The interfund between the General Fund and the Special Revenue Fund represents cash advanced to the Special Revenue Fund awaiting the receipt of federal and state grant awards. The interfund between the General Fund and Proprietary Fund is the result of Federal and State reimbursements received in the General Fund not yet turned over to the Food Service Fund. The interfund between the Student Activity Agency Fund and the General Fund is the result of payments made in the Student Activity Agency Fund on behalf of the General Fund.

NOTE 14. CONTINGENT LIABILITIES

Litigation

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

Grant Programs

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
 (Continued)

NOTE 14. CONTINGENT LIABILITIES (Cont'd)

Arbitrage

The District is not subject to liability for arbitrage payable to the federal government relative to its \$1,996,000 Refunding School Bonds dated April 30, 2015 as the District is considered a small issuer with debt under \$15,000,000.

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds.

	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Vendors	\$ 165,483	\$ -0-	\$ 165,483

On the District's Governmental Funds Balance Sheet as of June 30, 2016, \$165,483 is assigned for year-end encumbrances in the General Fund, which is \$70,094 less than the actual year-end encumbrances on a budgetary basis. This is due to the fact that the final two state aid payments are not recognized until the fiscal year ended June 30, 2017.

NOTE 15. TAX CALENDAR

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

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

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 16. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account in the amount of \$104,000 was established by inclusion of \$104,000 in the 2009-2010 budget. These funds may be used for specific activities necessary for the purpose of keeping a school facility open and safe for use or in its original condition, and for keeping its constituent buildings systems fully and efficiently functional and for keeping their warranties valid but cannot be used for routine or capital maintenance. The purpose of the reserve is to provide funds for anticipated expenditures required to maintain a building. Pursuant to N.J.A.C. 6A:26A-4.2 funds may be deposited into the maintenance reserve account at any time by board resolution to meet the required maintenance of the District by transferring unassigned general fund balance or by transferring excess unassigned general fund balance that is anticipated to be deposited during the current year in the advertised recapitulation of balances of the subsequent year's budget that is certified for taxes. Funds may be withdrawn from the maintenance reserve account and appropriated into the required maintenance account lines at budget time or any time during the year by Board resolution for use on required maintenance activities by school facility as reported in the comprehensive maintenance plan. Funds withdrawn from the maintenance reserve account are restricted to required maintenance appropriations and may not be transferred to any other line-item account. In any year that maintenance reserve account funds are withdrawn, unexpended required maintenance appropriations, up to the amount of maintenance reserve account funds withdrawn, shall be restored to the maintenance reserve account at year-end. At no time, shall the maintenance reserve account have a balance that exceeds four percent of the replacement cost of the current year of the District's school facilities. If the account exceeds this maximum amount at June 30, the excess shall be restricted and designated in the subsequent year's budget.

The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Balance at June 30, 2015	\$ 489,763
Increased By Board Resolution June 30, 2016	<u>100,249</u>
Balance at June 30, 2016	<u><u>\$ 590,012</u></u>

NOTE 17. EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by Board resolution by inclusion of \$250,000 for the accumulation of funds for use as unanticipated general fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated General Fund expenditures required for a through and efficient education. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the General Fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution between June 1<sup>st</sup> and June 30<sup>th</sup> of any unanticipated revenue or unexpended line item appropriation or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent. The balance as of June 30, 2016 is \$250,000.

WHARTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 18. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2016:

	<u>Governmental Activities General Fund</u>	<u>District Contribution Subsequent to the Measurement Date</u>	<u>Total Governmental Activities</u>	<u>Business-Type Activities Proprietary Funds</u>
Vendors and Salaries State of New Jersey	\$ 8,101	\$ 57,472	\$ 8,101 57,472	\$ 14,745
	<u>\$ 8,101</u>	<u>\$ 57,472</u>	<u>\$ 65,573</u>	<u>\$ 14,745</u>

SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION

L-1

WHARTON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0070699927%	0.0064729489%
District's proportionate share of the net pension liability	\$ 1,323,696	\$ 1,453,047
District's covered employee payroll	\$ 423,928	\$ 458,576
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	312.25%	316.86%
Plan fiduciary net position as a percentage of the total pension liability for the local group	52.08%	47.93%

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



L-2

WHARTON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 58,284	\$ 55,650
Contributions in relation to the contractually required contribution	<u>(58,284)</u>	<u>(55,650)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 458,576	\$ 421,918
Contributions as a percentage of covered employee payroll	12.71%	13.19%

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

L-3

WHARTON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0531815045%	0.0496142880%
State's proportionate share of the net pension liability attributable to the District	\$ 28,423,783	\$ 31,358,349
District's covered employee payroll	\$ 5,282,418	\$ 5,608,402
District's proportionate share of the net pension liability attributable to the District as a percentage of its covered employee payroll	538.08%	559.13%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

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

WHARTON BOARD OF EDUCATION  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST TWO FISCAL YEARS  
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,529,466	\$ 1,914,710
Contributions in relation to the contractually required contribution	<u>(268,233)</u>	<u>(429,226)</u>
Contribution deficiency/(excess)	<u>\$ 1,261,233</u>	<u>\$ 1,485,484</u>
District's covered employee payroll	\$ 5,608,402	\$ 5,638,943
Contributions as a percentage of covered employee payroll	27.27%	33.96%

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

WHARTON BOARD OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

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

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

BUDGETARY COMPARISON SCHEDULES

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUE:					
Local Sources:					
Local Tax Levy	\$ 8,634,852		\$ 8,634,852	\$ 8,634,852	
Tuition from Other LEA's	122,339		122,339	157,392	\$ 35,053
Interest on Capital Reserve	100		100		(100)
Investment Interest				3,761	3,761
Miscellaneous	5,000		5,000	35,310	30,310
Total - Local Sources	<u>8,762,291</u>		<u>8,762,291</u>	<u>8,831,315</u>	<u>69,024</u>
State Sources:					
Equalization Aid	2,826,561		2,826,561	2,826,561	
Transportation Aid	10,978		10,978	10,978	
Special Education Aid	467,758		467,758	467,758	
Security Aid	51,744		51,744	51,744	
School Choice Aid	447,982		447,982	447,982	
Extraordinary Aid	40,861		40,861	115,055	74,194
Under Adequacy Aid	22,203		22,203	22,203	
Adjustment Aid	176,835		176,835	176,835	
PARCC Readiness Aid	7,940		7,940	7,940	
Per Pupil Growth Aid	7,940		7,940	7,940	
On-Behalf TPAF Pension (Non-Budgeted)				429,226	429,226
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				511,088	511,088
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				425,401	425,401
Total State Sources	<u>4,060,802</u>		<u>4,060,802</u>	<u>5,500,711</u>	<u>1,439,909</u>
Federal Sources:					
Medicaid Reimbursement	21,227		21,227	48,263	27,036
Total Federal Sources	<u>21,227</u>		<u>21,227</u>	<u>48,263</u>	<u>27,036</u>
TOTAL REVENUE	<u>12,844,320</u>		<u>12,844,320</u>	<u>14,380,289</u>	<u>1,535,969</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 289,300		\$ 289,300	\$ 265,657	\$ 23,643
Grades 1-5 - Salaries of Teachers	2,052,322	\$ (40,000)	2,012,322	1,915,331	96,991
Grades 6-8 - Salaries of Teachers	1,447,914	40,000	1,487,914	1,464,627	23,287
Regular Programs - Home Instruction:					
Salaries of Teachers	10,148		10,148	6,957	3,191
Purchased Professional - Educational Services		500	500	220	280
Regular Programs - Instruction:					
Other Salaries for Instruction	43,242	8,696	51,938	51,938	
Purchased Technical Services	26,260	(8,960)	17,300	174	17,126
Purchased Professional - Educational Services	11,155	(2,191)	8,964	6,021	2,943
Other Purchased Services (400-500 series)	165,000	(16,045)	148,955	111,106	37,849
General Supplies	366,923	(7,000)	359,923	253,611	106,312
Textbooks	82,295	(43,403)	38,892	31,594	7,298
Total Regular Programs - Instruction	<u>4,494,559</u>	<u>(68,403)</u>	<u>4,426,156</u>	<u>4,107,236</u>	<u>318,920</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	128,115	6,549	134,664	99,479	35,185
Other Salaries for Instruction	10,775	23,326	34,101	29,581	4,520
General Supplies	4,560		4,560	899	3,661
Textbooks	1,000	(1,000)			
Total Learning and/or Language Disabilities	<u>144,450</u>	<u>28,875</u>	<u>173,325</u>	<u>129,959</u>	<u>43,366</u>
Multiple Disabilities					
Salaries of Teachers	56,490	8,842	65,332	60,671	4,661
Other Salaries for Instruction	67,890	66,301	134,191	125,915	8,276
General Supplies	5,000		5,000	4,710	290
Total Multiple Disabilities	<u>129,380</u>	<u>75,143</u>	<u>204,523</u>	<u>191,296</u>	<u>13,227</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Special Education-Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	\$ 900,744	\$ 39,971	\$ 940,715	\$ 936,778	\$ 3,937
Other Salaries for Instruction	142,525	(31,899)	110,626	105,912	4,714
General Supplies	5,413		5,413	2,275	3,138
Textbooks	1,000		1,000		1,000
Total Resource Room/Resource Center	<u>1,049,682</u>	<u>8,072</u>	<u>1,057,754</u>	<u>1,044,965</u>	<u>12,789</u>
Autism:					
Salaries of Teachers	63,740	(7,971)	55,769	40,899	14,870
Other Salaries for Instruction	66,164	1	66,165	54,999	11,166
Purchased Professional - Educational Services	25,000	(25,000)			
Other Purchased Services (400-500 series)	250		250		250
General Supplies	2,501	(1)	2,500	1,334	1,166
Total Autism	<u>157,655</u>	<u>(32,971)</u>	<u>124,684</u>	<u>97,232</u>	<u>27,452</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	82,960	500	83,460	83,460	
Other Salaries for Instruction	21,822	(21,500)	322		322
General Supplies	1,000		1,000	487	513
Total Preschool Disabilities - Part-Time	<u>105,782</u>	<u>(21,000)</u>	<u>84,782</u>	<u>83,947</u>	<u>835</u>
Preschool Disabilities - Full-Time:					
Salaries of Teachers	74,745		74,745	74,715	30
Other Salaries for Instruction	42,172	661	42,833	17,991	24,842
Purchased Professional - Educational Services	26,400	(24,933)	1,467	1,467	
General Supplies	2,000		2,000	422	1,578
Total Preschool Disabilities - Full-Time	<u>145,317</u>	<u>(24,272)</u>	<u>121,045</u>	<u>94,595</u>	<u>26,450</u>
Total Special Education - Instruction	<u>1,732,266</u>	<u>33,847</u>	<u>1,766,113</u>	<u>1,641,994</u>	<u>124,119</u>
Basic Skills/Remedial Instruction:					
General Supplies	280		280		280
Total Basic Skills/Remedial - Instruction	<u>280</u>		<u>280</u>		<u>280</u>



WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Bilingual Education - Instruction:					
Salaries of Teachers	\$ 209,775	\$ (35,502)	\$ 174,273	\$ 122,353	\$ 51,920
General Supplies	790		790		790
Total Bilingual Education - Instruction	<u>210,565</u>	<u>(35,502)</u>	<u>175,063</u>	<u>122,353</u>	<u>52,710</u>
School-Sponsored Cocurricular/Extracurricular Activities - Instruction:					
Salaries	46,000	8,820	54,820	50,523	4,297
Supplies and Materials	6,500	(4,592)	1,908	1,452	456
Other Objects	2,500		2,500	961	1,539
Total School-Sponsored Cocurricular/Extracurricular Activities - Instruction	<u>55,000</u>	<u>4,228</u>	<u>59,228</u>	<u>52,936</u>	<u>6,292</u>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	32,000		32,000	30,267	1,733
Purchased Services (300-500 series)	2,100	1,470	3,570	3,570	
Supplies and Materials	3,000	(270)	2,730	1,707	1,023
Other Objects	1,200	(1,200)			
Total Other Instructional Programs - Instruction	<u>38,300</u>		<u>38,300</u>	<u>35,544</u>	<u>2,756</u>
Other Instructional Programs - Instruction					
Salaries	10,500		10,500		10,500
Purchased Services (300-500 series)	3,900		3,900		3,900
Other Objects	1,275		1,275	400	875
Total Other Instructional Programs - Instruction	<u>15,675</u>		<u>15,675</u>	<u>400</u>	<u>15,275</u>
Before/After School Programs - Instruction					
Salaries	11,400	20,000	31,400	12,922	18,478
Total Before/After School Programs - Instruction	<u>11,400</u>	<u>20,000</u>	<u>31,400</u>	<u>12,922</u>	<u>18,478</u>
Total Instruction	<u>6,558,045</u>	<u>(45,830)</u>	<u>6,512,215</u>	<u>5,973,385</u>	<u>538,830</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE:					
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	\$ 30,085		\$ 30,085	\$ 28,929	\$ 1,156
Tuition to Private Schools for the Handicapped - Within State	372,010	\$ 13,066	385,076	211,733	173,343
Total Undistributed Expenditures - Instruction	402,095	13,066	415,161	240,662	174,499
Attendance & Social Work:					
Salaries	18,000	1,602	19,602	19,602	
Supplies and Materials	4,875	(4,875)			
Total Attendance & Social Work	22,875	(3,273)	19,602	19,602	
Health Services:					
Salaries	80,541	3,740	84,281	76,264	8,017
Purchased Professional and Technical Services	12,500	(726)	11,774	10,515	1,259
Supplies and Materials	5,354	(431)	4,923	2,054	2,869
Total Health Services	98,395	2,583	100,978	88,833	12,145
Speech, OT, PT and Related Services:					
Salaries	176,312	8,418	184,730	172,739	11,991
Purchased Professional - Educational Services	167,400	53,289	220,689	203,092	17,597
Supplies and Materials	2,000	(1,000)	1,000	1,000	
Total Speech, OT, PT and Related Services	345,712	60,707	406,419	376,831	29,588
Other Support Services - Students - Extra Services:					
Salaries	58,509	26,453	84,962	81,785	3,177
Total Other Support Services - Students - Extra Services	58,509	26,453	84,962	81,785	3,177
Guidance:					
Salaries of Other Professional Staff	144,055	3,193	147,248	145,942	1,306
Salaries of Secretarial and Clerical Assistants	16,500	3,596	20,096	19,370	726
Other Salaries		938	938		938
Other Purchased Professional and Technical Services	2,250	(2,206)	44		44
Supplies and Materials	2,333	(1,152)	1,181	683	498
Total Guidance	165,138	4,369	169,507	165,995	3,512

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>UNAUDITED</u>				
	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Child Study Teams:					
Salaries of Other Professional Staff	\$ 71,400	\$ 1,012	\$ 72,412	\$ 44,035	\$ 28,377
Salaries of Secretarial and Clerical Assistants	59,721	(346)	59,375	33,000	26,375
Other Salaries	1,500	1,527	3,027	1,490	1,537
Purchased Professional - Educational Services	355,875	55,062	410,937	392,680	18,257
Other Purchased Services (400-500 series)	12,000	(6,550)	5,450	751	4,699
Other Purchased Services (400-500 series)	16,900	(13,500)	3,400	3,391	9
Miscellaneous Purchased Services (400-500 series)	500	1,351	1,851	1,851	
Supplies and Materials	7,891	(828)	7,063	7,013	50
Other Objects	385		385	180	205
Total Child Study Teams	<u>526,172</u>	<u>37,728</u>	<u>563,900</u>	<u>484,391</u>	<u>79,509</u>
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	90,000		90,000	77,043	12,957
Salaries of Other Professional Staff	34,523		34,523	18,980	15,543
Salaries of Secretarial and Clerical Assistants	20,500		20,500	18,266	2,234
Purchased Professional - Educational Services	28,025	(3,366)	24,659	6,012	18,647
Other Objects	1,850		1,850	13	1,837
Total Improvement of Instructional Services	<u>174,898</u>	<u>(3,366)</u>	<u>171,532</u>	<u>120,314</u>	<u>51,218</u>
Educational Media Services/School Library:					
Salaries	115,265	18,298	133,563	127,324	6,239
Purchased Professional and Technical Services	1,000		1,000	700	300
Other Purchased Services (400-500 series)	9,100	(1,018)	8,082	4,744	3,338
Supplies and Materials	7,750		7,750	5,796	1,954
Total Educational Media Services/School Library	<u>133,115</u>	<u>17,280</u>	<u>150,395</u>	<u>138,564</u>	<u>11,831</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Instructional Staff Training Services:					
Purchased Professional - Educational Services		\$ 1,892	\$ 1,892		\$ 1,892
Other Purchased Services (400-500 series)	\$ 13,250	(64)	13,186	\$ 10,005	3,181
Supplies and Materials	1,300	(950)	350		350
Total Instructional Staff Training Services	<u>14,550</u>	<u>878</u>	<u>15,428</u>	<u>10,005</u>	<u>5,423</u>
Support Services - General Administration:					
Salaries	216,925	21,000	237,925	227,894	10,031
Legal Services	40,000	9,490	49,490	12,915	36,575
Audit Fees	23,000		23,000	22,210	790
Architectural/Engineering Services	104,500		104,500	84,967	19,533
Other Purchased Professional Services	15,360		15,360	12,549	2,811
Communications/Telephone	38,190	(100)	38,090	31,660	6,430
BOE Other Purchased Services	7,565		7,565	3,736	3,829
Other Purchased Services (400-500 series)	37,600	610	38,210	29,827	8,383
General Supplies	10,440		10,440	2,427	8,013
BOE In-House Training/ Meeting Supplies		15,000	15,000		15,000
Miscellaneous Expenditures	2,500		2,500	2,489	11
BOE Membership Dues and Fees	8,000		8,000	6,300	1,700
Total Support Services - General Administration	<u>504,080</u>	<u>46,000</u>	<u>550,080</u>	<u>436,974</u>	<u>113,106</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	218,010	9,885	227,895	225,894	2,001
Salaries of Secretarial and Clerical Assistants	113,800	(9,279)	104,521	88,490	16,031
Other Salaries	6,000		6,000	282	5,718
Purchased Professional and Technical Services	5,550		5,550	5,550	
Other Purchased Services (400-500 series)	2,000	(1,000)	1,000	500	500
Supplies and Materials	13,240	395	13,635	10,267	3,368
Other Objects	2,000	(878)	1,122	1,092	30
Total Support Services - School Administration	<u>360,600</u>	<u>(877)</u>	<u>359,723</u>	<u>332,075</u>	<u>27,648</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL 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 Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Central Services:					
Salaries	\$ 166,832		\$ 166,832	\$ 104,078	\$ 62,754
Purchased Professional Services	75,524	\$ (15,000)	60,524	35,045	25,479
Other Purchased Services (400-500 series)	22,000	(2,500)	19,500	6,454	13,046
Supplies and Materials	5,000		5,000	4,989	11
Miscellaneous Expenditures	2,500		2,500	2,087	413
Total Central Services	<u>271,856</u>	<u>(17,500)</u>	<u>254,356</u>	<u>152,653</u>	<u>101,703</u>
Administrative Information Technology					
Salaries	55,000		55,000	51,388	3,612
Purchased Technical Services	23,550	2,722	26,272	20,548	5,724
Other Purchased Services (400-500 series)	34,180	(2,722)	31,458	23,300	8,158
Supplies and Materials	4,353		4,353		4,353
Total Administrative Information Technology	<u>117,083</u>		<u>117,083</u>	<u>95,236</u>	<u>21,847</u>
Required Maintenance of School Facilities:					
Professional and Technical Services	35,703	12,000	47,703	32,546	15,157
Cleaning, Repair and Maintenance Services	225,460	(12,000)	213,460	77,451	136,009
General Supplies	13,138		13,138	8,616	4,522
Total Required Maintenance of School Facilities	<u>274,301</u>		<u>274,301</u>	<u>118,613</u>	<u>155,688</u>
Custodial Services:					
Salaries	29,375	20,000	49,375	29,375	20,000
Purchased Professional and Technical Services	473,560		473,560	403,760	69,800
Cleaning, Repair and Maintenance Services	7,900		7,900	4,684	3,216
Other Purchased Property Services	58,700		58,700	16,564	42,136
Insurance	48,000		48,000	41,560	6,440
Miscellaneous Purchased Services	7,010		7,010	2,340	4,670
General Supplies	16,375	10	16,385	3,193	13,192
Salaries of Non-Instructional Aides	20,000	(20,000)			
Energy (Natural Gas)	92,000		92,000	44,432	47,568
Energy (Electricity)	160,000		160,000	120,578	39,422
Total Custodial Services	<u>912,920</u>	<u>10</u>	<u>912,930</u>	<u>666,486</u>	<u>246,444</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>UNAUDITED</u>				
	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Care and Upkeep of Grounds:					
Cleaning, Repair and Maintenance Services	\$ 8,200		\$ 8,200	\$ 665	\$ 7,535
General Supplies	3,600		3,600		3,600
Total Care and Upkeep of Grounds	<u>11,800</u>		<u>11,800</u>	<u>665</u>	<u>11,135</u>
Student Transportation Services:					
Salaries for Pupil Trans (Bet Home & School) - Special Education	4,390		4,390	870	3,520
Cleaning, Repair and Maintenance Services	5,500		5,500	5,018	482
Contracted Services: (Between Home and School) - Vendors	60,620		60,620	57,581	3,039
Contracted Services: Other Between Home and School - Vendors	45,600		45,600	34,892	10,708
Contracted Services: (Spl. Education Students) ESC & CTSA	220,000		220,000	165,803	54,197
Contracted Services: Aid in Lieu Payments - Nonpublic Students	18,000		18,000	13,260	4,740
Miscellaneous Purchased Services - Transportation	12,000		12,000		12,000
General Supplies	390		390		390
Transportation Supplies	2,000		2,000		2,000
Total Student Transportation Services	<u>368,500</u>		<u>368,500</u>	<u>277,424</u>	<u>91,076</u>
Unallocated Benefits:					
Social Security Contributions	145,000		145,000	126,755	18,245
Other Retirement Contributions - PERS	63,690		63,690	55,867	7,823
Other Retirement Contributions - Regular	25,000		25,000	8,055	16,945
Unemployment Compensation	70,000		70,000	70,000	
Workmen's Compensation	76,000		76,000	57,900	18,100
Health Benefits	1,700,000	\$ (153,678)	1,546,322	1,476,718	69,604
Tuition Reimbursement	30,250	5,866	36,116	35,090	1,026
Other Employee Benefits	127,763		127,763	85,381	42,382
Total Unallocated Benefits	<u>2,237,703</u>	<u>(147,812)</u>	<u>2,089,891</u>	<u>1,915,766</u>	<u>174,125</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE:					
On-Behalf Contributions:					
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				\$ 429,226	\$ (429,226)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				511,088	(511,088)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				425,401	(425,401)
Total On-Behalf Contributions				<u>1,365,715</u>	<u>(1,365,715)</u>
 Total Undistributed Expenditures	 <u>\$ 7,000,302</u>	 <u>\$ 36,246</u>	 <u>\$ 7,036,548</u>	 <u>7,088,589</u>	 <u>(52,041)</u>
 TOTAL CURRENT EXPENSE	 <u>13,558,347</u>	 <u>(9,584)</u>	 <u>13,548,763</u>	 <u>13,061,974</u>	 <u>486,789</u>
CAPITAL OUTLAY:					
Equipment:					
Administrative Information Technology	70,698		70,698	65,698	5,000
Custodial Services	20,000		20,000	10,985	9,015
Total Equipment	<u>90,698</u>		<u>90,698</u>	<u>76,683</u>	<u>14,015</u>
Facilities Acquisition and Construction Services					
Architectural and Engineering Services	137,270		137,270	80,603	56,667
Construction Services	1,275,589		1,275,589	901,426	374,163
Assessment for Debt Service on SDA Funding	4,402		4,402	4,402	
Total Facilities Acquisition and Construction Services	<u>1,417,261</u>		<u>1,417,261</u>	<u>986,431</u>	<u>430,830</u>
 Total Capital Outlay	 <u>1,507,959</u>		 <u>1,507,959</u>	 <u>1,063,114</u>	 <u>444,845</u>

WHARTON BOROUGH SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Transfer of Funds to Charter Schools	\$ 14,019	\$ 9,584	\$ 23,603	\$ 23,603	
TOTAL EXPENDITURES	<u>15,080,325</u>		<u>15,080,325</u>	<u>14,148,691</u>	<u>\$ 931,634</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(2,236,005)		(2,236,005)	231,598	2,467,603
Fund Balance, July 1	<u>5,858,003</u>		<u>5,858,003</u>	<u>5,858,003</u>	
Fund Balance, June 30	<u>\$ 3,621,998</u>	<u>\$ -0-</u>	<u>\$ 3,621,998</u>	<u>\$ 6,089,601</u>	<u>\$ 2,467,603</u>

Recapitulation:

Restricted:

Excess Surplus - Designated for Subsequent Year's Expenditures  
Excess Surplus  
Maintenance Reserve  
Emergency Reserve  
Capital Reserve

\$ 500,000  
663,889  
590,012  
250,000  
3,520,565

Assigned:

Year End Encumbrances

235,577

Unassigned

329,558

6,089,601

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payment not Recognized on GAAP Basis

(399,652)

Fund Balance per Governmental Funds (GAAP)

\$ 5,689,949



WHARTON BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenue:					
State Sources	\$ 177,034	\$ 7,970	\$ 185,004	\$ 183,593	\$ (1,411)
Federal Sources	419,010	241,873	660,883	542,066	(118,817)
Total Revenue	<u>596,044</u>	<u>249,843</u>	<u>845,887</u>	<u>725,659</u>	<u>(120,228)</u>
Expenditures:					
Instruction:					
Salaries of Teachers	215,820	(87,342)	128,478	125,750	2,728
Purchased Professional - Educational Services		7,068	7,068	7,068	
Other Purchased Services	17,330	6,871	24,201	24,201	
Tuition	175,000	36,996	211,996	211,996	
General Supplies	10,860	56,395	67,255	44,297	22,958
Total Instruction	<u>419,010</u>	<u>19,988</u>	<u>438,998</u>	<u>413,312</u>	<u>25,686</u>
Support Services:					
Salaries of Supervisors of Instruction		15,910	15,910	15,910	
Personal Services - Employee Benefits		54,498	54,498	20,995	33,503
Purchased Professional - Educational Services	177,034	118,366	295,400	255,862	39,538
Other Purchased Services		15,587	15,587	9,188	6,399
Supplies and Materials		25,494	25,494	10,392	15,102
Total Support Services	<u>177,034</u>	<u>229,855</u>	<u>406,889</u>	<u>312,347</u>	<u>94,542</u>
Total Expenditures	<u>\$ 596,044</u>	<u>\$ 249,843</u>	<u>\$ 845,887</u>	<u>\$ 725,659</u>	<u>\$ 120,228</u>

Exhibit C-3

WHARTON BOARD OF EDUCATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
UNAUDITED

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 14,380,289	\$ 725,659
Differences - Budget to GAAP:		
Grant Accounting Budgetary Basis Differs from GAAP in that the Budgetary Basis Recognizes Encumbrances as Expenditures and Revenue while the GAAP basis does not		(20,730)
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	400,655	19,722
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(399,652)	(17,703)
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 14,381,292	\$ 706,948
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 14,148,691	\$ 725,659
Differences - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(20,730)
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 14,148,691	\$ 704,929

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

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

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

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

SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)

SPECIAL REVENUE FUND

WHARTON BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FISCAL YEAR ENDED JUNE 30, 2016

	<u>Preschool Education Aid</u>		<u>No Child Left Behind</u>	
	<u>Current Year</u>	<u>Prior Year</u>	<u>Title I</u>	<u>Title II A</u>
<b>REVENUE:</b>				
State Sources	\$ 175,623	\$ 7,970		
Federal Sources			\$ 269,711	\$ 25,434
<b>Total Revenue</b>	<u>175,623</u>	<u>7,970</u>	<u>269,711</u>	<u>25,434</u>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers			125,750	
Purchased Professional - Educational Services				
Other Purchased Services				
Tuition				
General Supplies			40,872	
<b>Total Instruction</b>			<u>166,622</u>	
Support Services:				
Salaries of Supervisors of Instruction			14,673	1,006
Personal Services - Employee Benefits			20,995	
Purchased Professional - Educational Services	175,271	7,970	57,381	15,240
Other Purchased Services				9,188
Supplies and Materials	352		10,040	
<b>Total Support Services</b>	<u>175,623</u>	<u>7,970</u>	<u>103,089</u>	<u>25,434</u>
<b>Total Expenditures</b>	<u>\$ 175,623</u>	<u>\$ 7,970</u>	<u>\$ 269,711</u>	<u>\$ 25,434</u>

WHARTON BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FISCAL YEAR ENDED JUNE 30, 2016

	Title III	IDEA Part B		Total
		Basic	Preschool	
<b>REVENUE:</b>				
State Sources				\$ 183,593
Federal Sources	\$ 395	\$ 236,197	\$ 10,329	542,066
<b>Total Revenue</b>	<b>395</b>	<b>236,197</b>	<b>10,329</b>	<b>725,659</b>
<b>EXPENDITURES:</b>				
Instruction:				
Salaries of Teachers				125,750
Purchased Professional - Educational Services			7,068	7,068
Other Purchased Services		24,201		24,201
Tuition		211,996		211,996
General Supplies	164		3,261	44,297
<b>Total Instruction</b>	<b>164</b>	<b>236,197</b>	<b>10,329</b>	<b>413,312</b>
Support Services:				
Salaries of Supervisors of Instruction	231			15,910
Personal Services - Employee Benefits				20,995
Purchased Professional - Educational Services				255,862
Other Purchased Services				9,188
Supplies and Materials				10,392
<b>Total Support Services</b>	<b>231</b>			<b>312,347</b>
<b>Total Expenditures</b>	<b>\$ 395</b>	<b>\$ 236,197</b>	<b>\$ 10,329</b>	<b>\$ 725,659</b>

Exhibit E-2

WHARTON BOARD OF EDUCATION  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Support services:			
Purchased Professional - Educational Services	\$ 192,622	\$ 183,241	\$ 9,381
Supplies and Materials	352	352	
	<u>192,974</u>	<u>183,593</u>	<u>\$ 9,381</u>
Total Support Services			
	<u>\$ 192,974</u>	<u>\$ 183,593</u>	<u>\$ 9,381</u>
Total Expenditures			

CALCULATION OF BUDGET & CARRYOVER

Total Revised 2015-16 Preschool Education Allocation	\$ 185,004
Actual Preschool Education Aid Carryover (June 30, 2015)	7,970
Total Preschool Aid Funds Available for 2015-16 Budget	<u>192,974</u>
Less: 2015-16 Budgeted Preschool Education Aid (Including prior year budgeted carryover)	<u>(192,974)</u>
Available & Unbudgeted Preschool Aid Funds as of June 30, 2016	-0-
Add: 2015-16 Unexpended Preschool Education Aid	1,411
2015-16 Actual Carryover - Preschool Education Aid	<u>1,411.00</u>
2015-16 Preschool Education Aid Carryover Budgeted in 2016-17	<u>\$ 1,411</u>

CAPITAL PROJECTS FUND



Exhibit F-1

WHARTON BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Fund Balance - Beginning Balance	<u>\$ 34,104</u>
Fund Balance - Ending Balance	<u><u>\$ 34,104</u></u>
<u>Recapitulation:</u>	
Committed Fund Balance	\$ 34,104
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on GAAP Basis	<u>(16,266)</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 17,838</u></u>

Exhibit F-1a

WHARTON BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
DUFFY ELEMENTARY SCHOOL - VARIOUS UPGRADES  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
<b>Revenue and Other Financing Sources:</b>				
SDA Grant				\$ 270,336
Transfer from Capital Outlay	\$ 24,136		\$ 24,136	288,821
Total Revenues and Other Financing Sources	<u>24,136</u>		<u>24,136</u>	<u>559,157</u>
<b>Expenditures:</b>				
Purchased Professional and Technical Services				328,800
Construction Services				20,000
Equipment Purchases				210,357
Total Expenditures				<u>559,157</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 24,136</u>	<u>\$ -0-</u>	<u>\$ 24,136</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Numbers	SP#5770-040-09-1001
Authorization Date	5/11/2009
State Share	\$ 270,336
Local Share	<u>288,821</u>
Original Authorized Cost	559,157
Additional Authorized Cost	-0-
Revised Authorized Cost	<u>\$ 559,157</u>
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	100.00%
Original Target Completion Date	6/30/2014

Exhibit F-1b

WHARTON BOARD OF EDUCATION  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES, AND PROJECT STATUS  
BUDGETARY BASIS  
DUFFY ELEMENTARY SCHOOL - CORRIDOR CERAMIC TILE REPLACEMENT  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
SDA Grant	\$ 16,266		\$ 16,266	\$ 16,266
Capital Outlay	18,447		18,447	18,447
Transfer from Capital Reserve	77,592		77,592	77,592
Total Revenues and Other Financing Sources	<u>112,305</u>		<u>112,305</u>	<u>112,305</u>
Expenditures :				
Purchased Professional and Technical Services	21,986		21,986	27,713
Construction Services	80,351		80,351	84,592
Total Expenditures	<u>102,337</u>		<u>102,337</u>	<u>112,305</u>
Excess/(Deficit) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 9,968</u>	<u>\$ -0-</u>	<u>\$ 9,968</u>	<u>\$ -0-</u>

**Additional Project Information:**

Project Numbers	SP#5770-040-09-1002
Authorization Date	5/11/2009
State Share	\$ 16,266
Local Share	18,447
Original Authorized Cost	34,713
Additional Authorized Cost- Capital Reserve	77,592
Revised Authorized Cost	<u>\$ 112,305</u>
Percentage Increase over Original Authorized Cost	0%
Percentage Completion	91%
Original Target Completion Date	6/30/2011
Revised Target Completion Date	6/30/2014

PROPRIETARY FUNDS

Exhibit G-1

WHARTON BOARD OF EDUCATION  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2016

## ASSETS:

## Current Assets:

Cash and Cash Equivalents	\$ 117,194
Intergovernmental Accounts Receivable:	
Federal	13,442
State	242
Interfund Receivable	26,076
Inventories	3,693

Total Current Assets	<u>160,647</u>
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## Non-Current Assets:

Capital Assets	42,800
Less: Accumulated Depreciation	<u>(42,800)</u>

Total Non-Current Assets	<u>- 0-</u>
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Total Assets	<u>160,647</u>
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## LIABILITIES:

## Current Liabilities:

Accounts Payable - Vendors	14,745
Unearned Revenue	<u>1,727</u>

Total Liabilities	<u>16,472</u>
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## NET POSITION:

Unrestricted	<u>144,175</u>
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Total Net Position	<u><u>\$ 144,175</u></u>
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Exhibit G-2

WHARTON BOARD OF EDUCATION  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 90,882
Daily Sales - Non-Reimbursable Programs	6,331
	<hr/>
Total Operating Revenue	97,213
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	137,201
Cost of Sales - Non-Reimbursable Programs	9,558
Salaries, Benefits & Payroll Taxes	117,627
Supplies, Insurance & Other Costs	4,369
Management Fee	8,492
Miscellaneous	40,799
	<hr/>
Total Operating Expenses	318,046
	<hr/>
Operating Loss	(220,833)
Non-Operating Income:	
Local Sources:	
Interest Income	93
State Sources:	
State School Lunch Program	4,360
Federal Sources:	
National School Lunch Program	200,333
School Breakfast Program	38,286
Food Distribution Program	24,146
	<hr/>
Total Non-Operating Income	267,218
	<hr/>
Change in Net Position	46,385
Net Position - Beginning of Year	97,790
	<hr/>
Net Position - End of Year	\$ 144,175
	<hr/> <hr/>

Exhibit G-3

WHARTON BOARD OF EDUCATION  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 97,213
Payments to Employees	(117,627)
Payments to Food Service Vendor	(146,438)
Payments to Suppliers	<u>(4,369)</u>
Net Cash Used for Operating Activities	<u>(171,221)</u>
Cash Flows from Investing Activities:	
Local Sources:	
Interest Income	<u>93</u>
Net Cash Provided by Investing Activities	<u>93</u>
Cash Flows from Noncapital Financing Activities:	
State Sources:	
State School Lunch Program	4,467
Federal Sources:	
National School Lunch Program	205,538
School Breakfast Program	<u>38,286</u>
Net Cash Provided by Noncapital Financing Activities	<u>248,291</u>
Net Increase in Cash and Cash Equivalents	77,163
Cash and Cash Equivalents, July 1	<u>49,589</u>
Cash and Cash Equivalents, June 30	<u>\$ 126,752</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (220,833)
Adjustment to Reconcile Operating Loss to Cash Used for Operating Activities:	
Food Distribution Program	24,146
Changes in Assets and Liabilities:	
(Increase) in Inventory	(1,469)
Increase in Unearned Revenue	777
Decrease in Interfund Receivable	1,855
Increase in Accounts Payable	<u>14,745</u>
Net Cash Used for Operating Activities	<u>\$ (180,779)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received USDA Donated Commodities through the Food Distribution Program valued at \$24,923 and utilized U.S.D.A Commodities valued at \$24,146, for the fiscal year ended June 30, 2016

FIDUCIARY FUNDS



Exhibit H-1

WHARTON BOARD OF EDUCATION  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>Agency</u>		<u>Unemployment Compensation Trust</u>	<u>Total</u>
	<u>Student Activities</u>	<u>Payroll</u>		
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 22,688	\$ 144,513	\$ 149,812	\$ 317,013
Interfund Receivable - General Fund	1,339			1,339
<b>Total Assets</b>	<u>24,027</u>	<u>144,513</u>	<u>149,812</u>	<u>318,352</u>
<b>LIABILITIES:</b>				
Net Payroll		2,011		2,011
Payroll Deductions and Withholdings		142,502		142,502
Due to Student Groups	24,027			24,027
<b>Total Liabilities</b>	<u>24,027</u>	<u>144,513</u>		<u>168,540</u>
<b>NET POSITION:</b>				
Held in Trust for Unemployment Claims			149,812	
<b>TOTAL NET POSITION</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 149,812</u>	<u>\$ 149,812</u>

Exhibit H-2

WHARTON BOARD OF EDUCATION  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
Additions:	
Contributions:	
Employee	\$ 12,026
Employer	<u>70,000</u>
Total Contributions	<u>82,026</u>
Investment earnings:	
Interest	<u>104</u>
Net investment earnings	<u>104</u>
Total additions	<u>82,130</u>
Deductions:	
Unemployment Compensation Claims	<u>18,420</u>
Total deductions	<u>18,420</u>
Change in net position	63,710
Net position—beginning of the year	<u>86,102</u>
Net position—end of the year	<u><u>\$ 149,812</u></u>

Exhibit H-3

WHARTON BOARD OF EDUCATION  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 19,702	\$ 79,110	\$ 76,124	\$ 22,688
Interfund Receivable - General Fund	1,339			1,339
Total Assets	<u>\$ 21,041</u>	<u>\$ 79,110</u>	<u>\$ 76,124</u>	<u>\$ 24,027</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	<u>\$ 21,041</u>	<u>\$ 79,110</u>	<u>\$ 76,124</u>	<u>\$ 24,027</u>
Total Liabilities	<u>\$ 21,041</u>	<u>\$ 79,110</u>	<u>\$ 76,124</u>	<u>\$ 24,027</u>

Exhibit H-4

WHARTON BOARD OF EDUCATION  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Wharton District Schools:				
Duffy Elementary School	\$ 14,893	\$ 16,793	\$ 15,441	\$ 16,245
MacKinnon Middle School	6,148	62,317	60,683	7,782
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Total All Schools	<u>\$ 21,041</u>	<u>\$ 79,110</u>	<u>\$ 76,124</u>	<u>\$ 24,027</u>

Exhibit H-5

WHARTON BOARD OF EDUCATION  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 53,742	\$ 7,642,368	\$ 7,551,597	\$ 144,513
Total Assets	<u>\$ 53,742</u>	<u>\$ 7,642,368</u>	<u>\$ 7,551,597</u>	<u>\$ 144,513</u>
 <u>LIABILITIES:</u>				
Net Payroll	\$ 1,322	\$ 4,454,298	\$ 4,453,609	\$ 2,011
Payroll Deductions and Withholdings	<u>52,420</u>	<u>3,188,070</u>	<u>3,097,988</u>	<u>142,502</u>
Total Liabilities	<u>\$ 53,742</u>	<u>\$ 7,642,368</u>	<u>\$ 7,551,597</u>	<u>\$ 144,513</u>

LONG-TERM DEBT

WHARTON BOARD OF EDUCATION  
LONG-TERM DEBT  
STATEMENT OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding 6/30/2016		Interest Rate	Balance July 1, 2015	Retired or Matured	Balance June 30, 2016
			Date	Amount				
Refunding School Bonds Series 2006	1/26/2006	\$4,420,000				\$ 235,000	\$ 235,000	
Refunding School Bonds Series 2015	4/30/2015	1,996,000	7/1/2016	\$ 271,000	1.900%			
			7/1/2017	266,000	1.900%			
			7/1/2018	256,000	1.900%			
			7/1/2019	252,000	1.900%			
			7/1/2020	242,000	1.900%			
			7/1/2021	231,000	1.900%			
			7/1/2022	226,000	1.900%			
			7/1/2023	216,000	1.900%			
						<u>1,996,000</u>	<u>36,000</u>	<u>\$ 1,960,000</u>
						<u>\$ 2,231,000</u>	<u>\$ 271,000</u>	<u>\$ 1,960,000</u>

WHARTON BOARD OF EDUCATION  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE



WHARTON BOARD OF EDUCATION  
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 Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 232,014		\$ 232,014	\$ 232,014	
State Sources:					
Debt Service Aid Type II	84,886		84,886	84,886	
Total Revenues	<u>316,900</u>		<u>316,900</u>	<u>316,900</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	84,886	\$ (38,986)	45,900	29,746	\$ 16,154
Redemption of Principal	232,014	38,986	271,000	271,000	
Total Regular Debt Service	<u>316,900</u>		<u>316,900</u>	<u>300,746</u>	<u>16,154</u>
Total Expenditures	<u>316,900</u>		<u>316,900</u>	<u>300,746</u>	<u>16,154</u>
Excess of Revenues Over Expenditures				16,154	16,154
Fund Balance, July 1	-0-	-0-	-0-	-0-	-0-
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 16,154</u>	<u>\$ 16,154</u>
<u>Recapitulation of Fund Balance at June 30, 2016</u>					
Restricted Fund Balance				<u>\$ 16,154</u>	

**STATISTICAL SECTION**  
**(Unaudited)**

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

**Contents**

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

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

WHARTON BOARD OF EDUCATION  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 777,249	\$ 1,069,133	\$ 1,624,462	\$ 2,248,788	\$ 1,908,913	\$ 2,109,328	\$ 2,441,360	\$ 4,061,526	\$ 3,930,297	\$ 4,979,520
Restricted	202,331	156,987	338,773	572,202	1,339,398	2,450,988	3,831,767	4,063,996	5,261,025	5,558,458
Unrestricted/(Deficit)	(391,288)	(299,723)	(455,156)	(474,027)	(492,597)	(372,771)	(32,963)	(1,240,198)	(1,296,576)	(1,430,055)
<b>Total Governmental Activities Net Position</b>	<b>\$ 588,292</b>	<b>\$ 926,397</b>	<b>\$ 1,508,079</b>	<b>\$ 2,346,963</b>	<b>\$ 2,755,714</b>	<b>\$ 4,187,545</b>	<b>\$ 6,240,164</b>	<b>\$ 6,885,324</b>	<b>\$ 7,894,746</b>	<b>\$ 9,107,923</b>
<b>Business-Type Activities:</b>										
Investment in Capital Assets	\$ 17,654	\$ 12,297	\$ 6,939	\$ 1,581	\$ 9,987	\$ 7,134	\$ 4,281	\$ 1,428		
Unrestricted	13,823	23,442	34,124	69,187	94,580	83,316	110,005	93,596	\$ 97,790	\$ 144,175
<b>Total Business-Type Activities Net Position</b>	<b>\$ 31,477</b>	<b>\$ 35,739</b>	<b>\$ 41,063</b>	<b>\$ 70,768</b>	<b>\$ 104,567</b>	<b>\$ 90,450</b>	<b>\$ 114,286</b>	<b>\$ 95,024</b>	<b>\$ 97,790</b>	<b>\$ 144,175</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 794,903	\$ 1,081,430	\$ 1,631,401	\$ 2,250,369	\$ 1,918,900	\$ 2,116,462	\$ 2,445,641	\$ 4,062,954	\$ 3,930,297	\$ 4,979,520
Restricted	202,331	156,987	338,773	572,202	1,339,398	2,450,988	3,831,767	4,063,996	5,261,025	5,558,458
Unrestricted/(Deficit)	(377,465)	(276,281)	(421,032)	(404,840)	(398,017)	(289,455)	77,042	(1,146,602)	(1,198,786)	(1,285,880)
<b>Total District-Wide Net Position</b>	<b>\$ 619,769</b>	<b>\$ 962,136</b>	<b>\$ 1,549,142</b>	<b>\$ 2,417,731</b>	<b>\$ 2,860,281</b>	<b>\$ 4,277,995</b>	<b>\$ 6,354,450</b>	<b>\$ 6,980,348</b>	<b>\$ 7,992,536</b>	<b>\$ 9,252,098</b>

Source: Borough of Wharton School District Financial Reports.

WHARTON BOARD OF EDUCATION  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 4,157,307	\$ 4,424,062	\$ 4,599,856	\$ 5,627,961	\$ 5,596,895	\$ 5,652,459	\$ 5,926,911	\$ 5,984,273	\$ 7,482,805	\$ 7,511,041
Special Education	1,305,797	1,296,817	1,504,761	1,993,869	2,201,619	2,563,983	2,136,825	2,236,521	2,750,730	2,997,502
Other Special Instruction	255,885	281,324	281,113							
Other Instruction	107,423	92,576	109,387	394,511	231,803	336,361	305,716	202,473	271,083	422,908
Support Services:										
Tuition	438,090	312,627	298,579	336,734	282,171	264,770	227,630	308,897	227,982	240,662
Student & Instruction Related Services	1,620,811	1,964,668	1,869,032	1,431,083	1,454,222	1,407,543	1,457,923	1,417,537	1,730,120	1,775,976
General Administration Services	398,051	358,158	334,236	337,303	291,454	378,817	384,360	376,851	387,309	503,252
School Administration Services	334,224	355,722	333,792	393,079	415,762	448,316	428,652	411,514	513,234	517,485
Central Services	313,076	268,412	322,153	186,004	186,105	281,356	243,498	258,339	253,247	208,324
Plant Operations and Maintenance	877,460	1,033,210	959,383	909,927	850,071	795,406	753,625	1,018,812	788,112	795,040
Pupil Transportation	312,484	207,407	222,810	216,742	80,522	223,858	222,511	288,254	348,667	277,677
Administrative Information Technology				131,950	251,957	43,967	109,005	82,353	61,144	110,181
Unallocated Benefits	1,234,764	1,079,697	794,753							
Interest On Long-Term Debt	196,247	181,143	165,538	142,580	129,850	115,600	105,800	96,200	120,426	18,620
Charter School								13,407	13,691	23,603
Capital Outlay					514,164			98,018	61,240	4,402
Unallocated Depreciation	243,390	219,835	233,065	233,065	285,610	285,610	329,028	329,028	270,773	270,773
<b>Total Governmental Activities Expenses</b>	<b>11,795,009</b>	<b>12,075,658</b>	<b>12,028,458</b>	<b>12,334,808</b>	<b>12,772,205</b>	<b>12,798,046</b>	<b>12,631,484</b>	<b>13,122,477</b>	<b>15,280,563</b>	<b>15,677,446</b>

WHARTON BOARD OF EDUCATION  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Business-Type Activities:										
Food Service	\$ 240,991	\$ 255,420	\$ 274,640	\$ 275,048	\$ 285,688	\$ 348,789	\$ 312,784	\$ 365,088	\$ 340,918	\$ 318,046
Total Business-Type Activities Expenses	240,991	255,420	274,640	275,048	285,688	348,789	312,784	365,088	340,918	318,046
Total District-Wide Expenses	<u>\$ 12,036,000</u>	<u>\$ 12,331,078</u>	<u>\$ 12,303,098</u>	<u>\$ 12,609,856</u>	<u>\$ 13,057,893</u>	<u>\$ 13,146,835</u>	<u>\$ 12,944,268</u>	<u>\$ 13,487,565</u>	<u>\$ 15,621,481</u>	<u>\$ 15,995,492</u>
Program Revenues:										
Governmental Activities:										
Charges for Services			\$ 20,646	\$ 322,105	\$ 319,321	\$ 370,685	\$ 327,487	\$ 244,394	\$ 205,551	\$ 157,392
Operating Grants and Contributions	\$ 1,203,244	\$ 2,605,097	1,622,005	2,361,617	2,234,640	2,760,807	2,541,735	2,240,448	2,348,085	2,551,518
Total Governmental Activities Program Revenues	1,203,244	2,605,097	1,642,651	2,683,722	2,553,961	3,131,492	2,869,222	2,484,842	2,553,636	2,708,910
Business-Type Activities:										
Charges for Services:										
Food Service	\$ 118,488	\$ 116,353	\$ 117,807	\$ 107,340	\$ 102,126	\$ 101,847	\$ 99,163	\$ 99,911	\$ 98,235	\$ 97,213
Operating Grants and Contributions	118,412	142,579	162,093	197,413	206,050	232,751	237,391	245,834	245,377	267,125
Total Business Type Activities Program Revenues	236,900	258,932	279,900	304,753	308,176	334,598	336,554	345,745	343,612	364,338
Total District-Wide Program Revenues	<u>1,440,144</u>	<u>2,864,029</u>	<u>1,922,551</u>	<u>2,988,475</u>	<u>2,862,137</u>	<u>3,466,090</u>	<u>3,205,776</u>	<u>2,830,587</u>	<u>2,897,248</u>	<u>3,073,248</u>
Net Expenses/(Revenue):										
Governmental Activities	\$ 10,591,765	\$ 9,470,561	\$ 10,385,807	\$ 9,651,086	\$ 10,218,244	\$ 9,666,554	\$ 9,762,262	\$ 10,637,635	\$ 12,726,927	\$ 12,968,536
Business-Type Activities	4,091	(3,512)	(5,260)	(29,705)	(22,488)	14,191	(23,770)	19,343	(2,694)	(46,292)
Total District-Wide Net (Expenses)/Revenue	<u>\$ 10,595,856</u>	<u>\$ 9,467,049</u>	<u>\$ 10,380,547</u>	<u>\$ 9,621,381</u>	<u>\$ 10,195,756</u>	<u>\$ 9,680,745</u>	<u>\$ 9,738,492</u>	<u>\$ 10,656,978</u>	<u>\$ 12,724,233</u>	<u>\$ 12,922,244</u>

WHARTON BOARD OF EDUCATION  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 6,703,455	\$ 6,936,302	\$ 7,085,534	\$ 7,057,979	\$ 7,400,221	\$ 7,474,224	\$ 7,994,103	\$ 8,299,551	\$ 8,465,542	\$ 8,634,852
Taxes Levied for Debt Service	313,014	377,785	368,316	364,883	379,620	369,635	260,421	249,657	242,630	232,014
Unrestricted Grants and Contributions	3,278,285	2,303,057	3,105,851							
Federal and State Aid Not Restricted				3,038,370	2,747,655	3,229,022	3,515,266	3,703,327	4,997,074	5,275,776
State Aid for Debt Service	176,910	134,187	166,295							
Tuition		39,781	213,981							
Investment Earnings	23,459	13,863	2,218	43	2,059	83	3,928	3,761	1,218	3,761
Miscellaneous Income	11,067	13,197	26,627	28,694	97,440	25,421	41,163	196,813	29,885	35,310
Cancellation of Accounts Receivable/Payable	(9,584)	(9,507)	(1,332)							
Total Governmental Activities General Revenues & Other Changes in Net Position	<u>10,496,606</u>	<u>9,808,665</u>	<u>10,967,490</u>	<u>10,489,969</u>	<u>10,626,995</u>	<u>11,098,385</u>	<u>11,814,881</u>	<u>12,453,109</u>	<u>13,736,349</u>	<u>14,181,713</u>
Business-Type Activities:										
Investment Earnings	688	749	65		52	74	66	81	72	93
Total Business-Type Activities General Revenues & Other Changes in Net Position	<u>688</u>	<u>749</u>	<u>65</u>	<u>- 0 -</u>	<u>11,311</u>	<u>74</u>	<u>66</u>	<u>81</u>	<u>72</u>	<u>93</u>
Total District-Wide General Revenues & Other Changes in Net Position	<u>\$ 10,497,294</u>	<u>\$ 9,809,414</u>	<u>\$ 10,967,555</u>	<u>\$ 10,489,969</u>	<u>\$ 10,638,306</u>	<u>\$ 11,098,459</u>	<u>\$ 11,814,947</u>	<u>\$ 12,453,190</u>	<u>\$ 13,736,421</u>	<u>\$ 14,181,806</u>
Change in Net Position:										
Governmental Activities	\$ (95,159)	\$ 338,104	\$ 581,683	\$ 838,883	\$ 408,751	\$ 1,431,831	\$ 2,052,619	\$ 1,815,474	\$ 1,009,422	\$ 1,213,177
Business-Type Activities	(3,403)	4,261	5,325	29,705	33,799	(14,117)	23,836	(19,262)	2,766	46,385
Total District-Wide Change in Net Position	<u>\$ (98,562)</u>	<u>\$ 342,365</u>	<u>\$ 587,008</u>	<u>\$ 868,588</u>	<u>\$ 442,550</u>	<u>\$ 1,417,714</u>	<u>\$ 2,076,455</u>	<u>\$ 1,796,212</u>	<u>\$ 1,012,188</u>	<u>\$ 1,259,562</u>

Source: Borough of Wharton School District Financial Reports.

WHARTON BOARD OF EDUCATION  
 FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 UNAUDITED  
 (Modified Accrual Basis of Accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved/Restricted	\$ 172,057.00	\$ 156,986.00	\$ 255,980.00	\$ 545,614.00	\$ 1,198,216.00	\$ 2,438,504.00	\$ 3,849,052.00	\$ 4,063,995.00	\$ 5,254,757.00	\$ 5,524,466.00
Unreserved/(Deficit)	35,196	85,177	(68,956)	(76,076)						
Assigned					118,078	60,400	307,867	229,945	202,591	165,483
Unassigned					27,032					
<b>Total General Fund</b>	<b>\$ 207,253.00</b>	<b>\$ 242,163.00</b>	<b>\$ 187,024.00</b>	<b>\$ 469,538.00</b>	<b>\$ 1,343,326.00</b>	<b>\$ 2,498,904.00</b>	<b>\$ 4,156,919.00</b>	<b>\$ 4,293,940.00</b>	<b>\$ 5,457,348.00</b>	<b>\$ 5,689,949.00</b>
All Other Governmental Funds:										
Unreserved/(Deficit), Reported In:										
Special Revenue Fund	\$ (23,908.00)	\$ (30,182.00)	\$ (14,503.00)	\$ (18,484.00)						
Capital Projects Fund	2,071		82,793	35,152						
Debt Service Fund	28,203	1	1	1						\$ 16,154
Restricted					\$ 1.00	\$ 1.00	\$ 1.00			
Committed					67,354	67,354	17,838	\$ 17,838.00	\$ 17,838.00	17,838
Unassigned/(Deficit)					(44,251)	(54,870)	(35,124)	(26,788)	(19,722)	(17,703)
<b>Total All Other Governmental Funds</b>	<b>\$ 6,366.00</b>	<b>\$ (30,181.00)</b>	<b>\$ 68,291.00</b>	<b>\$ 16,669.00</b>	<b>\$ 23,104.00</b>	<b>\$ 12,485.00</b>	<b>\$ (17,285.00)</b>	<b>\$ (8,950.00)</b>	<b>\$ (1,884.00)</b>	<b>\$ 16,289.00</b>
<b>Total Governmental Funds:</b>										
Reserved/Restricted	\$ 172,057.00	\$ 156,986.00	\$ 255,980.00	\$ 545,614.00	\$ 1,198,216.00	\$ 2,438,505.00	\$ 3,849,053.00	\$ 4,063,995.00	\$ 5,254,757.00	\$ 5,524,466.00
Unreserved/(Deficit), Reported In:										
General Fund	35,196	85,177	(68,956)	(76,076)						
Special Revenue Fund	(23,908)	(30,182)		(18,484)						
Capital Projects Fund	2,071		(38,935)	35,152						
Debt Service Fund	28,203	1	8,812	1						16,154
Committed					67,354	67,354	17,838	17,838	17,838	17,838
Assigned					118,078	60,400	307,867	228,472	202,591	165,483
Unassigned/(Deficit)					(17,219)	(54,870)	(35,124)	(26,788)	(19,722)	(17,703)
<b>Total All Governmental Funds</b>	<b>213619</b>	<b>211982</b>	<b>255315</b>	<b>486207</b>	<b>1366430</b>	<b>2511389</b>	<b>4139634</b>	<b>4284990</b>	<b>5455464</b>	<b>5706238</b>

Source: Borough of Wharton School District Financial Reports.

WHARTON BOARD OF EDUCATION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues:</b>										
Tax Levy	\$ 7,016,469.00	\$ 7,314,087.00	\$ 7,453,850.00	\$ 7,422,862.00	\$ 7,779,841.00	\$ 7,843,859.00	\$ 8,254,524.00	\$ 8,549,208.00	\$ 8,708,172.00	\$ 8,866,866.00
Tuition Charges		39,781	213,981	313,720	319,321	370,685	327,487	244,394	205,551	157,392
Transportation Fees			20,646	8,385						
Interest on Capital Reserve	23,459	13,863	2,218	43	2,059	83	3,928	3,761	1,218	3,761
Miscellaneous	15,768	13,197	31,414	29,907	98,140	25,421	46,163	197,267	29,885	35,310
State Sources	4,056,656	4,535,808	4,273,670	3,970,285	4,293,745	4,988,422	5,403,254	5,420,143	5,463,912	5,772,212
Federal Sources	597,083	506,533	615,693	1,428,489	687,850	1,001,407	648,746	523,179	620,014	569,599
<b>Total Revenue</b>	<b>11,709,435</b>	<b>12,423,269</b>	<b>12,611,472</b>	<b>13,173,691</b>	<b>13,180,956</b>	<b>14,229,877</b>	<b>14,684,102</b>	<b>14,937,952</b>	<b>15,028,752</b>	<b>15,405,140</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	3,533,608	3,780,506	3,867,253	4,170,853	4,002,964	4,370,439	4,553,108	4,548,219	4,910,471	4,566,042
Special Education Instruction	1,071,499	1,068,552	1,271,741	1,608,454	1,772,389	2,003,964	1,544,501	1,643,643	1,757,402	1,888,117
Other Special Instruction	206,620	228,663	229,714							
School-Sponsored Instruction	88,112	76,095	90,229							
Other Instruction				278,878	162,876	210,384	222,300	142,987	159,932	224,155
<b>Support Services:</b>										
Tuition	438,090	312,627	298,579	336,734	282,171	264,770	227,630	308,897	227,982	240,662
Student & Instruction Related Services	1,423,203	1,752,575	1,649,468	1,141,857	1,255,648	1,220,669	1,231,744	1,214,213	1,400,885	1,486,320
General Administrative Services	358,658	340,518	317,866	294,779	249,345	296,830	339,104	329,684	369,936	436,974
School Administrative Services	272,042	290,855	274,656	278,908	278,937	285,740	284,729	295,382	308,100	332,075
Central Services and Admin Information Technology	260,649	226,713	281,823							
Central Services				168,860	167,004	208,930	214,442	241,022	208,700	152,653
Administrative Information Technology				114,146	80,353	43,967	97,982	81,763	55,112	95,236
Plant Operations And Maintenance	823,824	944,444	871,454	828,328	836,816	795,337	753,625	1,018,812	779,469	785,764
Pupil Transportation	312,484	211,920	225,591	206,610	230,410	223,854	221,455	288,152	348,503	277,424
Unallocated Benefits	2,421,753	2,484,031	2,230,237	2,489,236	2,398,594	2,636,410	2,727,849	2,518,277	2,950,195	3,281,481



WHARTON BOARD OF EDUCATION  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
UNAUDITED  
*(Modified Accrual Basis of Accounting)*

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenditures: (Cont'd)										
Capital Outlay	\$ 5,838.00	\$ 206,096.00	\$ 452,034.00	\$ 495,451.00	\$ 67,011.00	\$ 20,899.00	\$ 281,688.00	\$ 1,807,138.00	\$ 36,500.00	\$ 1,063,114.00
Debt Service:										
Principal	360,000	355,000	365,000	380,000	380,000	380,000	245,000	240,000	240,000	271,000
Interest And Other Charges	189,923	185,174	169,611	149,705	136,215	122,725	110,700	101,000	91,400	29,746
Transfer of funds to Charter Schools							13,407	13,691	23,603	
Total Expenditures	<u>11,766,303</u>	<u>12,463,769</u>	<u>12,595,256</u>	<u>12,942,799</u>	<u>12,300,733</u>	<u>13,084,918</u>	<u>13,055,857</u>	<u>14,792,596</u>	<u>13,858,278</u>	<u>15,154,366</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ (56,868.00)</u>	<u>\$ (40,500.00)</u>	<u>\$ 16,216.00</u>	<u>\$ 230,892.00</u>	<u>\$ 880,223.00</u>	<u>\$ 1,144,959.00</u>	<u>\$ 1,628,245.00</u>	<u>\$ 145,356.00</u>	<u>\$ 1,170,474.00</u>	<u>\$ 250,774.00</u>
Debt Service as a Percentage of Noncapital Expenditures	4.68%	4.41%	4.40%	4.26%	4.22%	3.85%	2.78%	2.63%	2.40%	2.13%

Source: Borough of Wharton School District Financial Reports.

Exhibit J-5

WHARTON BOARD OF EDUCATION  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED  
 (Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Transportation	Refunds	Other Misc.	Total
2007	\$ 23,459			\$ 9,996	\$ 1,071	\$ 34,526
2008	13,863	\$ 39,781		11,760	1,437	66,841
2009	2,218	213,981	\$ 20,646	12,188	14,439	263,472
2010	43	313,720	8,385	3,024	25,670	350,842
2011	2,059	319,321		46,197	51,243	418,820
2012	83	370,685			25,421	396,189
2013	3,928	327,487			41,163	372,578
2014	3,761	244,394			197,267	445,422
2015	1,218	205,551			29,885	236,654
2016	3,761	157,392			35,310	196,463

Source: Borough of Wharton School District Financial Reports.

WHARTON BOARD OF EDUCATION  
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
LAST TEN YEARS  
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2006	\$ 3,949,500	\$ 235,960,300	\$ 149,400	\$ 57,911,700	\$ 28,603,100	\$ 20,922,300	\$ 347,496,300	\$ 425,268	\$ 347,921,568	\$ 25,906,500	\$ 1.98	\$ 700,086,600
2007	5,165,300	233,507,500	149,400	38,138,900	53,739,800	20,922,300	351,623,200	389,636	352,012,836	24,823,900	2.04	810,504,523
2008*	17,248,900	567,671,400	707,100	102,222,100	126,740,600	28,526,200	843,116,300	1,164,475	844,280,775	68,002,200	0.88	875,685,946
2009	16,610,600	568,140,100	707,100	103,002,400	126,740,600	28,526,200	843,727,000	-	843,727,000	67,736,000	0.88	863,774,131
2010	12,431,400	489,700,200	625,200	102,374,200	113,236,100	24,354,300	742,721,400	-	742,721,400	66,238,700	1.02	841,091,053
2011	12,263,900	489,528,100	625,200	101,874,000	105,180,200	24,354,300	733,825,700	-	733,825,700	66,891,500	1.07	786,503,886
2012	12,263,900	489,338,100	625,200	101,295,100	101,991,700	23,202,000	728,716,000	-	728,716,000	66,891,500	1.11	745,985,600
2013	12,816,300	431,026,500	575,200	93,914,900	97,860,000	21,698,800	657,891,700	-	657,891,700	67,532,300	1.30	696,476,498
2014	12,324,900	422,510,400	566,600	93,341,300	97,616,100	21,819,500	648,178,800	-	648,178,800	67,252,000	1.34	669,610,331
2015	11,789,600	427,569,800	580,400	92,610,400	97,716,600	21,914,000	652,180,800	-	652,180,800	96,632,800	1.36	673,503,608

\*Revaluation of property was effective

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.

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100 of assessed value.

Source: Morris County Abstract of Ratables and Municipal Tax Assessor.

Exhibit J-7

WHARTON BOARD OF EDUCATION  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
UNAUDITED  
*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	Wharton Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate		Total Direct	Borough of Wharton			
	Basic Rate <sup>a</sup>	General Obligation Debt <sup>b</sup>		Regional School	Morris County		
2006	1.88	0.10	1.98	1.00	0.85	0.50	4.33
2007	1.94	0.10	2.04	1.13	0.92	0.55	4.64
2008	0.83	0.04	0.88	0.52	0.34	0.24	1.98
2009	0.79	0.09	0.88	0.54	0.44	0.23	2.09
2010	0.97	0.05	1.02	0.61	0.58	0.26	2.46
2011	1.02	0.05	1.07	0.61	0.61	0.25	2.54
2012	1.08	0.03	1.11	0.62	0.63	0.25	2.61
2013	1.26	0.04	1.30	0.66	0.58	0.28	2.82
2014	1.31	0.04	1.34	0.68	0.60	0.28	2.90
2015	1.32	0.04	1.36	0.67	0.61	0.26	2.89

^ - Revaluation of property was effective.

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

<sup>a</sup> The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

<sup>b</sup> Rates for debt service are based on each year's requirements.

Source: Borough of Wharton Tax Collector and School Business Administrator.

WHARTON BOARD OF EDUCATION  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2015			2006		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
TA Wharton LLC	\$ 55,711,800	6.60%	Not Available		
The Realty Associates Fund VIII LP	32,223,900	3.82%			
Glass Paramus	19,433,900	2.30%			
Costco Wholesale Corp	17,842,300	2.11%			
CCKK, LLC	12,115,400	1.44%			
Bayview Gardens	8,700,000	1.03%			
Wharton Mall	8,273,700	0.98%			
Brentwood Associates	6,528,500	0.77%			
Wharton Apartments	4,000,000	0.47%			
Waltann Greenbrook, LLC	3,863,700	0.46%			
<b>Total</b>	<b>\$ 168,693,200</b>	<b>19.99%</b>			

Source: Borough of Wharton Tax Assessor.

Exhibit J-9

WHARTON BOARD OF EDUCATION  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy</u> <sup>a</sup>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2007	\$ 7,016,469	\$ 7,016,469	100.00%	-0-
2008	7,314,087	7,314,087	100.00%	-0-
2009	7,453,850	7,453,850	100.00%	-0-
2010	7,422,862	7,422,862	100.00%	-0-
2011	7,779,841	7,779,841	100.00%	-0-
2012	7,843,859	7,843,859	100.00%	-0-
2013	8,254,524	8,254,524	100.00%	-0-
2014	8,549,208	8,549,208	100.00%	-0-
2015	8,697,556	8,697,556	100.00%	-0-
2016	8,866,866	8,866,866	100.00%	-0-

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

Source: Wharton Borough School District's records including the Certificate and Report of School Taxes (Form A4F).

Exhibit J-10

WHARTON BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Loans Payable	Capital Leases			
2007	\$4,750,000.00	-0-	\$ 42,232.00	\$4,792,232.00	#REF!	#REF!
2008	4,395,000	-0-	58,866	4,453,866	1.05%	734.23
2009	4,030,000	-0-	54,762	4,084,762	0.94%	674.50
2010	3,650,000	-0-	40,078	3,690,078	0.90%	608.52
2011	3,270,000	-0-	24,817	3,294,817	0.73%	504.80
2012	2,890,000	-0-	8,955	2,898,955	0.61%	442.12
2013	2,645,000	-0-	3,028	2,648,028	0.54%	402.62
2014	2,405,000	-0-	-0-	2,405,000	0.48%	363.46
2015	2,231,000	-0-	-0-	2,231,000	0.45%	337.16
2016	1,960,000	-0-	-0-	1,960,000	0.37%	296.43

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

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

Source: Borough of Wharton School District Financial Reports.

Exhibit J-11

WHARTON BOARD OF EDUCATION  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ 5,110,000.0	- 0 -	\$ 5,110,000.0	1.47%	\$ 833.33
2007	4,750,000	- 0 -	4,750,000	1.37%	783.05
2008	4,395,000	- 0 -	4,395,000	1.25%	725.73
2009 *	4,030,000	- 0 -	4,030,000	0.48%	664.58
2010	3,650,000	- 0 -	3,650,000	0.43%	559.22
2011	3,270,000	- 0 -	3,270,000	0.44%	498.70
2012	2,890,000	- 0 -	2,890,000	0.39%	439.41
2013	2,645,000	- 0 -	2,645,000	0.36%	399.73
2014	2,405,000	- 0 -	2,405,000	0.37%	363.73
2015	2,231,000	- 0 -	2,231,000	0.34%	337.37
2016	1,960,000	- 0 -	1,960,000	0.30%	296.39

\* - Revaluation of property was effective

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

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

<sup>b</sup> Population data can be found on Exhibit J-14. This ratio is calculated using valuation data for the prior calendar year

Source: Borough of Wharton School District Financial Reports.



Exhibit J-12

WHARTON BOARD OF EDUCATION  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2015  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt</u> <u>Outstanding</u>	<u>Estimated</u> <u>Percentage</u> <u>Applicable<sup>a</sup></u>	<u>Estimated</u> <u>Share of</u> <u>Overlapping</u> <u>Debt</u>
Debt Repaid With Property Taxes:			
Borough of Wharton	\$ 581,173	100.00%	\$ 581,173
Other Debt			
Morris County General Obligation Debt	226,745,317	0.742%	1,683,517
Morris Hills Regional District Debt	28,230,000	8.000%	<u>2,258,400</u>
Subtotal, Overlapping Debt			4,523,090
Borough of Wharton School District Direct Debt			<u>1,960,000</u>
Total Direct And Overlapping Debt			<u>\$ 6,483,090</u>

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 Borough of Wharton. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

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

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

WHARTON BOARD OF EDUCATION  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2016	
Equalized Valuation Basis	Wharton Borough
2015	\$ 675,196,031
2014	669,610,331
2013	696,476,498
	\$2,041,282,860
Average Equalized Valuation of Taxable Property	\$ 680,427,620
Debt Limit (3% of Average Equalization Value) <sup>a</sup>	\$ 20,412,829
Net Bonded School Debt as of June 30, 2016	1,960,000
Legal Debt Margin	\$ 18,452,829

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$20,971,183	\$23,574,408	\$25,206,526	\$25,936,720	\$24,827,707	\$21,717,224	\$22,574,785	\$ 21,634,054	\$ 20,868,029	\$ 20,412,829
Total Net Debt Applicable to Limit	4,750,000	4,395,000	4,030,000	3,650,000	3,270,000	2,890,000	2,645,000	2,405,000	2,231,000	1,960,000
Legal Debt Margin	\$16,221,183	\$ 1,189,195	\$21,176,526	\$22,286,720	\$21,557,707	\$18,827,224	\$18,827,224	\$ 19,229,054	\$ 18,637,029	\$ 18,452,829
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	22.65%	18.64%	15.99%	14.07%	13.17%	13.31%	13.31%	11.12%	10.69%	9.60%

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

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

Exhibit J-14

WHARTON BOARD OF EDUCATION  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Year Ended December 31,	Borough Population <sup>a</sup>	Morris County Per Capita Personal Income <sup>b</sup>	Borough Personal Income <sup>c</sup>	Borough Unemployment Rate <sup>d</sup>
2007	6,066	\$ 69,900	\$ 424,013,400	6.80%
2008	6,056	71,990	435,971,440	8.90%
2009	6,064	67,544	409,586,816	14.80%
2010	6,527	68,725	448,568,075	14.90%
2011	6,557	71,933	471,664,681	14.90%
2012	6,577	74,057	487,072,889	15.00%
2013	6,617	75,054	496,632,318	8.40%
2014	6,612	79,094	522,969,528	6.00%
2015	6,613	82,810	547,622,530	5.00%
2016	6,613 **	82,810 *	547,622,530 ***	5.00%

\* - Latest Morris County population available (2015) was used for calculation purposes.

\*\* - Latest Morris County per capita personal income available (2015) was used for calculation purposes.

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

N/A - Not Available

Sources:

- <sup>a</sup> Population information provided by the NJ Department of Labor and Workforce Development.
- <sup>b</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- <sup>c</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented.
- <sup>d</sup> Unemployment data provided by the NJ Department of Labor and Workforce Development.

WHARTON BOARD OF EDUCATION  
PRINCIPAL EMPLOYERS - MORRIS COUNTY  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

2015			2006		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
U.S. Army Armament Research and Development	6,090	N/A	Information is Not Available		
Novartis Corporation	4,749	N/A			
Altantic Health System	4,844	N/A			
Bayer Healthcare, LLC	2,665	N/A			
County of Morris	1,667	N/A			
Wyndham Worldide Coporations	1,546	N/A			
St. Clare's	1,756	N/A			
BASF Corporation	1,500	N/A			
Accenture	1,621	N/A			
Greystone Park Psychiatric	1,244	N/A			
	<u>27,682</u>	<u>N/A</u>			

N/A - Total amount of employment is not available in order to do the percentage calculation

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

Source: Morris County Treasurer's Office.

WHARTON BOARD OF EDUCATION  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:										
Regular	54.5	53.5	49.8	43.6	48.0	39.5	48.5	49.5	56.3	56.1
Special Education	14.3	15.6	14.7	18.5	18.7	9.3	16.0	16.5	16.6	16.5
Other Special Education	12.4	17.1	21.9	11.8	4.2	4.2	11.4	16.5	14.9	15.0
Other Instruction	3.0	3.0	4.2	2.4	1.0		2.7	3.0	3.0	3.0
Support Services:										
Student & Instruction Related Services	11.5	11.5	10.9	9.8	21.8	9.0	9.3	9.3	16.1	16.1
General Administration	2.4	2.4	2.2	2.1	5.3	5.1	5.1	5.6	5.5	5.5
School Administrative Services	4.0	4.0	4.2	4.5	6.7	6.6	6.7	6.2	4.7	4.7
Other Administrative Services	1.0	1.0	1.0	1.0	1.0	1.0	1.0			
Central Services	2.0	2.0	1.5	1.7	1.5	5.6	3.6	1.0	2.0	2.0
Administrative Information Technology	1.0	1.0	1.0	1.0						
Plant Operations and Maintenance	4.7	5.4	5.1	4.8	0.5	0.3	0.3	0.3	0.3	0.3
Pupil Transportation			1.0	1.0		0.2	0.2	0.2	0.2	0.2
Other Support Services	5.9	5.8	5.6	3.4		1.0	2.1	2.4	2.4	2.4
Food Service	1.7	1.0	1.0	1.0	1.2		1.0	1.0	1.0	1.0
Total	<u>118.4</u>	<u>123.3</u>	<u>124.1</u>	<u>106.6</u>	<u>109.9</u>	<u>81.8</u>	<u>107.9</u>	<u>111.5</u>	<u>123.0</u>	<u>122.8</u>

Source: Borough of Wharton District Personnel Records.

WHARTON BOARD OF EDUCATION  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change In Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle				
2007	702	\$ 11,210,542	\$ 15,969	13.40%	78	10.6	8.4	751	715	-2.88%	95.24%
2008	723	11,717,499	16,207	1.49%	79	10.9	8.6	788	755	5.00%	95.74%
2009	723	11,608,611	16,056	-0.93%	77	10.4	8.3	785	747	-0.43%	95.13%
2010	803	11,917,643	14,841	-7.57%	78	12.0	7.9	804	750	2.45%	93.28%
2011	772	11,717,507	15,178	2.27%	78	11.8	9.9	786	740	-2.24%	94.15%
2012	791	12,561,294	15,880	4.63%	59	11.8	9.9	772	738	-1.74%	95.51%
2013	807	12,418,469	15,388	-3.10%	76	11.1	7.7	786	755	1.77%	96.06%
2014	780	12,644,458	16,211	5.34%	78	10.3	8.4	777	756	-1.15%	97.30%
2015	789	13,490,378	17,098	5.47%	79	9.5	10.8	803	770	3.35%	95.89%
2016	786	13,790,506	17,545	2.61%	78	9.1	10.4	786	754	-2.12%	95.93%

Note: Enrollment based on annual October District count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Costs per pupil is calculated based upon enrollment and operating expenditures as presented and may not be the same as other cost per pupil calculations.

<sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Borough of Wharton School District records.

WHARTON BOARD OF EDUCATION  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Buildings</u>										
<b><u>Elementary</u></b>										
Marie V. Duffy Elementary (1962)										
Square Feet	35,173	35,173	35,173	35,173	35,173	35,173	35,173	35,173	35,173	35,173
MacKinnon North Wing (1974)										
Square Feet	36,291	36,291	36,291	36,291	36,291	36,291	36,291	36,291	36,291	36,291
Combined Capacity (Students)	617	617	617	617	617	617	617	617	617	617
Combined Enrollment	478	478	478	478	478	478	478	478	478	478
<b><u>Middle</u></b>										
MacKinnon Middle School (2000)										
Square Feet	28,654	28,654	28,654	28,654	28,654	28,654	28,654	28,654	28,654	28,654
Capacity (Students)	259	259	259	259	259	259	259	259	259	259
Enrollment	251	251	213	213	213	213	213	213	213	213
<b><u>Other</u></b>										
Child Study Team Addition (1994)	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469
Maint. Garage/Recreation Annex(1982)	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561	1,561

Number of Schools at June 30, 2016:

Elementary = 1  
Middle = 1

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

Source: Wharton Board of Education Facilities Office.

WHARTON BOARD OF EDUCATION  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures:  
 Required Maintenance for School Facilities\*  
 11-000-261-XXX

School Facilities	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Wharton Public Schools	\$ 139,398	\$ 163,074	\$ 154,356	\$ 137,736	\$ 168,141	\$ 157,704	\$ 141,197	\$ 230,270	\$ 93,160	\$ 118,613

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

Source: Borough of Wharton School District Reports.



Exhibit J-20

WHARTON BOARD OF EDUCATION  
INSURANCE SCHEDULE  
JUNE 30, 2016  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund:		
School Package Policy:	\$ 250,000,000	Fund Limit
Building & Personal Property		\$ 2,500
Inland Marine - Auto Physical Damage		2,500
General Liability including Auto, Employee Benefits	5,000,000	
General Aggregate	100,000,000	Fund Agg.
Fire Damage	2,500,000	
Medical Expenses(excluding students taking part in athletics)	10,000	
Environmental Impairment Liability	1,000,000	10,000
	25,000,000 Fund Agg.	
Crime Coverage	50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler & Machinery	100,000,000	1,000
Excess Liability (AL/GL)	5,000,000	
School Board Legal Liability	5,000,000/5,000,000	5,000
Excess SLPL	5,000,000/5,000,000	
MEIG		
Workers Compensation - Employer's Liability	2,000,000	
Selective Insurance		
Surety Bonds:		
Treasurer	190,000	
Board Secretary/Business Administrator	190,000	
Bollinger Insurance		
Student Accident	Bollinger Voluntary Coverage Only	

Source: Borough of Wharton School District Records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Wharton Board of Education  
 County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wharton Board of Education, in the County of Morris (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2016.

**Internal Control Over Financial Reporting**

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

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

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

The Honorable President and Members  
of the Board of Education  
Wharton Board of Education  
Page 2

### **Compliance and Other Matters**

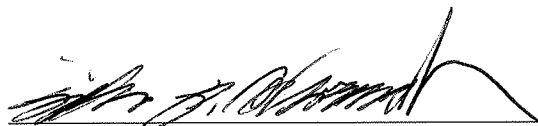
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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

October 14, 2016  
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant



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Report on Compliance For Each Major Federal and State Program;  
 Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Wharton Board of Education  
 County of Morris, New Jersey

**Report on Compliance for Each Major Federal and State Program**

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

The Honorable President and Members  
of the Board of Education  
Wharton Board of Education  
Page 2

### ***Opinion on Each Major Federal and State Program***

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

### **Report on Internal Control Over Compliance**

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

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

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

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

October 14, 2016  
Mount Arlington, New Jersey

NISIVOCIA LLP



William F. Schroeder  
Licensed Public School Accountant #2112  
Certified Public Accountant

WHARTON BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title/Cluster Title	Federal CFDA Number	Grant or Project Number	Grant Period	Award Amount	Unearned Revenue/ (Accounts Receivable) June 30, 2015	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Returned to Grantor	Balance June 30, 2016			
											Accounts Receivable	Unearned Revenue	Due to Grantor	Amount Paid to Subrecipients
U.S. Department of Agriculture														
Passed-through State Department of Agriculture:														
Child Nutrition Cluster:														
Federal Food Distribution Program	10.555	N/A	7/1/14-6/30/15	\$ 16,627	\$ 950		\$ (950)							
Federal Food Distribution Program	10.555	N/A	7/1/15-6/30/16	24,923			\$ 24,923	(23,196)				\$ 1,727		
School Breakfast Program	10.553	N/A	7/1/14-6/30/15	32,235	(3,041)		3,041							
School Breakfast Program	10.553	N/A	7/1/15-6/30/16	38,286			35,935	(38,286)			\$ (2,351)			
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	192,192	(15,606)		15,606							
National School Lunch Program	10.555	N/A	7/1/15-6/30/16	200,333			189,242	(200,333)			(11,091)			
Total U.S. Department of Agriculture						(17,697)	268,747	(262,765)			(13,442)	1,727		
Special Revenue Fund:														
No Child Left Behind Consolidated Grant:														
Title I	84.010A	NCLB-5770-15	7/1/14-6/30/15	301,567	(33,324)	\$ (43,714)	33,324							
Title IIA	84.367A	NCLB-5770-15	7/1/14-6/30/15	20,396	(11,076)	(7,371)	11,076							
Title III	84.365A	NCLB-5770-15	7/1/14-6/30/15	14,842	(1,928)		1,928							
Title I	84.010A	NCLB-5770-16	7/1/15-6/30/16	293,467		43,714	136,474	(269,711)			(133,237)			
Title IIA	84.367A	NCLB-5770-16	7/1/15-6/30/16	20,123		7,371	24,427	(25,434)			(1,007)			
Title III	84.365A	NCLB-5770-16	7/1/15-6/30/16	4,628				(395)			(395)			
Total No Child Left Behind Consolidated Grant:					(46,328)		207,229	(295,540)			(134,639)			

WHARTON BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Unearned Revenue/ (Accounts Receivable) June 30, 2015	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Returned to Grantor	Balance June 30, 2016			
											Accounts Receivable	Unearned Revenue	Due to Grantor	Amount Paid to Subrecipients
U.S. Department of Education - Passed-through														
State Department of Education:														
Special Education Cluster:														
I.D.E.A. Part B, Basic	84.027	IDEA-5770-15	7/1/14-6/30/15	\$ 288,995	\$ (66,468)	\$ (24,201)	\$ 66,468							
I.D.E.A. Part B, Basic	84.027	IDEA-5770-16	7/1/15-6/30/16	211,996		24,201	236,197	\$ (236,197)						
I.D.E.A. Part B, Preschool	84.173	IDEA-5770-15	7/1/14-6/30/15	13,787	722	(6,842)						\$ 722		
I.D.E.A. Part B, Preschool	85.173	IDEA-5770-16	7/1/15-6/30/16	6,842		6,842	5,441	(10,329)			\$ (4,888)			
Subtotal Special Education Cluster					(65,746)		308,106	(246,526)			(4,888)	722		
Race to the Top - ARRA														
	84.395	N/A	9/1/11-11/30/15	26,294	(6,626)				\$ 6,626					
Total Special Revenue Fund					(118,700)		515,335	(542,066)	6,626		(139,527)	722		
Total U.S. Department of Education					(118,700)		515,335	(542,066)	6,626		(139,527)	722		
U.S. Department of Health and Human Services:														
Medicaid Assistance Program	93.778	N/A	7/1/15-6/30/16	48,263			48,263	(48,263)						
Total U.S. Department of Health and Human Services							48,263	(48,263)						
Total Federal Financial Awards					\$ (136,397)	\$ -0-	\$ 832,345	\$ (853,094)	\$ 6,626	\$ -0-	\$ (152,969)	\$ 2,449	\$ -0-	\$ -0-

N/A - Not Available/Applicable

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



WHARTON BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2015			Refunded to Grantor	Balance June 30, 2016			MEMO			
				Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	Adjustment	GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
NJ Department of Education:														
General Fund:														
Equalization Aid	16-495-034-5120-078	7/1/15 - 6/30/16	\$ 2,826,561			\$ 2,545,552	\$ (2,826,561)					\$ (281,009)	\$ 2,826,561	
Equalization Aid	15-495-034-5120-078	7/1/14 - 6/30/15	2,826,561	\$ (281,715)		281,715							2,826,561	
Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	10,978			9,887	(10,978)					(1,091)	10,978	
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	10,978	(1,094)		1,094							10,978	
Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	467,758			421,255	(467,758)					(46,503)	467,758	
Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	467,758	(46,620)		46,620							467,758	
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	51,744			46,600	(51,744)					(5,144)	51,744	
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	51,744	(5,157)		5,157							51,744	
School Choice Aid	16-495-034-5120-068	7/1/15 - 6/30/16	447,982			403,445	(447,982)					(44,537)	447,982	
School Choice Aid	15-495-034-5120-068	7/1/14 - 6/30/15	624,817	(62,274)		62,274							624,817	
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	7,940			7,150	(7,940)					(790)	7,940	
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	7,940	(791)		791							7,940	
Per Pupil Growth Aid	15-495-034-5120-097	7/1/15 - 6/30/16	7,940			7,150	(7,940)					(790)	7,940	
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	7,940	(791)		791							7,940	
Educational Adequacy Aid	16-495-034-5120-083	7/1/15 - 6/30/16	22,203			19,996	(22,203)					(2,207)	22,203	
Educational Adequacy Aid	15-495-034-5120-083	7/1/14 - 6/30/15	22,203	(2,213)		2,213							22,203	
Extraordinary Aid	16-495-034-5120-044	7/1/15 - 6/30/16	115,055				(115,055)			\$ (115,055)		(115,055)	115,055	
Extraordinary Aid	15-495-034-5120-044	7/1/14 - 6/30/15	45,840	(45,840)		45,840							45,840	
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	176,835			159,254	(176,835)					(17,581)	176,835	
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	425,401			425,401	(425,401)						425,401	
Reimbursed TPAF Social Security Contributions	15-495-034-5094-003	7/1/14 - 6/30/15	414,644	(20,487)		20,487							414,644	
<b>Total General Fund State Aid</b>				<b>(466,982)</b>		<b>4,512,672</b>	<b>(4,560,397)</b>			<b>(115,055)</b>		<b>(514,707)</b>	<b>9,040,822</b>	
Special Revenue Fund:														
Preschool Education Aid	16-495-034-5120-086	7/1/15 - 6/30/16	177,034			159,331	(175,623)					(16,292)	(175,623)	
Preschool Education Aid	15-495-034-5120-086	7/1/14 - 6/30/15	197,222	(19,722)		19,722	(7,970)					(7,970)	197,222	
<b>Total Special Revenue Fund</b>				<b>(19,722)</b>		<b>179,053</b>	<b>(183,593)</b>					<b>(24,262)</b>	<b>21,599</b>	
<b>Total NJ Department of Education</b>				<b>(486,704)</b>		<b>4,691,725</b>	<b>(4,743,990)</b>			<b>(115,055)</b>		<b>(538,969)</b>	<b>9,062,421</b>	
Enterprise Fund:														
State School Lunch Program	16-100-010-3350-023	7/1/15 - 6/30/16	4,360			4,118	(4,360)					(242)	4,360	
State School Lunch Program	15-100-010-3350-023	7/1/14 - 6/30/15	4,354	(349)		349							4,354	
<b>Total Enterprise Fund</b>				<b>(349)</b>		<b>4,467</b>	<b>(4,360)</b>			<b>(242)</b>		<b>(242)</b>	<b>8,714</b>	
Capital Projects Fund														
School Development Authority														
Corridor Ceramic Tile Replacement Project	5770-040-09-1002	7/1/10 - 6/30/12	16,266	(16,266)								(16,266)	-0-	
Debt Service Fund:														
Debt Service Aid Type II	16-100-034-5120-124	7/1/15 - 6/30/16	84,886			84,886	(84,886)						84,886	
<b>Total State Awards</b>				<b>\$ (503,319)</b>	<b>\$ -0-</b>	<b>\$ 4,781,078</b>	<b>\$ (4,833,236)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (115,297)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ (555,477)</b>	<b>\$ 9,156,021</b>

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

WHARTON BOARD OF EDUCATION  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

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

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$1,003 for the general fund, and (\$18,711) 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. The schedule of expenditures of state awards does not include the TPAF Pension Contribution and Post Retirement Medical contributions paid by the State on behalf of the District of \$429,226 and \$511,088 respectively. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented on the following page.

WHARTON BOARD OF EDUCATION  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 48,263	\$ 5,501,714	\$ 5,549,977
Special Revenue Fund	521,336	185,612	706,948
Debt Service Fund		84,886	84,886
Food Service Fund	262,765	4,360	267,125
	<u>\$ 832,364</u>	<u>\$ 5,776,572</u>	<u>\$ 6,608,936</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. FEDERAL AND STATE LOANS OUTSTANDING

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

NOTE 7. OTHER

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

NOTE 8. NJ SCHOOLS DEVELOPMENT AUTHORITY (NJSDA) GRANTS

The District has an active grant in the amount of \$16,266 from the New Jersey Schools Development Authority (NJSDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, \$16,266 of the grant funds have been expended but have not been drawn down on a GAAP basis on this grant. In the Capital Projects Fund, the District realized the full amount of the grant revenue on a budgetary basis in the year awarded and is realizing the grant revenue on a GAAP basis as it is expended and submitted for reimbursement.

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

Summary of Auditors' Results:

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

	<u>CFDA Number or State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>Federal:</u>				
Special Education Cluster:				
IDEA Part B Basic	84.027	7/1/15-6/30/16	\$ 236,197	\$ 236,197
IDEA Part B Preschool	84.173	7/1/15-6/30/16	13,684	10,329
<u>State:</u>				
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	2,826,561	2,826,561
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	467,758	467,758
School Choice Aid	16-495-034-5120-068	7/1/15-6/30/16	447,982	447,982
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	51,774	51,774
Educational Adequacy Aid	16-495-034-5120-083	7/1/15-6/30/16	22,203	22,203
PARCC Readiness Aid	16-495-034-5120-098	7/1/15-6/30/16	7,940	7,940
Perp Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	7,940	7,940
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	176,835	176,835

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

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

(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- The audit did not disclose any findings or questioned costs for federal awards as defined in 2CFR 200.516(a) of The Uniform Guidance.

Findings and Questioned Costs for State Awards:

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

WHARTON BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

There were no prior year audit findings.