

**LOPATCONG TOWNSHIP
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended 30, 2017

**Prepared by
Lopatcong Township School District
Department of Administration**

**LOPATCONG TOWNSHIP
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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BOARD OF EDUCATION**

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Board of Education of Lopatcong Township
321 Stonehenge Drive
Phillipsburg, New Jersey 08865
Telephone (908) 213-2995
Fax (908) 213-3675

Donna Tolley
School Business Administrator

Board Meets Second Tuesday
of Each Month

December 1, 2017

Honorable President and Members of the Board of Education
Lopatcong Township School District
321 Stonehenge Drive
Phillipsburg, NJ 08865

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Lopatcong Township School District for the fiscal year ending June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to present, fairly, the financial position and results of the operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual report is presented in four sections, Introductory, Financial, Statistical and Single audit. The Introductory Section also includes the Transmission Letter, the District's Organizational Chart and a List of Principle Officials. The Financial Section includes the general purpose financial statements and schedules, as well as the auditor's report, therein. The Statistical Section includes financial and demographical information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the 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 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 auditor's reports on internal control structure and compliance with applicable law and regulations and findings are included in the Single Audit Section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** Lopatcong Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as stated by Statement No. 14. All funds and account groups of the District are included in this report. The Lopatcong Township Board of Education constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Preschool to 12 as well as Special Education. The District completed the 2016-2017 fiscal year with an average daily enrollment of 802.32 students, which is a 5.17% decrease over the previous year's enrollment. The following details the change in the student enrollment of the over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u>	
	<u>Student Enrollment</u>	<u>Percent Change</u>
2007-2008	902.4	(1.8%)
2008-2009	877.5	(2.8%)
2009-2010	934.7	6.5%
2010-2011	917.5	(1.8%)
2011-2012	885.9	(3.4%)
2012-2013	872.8	(1.5%)
2013-2014	861.0	(1.3%)
2014-2015	828.8	(3.8%)
2015-2016	846.0	2.03%
2016-2017	802.3	(5.17%)

2. **ECONOMIC CONDITION AND OUTLOOK:** The Lopatcong Township Board of Education recognizes the ever-changing environment in the financing of education in the State of New Jersey. The School Funding Reform Act of 2008, reduction of State Aid and the potential for failed budgets, do present a challenge now and for future years. The Lopatcong Township Board of Education, along with the staff, believes it will continue to provide a comprehensive education for all of its children. Exceptional instructional programs continue to be offered and reviewed on a regular basis for improvement. Students in grades three through eight scored comparably with the District factor group and State averages on the New Jersey State Assessment program in Language Arts and Mathematics.

3. **MAJOR INITIATIVES:** The main initiative for the 2016-2017 school year was to acquire additional technology to support the 21st Century Life and Careers Standards as well as to supplement technological activities in all classes. The addition of technology was directly aligned to the district initiative of a Reader’s Workshop and Math Workshop Model in all grades. By utilizing funds to procure Google Chromebooks, teachers were better equipped to provide intervention and extension activities for all students.

The District continued to address student achievement through developing and improving assessments aligned to curriculum. Curriculum and assessments continued to be aligned to the Common Core in all areas but there was a high focus on literacy. Through the use of Title II Funding, a literacy consultant was hired to work as a coach with teachers in grades 2-8.

The introduction of “Data Digs” district-wide assisted in identifying students for basic skills instruction and better helped the teachers plan for differentiated instruction within their classes. Data was collected in all grade levels in Mathematics and English Language Arts. The data was analyzed and shared in teams and/or individually with the principals in each school. Achievement goals were then established for each marking period and reviewed for success.

The Lopatcong School District continues to partner with the local PTA and Athletic Association to increase opportunities for children and families to participate in a wide variety of after-school activities and sporting events.

4. **INTERNAL CONTROLS:** Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in the conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance 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 the costs and benefits requires estimates and judgements by management.

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

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

5. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Education. Annual appropriated budgets are adopted for the general fund, the special revenue funds, and the debt service fund.

An encumbrance accounting system is used to record outstanding purchase commitments on a line by line basis.

6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "noted to the Financial Statements". **Note 1.**
7. **FINANCIAL INFORMATION AT FISCAL YEAR END:** As demonstrated by the various statements and schedules included in the financial sections of this report. The following schedule represents a summary of the general fund, special revenue fund and debt service fund expenditure.
8. **DEBT ADMINISTRATION:** On June 30, 2017, the District's outstanding debt issue was \$12,110,000 for the construction of the Middle School.

LOPATCONG BOARD OF EDUCATION
REVENUE AND EXPENDITURE ANALYSIS
YEAR ENDED
JUNE 30, 2017

	Amount	Percentage of Total	Increase (Decrease) from Prior Year	Percentage of Increase (Decrease)
REVENUES				
Local Sources:				
Tax Levy				
General	\$ 12,881,255	71.63%	\$ 348,363	2.78%
Debt Service	879,108	4.89%	(10,164)	-1.14%
Other Revenues	112,774	0.63%	(41,581)	-26.94%
State Aid	3,829,843	21.30%	49,360	1.31%
Federal Aid	279,652	1.56%	4,407	1.60%
Total	<u>\$ 17,982,632</u>	<u>100.00%</u>	<u>\$ 350,385</u>	<u>1.99%</u>
EXPENDITURES				
Current Expense	\$ 15,337,316	91.73%	\$ (882,055)	-5.62%
Capital Outlay	13,136	0.08%	13,136	100.00%
Special Projects	279,081	1.67%	1,722	0.62%
Debt Service				
Principal	575,000	3.45%	10,000	1.77%
Interest	513,225	3.08%	(22,712)	-4.24%
Total	<u>\$ 16,717,758</u>	<u>100.00%</u>	<u>\$ (879,909)</u>	<u>-5.17%</u>

Note: Excludes "on behalf" payments, lease purchase acquisitions and capital projects.

9. **CASH MANAGEMENT:** The investment policy of the District is guided in a large part by the State as detailed in "Notes to the Financial Statement" **Note 2**. The District has adopted a cash management plan requiring it to deposit public funds in public depositories protected from loss under provisions of the Government Unit Deposit Protection Act (GUDPA). GUDPA was enacted 1970 to protect government units from a loss of funds in deposits with failed banking institutions in New Jersey. The law requires government units to deposit public funds only in public depositories located in New Jersey, where funds are secured in accordance with the Act.
10. **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.

11. **OTHER INFORMATION:**

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board Audit's Committee selected the accounting firm of Bedard, Kurowicki and Company CPA's PC, represented by William Colantano, CPA. In addition to meeting the requirements set forth in the statute, the audit was also designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". The auditor's report on the general purpose financial statements and schedules are included in the Financial Section of the report. The auditor's reports related specifically to the single audit included the single audit section of this report.

12. **ACKNOWLEDGMENTS:** We would like to express our sincere appreciation to the members of the Lopatcong Township Board of Education for their dedication to providing fiscal accountability to the citizens and taxpayers of the school District, and 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 Fiscal and Accounting Staff.

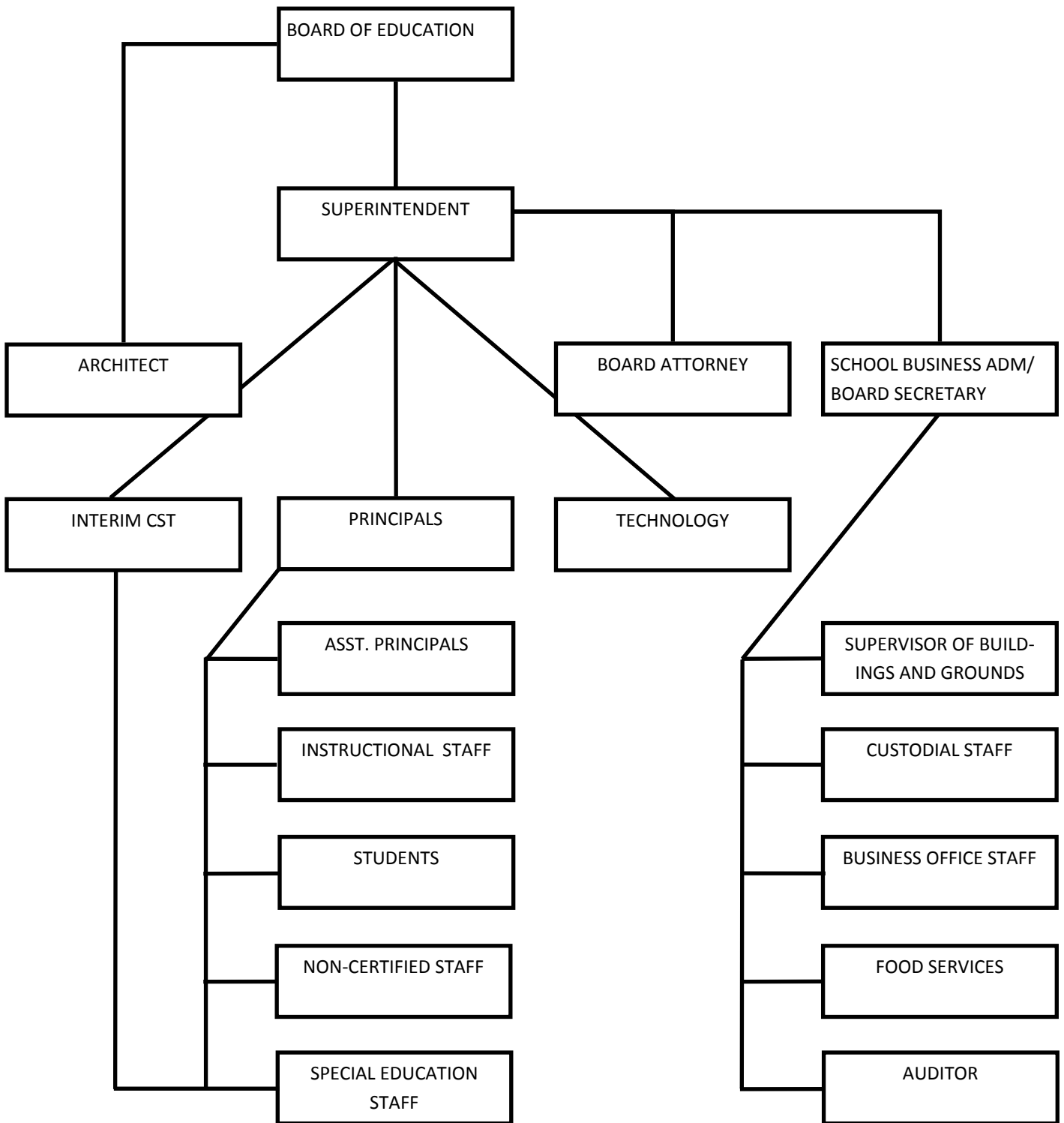
Respectfully Submitted,



Donna Tolley
School Business Administrator/Board Secretary



Rainie Roncoroni
Superintendent



**LOPATCONG TOWNSHIP SCHOOL DISTRICT
ORGANIZATIONAL CHART**

LOPATCONG TOWNSHIP SCHOOL DISTRICT
321 Stongehedge Drive
Phillipsburg, NJ 08865
Roster of Officials
June 30, 2017

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Ernest Gallant	President	2017
Gena James	Vice President	2017
Robert McFarlane		2017
Stephen Ruane		2018
William Taggart III		2018
Pamela Thomas		2018
Matthew Herzer		2019
Debra Hille		2019
Barbara Lance		2019

Other Officials

Rainie Roncoroni	Superintendent of Schools
Donna Tolley	Board Secretary/School Business Administrator
Lorraine Rossetti	School Treasurer

LOPATCONG TOWNSHIP SCHOOL DISTRICT
321 Stongehedge Drive
Phillipsburg, NJ 08865
Consultants & Advisors
June 30, 2017

AUDIT FIRM

Bedard, Kurowicki & Co., CPA's, PC
114 Broad Street
Flemington, NJ 08822

ATTORNEY

John Comegno
521 Pleasant Valley Avenue
Moorestown, NJ 08057

ARCHITECT

Settembrino Architects
25 Bridge Ave. Suite 201
Red Bank, NJ 07701

OFFICIAL DEPOSITORY

Investors Savings Bank



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Lopatcong Township School District
County of Warren, 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 Lopatcong Township School District (the District) in the County of Warren, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board'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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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 Lopatcong Township School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Budgetary Comparison Schedules, Schedules of the District's Proportionate Share of Net Pension Liability, and Schedules of the District's Pension Contributions, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2017 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.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC



William M. Colantano
Certified Public Accountant
Registered Municipal Accountant

December 1, 2017
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

The discussion and analysis of Lopatcong Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position increased \$911,447 which represents a 320.35 percent increase from fiscal year 2016.
- General revenues accounted for \$22,351,656, in revenue or 97.20 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$644,379 or 2.80 percent to total revenues of \$22,996,035.
- Property taxes continue to be the primary source of revenue for the school district making up 59.84 percent of the total revenues.
- Among major funds, the General Fund had \$18,001,148 in revenues, \$16,706,274 in expenditures, and \$30,000 in other financing uses. The General Fund's balance increased \$1,264,874 from 2016.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Lopatcong Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Lopatcong Township School District, the General Fund is by far the most significant fund.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net position and changes in position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial positions of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of New Position and The Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the School District's programs and services are reported including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provided.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position in 2017.

**Table 1
Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
Assets				
Current & Other Assets	\$ 1,659,848	\$ 456,952	\$ 1,202,896	263.24%
Capital Assets	15,524,835	15,983,259	(458,424)	-2.87%
Total Assets	<u>17,184,683</u>	<u>16,440,211</u>	<u>744,472</u>	<u>4.53%</u>
 Deferred Outflows of Resources	 <u>1,859,326</u>	 <u>915,034</u>	 <u>944,202</u>	 <u>103.20%</u>
 Liabilities				
Long-Term Liabilities	17,606,498	16,753,395	853,103	5.09%
Other Liabilities	241,544	264,387	(22,843)	-8.64%
Total Liabilities	<u>17,848,042</u>	<u>17,017,782</u>	<u>830,260</u>	<u>4.88%</u>
 Deferred inflows of resources	 <u>-</u>	 <u>52,943</u>	 <u>(52,943)</u>	 <u>-100.00%</u>
 Net Position				
Net Investment in Capital Assets	3,414,835	3,298,259	116,576	3.53%
Restricted	1,638,662	542,396	1,096,266	202.12%
Unrestricted	(3,857,530)	(3,556,135)	(301,395)	10.41%
Total Net Position	<u>\$ 1,195,967</u>	<u>\$ 284,520</u>	<u>\$ 911,447</u>	<u>320.35%</u>

Total assets increased \$744,472. Cash and cash equivalents increased by \$1,193,546, receivables and other assets increased by \$9,350, and capital assets decreased by \$458,424. Unrestricted net assets, the part of net assets that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District, decreased by \$301,395.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited**

Table 2 shows the changes in net position in fiscal year 2017 compared to 2016.

**Table 2
Changes in Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
Revenues				
Program Revenues				
Changes for Services	\$ 292,937	\$ 343,144	\$ (50,207)	-14.63%
Operating Grants	351,442	359,567	(8,125)	-2.26%
General Revenues:				
Property Taxes	13,760,363	13,422,164	338,199	2.52%
Unrestricted Grants	8,552,940	7,248,416	1,304,524	18.00%
Other	38,353	59,639	(21,286)	-35.69%
Total Revenues	<u>22,996,035</u>	<u>21,432,930</u>	<u>1,563,105</u>	7.29%
Program Expenses				
Instruction				
Regular	6,711,474	7,060,296	(348,822)	-4.94%
Special	3,156,827	1,985,821	1,171,006	58.97%
Other	26,237	416,448	(390,211)	-93.70%
Support Services				
Tuition	6,053,142	6,396,630	(343,488)	-5.37%
Student & Instructional Related Services	1,445,614	1,491,739	(46,125)	-3.09%
General & Business Administration	798,295	919,514	(121,219)	-13.18%
School Administration	775,580	725,092	50,488	6.96%
Plant Operations & Maintenance	1,722,299	1,252,242	470,057	37.54%
Transportation	585,779	444,013	141,766	31.93%
Food Service	282,908	284,401	(1,493)	-0.52%
Child Care Program	35,134	36,604	(1,470)	-4.02%
Interest on Long Term Debt	479,120	525,578	(46,458)	-8.84%
Total Expenses	<u>22,072,409</u>	<u>21,538,378</u>	<u>534,031</u>	2.48%
Increase (Decrease) in Net Position Before Special Item	923,626	(105,448)	1,029,074	-975.91%
Special Items				
Capital grants de-obligated	(8,679)	-	(8,679)	100.00%
Disposal of land	(3,500)	-	(3,500)	100.00%
Transfers out	-	(24,500)	24,500	-100.00%
Increase (Decrease) in Net Position	<u>\$ 911,447</u>	<u>\$ (129,948)</u>	<u>\$ 1,041,395</u>	-801.39%

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

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Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 59.84 percent of revenues for governmental activities for the Lopatcong Township School District for fiscal year 2017.

Instruction comprises 44.83 percent of the District's expenses. Support service expenses and interest on debt make up 55.17 percent of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 show the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue and unrestricted State Entitlements.

Table 3 provides a summary of the School District's cost of governmental services in 2017.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Instruction	\$ 9,894,538	\$ 9,462,565	\$ 9,575,469	\$ 9,208,178
Support Services				
Tuition	6,053,142	6,396,630	6,053,142	6,300,202
Student & Instructional Related Services	1,445,614	1,491,739	1,414,670	1,446,426
General & Business Administration	798,295	919,514	798,295	919,514
School Administration	775,580	725,092	775,580	725,092
Plant Operations & Maintenance	1,722,299	1,252,242	1,718,670	1,252,242
Pupil Transportation	585,779	444,013	585,779	444,013
Food Services	282,908	284,401	34,736	17,679
Child Care Program	35,134	36,604	(7,431)	(3,257)
Interest on Long-Term Debt	479,120	525,578	479,120	525,578
Total Expenses	<u>\$ 22,072,409</u>	<u>\$ 21,538,378</u>	<u>\$ 21,428,030</u>	<u>\$ 20,835,667</u>

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

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
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Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

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

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

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

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 97.20 percent. The community, as a whole, is the primary support or funding source for the Lopatcong Township School District.

The School District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$19,372,316 and expenditures of \$18,111,822. The net positive change in fund balance for the year was most significant in the General Fund, reflecting an increase of \$1,264,874.

General Fund Budgeting Highlights

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

During the course of the fiscal 2017 year, the School District amended its General Fund budget as needed.

The School District uses program based budgeting. The budgeting systems are designed to tightly control total program budgets but provide the flexibility for program management.

For the General Fund, budget basis revenues and other financing sources were \$16,615,472, \$4,534 under original budgeted estimates of \$16,620,006.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

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The General fund expenditures and other financing uses of the School District exceeded revenues by \$1,265,020. The financial position of the School District highlights the dependency on the tax levy as well as the limitations of the 2% cap.

Capital Assets

At the end of the fiscal year 2017, the School District had \$15,524,835 invested in land, building, furniture and equipment. Table 4 provides a summary of the School District's capital assets net of depreciation for 2017.

**Table 4
Capital Assets at Year-end (Net of Depreciation)**

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
Land	\$ 140,755	\$ 144,255	\$ (3,500)	-2.43%
Construction in Progress	13,005	609,511	(596,506)	-97.87%
Land Improvements	80,345	92,620	(12,275)	-13.25%
Building & Improvements	15,189,097	15,006,903	182,194	1.21%
Furniture & Equipment	101,633	129,970	(28,337)	-21.80%
	<u>\$ 15,524,835</u>	<u>\$ 15,983,259</u>	<u>\$ (458,424)</u>	-2.87%

Overall capital assets decreased by \$458,424 from fiscal 2016 to fiscal year 2017. Increases in capital assets were offset by depreciation expenses for the year.

Debt Administration

At June 30, 2017, the School District had \$17,606,498 in long-term liabilities. Table 5 provides fiscal year 2017 balances compared to 2016.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
LOPATCONG TOWNSHIP, NEW JERSEY**

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**Table 5
Long-term Liabilities**

	<u>6/30/2017</u>	<u>6/30/2016</u>	Variance	
			<u>Dollars</u>	<u>Percent</u>
Construction of Middle School and Refunding of 2000 School Bonds	\$ 12,110,000	\$ 12,685,000	\$ (575,000)	-4.53%
Unamortized Bond Premiums	334,541	358,436	(23,895)	-6.67%
Net Pension Liability	4,706,113	3,292,869	38,754	9.29%
Compensated Absences Liability	455,844	417,090	1,413,244	42.92%
	<u>\$ 17,606,498</u>	<u>\$ 16,753,395</u>	<u>\$ 853,103</u>	5.09%

For the Future

Lopatcong Township is a sending district to Phillipsburg High School for grades 9-12. A challenge that faces the district over the next couple of years are the decreases in tuition adjustments, and the increases in tuition charged each year, resulting in large increases to the tuition line item of the budget. This budgeted expenditure is within the state mandated 2% cap.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, kindly contact the School Business Administrator/Board Secretary at Lopatcong Township Board of Education, 321 Stonehenge Drive, Phillipsburg, NJ 08865 or via phone at (908) 213-2995 x2500.

DISTRICT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ -	\$ 59,124	\$ 59,124
Receivables, net	317,499	1,784	319,283
Interfund receivables	10	-	10
Inventory	-	9,778	9,778
Restricted assets			
Capital reserve account - cash	224,775	-	224,775
Emergency reserve - cash	180,000	-	180,000
Maintenance reserve - cash	180,000	-	180,000
Tuition reserve - cash	686,878	-	686,878
Capital assets, net			
Land	140,755	-	140,755
Capital assets not being depreciated	13,005	-	13,005
Other capital assets, net of depreciation	15,321,741	49,334	15,371,075
Total assets	<u>17,064,663</u>	<u>120,020</u>	<u>17,184,683</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>1,859,326</u>	<u>-</u>	<u>1,859,326</u>
Liabilities			
Accrued interest	230,057	-	230,057
Unearned revenue	2,685	8,802	11,487
Long-term liabilities			
Due within one year	628,896	-	628,896
Due beyond one year	16,977,602	-	16,977,602
Total liabilities	<u>17,839,240</u>	<u>8,802</u>	<u>17,848,042</u>
Net position			
Net investment in capital assets	3,365,501	49,334	3,414,835
Restricted for			
Capital reserve	563,236	-	563,236
Emergency reserve	180,000	-	180,000
Maintenance reserve	180,000	-	180,000
Tuition reserve	686,878	-	686,878
Capital projects	28,548	-	28,548
Unrestricted	<u>(3,919,414)</u>	<u>61,884</u>	<u>(3,857,530)</u>
Total net position	<u>\$ 1,084,749</u>	<u>\$ 111,218</u>	<u>\$ 1,195,967</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 3,145,774	\$ 3,565,700	\$ 70,932	\$ -	\$ -	\$ (6,640,542)	\$ -	\$ (6,640,542)
Special education	1,263,353	1,599,064	-	182,917	-	(2,679,500)	-	(2,679,500)
Other special education	171,864	122,546	-	65,220	-	(229,190)	-	(229,190)
Other instruction	24,272	1,965	-	-	-	(26,237)	-	(26,237)
Support services								
Tuition	6,053,142	-	-	-	-	(6,053,142)	-	(6,053,142)
Students & instruction related services	712,567	733,047	-	30,944	-	(1,414,670)	-	(1,414,670)
General & business administration services	425,218	373,077	-	-	-	(798,295)	-	(798,295)
School administration services	367,891	407,689	-	-	-	(775,580)	-	(775,580)
Plant operations & maintenance	846,173	876,126	3,629	-	-	(1,718,670)	-	(1,718,670)
Pupil transportation	585,779	-	-	-	-	(585,779)	-	(585,779)
Interest on long-term debt	479,120	-	-	-	-	(479,120)	-	(479,120)
Total governmental activities	<u>14,075,153</u>	<u>7,679,214</u>	<u>74,561</u>	<u>279,081</u>	<u>-</u>	<u>(21,400,725)</u>	<u>-</u>	<u>(21,400,725)</u>
Business-type activities								
Food service	282,908	-	175,811	72,361	-	-	(34,736)	(34,736)
Child care program	35,134	-	42,565	-	-	-	7,431	7,431
Total business-type activities	<u>318,042</u>	<u>-</u>	<u>218,376</u>	<u>72,361</u>	<u>-</u>	<u>-</u>	<u>(27,305)</u>	<u>(27,305)</u>
Total primary government	<u>\$ 14,393,195</u>	<u>\$ 7,679,214</u>	<u>\$ 292,937</u>	<u>\$ 351,442</u>	<u>\$ -</u>	<u>(21,400,725)</u>	<u>(27,305)</u>	<u>(21,428,030)</u>
General revenues, special items & transfers								
						12,881,255	-	12,881,255
						879,108	-	879,108
						8,552,940	-	8,552,940
						11,052	140	11,192
						(8,679)	-	(8,679)
						(3,500)	-	(3,500)
						27,161	-	27,161
						<u>22,339,337</u>	<u>140</u>	<u>22,339,477</u>
						938,612	(27,165)	911,447
						146,137	138,383	284,520
						<u>\$ 1,084,749</u>	<u>\$ 111,218</u>	<u>\$ 1,195,967</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Due from other funds	\$ 228,551	\$ -	\$ 13,005	\$ -	\$ 241,556
Receivables from other governments					
State	68,621	-	244,084	-	312,705
Other accounts receivable	4,794	-	-	-	4,794
Restricted cash & cash equivalents	1,271,653	-	-	-	1,271,653
Total assets	\$ 1,573,619	\$ -	\$ 257,089	\$ -	\$ 1,830,708
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ 13,005	\$ -	\$ 228,541	\$ -	\$ 241,546
Unearned revenue	2,685	-	-	-	2,685
Total liabilities	15,690	-	228,541	-	244,231

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Balance Sheet (continued)
June 30, 2017

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 28,548	\$ -	\$ 28,548
Capital reserve	563,236	-	-	-	563,236
Emergency reserve	180,000	-	-	-	180,000
Maintenance reserve	180,000	-	-	-	180,000
Tuition reserve	686,878	-	-	-	686,878
Committed fund balance					
Year-end encumbrances	8,258	-	-	-	8,258
Unassigned fund balance	(60,443)	-	-	-	(60,443)
Total fund balances	<u>1,557,929</u>	<u>-</u>	<u>28,548</u>	<u>-</u>	<u>1,586,477</u>
Total liabilities and fund balances	<u>\$ 1,573,619</u>	<u>\$ -</u>	<u>\$ 257,089</u>	<u>\$ -</u>	

Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$24,268,580 and the accumulated depreciation is \$8,793,079.	15,475,501
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	1,859,326
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(17,606,498)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(230,057)</u>
Total net position of governmental activities	<u>\$ 1,084,749</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 12,881,255	\$ -	\$ -	\$ 879,108	\$ 13,760,363
Tuition					
Individuals	42,300	-	-	-	42,300
Other LEAs	28,632	-	-	-	28,632
Interest on investments	11,052	-	-	-	11,052
Rents and royalties	3,629	-	-	-	3,629
Miscellaneous	27,161	-	12,541	-	39,702
	<u>12,994,029</u>	<u>-</u>	<u>12,541</u>	<u>879,108</u>	<u>13,885,678</u>
State sources	5,006,548	-	(8,679)	209,117	5,206,986
Federal sources	571	279,081	-	-	279,652
Total revenues	<u>18,001,148</u>	<u>279,081</u>	<u>3,862</u>	<u>1,088,225</u>	<u>19,372,316</u>
Expenditures					
Current					
Instructional					
Regular instruction	3,145,774	-	-	-	3,145,774
Special education instruction	1,080,436	182,917	-	-	1,263,353
Other special instruction	106,644	65,220	-	-	171,864
Other instruction	24,272	-	-	-	24,272
Support service & undistributed costs					
Tuition	6,053,142	-	-	-	6,053,142
Student & instruction related services	681,623	30,944	-	-	712,567
General & business administrative services	425,218	-	-	-	425,218
School administrative services	367,891	-	-	-	367,891
Plant operations & maintenance	846,173	-	-	-	846,173
Pupil transportation	585,779	-	-	-	585,779
Unallocated benefits	3,376,186	-	-	-	3,376,186

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
For the Year Ended June 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 13,005	\$ -	\$ 38,242	\$ -	\$ 51,247
Debt service					
Principal	-	-	-	575,000	575,000
Interest & other charges	131	-	-	513,225	513,356
Total expenditures	<u>16,706,274</u>	<u>279,081</u>	<u>38,242</u>	<u>1,088,225</u>	<u>18,111,822</u>
Excess (deficit) of revenues over (under) expenditures	<u>1,294,874</u>	<u>-</u>	<u>(34,380)</u>	<u>-</u>	<u>1,260,494</u>
Other financing sources (uses)					
Operating transfers out	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,000)</u>
Net change in fund balance	1,264,874	-	(34,380)	-	1,230,494
Fund balances, July 1	<u>293,055</u>	<u>-</u>	<u>62,928</u>	<u>-</u>	<u>355,983</u>
Fund balances, June 30	<u><u>\$ 1,557,929</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 28,548</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,586,477</u></u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Total net changes in fund balances - governmental fund (from B-2) \$ 1,230,494

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 expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 51,247	
Refund of prior capital outlay expenditure	(12,541)	
Disposal of land	(3,500)	
Depreciation expense	<u>(481,561)</u>	(446,355)

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and are not reported in the Statement of Activities:

Debt principal payments	575,000
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Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Amortization of bond premium	23,895
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In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.

10,341

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities (continued)
For the Year Ended June 30, 2017

Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. \$ (416,009)

In the Statement of Activities, compensated absences & early retirement benefits 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. (38,754)

Change in net position of governmental activities \$ 938,612

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Net Position
June 30, 2017

	Food Service Fund	Child Care Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 8,363	\$ 50,761	\$ 59,124
Receivables from other governments			
State	68	-	68
Federal	1,716	-	1,716
Inventory	9,778	-	9,778
Total current assets	<u>19,925</u>	<u>50,761</u>	<u>70,686</u>
Noncurrent assets			
Capital assets	272,534	-	272,534
Less: accumulated depreciation	223,200	-	223,200
Total noncurrent assets	<u>49,334</u>	<u>-</u>	<u>49,334</u>
Total assets	<u>69,259</u>	<u>50,761</u>	<u>120,020</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	4,559	-	4,559
Unearned revenues - prepaid sales	4,243	-	4,243
Total liabilities	<u>8,802</u>	<u>-</u>	<u>8,802</u>
Net position			
Net investment in capital assets	49,334	-	49,334
Unrestricted	11,123	50,761	61,884
Total net position	<u>\$ 60,457</u>	<u>\$ 50,761</u>	<u>\$ 111,218</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	Food Service Fund	Child Care Fund	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 97,147	\$ -	\$ 97,147
Daily sales - non-reimbursable programs	78,664	-	78,664
Child care revenues	-	42,565	42,565
Total operating revenues	<u>175,811</u>	<u>42,565</u>	<u>218,376</u>
Operating expenses			
Cost of sales - reimbursable programs	78,393	-	78,393
Cost of sales - non-reimbursable programs	18,315	-	18,315
Commodity food costs	15,125	-	15,125
Salaries	110,569	23,750	134,319
Supports services - employee benefits	11,424	-	11,424
Purchased professional/technical services	3,377	-	3,377
Purchased property services	9,650	-	9,650
Other purchased services			
Insurance	7,384	-	7,384
Management fee	8,467	-	8,467
Supplies and materials	3,960	11,020	14,980
Depreciation	14,774	-	14,774
Miscellaneous expenditures	1,470	364	1,834
Total operating expenses	<u>282,908</u>	<u>35,134</u>	<u>318,042</u>
Operating income (loss)	<u>(107,097)</u>	<u>7,431</u>	<u>(99,666)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	2,123	-	2,123
Federal sources			
National school lunch program			
Cash assistance	53,890	-	53,890
Non-cash assistance (commodities)	15,125	-	15,125
Special milk program for children	1,223	-	1,223
Interest earned on investments	140	-	140
Total non-operating revenues (expenses)	<u>72,501</u>	<u>-</u>	<u>72,501</u>
Change in net position	(34,596)	7,431	(27,165)
Net position, beginning	<u>95,053</u>	<u>43,330</u>	<u>138,383</u>
Net position, ending	<u>\$ 60,457</u>	<u>\$ 50,761</u>	<u>\$ 111,218</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Proprietary Funds
Combining Statement of Cash Flows
For the Year Ended June 30, 2017

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 174,898	\$ 42,565	\$ 217,463
Payments to employees	(29,176)	(23,750)	(52,926)
Payments to Food Service Management Co.	(212,701)	-	(212,701)
Payments to vendors (net)	(12,292)	(11,384)	(23,676)
Net cash provided by (used for) operating activities	<u>(79,271)</u>	<u>7,431</u>	<u>(71,840)</u>
Cash flows from non-capital financing activities			
State sources	2,137	-	2,137
Federal sources	55,604	-	55,604
Net cash provided by (used for) non-capital financing activities	<u>57,741</u>	<u>-</u>	<u>57,741</u>
Cash flows from capital financing activities			
Acquisition of equipment	(2,705)	-	(2,705)
Net cash provided by (used for) capital financing activities	<u>(2,705)</u>	<u>-</u>	<u>(2,705)</u>
Cash flows from investing activities			
Interest earned on investments	140	-	140
Net increase (decrease) in cash and cash equivalents	(24,095)	7,431	(16,664)
Cash and cash equivalents, beginning	32,458	43,330	75,788
Cash and cash equivalents, ending	<u>\$ 8,363</u>	<u>\$ 50,761</u>	<u>\$ 59,124</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating activities			
Operating income (loss)	\$ (107,097)	\$ 7,431	\$ (99,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	14,774	-	14,774
Federal food donation program	15,125	-	15,125
(Increase) decrease in accounts receivable	-	754	754
(Increase) decrease in inventory	(1,805)	-	(1,805)
Increase (decrease) in unearned revenue	(268)	-	(268)
Net cash provided by (used for) operating activities	<u>\$ (79,271)</u>	<u>\$ 8,185</u>	<u>\$ (71,086)</u>

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 43,641	\$ 35,110	\$ 175,210
Total assets	\$ 43,641	\$ 35,110	\$ 175,210
Liabilities			
Due to other funds	\$ -	\$ -	\$ 10
Due to student groups	-	35,110	-
Payroll deductions and withholdings	-	-	175,200
Total liabilities	-	\$ 35,110	\$ 175,210
Net position			
Held in trust for unemployment claims & other purposes	\$ 43,641		

See accompanying notes to financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Statement of Changes in Net Position
For the Year Ended June 30, 2017

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee withholdings	\$ 9,978
Investment earnings - interest	61
Total additions	<u>10,039</u>
Deductions	
Unemployment claims	<u>16,612</u>
Change in net position before other financing sources (uses)	(6,573)
Other financing sources (uses)	
Transfer in	<u>30,000</u>
Change in net position after other financing sources (uses)	23,427
Net position, beginning of the year	<u>20,214</u>
Net position, end of the year	<u><u>\$ 43,641</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Board of Education (Board) of the Lopatcong Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

The basic financial statements include:

A Management's Discussion and Analysis (MD&A) providing an analysis of the Districts over-all financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 800 students.

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

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental Funds, Proprietary Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its Governmental Funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund and Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement, arbitrage rebates, and post-employment healthcare benefits, are recorded only when payment is due.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted State Aids.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted, as they are needed.

The District reports the following major governmental funds:

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

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

Resources for budgeted Capital Outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board Resolution.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

Proprietary Fund - The focus of Proprietary Fund measurement is upon determination of net income, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the District:

Enterprise Fund - The Enterprise 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; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund and the Child Care Program.

All Proprietary Funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years

Fiduciary fund types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the "Benefit Reimbursement Method."

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

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 budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. 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 must be approved by School Board Resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. 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 reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

F. Tuition receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

G. Tuition payable

Tuition charges for the fiscal years 2016-2017 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

H. Short-term interfund receivable and payables

Short-term interfund receivables and 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase.

Enterprise Fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 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.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund.

Unearned revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during 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 issuance are reported as other financing uses.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

- Net investment in capital assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.
- Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by credits, grantors, or laws or regulations of their governments.
- Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

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

O. Fund balances - governmental funds

In the fund financial statements, Governmental Funds report the following classifications of fund balance:

- Non-spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund. The District reports all amounts that meet the unrestricted General Fund Balance Policy described below as unassigned:

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Comparative data/reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Q. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF Pension Contributions, reimbursed TPAF Social Security Contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

R. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the District has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category, deferred amount on pension activity.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local school districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in N.J.S.A. 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

Note 3 - Deposits, cash equivalents, and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks. As of June 30, 2017, the District had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits, cash equivalents, and investments (continued)

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

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

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The District does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the District in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the District relative to the happening of a future condition.

As of June 30, 2017, the District's bank balances were exposed to custodial credit risk as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	1,438,481
Total bank balances	<u>\$ 1,688,481</u>

Deposits at June 30, 2017 appear in the financial statements as summarized below:

Cash and cash equivalents		<u>\$ 1,584,738</u>
	<u>Ref.</u>	
Unrestricted cash and cash equivalents		
Governmental Funds, Balance Sheet	B-1	\$ -
Enterprise Funds, Statement of Net Position	B-4	59,124
Fiduciary Funds, Statement of Net Position	B-7	253,961
Restricted cash and cash equivalents		
Governmental Funds, Balance Sheet	B-1	1,271,653
Total cash and cash equivalents		<u>\$ 1,584,738</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 144,255	\$ -	\$ 3,500	\$ 140,755
Construction in progress	609,511	38,706	635,212	13,005
Total	<u>753,766</u>	<u>38,706</u>	<u>638,712</u>	<u>153,760</u>
Capital assets, being depreciated				
Land improvements	365,042	-	13,100	351,942
Building & improvements	22,577,431	635,212	-	23,212,643
Furniture & equipment	550,235	-	-	550,235
Total	<u>23,492,708</u>	<u>635,212</u>	<u>13,100</u>	<u>24,114,820</u>
Accumulated depreciation				
Land improvements	272,422	12,275	13,100	271,597
Building & improvements	7,570,528	453,018	-	8,023,546
Furniture & equipment	481,668	16,268	-	497,936
Total	<u>8,324,618</u>	<u>481,561</u>	<u>13,100</u>	<u>8,793,079</u>
Total capital assets, being depreciated, net	<u>15,168,090</u>	<u>153,651</u>	<u>-</u>	<u>15,321,741</u>
Governmental activities capital assets, net	<u>\$ 15,921,856</u>	<u>\$ 192,357</u>	<u>\$ 638,712</u>	<u>\$ 15,475,501</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 269,829	\$ 2,705	\$ -	\$ 272,534
Less: accumulated depreciation	208,426	(14,774)	-	223,200
Business type activities capital assets, net	<u>\$ 61,403</u>	<u>\$ (12,069)</u>	<u>\$ -</u>	<u>\$ 49,334</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction	
Regular	\$ 254,715
Special education	87,483
Other special instruction	8,635
Other instruction	1,965
Support services	
Student & instruction	55,191
General & business administration	34,430
School administration	29,788
Plant maintenance	9,354
Total depreciation expense, governmental activities	\$ 481,561

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 12,685,000	\$ -	\$ 575,000	\$ 12,110,000	\$ 605,000
Bond premium	358,436	-	23,895	334,541	23,896
Compensated absences payable	417,090	38,754	-	455,844	-
PERS net pension liability	3,292,869	1,413,244	-	4,706,113	-
Total governmental activities long-term liabilities	\$ 16,753,395	\$ 1,451,998	\$ 598,895	\$ 17,606,498	\$ 628,896

Payments on the general obligation bonds are made in the Debt Service Fund from property taxes and State Aid. The other long-term debts are paid in the current expenditures budget of the District's General Fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments are listed as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 605,000	\$ 488,331	\$ 1,093,331
2019	635,000	458,844	1,093,844
2020	665,000	426,344	1,091,344
2021	695,000	395,544	1,090,544
2022	735,000	362,993	1,097,993
2023 - 2025	4,270,000	1,303,694	5,573,694
2026 - 2032	4,505,000	373,491	4,878,491
Total	\$ 12,110,000	\$ 3,809,241	\$ 15,919,241

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2017, with their outstanding balances are comprised of the following individual issues:

\$15,895,000 - 2001 refunding obligation school building/refunding bonds, interest at 4.00% to 5.125% due in annual installments beginning January 15, 2002, through July 15, 2030.	\$ 5,350,000
\$9,600,000 - 2011 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2011, through July 15, 2026.	6,760,000
	\$ 12,110,000

The general obligation bonded debt of the District is limited by State Law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$25,242,208. General obligation debt at June 30, 2017 is \$12,110,000, resulting in a legal debt margin of \$13,132,208.

Note 6 - Pension plans

Description of systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Teachers' Pension and Annuity Fund (TPAF), Public Employees' Retirement System (PERS) and the Defined Contribution Retirement Program (DCRP). The PERS and TPAF systems are sponsored and administered by the State of New Jersey. The DCRP system is administered by Prudential Financial for the Division of Pensions and Benefits. The Teachers' Pension and Annuity Fund retirement system is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees Retirement System and Defined Contribution Retirement Program are considered cost sharing multiple-employer plans.

A. Public employees' retirement systems (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 PERS, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal year ended June 30, 2016.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2016. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal years 2016, the State's pension contribution was less than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 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.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2016:

	2016
Total pension liability	\$ 7,861,447
Plan fiduciary net position	3,155,334
Net pension liability	\$ 4,706,113

Plan fiduciary net position as a percentage of the total pension liability	40.14%
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The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	3.08%
Salary increases (based on age)	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set-back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set-back 3 years for males and set forward 1 year for females).

The actuarial assumptions, used in the July 1, 2015 valuation, were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.87%
U.S. Treasuries	1.50%	1.74%
Investment Grad Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad U.S. Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex U.S.	5.00%	-0.25%
REIT	5.25%	5.63%

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Discount rate (continued)

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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2043, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.98%)	\$ 4,706,113
At a 1% lower rate (2.98%)	5,766,792
At a 1% higher rate (4.98%)	3,830,430

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 87,519	\$ -
Changes of assumptions	974,855	-
Net difference between projected and actual earnings on pension plan investments	179,448	-
Changes in proportion and differences between District contributions and proportionate share of contributions	476,341	-
District contributions subsequent to the measurement date	141,163	-
Total	\$ 1,859,326	\$ -

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) of \$141,163 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2016:

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 468,157	\$ 846,376	\$ 252,159	\$ 1,062,374
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	(57,350)	264,225	27,427	179,448
Net of deferred outflows	\$ 410,807	\$ 1,110,601	\$ 279,586	\$ 1,241,822

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year Ending June 30,

2017	\$ 279,585
2018	279,585
2019	323,908
2020	272,131
2021	86,613
Total	\$ 1,241,822

Pension expense

For the year ended June 30, 2017, the District recognized net pension expense of \$557,172, which represents the District's proportionate share of allocable plan pension expense of \$449,303, plus the net amortization of deferred amounts from changes in proportion of \$122,910, and plus other adjustments to the net pension liability of \$15,041. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 -

Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense (continued)

Service cost	\$	153,586
Interest on total pension liability		335,335
Member contributions		(79,604)
Administrative expense		2,541
Expected investment return net of investment expense		(241,639)
Pension expense related to specific liabilities of individual employers		(501)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		229,654
Amortization of expected versus actual experience		22,504
Amortization of projected versus actual investment earnings on pension plan investments		27,427
Pension expense	\$	449,303

B. Teacher's 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. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrprts.shtml.

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 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Plan description (continued)

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. 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 includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the State fiscal year 2016, the State's pension contribution was less than the actuarial determined amount.

Special funding situation

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 non-employer 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. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$449,584 to the TPAF for normal pension benefits on behalf of the District.

The contribution rate was 7.20% effective July 1, 2016 and will increase annually on July 1st until eventually reaching 7.50% of base salary effective July 1, 2018.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Components of net pension liability

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal year ending June 30, 2016 is as follows:

	2016
State's proportionate share of net pension liability	\$ 44,408,814
Employer pension expense and related revenue	3,336,704
Non-employer contribution	449,584
Allocable proportionate percentage	0.0564520970%

The components of the contractually required contribution, which exclude amounts related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

Service cost	\$ 1,317,347
Interest on total pension liability	2,076,248
Member contributions	(428,030)
Administrative expense	7,737
Expected investment return net of investment expense	(1,062,944)
Pension expense related to specific liabilities of individual employers	(137)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	13,965
Amortization of expected versus actual experience	1,306,207
Amortization of projected versus actual investment earnings on pension plan investments	106,311
Pension expense	\$ 3,336,704

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information

As detailed earlier, the District was not required to report a liability for its proportionate share of net pension expense for TPAF due to a special funding situation. The State's proportionate share of the net pension liability for TPAF as of June 30, 2016 is as follows:

	2016
Total pension liability	\$ 57,174,691
Plan fiduciary net position	12,765,878
Net pension liability	\$ 44,408,814

Plan fiduciary net position as a percentage of the total pension liability	22.33%
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The total pension liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases (based on age)	
2012 - 2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Pre-retirement, post retirement, and disabled mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis on a 60-year average of Social Security data from 1953 to 2013.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial study for the period July 1, 2012 to June 30, 2015.

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees, and the Actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	.39%
U.S. Government Bonds	1.50%	1.28%
U.S. Credit Bonds	13.00%	2.76%
U.S. Mortgages	2.00%	2.38%
U.S. Inflation-Indexed Bonds	1.50%	1.41%
U.S. High Yield Bonds	2.00%	4.70%
U.S. Equity Market	26.00%	5.14%
Foreign Developed Equity	13.25%	5.91%
Emerging Market Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds - Multi-Strategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount rate

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher’s pension and annuity fund (TPAF) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the collective net pension liability of the District as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>District’s Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 44,408,814
At a 1% lower rate (2.22%)	53,034,048
At a 1% higher rate (4.22%)	37,365,197

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2017) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcprp.

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District’s contribution to the DCRP for fiscal year ending 2017 was \$8,066.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$486,013 to the TPAF for post-retirement medical benefits, \$20,395 for non-contributory insurance premiums, \$882 for long-term disability insurance, and \$562,895 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$315,637 during the year ended June 30, 2017 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 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. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25-years of service. In fiscal year 2016, the State paid \$231.2 million toward Ch. 126 benefits for 20,045 eligible retired members.

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, PO Box 295, Trenton, NJ 08625-0295 by visiting their website at (www.nj.gov/treasury/pensions).

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - 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:

- AXA Equitable
- Ameriprise Financial
- Lincoln Investments

Note 9 - Interfund receivables and payables

The composition of interfund balances as of June 30, 2017 is as follows:

	Receivable	Payable
General Fund	\$ 228,551	\$ 13,005
Capital Project Fund	13,005	228,541
Payroll Agency	-	10
	\$ 241,556	\$ 241,556

The balance due from the Payroll Agency Fund to the General Fund of \$10 represents a loan. The balance due from the General Fund to the Capital Projects Fund of \$13,005 represents expenditures to be reimbursed by the General Fund. The balance due from the Capital Projects Fund to the General Fund of \$228,541 represents a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory

Inventory in the Food Service Fund as of June 30, 2017 consisted of the following:

Food	\$ 7,396
Supplies	2,382
Total	\$ 9,778

Note 11 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Amounts received or are receivables from grantor agencies could be subject to audit and adjusted by grantor agencies. Any disallowed claims, including amounts already collected, may result in a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report

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

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016 - 2017	\$ 30,000	\$ 61	\$ 9,978	\$ 16,612	\$ 43,641
2015 - 2016	24,500	75	10,966	48,326	20,214
2014 - 2015	-	115	12,150	16,312	32,999

Note 13 - Legal reserve accounts

A Capital Reserve Account was established by the District 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 Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the Capital Reserve by appropriating funds in the annual General Fund budget certified for taxes. 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 NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$133,768 to their Capital Reserve Account, \$180,000 to the Emergency Reserve Account, \$180,000 to the Maintenance Reserve Account, and \$636,878 to the Tuition Reserve Account by Board Resolution in June 2017 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 429,468	\$ 133,768	\$ -	\$ -	\$ -	\$ 563,236
Emergency	-	180,000	-	-	-	180,000
Maintenance	-	180,000	-	-	-	180,000
Tuition	50,000	636,878	-	-	-	686,878
Total	<u>\$ 479,468</u>	<u>\$1,130,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,610,114</u>

Note 14 - Fund balances - budgetary basis

As described in Note 1 (N), fund balance may be restricted, committed or assigned. An analysis of the General fund balance on June 30, 2017 is as follows:

	2017
Restricted	
Capital Reserve Account - Represents funds restricted to capital projects in the Districts long range facilities plan.	\$ 563,236
Emergency Reserve Account - Represents funds accumulated to finance unanticipated General Fund expenditures required for a thorough and efficient education.	180,000
Maintenance Reserve Account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	180,000
Tuition reserve account - Represents funds accumulated for future tuition adjustments pursuant to N.J.A.C. 6A:23A-17.1(f).	686,878
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	8,258
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	285,557
Total fund balance	\$ 1,903,929

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved 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 reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$0.

Note 16 - Subsequent events

The District has evaluated subsequent events through November 28, 2017, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report and which are expected to have a material impact on the District's financial reporting:

In June 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement, which is effective for reporting periods beginning after June 15, 2017, is expected to have a material impact on the District's financial reporting.

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87 "*Leases*". This statement, which is effective for reporting periods beginning after June 15, 2019, is expected to have a material impact on the District's financial reporting.

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of (\$3,919,414) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Note 19 - Deficit unassigned fund balance

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of (\$60,443) on Schedule B-1 "Balance Sheet - Governmental Funds". The deficit balance is the result of delay in State School Aid payments that are not made until the following school budget year. Pursuant to N.J.S.A. 18A:22-44.2 any negative unassigned General Fund balance that is reported as a direct result from a delay in the June payments of State aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in unassigned fund balance of \$60,443 is less than the last State aid payment of \$346,000.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 12,881,255	\$ -	\$ 12,881,255	\$ 12,881,255	\$ -
Tuition from individuals	45,000	-	45,000	42,300	(2,700)
Tuition from other LEAs within the State	20,000	-	20,000	28,632	8,632
Rents and royalties	-	-	-	3,629	3,629
Unrestricted miscellaneous revenues	1,500	-	1,500	38,213	36,713
Total	12,947,755	-	12,947,755	12,994,029	46,274
State sources					
School choice aid	130,656	-	130,656	130,656	-
Categorical transportation aid	39,846	-	39,846	39,846	-
Extraordinary aid	120,000	-	120,000	62,357	(57,643)
Categorical special education aid	704,190	-	704,190	704,190	-
Equalization aid	2,603,952	-	2,603,952	2,603,952	-
Categorical security aid	26,030	-	26,030	26,030	-
Under adequacy aid	12,277	-	12,277	12,277	-
PARCC readiness aid	11,820	-	11,820	11,820	-
Per pupil growth aid	11,820	-	11,820	11,820	-
Professional learning community aid	11,660	-	11,660	11,660	-
Other state aids	-	-	-	6,264	6,264
TPAF pension (on-behalf)	-	-	-	583,290	583,290
TPAF Social Security (reimbursed)	-	-	-	315,637	315,637
TPAF post retirement benefits	-	-	-	486,013	486,013
TPAF long-term disability insurance	-	-	-	882	882
Total	3,672,251	-	3,672,251	5,006,694	1,334,443
Federal sources					
ARRA/SEMI revenue	-	-	-	571	571
Total	-	-	-	-	571
Total Revenues	\$ 16,620,006	\$ -	\$ 16,620,006	\$ 18,000,723	\$ 1,381,288
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 72,099	\$ 1,358	\$ 73,457	\$ 72,552	\$ 905
Kindergarten	135,343	27,583	162,926	161,419	1,507
Grades 1-5	1,802,426	(128,857)	1,673,569	1,571,066	102,503
Grades 6-8	1,198,630	(38,642)	1,159,988	1,130,360	29,628
Home instruction					
Salaries of teacher	6,223	4,947	11,170	11,170	-
Purchased professional - educational services	4,000	1,425	5,425	5,425	-
Purchased technical services	550	(550)	-	-	-
Other purchased services	780	-	780	780	-
Regular programs - undistributed instruction					
Purchased professional - educational services	6,200	(2,480)	3,720	-	3,720
Purchased technical services	36,204	(9,435)	26,769	26,769	-
Other purchased services	107,143	4,911	112,054	97,814	14,240
General supplies	95,664	7,089	102,753	68,419	34,334
Other objects	4,000	-	4,000	-	4,000
Total	3,469,262	(132,651)	3,336,611	3,145,774	190,837

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Special education					
Multiple disabilities					
Salaries of teachers	\$ 290,016	\$ (47,144)	\$ 242,872	\$ 241,544	\$ 1,328
Other salaries for instruction	145,329	71,576	216,905	198,322	18,583
Total	<u>435,345</u>	<u>24,432</u>	<u>459,777</u>	<u>439,866</u>	<u>19,911</u>
Resource room/resource center					
Salaries of teachers	489,763	46,151	535,914	529,375	6,539
Other salaries for instruction	97,108	(35,780)	61,328	53,009	8,319
Total	<u>586,871</u>	<u>10,371</u>	<u>597,242</u>	<u>582,384</u>	<u>14,858</u>
Preschool disabilities - part-time					
Salaries of teachers	39,844	(3,131)	36,713	36,330	383
Other salaries for instruction	62,499	(40,642)	21,857	21,856	1
General supplies	676	-	676	-	676
Total	<u>103,019</u>	<u>(43,773)</u>	<u>59,246</u>	<u>58,186</u>	<u>1,060</u>
Total special education	<u>1,125,235</u>	<u>(8,970)</u>	<u>1,116,265</u>	<u>1,080,436</u>	<u>35,829</u>
Basic skills/remedial					
Salaries of teachers	72,564	34,818	107,382	106,555	827
General supplies	200	-	200	89	111
Total	<u>72,764</u>	<u>34,818</u>	<u>107,582</u>	<u>106,644</u>	<u>938</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	25,840	-	25,840	24,272	1,568
Total	<u>25,840</u>	<u>-</u>	<u>25,840</u>	<u>24,272</u>	<u>1,568</u>
Total instruction regular	<u>\$ 4,693,101</u>	<u>\$ (106,803)</u>	<u>\$ 4,586,298</u>	<u>\$ 4,357,126</u>	<u>\$ 229,172</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the State - regular	\$ 5,604,020	\$ 166,980	\$ 5,771,000	\$ 5,613,310	\$ 157,690
Tuition to other LEAs within the State - special	194,960	-	194,960	129,316	65,644
Tuition to county vocational school district - regular	53,400	-	53,400	49,400	4,000
Tuition to county vocational school district - special	88,000	-	88,000	45,500	42,500
Tuition to cssd & regional day schools	-	94,230	94,230	80,460	13,770
Tuition to priv. school for the disabled w/i State	360,334	(196,980)	163,354	131,316	32,038
Tuition to priv. sch. disabled & other LEAs-spl, o/s State	-	3,840	3,840	3,840	-
Tuition - other	55,068	(55,068)	-	-	-
Total	<u>6,355,782</u>	<u>13,002</u>	<u>6,368,784</u>	<u>6,053,142</u>	<u>315,642</u>
Undistributed expenditures - attendance & social work					
Salaries	21,732	3,002	24,734	24,732	2
Total	<u>21,732</u>	<u>3,002</u>	<u>24,734</u>	<u>24,732</u>	<u>2</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - health services					
Salaries	\$ 143,776	\$ 3,004	\$ 146,780	\$ 146,693	\$ 87
Purchased professional and technical services	300	(300)	-	-	-
Supplies and materials	3,400	(2,051)	1,349	1,329	20
Other objects	250	(55)	195	179	16
Total	147,726	598	148,324	148,201	123
Undistributed expenditures - speech, ot, pt & related services					
Salaries	109,674	15,216	124,890	124,889	1
Purchased professional - educational services	3,800	1,899	5,699	5,356	343
Supplies and materials	625	(625)	-	-	-
Total	114,099	16,490	130,589	130,245	344
Undistributed expenditures - guidance					
Salaries of other professional staff	98,476	(2,579)	95,897	95,897	-
Other purchased professional & technical services	7,000	(4,859)	2,141	1,285	856
Other purchased services	1,000	-	1,000	-	1,000
Supplies and materials	40	-	40	-	40
Total	106,516	(7,438)	99,078	97,182	1,896
Undistributed expenditures - child study teams					
Salaries of other professional staff	118,538	7,847	126,385	122,091	4,294
Salaries of secretarial and clerical assistants	16,759	1	16,760	16,759	1
Other salaries	7,912	-	7,912	7,200	712
Purchased professional - educational services	54,000	11,177	65,177	63,476	1,701
Other purchased professional & technical services	60,000	(11,406)	48,594	34,002	14,592
Other purchased services	17,269	(17,269)	-	-	-
Miscellaneous purchased service	-	10,404	10,404	-	10,404
Supplies and materials	1,901	(754)	1,147	1,085	62
Other objects	200	-	200	-	200
Total	276,579	-	276,579	244,613	31,966
Undistributed expenditures - improvement of inst. service					
Salaries of other professional staff	-	5,000	5,000	1,435	3,565
Purchased professional - educational services	15,608	(5,000)	10,608	481	10,127
Supplies and materials	200	-	200	-	200
Total	15,808	-	15,808	1,916	13,892
Undistributed expenditures - edu. media service/sch. library					
Salaries	23,765	4,255	28,020	28,020	-
Purchased professional and technical services	850	190	1,040	1,040	-
Supplies and materials	1,988	(190)	1,798	-	1,798
Total	26,603	4,255	30,858	29,060	1,798

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - instructional staff training services					
Other salaries	\$ -	\$ 11,000	\$ 11,000	\$ 3,657	\$ 7,343
Other purchased services	11,882	(10,297)	1,585	1,220	365
Supplies and materials	1,500	(703)	797	797	-
Total	13,382	-	13,382	5,674	7,708
Undistributed expend. - support service - general admin.					
Salaries	169,101	(2,000)	167,101	166,607	494
Legal services	50,000	-	50,000	6,472	43,528
Audit fees	20,000	(94)	19,906	19,750	156
Architectural/engineering services	5,000	(5,000)	-	-	-
Other purchased professional services	15,000	-	15,000	3,888	11,112
Communications/telephone	16,000	(50)	15,950	10,957	4,993
BOE other purchased services	2,500	172	2,672	2,270	402
Misc purch services	29,000	(271)	28,729	24,742	3,987
General supplies	1,700	(79)	1,621	1,185	436
Miscellaneous expenditures	1,320	505	1,825	1,825	-
BOE membership dues and fees	7,500	466	7,966	7,966	-
Total	317,121	(6,351)	310,770	245,662	65,108
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	192,595	1	192,596	192,595	1
Salaries of secretarial and clerical assistants	90,568	-	90,568	89,209	1,359
Unused vacation payment to terminated/retired staff	-	12,653	12,653	12,650	3
Supplies and materials	6,180	(601)	5,579	642	4,937
Other objects	9,000	(745)	8,255	3,933	4,322
Total	298,343	11,308	309,651	299,029	10,622
Undistributed expenditures - central services					
Salaries	151,396	3,505	154,901	154,900	1
Purchased technical services	25,815	(5)	25,810	22,201	3,609
Miscellaneous purchased services	500	(405)	95	-	95
Supplies and materials	750	405	1,155	1,155	-
Other objects	1,400	-	1,400	1,300	100
Total	179,861	3,500	183,361	179,556	3,805
Undistributed expenditures - admin. info. technology					
Salaries	41,115	915	42,030	42,029	1
Purchased professional services	10,500	430	10,930	10,930	-
Other purchased services	10,000	-	10,000	9,795	205
Supplies and materials	7,000	-	7,000	6,108	892
Other objects	3,700	(1,345)	2,355	-	2,355
Total	72,315	-	72,315	68,862	3,453

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - required maint. for school facilities					
Salaries	\$ 290,822	\$ (30,588)	\$ 260,234	\$ 234,713	\$ 25,521
Cleaning, repair, and maintenance services	86,805	(8,075)	78,730	63,867	14,863
Lead testing of water	-	8,000	8,000	4,722	3,278
General supplies	25,000	300	25,300	24,560	740
Other objects	-	350	350	350	-
Total	402,627	(30,013)	372,614	328,212	44,402
Undistributed expenditures - custodial services					
Salaries	249,775	32,088	281,863	237,996	43,867
Purchased professional and technical services	2,375	1,660	4,035	4,035	-
Cleaning, repair, and maintenance service	13,500	(2,890)	10,610	6,722	3,888
Other purchased property services	32,375	(3,660)	28,715	21,778	6,937
Insurance	31,950	(1,900)	30,050	27,859	2,191
Miscellaneous purchased services	552	(143)	409	409	-
General supplies	39,000	(32)	38,968	28,360	10,608
Energy (natural gas)	40,000	7,500	47,500	43,430	4,070
Energy (electricity)	142,767	25,321	168,088	145,408	22,680
Energy (oil)	3,300	(3,300)	-	-	-
Energy (gasoline)	-	3,300	3,300	1,964	1,336
Total	555,594	57,944	613,538	517,961	95,577
Undistributed expenditures - student transportation service					
Salaries for pupil trans (between home & school) - reg.	4,000	(2,000)	2,000	2,000	-
Other purchased professional and technical service	3,300	-	3,300	3,300	-
Contract service-aid in lieu pymts - non-public schools	28,616	4,259	32,875	32,875	-
Contract services (between home & school) - vendors	322,000	(39,345)	282,655	282,655	-
Contract service (sp ed stds) - vendors	180,860	90,838	271,698	264,949	6,749
Total	538,776	53,752	592,528	585,779	6,749
Unallocated benefits - employee benefits					
Social Security contributions	134,121	-	134,121	118,171	15,950
Other retirement contributions - PERS	130,810	14,285	145,095	145,095	-
Other retirement contributions - regular	10,000	-	10,000	8,067	1,933
Workmen's compensation	63,900	4,878	68,778	68,777	1
Health benefits	2,002,887	(84,190)	1,918,697	1,518,070	400,627
Tuition reimbursement	50,000	3,121	53,121	21,091	32,030
Other employee benefits	93,009	18,476	111,485	111,093	392
Total	2,484,727	(43,430)	2,441,297	1,990,364	450,933

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
On-behalf TPAF pension contribution	\$ -	\$ -	\$ -	\$ 583,290	\$ (583,290)
On-behalf TPAF post retirement medical benefits	-	-	-	486,013	(486,013)
On-behalf TPAF long-term disability insurance	-	-	-	882	(882)
Reimbursed TPAF Social Security contribution	-	-	-	315,637	(315,637)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,385,822</u>	<u>(1,385,822)</u>
Total undistributed expenditures	<u>\$ 11,927,591</u>	<u>\$ 76,619</u>	<u>\$ 12,004,210</u>	<u>\$ 12,336,012</u>	<u>\$ (331,802)</u>
Total current	<u>\$ 16,620,692</u>	<u>\$ (30,184)</u>	<u>\$ 16,590,508</u>	<u>\$ 16,693,138</u>	<u>\$ (102,630)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expend. - required maint. for school facilities	\$ -	\$ 13,005	\$ 13,005	\$ 13,005	\$ -
Total equipment	<u>-</u>	<u>13,005</u>	<u>13,005</u>	<u>13,005</u>	<u>-</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	131	-	131	131	-
Total facilities acquisition and construction service	<u>131</u>	<u>-</u>	<u>131</u>	<u>131</u>	<u>-</u>
Total capital outlay	<u>\$ 131</u>	<u>\$ 13,005</u>	<u>\$ 13,136</u>	<u>\$ 13,136</u>	<u>\$ -</u>
Total expenditures	<u>\$ 16,620,823</u>	<u>\$ (17,179)</u>	<u>\$ 16,603,644</u>	<u>\$ 16,706,274</u>	<u>\$ (102,630)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (817)</u>	<u>\$ 17,179</u>	<u>\$ 16,362</u>	<u>\$ 1,294,449</u>	<u>\$ 1,278,087</u>
Other financing sources (uses)					
Operating transfer out					
Transfer to fiduciary fund - Board contribution	-	(30,000)	(30,000)	(30,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>-</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(817)	(12,821)	(13,638)	1,264,449	1,278,087
Fund balances, July 1	638,909	-	638,909	638,909	-
Fund balances, June 30	<u>\$ 638,092</u>	<u>\$ (12,821)</u>	<u>\$ 625,271</u>	<u>\$ 1,903,358</u>	<u>\$ 1,278,087</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund
Budgetary Comparison Schedule (continued)
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (817)	\$ -	\$ (817)	\$ (817)	\$ -
Increase in capital reserve	-	133,768	133,768	133,768	-
Increase in emergency reserve	-	180,000	180,000	180,000	-
Increase in maintenance reserve	-	180,000	180,000	180,000	-
Increase in tuition reserve	-	636,878	636,878	636,878	-
Budgeted fund balance	-	(1,143,467)	(1,143,467)	134,620	1,278,087
Total	\$ (817)	\$ (12,821)	\$ (13,638)	\$ 1,264,449	\$ 1,278,087
Recapitulation of fund balance					
Restricted fund balance					
Capital reserve				\$ 563,236	
Emergency reserve				180,000	
Maintenance reserve				180,000	
Tuition reserve					
Year 2015 - 2016				50,000	
Year 2016 - 2017				636,878	
Committed fund balance					
Year-end encumbrances				8,258	
Unassigned fund balance				285,557	
Fund balance per budgetary basis				1,903,929	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				(346,000)	
Fund balance per governmental funds (GAAP)				\$ 1,557,929	

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Federal sources	\$ 282,066	\$ -	\$ 282,066	\$ 279,081	\$ (2,985)
Total revenues	<u>\$ 282,066</u>	<u>\$ -</u>	<u>\$ 282,066</u>	<u>\$ 279,081</u>	<u>\$ (2,985)</u>
Expenditures					
Instruction					
Salaries	\$ 4,087	\$ -	\$ 4,087	\$ 4,087	\$ -
Purchased professional & technical services	83,250	(4,800)	78,450	75,465	2,985
Other purchased services	101,152	4,800	105,952	105,952	-
General supplies	62,633	-	62,633	62,633	-
Totals	<u>251,122</u>	<u>-</u>	<u>251,122</u>	<u>248,137</u>	<u>2,985</u>
Support services					
Purchased professional & technical services	30,944	-	30,944	30,944	-
Total	<u>30,944</u>	<u>-</u>	<u>30,944</u>	<u>30,944</u>	<u>-</u>
Total expenditures	<u>\$ 282,066</u>	<u>\$ -</u>	<u>\$ 282,066</u>	<u>\$ 279,081</u>	<u>\$ 2,985</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison Schedule

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 18,001,294	\$ 279,081
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	345,854	-
State aid receivable current year	<u>(346,000)</u>	<u>-</u>
Total revenues (GAAP Basis)	<u>\$ 18,001,148</u>	<u>\$ 279,081</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 16,706,274</u>	<u>\$ 279,081</u>
Total expenditures (GAAP Basis)	<u>\$ 16,706,274</u>	<u>\$ 279,081</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0158898322%	0.0148198542%	0.0140257185%	0.0145281974%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 4,706,113	\$ 3,292,869	\$ 2,660,383	\$ 2,304,129	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	895,069	973,162	972,571	908,252	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	525.78%	338.37%	273.54%	253.69%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Pension Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 141,163	\$ 126,113	\$ 117,140	\$ 101,150	\$ 104,107	\$ 112,011	\$ 117,649	\$ 80,535	N/A	N/A
Contributions in relation to the contractually required contribution	(141,163)	(126,113)	(117,140)	(101,150)	(104,107)	(112,011)	(117,649)	(80,535)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 833,685	\$ 895,069	\$ 973,162	\$ 972,571	\$ 908,252	\$ 905,624	\$ 966,345	\$ 1,015,742	N/A	N/A
Contributions as a percentage of covered employee payroll	16.93%	14.09%	12.04%	10.40%	11.46%	12.37%	12.17%	7.93%	N/A	N/A

N/A - Not Available

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	\$ 44,408,814	34,825,346	31,062,221	29,906,072	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 44,408,814	\$ 34,825,346	\$ 31,062,221	\$ 29,906,072	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 5,072,569	\$ 5,427,576	\$ 5,613,632	\$ 5,403,946	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Pension Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 583,290	\$ 451,977	\$ 297,889	\$ 245,863	\$ 382,357	\$ 188,718	\$ 18,641	\$ 19,404	N/A	N/A
Contributions in relation to the contractually required contribution	(583,290)	(451,977)	(297,889)	(245,863)	(382,357)	(188,718)	(18,641)	(19,404)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$4,492,226	\$5,072,569	\$ 5,427,576	\$ 5,613,632	\$ 5,403,946	\$ 5,552,110	\$ 5,644,524	\$ 5,867,708	N/A	N/A
Contributions as a percentage of covered employee payroll	12.98%	8.91%	5.49%	4.38%	7.08%	3.40%	0.33%	0.33%	N/A	N/A

N/A - Not Available

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2017

- Note 1 - Special funding situation - TPAF
The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.
- Note 2 - Changes in assumptions - TPAF
The discount rate decreased from 4.13% in State fiscal year 2015 to 3.22% in State fiscal year 2016. The inflation rate was 2.50% for State fiscal years 2015 and 2016.
- Note 3 - Changes in assumptions - PERS
The discount rate decreased from 4.90% in State fiscal year 2015 to 3.98% in State fiscal year 2016. The inflation rate increased from 3.04% for State fiscal year 2015 to 3.08% for State fiscal year 2016.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	<u>NCLB Title IA</u>	<u>NCLB Title IIA</u>	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Total</u>
Revenues					
Federal sources	<u>\$ 85,220</u>	<u>\$ 10,944</u>	<u>\$ 176,766</u>	<u>\$ 6,151</u>	<u>\$ 279,081</u>
Total revenues	<u><u>\$ 85,220</u></u>	<u><u>\$ 10,944</u></u>	<u><u>\$ 176,766</u></u>	<u><u>\$ 6,151</u></u>	<u><u>\$ 279,081</u></u>
Expenditures					
Instruction					
Salaries	\$ 4,087	\$ -	\$ -	\$ -	\$ 4,087
Purchased professional and technical services	-	-	69,814	5,651	75,465
Other purchased services	-	-	105,952	-	105,952
General supplies	61,133	-	1,000	500	62,633
Total	<u>65,220</u>	<u>-</u>	<u>176,766</u>	<u>6,151</u>	<u>248,137</u>
Support services					
Purchased professional and technical services	<u>20,000</u>	<u>10,944</u>	<u>-</u>	<u>-</u>	<u>30,944</u>
Total	<u>20,000</u>	<u>10,944</u>	<u>-</u>	<u>-</u>	<u>30,944</u>
Total expenditures	<u><u>\$ 85,220</u></u>	<u><u>\$ 10,944</u></u>	<u><u>\$ 176,766</u></u>	<u><u>\$ 6,151</u></u>	<u><u>\$ 279,081</u></u>

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2017

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/17
			Prior Years	Current Year	
Window and doors project	09/30/14	\$ 676,301	\$609,511	\$ 38,242	\$ 28,548
		<u>\$ 676,301</u>	<u>\$ 609,511</u>	<u>\$ 38,242</u>	<u>\$ 28,548</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budgetary Basis
For the Fiscal Year Ended June 30, 2017

Revenues	
Local sources - prior year refund	\$ 12,541
State source - school development authority aid	(8,679)
Total revenues	<u>3,862</u>
Expenditures	
Purchased professional services	15
Construction services	38,227
	<u>38,242</u>
Excess (deficiency) of revenues and other financing sources	
Over (under) expenditures and other financing uses	(34,380)
Fund balance - beginning of year	<u>62,928</u>
Fund balance - ending of year	<u>\$ 28,548</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Window and Doors Project
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve	\$ 419,676	\$ -	\$ 419,676	\$ 419,676
Local sources - prior year refund	-	12,541	12,541	12,541
State source - school development authority aid	252,763	(8,679)	244,084	244,084
Total revenues	<u>672,439</u>	<u>3,862</u>	<u>676,301</u>	<u>676,301</u>
Expenditures and other financing uses				
Purchased professional services	72,544	15	72,559	72,559
Construction services	536,967	38,227	575,194	575,194
Transfers to other funds	-	-	-	28,548
Total expenditures	<u>609,511</u>	<u>38,242</u>	<u>647,753</u>	<u>676,301</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 62,928</u>	<u>\$ (34,380)</u>	<u>\$ 28,548</u>	<u>\$ -</u>

Additional Project Information

Project number	2790-050-14-1001
Grant date	09/30/14
Bond authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 631,907
Additional authorized cost	\$ 44,394
Revised authorized cost	\$ 676,301
Percentage completion	96%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Net Position
For the Fiscal Year Ended June 30, 2017

	<u>Food Service</u> <u>Fund</u>	<u>Child Care</u> <u>Program</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 8,363	\$ 50,761	\$ 59,124
Receivables from other governments			
State	68	-	68
Federal	1,716	-	1,716
Inventory	9,778	-	9,778
Total current assets	<u>19,925</u>	<u>50,761</u>	<u>70,686</u>
Noncurrent assets			
Capital assets	272,534	-	272,534
Less: accumulated depreciation	<u>223,200</u>	<u>-</u>	<u>223,200</u>
Total noncurrent assets	<u>49,334</u>	<u>-</u>	<u>49,334</u>
Total assets	<u>69,259</u>	<u>50,761</u>	<u>120,020</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	4,559	-	4,559
Unearned revenues - prepaid sales	<u>4,243</u>	<u>-</u>	<u>4,243</u>
Total liabilities	<u>8,802</u>	<u>-</u>	<u>8,802</u>
Net position			
Net investment in capital assets	49,334	-	49,334
Unrestricted	<u>11,123</u>	<u>50,761</u>	<u>61,884</u>
Total net position	<u>\$ 60,457</u>	<u>\$ 50,761</u>	<u>\$ 111,218</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Revenues, Expenses, and
Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Food Service Fund	Child Care Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 97,147	\$ -	\$ 97,147
Daily sales - non-reimbursable programs	78,664	-	78,664
Child care revenues	-	42,565	42,565
Total operating revenues	<u>175,811</u>	<u>42,565</u>	<u>218,376</u>
Operating expenses			
Cost of sales - reimbursable programs	78,393	-	78,393
Cost of sales - non-reimbursable programs	18,315	-	18,315
Commodity food costs	15,125	-	15,125
Salaries	110,569	23,750	134,319
Supports services - employee benefits	11,424	-	11,424
Purchased professional/technical services	3,377	-	3,377
Purchased property services	9,650	-	9,650
Other purchased services			
Insurance	7,384	-	7,384
Management fee	8,467	-	8,467
Supplies and materials	3,960	11,020	14,980
Depreciation	14,774	-	14,774
Miscellaneous expenditures	1,470	364	1,834
Total operating expenses	<u>282,908</u>	<u>35,134</u>	<u>318,042</u>
Operating income (loss)	<u>(107,097)</u>	<u>7,431</u>	<u>(99,666)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	2,123	-	2,123
Federal sources			
National school lunch program			
Cash assistance	53,890	-	53,890
Non-cash assistance (commodities)	15,125	-	15,125
Special milk program for children	1,223	-	1,223
Interest earned on investments	140	-	140
Total non-operating revenues (expenses)	<u>72,501</u>	<u>-</u>	<u>72,501</u>
Change in net position	(34,596)	7,431	(27,165)
Net position, beginning	<u>95,053</u>	<u>43,330</u>	<u>138,383</u>
Net position, ending	<u>\$ 60,457</u>	<u>\$ 50,761</u>	<u>\$ 111,218</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2017

	Food Service Fund	Child Care Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 174,898	\$ 42,565	\$ 217,463
Payments to employees	(29,176)	(23,750)	(52,926)
Payments to Food Service Management Co.	(212,701)	-	(212,701)
Payments to vendors (net)	(12,292)	(11,384)	(23,676)
Net cash provided by (used for) operating activities	(79,271)	7,431	(71,840)
Cash flows from non-capital financing activities			
State sources	2,137	-	2,137
Federal sources	55,604	-	55,604
Net cash provided by (used for) non-capital financing activities	57,741	-	57,741
Cash flows from capital financing activities			
Acquisition of equipment	(2,705)	-	(2,705)
Net cash provided by (used for) capital financing activities	(2,705)	-	(2,705)
Cash flows from investing activities			
Interest on investments	140	-	140
Net increase (decrease) in cash and cash equivalents	(24,095)	7,431	(16,664)
Cash and cash equivalents, July 1	32,458	43,330	75,788
Cash and cash equivalents, June 30	\$ 8,363	\$ 50,761	\$ 59,124
Reconciliation of operating income (loss) to net cash			
Provided by operating activities			
Operating income (loss)	\$ (107,097)	\$ 7,431	\$ (99,666)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	14,774		14,774
Federal food donation program	15,125	-	15,125
(Increase) decrease in accounts receivable	-	754	754
(Increase) decrease in inventory	(1,805)	-	(1,805)
Increase (decrease) in unearned revenue	(268)	-	(268)
Net cash provided by (used for) operating activities	\$ (79,271)	\$ 8,185	\$ (71,086)

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

Fiduciary Funds are used to account for funds received by the school district as an agent for individuals, private organizations, other government and/or other funds.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Combining Schedule of Net Position
June 30, 2017

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 43,641	\$ 35,110	\$ 175,210	\$ 253,961
Total assets	\$ 43,641	\$ 35,110	\$ 175,210	\$ 253,961
Liabilities				
Due to other funds	\$ -	\$ -	\$ 10	\$ 10
Due to students groups	-	35,110	-	35,110
Payroll deductions & withholdings	-	-	175,200	175,200
Total liabilities	-	35,110	175,210	210,320
Net position				
Held in trust for unemployment claims & other purposes	\$ 43,641	\$ -	\$ -	\$ 43,641

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fiduciary Funds
Unemployment Compensation Fund
Schedule of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

Additions	
Contributions	
Employee withholdings	\$ 9,978
Investment earnings - interest	61
Total additions	<u>10,039</u>
Deductions	
Unemployment claims	<u>16,612</u>
Change in net position before other financing sources (uses)	(6,573)
Other financing sources (uses)	
Transfer in from general fund	<u>30,000</u>
Change in net position after other financing sources (uses)	23,427
Net position, beginning of the year	<u>20,214</u>
Net position, end of the year	<u><u>\$ 43,641</u></u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/17</u>
Assets				
Cash and cash equivalents	\$ 45,698	\$ 64,322	\$ 74,910	\$ 35,110
Total assets	<u>\$ 45,698</u>	<u>\$ 64,322</u>	<u>\$ 74,910</u>	<u>\$ 35,110</u>
Liabilities				
Due to student groups	\$ 45,698	\$ 64,322	\$ 74,910	\$ 35,110
Total liabilities	<u>\$ 45,698</u>	<u>\$ 64,322</u>	<u>\$ 74,910</u>	<u>\$ 35,110</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	<u>Balance</u> <u>06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/17</u>
Assets				
Cash and cash equivalents	\$ 178,260	\$ 6,898,508	\$ 6,901,558	\$ 175,210
Total assets	<u>\$ 178,260</u>	<u>\$ 6,898,508</u>	<u>\$ 6,901,558</u>	<u>\$ 175,210</u>
Liabilities				
Due to other funds	\$ 10	\$ -	\$ -	\$ 10
Payroll deductions and withholdings	528	3,232,510	3,232,884	154
Net payroll	<u>177,722</u>	<u>3,665,998</u>	<u>3,668,674</u>	<u>175,046</u>
Total liabilities	<u>\$ 178,260</u>	<u>\$ 6,898,508</u>	<u>\$ 6,901,558</u>	<u>\$ 175,210</u>

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2016	Issued	Retired	Balance 6/30/2017
			Date	Amount					
Construction of Middle School and refunding of 2000 series	09/01/01	\$ 15,895,000	07/15/22	\$ 845,000	4.75%	\$ 5,350,000	\$ -	\$ -	\$ 5,350,000
			07/15/27	1,065,000	5.00%	-	-	-	-
			07/15/28	1,105,000	5.00%	-	-	-	-
			07/15/29	1,145,000	5.00%	-	-	-	-
			07/15/30	1,190,000	5.00%	-	-	-	-
Refunding school bonds	05/11/11	9,600,000	07/15/17	605,000	4.50%	7,335,000	-	575,000	6,760,000
			07/15/18	635,000	5.00%	-	-	-	-
			07/15/19	665,000	5.00%	-	-	-	-
			07/15/20	695,000	5.00%	-	-	-	-
			07/15/21	735,000	5.00%	-	-	-	-
			07/15/23	805,000	4.00%	-	-	-	-
			07/15/24	840,000	4.00%	-	-	-	-
			07/15/25	875,000	4.00%	-	-	-	-
			07/15/26	905,000	4.00%	-	-	-	-
						<u>\$ 12,685,000</u>	<u>\$ -</u>	<u>\$ 575,000</u>	<u>\$ 12,110,000</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 879,108	\$ -	\$ 879,108	\$ 879,108	\$ -
State sources					
Debt service aid	209,117	-	209,117	209,117	-
Total revenues	<u>1,088,225</u>	<u>-</u>	<u>1,088,225</u>	<u>1,088,225</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	575,000	-	575,000	575,000	-
Interest	513,225	-	513,225	513,225	-
Total expenditures	<u>1,088,225</u>	<u>-</u>	<u>1,088,225</u>	<u>1,088,225</u>	<u>-</u>
Excess (deficiency) of revenues Over (under) expenditures	-	-	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

Statistical Section

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

Contents	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government activities										
Net investment in capital assets	\$ 1,737,793	\$ 1,681,236	\$ 1,218,768	\$ 1,561,585	\$ 2,502,670	\$ 2,441,347	\$ 2,485,149	\$ 2,583,172	\$ 3,236,856	\$ 3,365,501
Restricted	521,144	888,708	1,532,914	2,409,934	1,872,117	2,020,129	1,602,787	1,264,361	542,396	1,638,662
Unrestricted	(361,540)	(490,819)	(605,275)	(232,627)	(320,185)	(303,587)	(2,795,366)	(3,585,713)	(3,633,115)	(3,919,414)
Total governmental activities	<u>\$ 1,897,397</u>	<u>\$ 2,079,125</u>	<u>\$ 2,146,407</u>	<u>\$ 3,738,892</u>	<u>\$ 4,054,602</u>	<u>\$ 4,157,889</u>	<u>\$ 1,292,570</u>	<u>\$ 261,820</u>	<u>\$ 146,137</u>	<u>\$ 1,084,749</u>
Business-type activities										
Net investment in capital assets	\$ 108,653	\$ 95,505	\$ 116,175	\$ 109,440	\$ 102,705	\$ 91,549	\$ 76,683	\$ 64,073	\$ 61,403	\$ 49,334
Unrestricted	72,046	84,106	72,293	93,735	71,843	75,509	86,623	88,575	76,980	61,884
Total business-type activities	<u>\$ 180,699</u>	<u>\$ 179,611</u>	<u>\$ 188,468</u>	<u>\$ 203,175</u>	<u>\$ 174,548</u>	<u>\$ 167,058</u>	<u>\$ 163,306</u>	<u>\$ 152,648</u>	<u>\$ 138,383</u>	<u>\$ 111,218</u>
District-wide										
Net investment in capital assets	\$ 1,846,446	\$ 1,776,741	\$ 1,334,943	\$ 1,671,025	\$ 2,605,375	\$ 2,532,896	\$ 2,561,832	\$ 2,647,245	\$ 3,298,259	\$ 3,414,835
Restricted	521,144	888,708	1,532,914	2,409,934	1,872,117	2,020,129	1,602,787	1,264,361	542,396	1,638,662
Unrestricted	(289,494)	(406,713)	(532,982)	(138,892)	(248,342)	(228,078)	(2,708,743)	(3,497,138)	(3,556,135)	(3,857,530)
Total district-wide	<u>\$ 2,078,096</u>	<u>\$ 2,258,736</u>	<u>\$ 2,334,875</u>	<u>\$ 3,942,067</u>	<u>\$ 4,229,150</u>	<u>\$ 4,324,947</u>	<u>\$ 1,455,876</u>	<u>\$ 414,468</u>	<u>\$ 284,520</u>	<u>\$ 1,195,967</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 5,694,750	\$ 5,868,171	\$ 5,438,877	\$ 5,283,440	\$ 5,747,351	\$ 5,940,174	\$ 6,167,467	\$ 7,462,218	\$ 7,060,296	\$ 6,711,474
Special education	994,923	1,065,729	1,405,873	1,349,239	1,387,983	1,576,311	1,512,958	1,594,726	1,985,821	2,862,417
Other special education	853,136	779,496	1,157,361	1,002,992	853,052	903,533	839,434	783,630	416,448	320,647
Support services										
Tuition	3,320,628	3,131,326	2,660,298	2,793,682	3,499,860	4,438,501	5,289,756	6,451,262	6,396,630	6,053,142
Student & instruction related services	1,424,781	1,480,577	1,370,998	1,381,180	1,533,950	1,553,014	1,336,677	1,604,246	1,491,739	1,445,614
General & business administrative services	1,450,531	1,234,099	1,378,989	1,339,569	1,597,488	1,219,793	1,269,802	1,369,273	1,644,606	1,573,875
Plant operations & maintenance	1,542,533	1,427,388	1,364,199	1,315,993	1,189,193	1,158,008	1,279,279	1,223,862	1,252,242	1,722,299
Pupil transportation	393,288	511,519	461,882	452,095	456,489	503,132	523,953	484,092	444,013	585,779
Special school	-	7,999	-	-	-	-	-	-	-	-
Interest on long-term debt	819,817	799,893	776,314	586,814	543,967	528,989	541,008	524,041	525,578	479,120
Unallocated depreciation	48,036	48,036	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>16,542,423</u>	<u>16,354,233</u>	<u>16,014,791</u>	<u>15,505,004</u>	<u>16,809,333</u>	<u>17,821,455</u>	<u>18,760,334</u>	<u>21,497,350</u>	<u>21,217,373</u>	<u>21,754,367</u>
Business-type activities										
Food services	235,040	235,967	246,507	267,644	304,248	308,637	295,772	295,173	284,401	282,908
Child care program	-	-	-	-	-	30,487	31,382	25,294	36,604	35,134
Total business-type activities	<u>235,040</u>	<u>235,967</u>	<u>246,507</u>	<u>267,644</u>	<u>304,248</u>	<u>339,124</u>	<u>327,154</u>	<u>320,467</u>	<u>321,005</u>	<u>318,042</u>
Total district expenses	<u>\$ 16,777,463</u>	<u>\$ 16,590,200</u>	<u>\$ 16,261,298</u>	<u>\$ 15,772,648</u>	<u>\$ 17,113,581</u>	<u>\$ 18,160,579</u>	<u>\$ 19,087,488</u>	<u>\$ 21,817,817</u>	<u>\$ 21,538,378</u>	<u>\$ 22,072,409</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Governmental activities										
Charges for services	\$ 8,100	\$ 10,050	\$ 11,850	\$ 90,302	\$ 118,940	\$ 99,963	\$ 67,774	\$ 100,216	\$ 118,769	\$ 74,561
Operating grants & contributions	-	269,594	452,606	371,193	234,966	317,543	410,969	283,817	277,359	279,081
Capital grants & contributions	-	-	24,717	436,225	-	-	-	252,763	-	-
Total governmental activities program revenues	<u>8,100</u>	<u>279,644</u>	<u>489,173</u>	<u>897,720</u>	<u>353,906</u>	<u>417,506</u>	<u>478,743</u>	<u>636,796</u>	<u>396,128</u>	<u>353,642</u>
Business-type activities										
Charges for services										
Food service	180,735	181,908	179,085	208,755	203,959	204,566	196,706	187,057	184,514	175,811
Child care program	-	-	-	-	-	48,281	39,746	39,209	39,861	42,565
Operating grants & contributions	52,434	51,704	67,013	73,358	71,063	78,542	86,723	83,381	82,208	72,361
Total business-type activities program revenues	<u>233,169</u>	<u>233,612</u>	<u>246,098</u>	<u>282,113</u>	<u>275,022</u>	<u>331,389</u>	<u>323,175</u>	<u>309,647</u>	<u>306,583</u>	<u>290,737</u>
Total district - program revenues	<u>\$ 241,269</u>	<u>\$ 513,256</u>	<u>\$ 735,271</u>	<u>\$ 1,179,833</u>	<u>\$ 628,928</u>	<u>\$ 748,895</u>	<u>\$ 801,918</u>	<u>\$ 946,443</u>	<u>\$ 702,711</u>	<u>\$ 644,379</u>
Net (expense) revenues										
Governmental activities	\$ (16,534,323)	\$ (16,074,589)	\$ (15,525,618)	\$ (14,607,284)	\$ (16,455,427)	\$ (17,403,949)	\$ (18,281,591)	\$ (20,860,554)	\$ (20,821,245)	\$ (21,400,725)
Business-type activities	(1,871)	(2,355)	(409)	14,469	(29,226)	(7,735)	(3,979)	(10,820)	(14,422)	(27,305)
Total district-wide net expenses	<u>\$ (16,536,194)</u>	<u>\$ (16,076,944)</u>	<u>\$ (15,526,027)</u>	<u>\$ (14,592,815)</u>	<u>\$ (16,484,653)</u>	<u>\$ (17,411,684)</u>	<u>\$ (18,285,570)</u>	<u>\$ (20,871,374)</u>	<u>\$ (20,835,667)</u>	<u>\$ (21,428,030)</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 11,009,595	\$ 11,018,756	\$ 10,775,728	\$ 11,105,502	\$ 11,327,612	\$ 11,622,452	\$ 11,896,112	\$ 12,201,862	\$ 12,532,892	\$ 12,881,255
Taxes levied for debt service	792,570	900,885	953,625	991,213	915,832	894,692	812,260	884,990	889,272	879,108
Unrestricted grants & contributions	4,551,154	4,307,798	4,542,227	4,076,644	4,467,073	5,023,938	4,860,063	6,702,924	7,248,416	8,552,940
Investment earnings	66,099	26,881	15,458	8,045	21,200	10,518	11,827	7,558	9,175	11,052
State capital projects grants deobligated	-	-	-	-	-	(78,495)	-	-	-	(8,679)
Disposal of land	-	-	-	-	-	-	-	-	-	(3,500)
Miscellaneous income	1,490	1,997	8,534	18,365	39,420	34,131	49,300	32,470	50,307	27,161
Transfers	-	-	-	-	-	-	-	-	(24,500)	-
Total governmental activities	<u>16,420,908</u>	<u>16,256,317</u>	<u>16,295,572</u>	<u>16,199,769</u>	<u>16,771,137</u>	<u>17,507,236</u>	<u>17,629,562</u>	<u>19,829,804</u>	<u>20,705,562</u>	<u>22,339,337</u>
Business-type activities										
Miscellaneous income	2,417	1,267	491	238	599	245	227	162	157	140
Total business-type activities	<u>2,417</u>	<u>1,267</u>	<u>491</u>	<u>238</u>	<u>599</u>	<u>245</u>	<u>227</u>	<u>162</u>	<u>157</u>	<u>140</u>
Total district-wide	<u>\$ 16,423,325</u>	<u>\$ 16,257,584</u>	<u>\$ 16,296,063</u>	<u>\$ 16,200,007</u>	<u>\$ 16,771,736</u>	<u>\$ 17,507,481</u>	<u>\$ 17,629,789</u>	<u>\$ 19,829,966</u>	<u>\$ 20,705,719</u>	<u>\$ 22,339,477</u>
Change in net position										
Governmental activities	\$ (113,415)	\$ 181,728	\$ 769,954	\$ 1,592,485	\$ 315,710	\$ 103,287	\$ (652,029)	\$ (1,030,750)	\$ (115,683)	\$ 938,612
Business-type activities	546	(1,088)	82	14,707	(28,627)	(7,490)	(3,752)	(10,658)	(14,265)	(27,165)
Total district	<u>\$ (112,869)</u>	<u>\$ 180,640</u>	<u>\$ 770,036</u>	<u>\$ 1,607,192</u>	<u>\$ 287,083</u>	<u>\$ 95,797</u>	<u>\$ (655,781)</u>	<u>\$ (1,041,408)</u>	<u>\$ (129,948)</u>	<u>\$ 911,447</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 448,409	\$ 783,203	\$ 1,532,914	\$ 1,554,122	\$ 1,918,109	\$ 21,165,431	\$ 1,809,892	\$ 1,011,598	\$ 479,468	\$ 1,610,114
Committed	63,848	93,930	72,488	69,453	9,568	15,207	8,747	-	817	8,258
Assigned	72,235	105,505	-	-	208,677	39,242	186,469	-	-	-
Unassigned	200,093	24,828	(44,895)	90,714	49,839	190,453	(7,848)	(355,136)	(187,230)	(60,443)
Total general fund	<u>\$ 785,085</u>	<u>\$ 1,007,466</u>	<u>\$ 1,560,507</u>	<u>\$ 1,714,289</u>	<u>\$ 2,186,193</u>	<u>\$ 2,410,283</u>	<u>\$ 1,991,260</u>	<u>\$ 656,462</u>	<u>\$ 293,055</u>	<u>\$ 1,557,929</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 693	\$ -	\$ -	\$ 1,053,636	\$ 266,634	\$ 170,655	\$ -	\$ 252,763	\$ 62,928	\$ 28,548
Assigned, reported in										
Debt service fund	-	694	694	-	100,342	100,342	-	-	-	-
Total all other governmental funds	<u>\$ 693</u>	<u>\$ 694</u>	<u>\$ 694</u>	<u>\$ 1,053,636</u>	<u>\$ 366,976</u>	<u>\$ 270,997</u>	<u>\$ -</u>	<u>\$ 252,763</u>	<u>\$ 62,928</u>	<u>\$ 28,548</u>

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 11,802,165	\$ 11,919,641	\$ 11,729,353	\$ 12,096,715	\$ 12,243,444	\$ 12,517,144	\$ 12,708,372	\$ 13,086,852	\$ 13,422,164	\$ 13,760,363
Tuition charges	8,100	10,050	11,850	89,152	118,940	99,963	67,749	98,590	118,769	70,932
Interest earnings	1,418	5,042	15,458	8,045	21,200	10,518	11,827	7,558	9,175	11,052
Rents and royalties	-	-	-	-	-	-	-	-	-	3,629
Miscellaneous	66,171	23,836	8,534	19,515	32,462	34,131	49,325	34,096	26,411	39,702
State sources	4,240,745	4,318,157	4,063,092	4,508,409	4,384,459	4,987,430	4,863,617	5,250,745	5,124,129	5,206,986
Federal sources	310,409	259,235	956,458	375,653	324,538	354,051	407,415	317,320	275,245	279,652
Total revenues	16,429,008	16,535,961	16,784,745	17,097,489	17,125,043	18,003,237	18,108,305	18,795,161	18,975,893	19,372,316
Expenditures										
Instruction										
Regular instruction	3,811,113	4,070,207	3,796,344	3,726,675	3,923,841	3,780,409	4,051,644	4,251,978	3,591,176	3,145,774
Special education instruction	744,093	817,713	821,806	849,031	847,167	920,176	963,957	831,103	998,081	1,080,436
Other special instruction	638,052	598,092	756,101	663,773	575,771	572,807	514,781	417,287	182,900	130,916
Support services										
Tuition	3,320,628	3,131,326	2,591,191	2,762,789	3,499,860	4,438,501	5,104,357	6,336,262	6,300,202	6,053,142
Student & inst related services	1,065,580	1,136,018	871,757	869,153	963,842	911,075	848,267	882,784	789,247	681,623
General & school administration services	1,084,838	946,901	1,038,755	1,001,129	952,886	919,637	936,770	900,183	951,055	793,109
Plant operations & maintenance	1,153,645	1,095,207	1,140,099	1,070,140	988,146	922,057	1,073,178	981,612	914,670	846,173
Pupil transportation	393,288	511,519	461,882	452,095	448,218	494,195	507,837	484,092	444,013	585,779
Employee benefits	3,014,813	2,765,744	2,823,149	2,769,938	3,034,349	3,392,616	3,263,088	3,366,252	3,391,673	3,376,186
Transfer to charter schools	-	7,999	-	-	-	-	-	-	-	-
Capital outlay	394,382	68,807	221,104	126,886	817,946	25,174	29,039	46,189	563,322	51,247
Special revenue funds	-	-	477,323	371,193	234,966	317,543	410,969	283,817	277,359	279,081
Debt service										
Principal	335,000	355,000	445,000	465,000	615,000	510,000	520,000	540,000	565,000	575,000
Interest & other charges	828,452	809,046	787,193	762,963	437,807	592,441	574,438	555,637	535,937	513,356
Total expenditures	16,783,884	16,313,579	16,231,704	15,890,765	17,339,799	17,796,631	18,798,325	19,877,196	19,504,635	18,111,822

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (deficiency) of revenues over (under) expenditures	\$ (354,876)	\$ 222,382	\$ 553,041	\$ 1,206,724	\$ (214,756)	\$ 206,606	\$ (690,020)	\$ (1,082,035)	\$ (528,742)	\$ 1,260,494
Other financing sources (uses)										
Transfer out	-	-	-	-	-	-	-	-	(24,500)	(30,000)
Proceeds from refinancing bond issue	-	-	-	10,201,851	-	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	(10,201,851)	-	-	-	-	-	-
NJSDA grant deobligated	-	-	-	-	-	(78,495)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(78,495)	-	-	(24,500)	(30,000)
Net change in fund balances	<u>\$ (354,876)</u>	<u>\$ 222,382</u>	<u>\$ 553,041</u>	<u>\$ 1,206,724</u>	<u>\$ (214,756)</u>	<u>\$ 128,111</u>	<u>\$ (690,020)</u>	<u>\$ (1,082,035)</u>	<u>\$ (553,242)</u>	<u>\$ 1,230,494</u>
Debt service as a percentage of non-capital expenditures	7.64%	7.72%	8.34%	8.45%	6.81%	6.61%	6.19%	5.85%	6.17%	6.41%

Source: District Records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 66,099	\$ 5,042	\$ 15,458	\$ 8,045	\$ 21,200	\$ 10,518	\$ 11,827	\$ 7,558	\$ 9,175	\$ 11,052
Tuition	8,100	10,050	11,850	89,152	118,940	99,963	67,749	98,590	118,769	70,932
Prior year refunds	-	-	211	16,992	12,427	16,266	44,630	12,167	-	20,932
Miscellaneous	1,127	23,835	538	609	258	364	134	2,280	3,005	3,991
Old outstanding checks voided	-	-	7,785	13	-	-	54	-	-	-
Close old agency balances	-	-	-	-	-	-	-	-	(924)	76
Facility rentals	-	-	-	250	-	-	425	1,627	-	3,629
Emergency management training fees	-	-	-	900	-	-	-	-	-	-
Contributions	-	-	-	658	250	-	500	12,056	1,054	1,011
Book fees	-	-	-	93	49	-	-	-	591	318
Application fees	-	-	-	-	500	475	-	-	310	833
Accounts payable canceled	-	-	-	-	17,255	17,026	3,542	-	24,693	-
Fund 20 adjustments	-	-	-	-	-	-	-	5,966	(12,818)	-
Sale of assets	-	-	-	-	-	-	40	-	10,500	-
Annual totals	\$ 75,326	\$ 38,927	\$ 35,842	\$ 116,712	\$ 170,879	\$ 144,612	\$ 128,901	\$ 140,244	\$ 154,355	\$ 112,774

Source: District Records

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 60,018,600	\$ 55,445,600	\$ 42,028,620	\$ 35,700,520	\$ 21,599,020	\$ 19,621,720	\$ 16,235,420	\$ 12,976,620	\$ 17,209,874	\$ 11,230,520
Residential	772,071,256	784,580,256	808,976,846	827,794,246	661,096,274	669,756,124	679,151,024	689,476,824	693,597,571	693,752,971
Farm regular	11,464,600	11,468,300	13,137,400	12,801,700	10,568,700	11,230,900	11,212,200	11,072,700	10,696,400	10,185,200
Q farm	694,191	695,122	702,046	704,552	702,478	711,662	650,894	6,080,903	642,778	642,778
Commercial	133,529,311	137,140,971	135,035,724	135,544,724	124,171,875	122,971,275	125,260,175	110,165,375	112,929,575	112,132,975
Industrial	20,708,500	19,067,400	19,067,400	19,067,400	18,036,200	17,423,200	16,284,200	14,684,200	14,684,200	15,565,600
Apartment	18,230,400	18,230,400	18,230,400	18,230,400	16,320,000	16,320,000	16,320,000	16,320,000	16,320,000	26,494,000
Total assessed value	1,016,716,858	1,026,628,049	1,037,178,436	1,049,843,542	852,494,547	858,034,881	865,113,913	860,776,622	866,080,398	870,004,044
Public utilities (a)	1,666,228	1,748,462	1,845,675	1,538,797	1,509,258	1,509,258	929,832	981,687	950,563	940,641
Net valuation taxable	\$ 1,018,383,086	\$ 1,028,376,511	\$ 1,039,024,111	\$ 1,051,382,339	\$ 854,003,805	\$ 859,544,139	\$ 866,043,745	\$ 861,758,309	\$ 867,030,961	\$ 870,944,685
Estimated actual county equalized value	\$ 978,286,112	\$ 1,022,833,671	\$ 1,033,453,429	\$ 1,002,056,801	\$ 963,949,507	\$ 896,572,587	\$ 840,814,377	\$ 817,502,861	\$ 842,131,991	\$ 872,427,812
Percentage of net valuation to estimated actual equalized value	104.10%	100.54%	100.54%	104.92%	88.59%	95.87%	103.00%	105.41%	102.96%	99.83%
Total direct school tax rate (b)	\$1.16	\$1.16	\$1.17	\$1.16	\$1.46	\$1.48	\$1.51	\$1.56	\$1.59	\$ 1.62

Source: Municipal Tax Assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

- (a) Taxable value of machinery, implements and equipments of telephone and messenger system companies
- (b) Tax rates are per \$100

- * Revalued/Reassessed
- * Limited exemptions and abatements

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate				Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate	Municipality	County		
2008	\$ 1.081	\$ 0.078	\$ 1.159	\$ 0.200	\$ 0.585	\$ 1.94	
2009	1.071	0.088	1.159	0.224	0.602	1.99	
2010	1.075	0.090	1.165	0.267	0.607	2.04	
2011	1.077	0.087	1.164	0.276	0.609	2.05	
2012	* 1.360	0.102	1.462	0.403	0.681	2.55	
2013	1.384	0.095	1.479	0.459	0.748	2.69	
2014	1.409	0.101	1.510	0.508	0.741	2.76	
2015	1.455	0.103	1.558	0.522	0.691	2.77	
2016	1.486	0.101	1.587	0.553	0.742	2.88	
2017	1.512	0.103	1.615	0.571	0.766	2.95	

Sources: Municipal Tax Collector

NOTE: N.J.S.A. 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 pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

(a) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

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

* Revalued/Reassessed

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago

	2017			2008		
	Taxable Assessed		% of Total District Net	Taxable Assessed		% of Total District Net
	Value	Rank	Assessed Value	Value	Rank	Assessed Value
Larken Associates	\$ 56,310,900	1	6.47%	\$ -		-
Brakeley Associates, Inc.	16,320,000	2	1.87%	17,800,300	2	1.75%
Hillcrest Medical Plaza	14,675,400	3	1.68%	4,938,500	9	-
Phillipsburg Mall LLC	11,096,200	4	1.27%	-		-
Peron/JSH, LLC	9,934,000	5	1.14%	-		-
Genesis / Brakley P. C/O Health Care	8,599,800	6	0.99%	9,238,400	4	0.91%
Strykers Golf, LLC	6,003,300	7	0.69%	9,600,000	3	0.94%
Stag GI New Jersey, Inc.	5,452,300	8	0.63%	-		-
Genesis/Lopatcong	5,411,400	9	0.62%	6,023,900	6	0.59%
Stowaway Self Storage	4,693,560	10	0.54%	5,018,960	8	-
Genesis/Lopatcong	-		-	5,723,500	7	-
Crown American	-		-	25,082,500	1	2.46%
Captive Realty of NJ, LLC	-		-	4,570,900	10	0.45%
IT Banker, C/O Mallinekrodt Baker, Inc.	-		-	6,294,500	5	0.62%
	<u>\$ 138,496,860</u>		<u>15.90%</u>	<u>\$ 94,291,460</u>		<u>7.72%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 20,059,143	\$ 19,522,354	97.32%
2008	20,591,198	20,041,668	97.33%
2009	20,719,160	20,254,443	97.76%
2010	21,365,659	20,869,570	97.68%
2011	21,784,172	21,090,781	96.82%
2012	21,942,414	21,371,972	97.40%
2013	23,270,822	22,644,624	97.31%
2014	24,376,495	23,032,875	94.49%
2015	24,059,722	23,341,166	97.01%
2016	25,089,793	24,260,766	96.70%

Source: District Records including the Certificate and Report of School Taxes (A4F Form)

(a)

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.

See independent auditors' report.

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

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 16,845,000	\$ -	\$ -	\$ -	\$ -	\$ 16,845,000	4.82%	\$ 2,028	
2009	16,490,000	-	-	-	-	16,490,000	4.49%	1,977	
2010	16,045,000	-	-	-	-	16,045,000	4.48%	1,914	
2011	15,330,000	-	-	-	-	15,330,000	4.38%	1,829	
2012	14,820,000	-	-	-	-	14,820,000	4.04%	1,828	
2013	14,310,000	-	-	-	-	14,310,000	3.79%	1,754	
2014	13,790,000	-	-	-	-	13,790,000	3.62%	1,685	
2015	13,250,000	-	-	-	-	13,250,000	3.28%	1,618	
2016	12,685,000	-	-	-	-	12,685,000	3.00%	1,527	
2017	12,110,000	-	-	-	-	12,110,000	N/A	1,459	

NOTES: (1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-14 for personal income and population data.
These ratios are calculated using personal income and population for the prior calendar year.
- (b) Includes Early Retirement Incentive Plan (ERIP) refunding

See independent auditors' report.

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2008	\$ 16,845,000		\$ 16,845,000	11.30%	\$ 2,028
2009	16,490,000		16,490,000	10.95%	1,977
2010	16,045,000		16,045,000	10.66%	1,914
2011	15,330,000		15,330,000	10.20%	1,829
2012	* 14,820,000		14,820,000	9.92%	1,828
2013	14,310,000		14,310,000	9.57%	1,754
2014	13,790,000		13,790,000	9.25%	1,685
2015	13,250,000		13,250,000	8.87%	1,618
2016	12,685,000		12,685,000	8.49%	1,527
2017	12,110,000		12,110,000	7.98%	1,459

NOTES: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

- (a) See Exhibit J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

* Revalued/Reassessed

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2016

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 7,828,695	100.00%	\$ 7,828,695
County general obligation debt	8,145,667	7.89%	<u>642,632</u>
Subtotal, overlapping debt			8,471,327
School district direct debt			<u>12,110,000</u>
Total direct and overlapping debt			<u><u>\$ 20,581,327</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the county Board of Taxation. Debt outstanding data provided by each governmental unit.

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

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

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2017

		Equalized Valuation Basis	
		2016	\$ 867,555,242
		2015	836,030,130
		2014	820,635,470
			<u>\$ 2,524,220,842</u>
	Average equalized valuation of taxable property		<u>\$ 841,406,947</u>
	Debt limit (3.0% of average equalization value)	(a)	\$ 25,242,208
	Total net debt applicable to limit		<u>12,110,000</u>
	Legal debt margin		<u>\$ 13,132,208</u>

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 28,363,021	\$ 26,817,883	\$ 25,459,337	\$ 24,905,998	\$ 25,242,208
Total net debt applicable	<u>14,310,000</u>	<u>13,790,000</u>	<u>13,250,000</u>	<u>12,685,000</u>	<u>12,110,000</u>
Legal debt margin	<u>\$ 14,053,021</u>	<u>\$ 13,027,883</u>	<u>\$ 12,209,337</u>	<u>\$ 12,220,998</u>	<u>\$ 13,132,208</u>
Total net debt applicable to the limit as a percentage of debt limit	50.45%	51.42%	52.04%	50.93%	47.98%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 28,304,319	\$ 30,074,396	\$ 30,631,678	\$ 30,439,678	\$ 29,676,211
Total net debt applicable	<u>16,845,000</u>	<u>16,490,000</u>	<u>16,045,000</u>	<u>15,330,000</u>	<u>14,715,000</u>
Legal debt margin	<u>\$ 11,459,319</u>	<u>\$ 13,584,396</u>	<u>\$ 14,586,678</u>	<u>\$ 15,109,678</u>	<u>\$ 14,961,211</u>
Total net debt applicable to the limit as a percentage of debt limit	59.51%	54.83%	52.38%	50.36%	49.59%

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

(a) Limit set by N.J.S.A. 18A:24-19

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	8,382	\$ 367,609,374	\$ 43,857	2.8%
2009	8,383	357,895,419	42,693	5.0%
2010	8,107	350,117,009	43,187	5.1%
2011	8,158	366,432,886	44,917	4.8%
2012	8,186	377,963,992	46,172	4.6%
2013	8,190	380,794,050	46,495	3.7%
2014	8,307	404,094,015	48,645	5.7%
2015	8,300	422,486,600	50,902	4.7%
2016	8,270	N/A	N/A	3.8%
2017	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce Development.
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (c) Per capita personal income by county estimated based upon the 2010 Census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce Development.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago

2017

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2008

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	54.0	56.0	57.2	54.2	60.6	42.0	56.6	48.0	43.0	42.7
Special education	16.0	17.0	13.4	18.5	24.4	26.4	18.2	30.0	24.4	14.5
Other instruction	-	-	-	-	-	13.6	9.7	11.5	11.0	11.6
Support services										
Student and instruction related services	20.8	20.2	23.5	22.9	17.4	10.2	10.2	9.1	8.9	8.0
General administration	2.0	2.0	2.0	2.7	2.7	2.7	2.5	2.5	2.0	2.5
School administration services	7.0	7.0	6.7	5.8	7.7	5.6	5.6	4.5	5.5	5.5
Central services	3.0	3.5	3.6	3.4	4.2	3.1	2.5	3.0	3.0	2.5
Plant operations and maintenance	10.2	10.2	10.2	13.0	10.0	9.0	9.0	9.0	9.0	8.0
Transportation services	-	-	0.3	0.3	0.3	0.3	0.3	-	-	-
Total	<u>113.0</u>	<u>115.9</u>	<u>116.9</u>	<u>120.8</u>	<u>127.3</u>	<u>112.9</u>	<u>114.6</u>	<u>117.6</u>	<u>106.8</u>	<u>95.3</u>

Source: District Personnel Records

See independent auditors' report.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years**

Fiscal Year	Enrollment	Operating	Cost	Percentage Change	Teaching Staff (b)	Teacher Ratio		Average Daily	Average Daily	% Change in	Student
		Expenditures (a)	Per Pupil			Elementary School	Middle School	Enrollment (ADE) (c)	Attendance (ADA) (c)	Average Daily Enrollment	Attendance Percentage
2008	894	\$ 15,226,050	\$ 17,031	7.78%	79.0	1:12.04	1:10.57	902.4	868.7	-1.80%	96.27%
2009	873	15,072,727	17,265	1.37%	79.0	1:11.04	1:11.05	877.5	843.2	-2.76%	96.09%
2010	940	14,778,407	15,722	-8.94%	97.0	1:13.14	1:11.08	934.7	899.9	6.52%	96.28%
2011	917	14,535,916	15,852	0.83%	86.0	1:11.62	1:11.40	917.5	879.7	-1.84%	95.88%
2012	895	15,469,046	17,284	9.04%	85.0	1:9.33	1:10.92	885.9	853.8	-3.44%	96.38%
2013	879	16,669,016	18,964	9.72%	76.0	1:8.14	1:9.25	872.8	838.2	-1.48%	96.04%
2014	861	17,674,848	20,528	8.25%	78.0	1:11.02	1:13.00	854.4	820.7	-2.11%	96.06%
2015	821	18,735,370	22,820	11.16%	76.5	1:8.14	1:12.20	828.8	794.4	-3.00%	95.85%
2016	849	17,840,376	21,013	-7.92%	63.6	1:14.34	1:12.56	846.0	814.6	2.08%	96.29%
2017	800	16,972,219	21,215	0.96%	57.2	1:20.80	1:24.00	802.3	763.2	-5.17%	95.13%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Delaware Park Elementary (1924)											
Square feet	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920	10,920	-	-
Capacity (students)	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	-	-
Enrollment	-	-	-	-	-	-	-	-	-	-	-
Lopatcong Elementary (1960/1975)											
Square feet	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240	57,240
Capacity (students)	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0	539.0
Enrollment	500.0	475.0	519.0	480.0	491.0	479.0	458.0	443.0	443.0	416.0	
Lopatcong Middle (2003)											
Square feet	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000	99,000
Capacity (students)	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0	512.0
Enrollment	413.0	398.0	421.0	435.0	404.0	400.0	397.0	385.0	398.0	384.0	
Number of schools at June 30, 2017											
Elementary	1										
Middle	1										

Source: District Facilities Office

NOTE: Year of original construction is shown in parentheses. Increase in square footage and capacity are the result of renovations and additions. Enrollment is based on the annual October District count.

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance Expenditures by School Facility
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Delaware Park School</u>	<u>Lopatcong Elementary School</u>	<u>Lopatcong Middle School</u>	<u>Total</u>
2008	\$ 11,211	\$ 58,783	\$ 101,685	\$ 171,679
2009	6,020	31,565	54,602	92,187
2010	83	43,091	50,783	93,957
2011	459	137,674	199,919	338,052
2012	463	134,623	173,881	308,967
2013	658	119,110	122,793	242,561
2014	767	116,944	184,276	301,987
2015	910	133,399	229,872	364,181
2016	-	134,378	202,107	336,485
2017	-	131,388	196,824	328,212
Total school facilities	\$ 20,571	\$ 1,040,955	\$ 1,516,742	\$ 2,578,268

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

Source: District Records

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2017
(Unaudited)

	Coverage	Deductible
Commercial Package Policy - School Alliance Insurance Fund (SAIF)		
<u>Property Section</u>		
Blanket Building and Contents (Fund Limit)	\$ 250,000,000	\$ 2,500
Accounts Receivable	2,500,000	2,500
Automobile Physical Damage	In Blanket Limit	1,000
Builders Risk	25,000,000	2,500
Electronic Data Processing Equipment	In Blanket Limit	2,500
<u>Liability Section</u>		
Comprehensive General Liability	5,000,000	-
Automobile Liability	5,000,000	-
Employee Benefit Liability	5,000,000	1,000
<u>Excess Liability</u>		
Excludes School Board Legal Liability	5,000,000	-
<u>Crime</u>		
Blanket Employee Dishonesty	100,000	1,000
Per Loss Aggregate Limit	400,000	
Forgery	50,000	1,000
Theft/Disappearance/Destruction:		
Inside	50,000	1,000
Outside	50,000	1,000
Chartis (SAIF)		
School Board Legal Liability	5,000,000	5,000
Excess School Board Legal Liability	5,000,000	-
ACE American Insurance Company (SAIF)		
Environmental Impairment Liability		
Limit of Liability		
Incident	1,000,000	10,000
Fund Annual Aggregate	25,000,000	-
Workers' Compensation (SAIF)		
(a) Statutory Benefits	Included	-
(a) Employer's Liability	5,000,000	-
Supplemental Coverage (optional)	Included	-
Selective Insurance Company		
Public Employees' Faithful Performance Blanket Position Bond - Treasurer	205,000	-

Source: District Records

See independent auditors' report.



**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**

Honorable President and
Members of the Board of Education
Lopatcong Township School District
County of Warren, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Lopatcong Township School District, County of Warren, the State of New Jersey, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 28, 2017.

Internal Control over Financial Reporting

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

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

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


Compliance and Other Matters

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

Purpose of this Report

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 28, 2017
Flemington, New Jersey



**Independent Auditors' Report on Compliance for Each Major State Program
and on Internal Control Over Compliance Required by New Jersey OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Lopatcong Township School District
County of Warren, New Jersey

Report on Compliance for Each Major State Program

We have audited the Lopatcong Township School District's, (the District), compliance with the types of compliance requirements described in the New Jersey OMB Circular Letter 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2017. Lopatcong Township School District's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

In our opinion, the Lopatcong Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

Report on Internal Control over Compliance

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

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

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

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC



William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 28, 2017
Flemington, New Jersey

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Federal	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/16	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2017				
	CFDA Number				From	To							Accounts Receivable	Deferred Revenue	Due to Grantor		
U.S. Department of Health and Human Services																	
General Fund																	
ARRA - Medical assistance program	93.778	1705NJ5MAP	ARRA-2450-17	\$ 571	07/01/16	06/30/17	\$ -	\$ -	\$ 571	\$ 571	\$ -	\$ -	\$ -	\$ -	\$ -		
U.S. Department of Education passed through State Department of Education																	
Special revenue fund																	
Title I A	84.010A	S010S160030	NCLB-2790-17	80,887	07/01/16	06/30/17	-	-	80,887	80,887	-	-	-	-	-		
Title I A carryover	84.010A	S010S150030	NCLB-2790-16	72,328	07/01/15	06/30/16	1,037	(3,296)	-	1,037	3,296	-	-	-	-		
Title I A carryover	84.010A	S010S150030	NCLB-2790-16	74,681	07/01/16	06/30/17	-	3,296	-	3,296	-	-	-	-	-		
Title II A	84.367A	S367A160029	NCLB-2790-17	9,031	07/01/16	06/30/17	-	-	9,031	9,031	-	-	-	-	-		
Title II A	84.367A	S367A150029	NCLB-2790-16	10,412	07/01/16	06/30/17	-	(1,913)	-	-	1,913	-	-	-	-		
Title II A carryover	84.367A	S367A150029	NCLB-2790-16	10,412	07/01/16	06/30/17	-	1,913	-	1,913	-	-	-	-	-		
IDEA basic	84.027	H027A160100	IDEA-2790-17	174,599	07/01/16	06/30/17	-	-	171,614	171,614	-	-	-	-	-		
IDEA basic	84.027	H027A150100	IDEA-2790-16	180,609	07/01/16	06/30/17	1,061	(4,091)	-	1,061	4,091	-	-	-	-		
IDEA basic carryover	84.027	H027A150100	IDEA-2790-16	180,609	07/01/16	06/30/17	-	4,091	-	4,091	-	-	-	-	-		
IDEA preschool	84.173	H173S160114	IDEA-2790-17	5,382	07/01/16	06/30/17	-	-	5,382	5,382	-	-	-	-	-		
IDEA preschool	84.173	H173S150114	IDEA-2790-16	5,284	07/01/15	06/30/16	(120)	-	889	769	-	-	-	-	-		
Total special revenue fund							1,978	-	267,803	279,081	9,300	-	-	-	-		
U.S. Department of Agriculture passed through State Department of Agriculture																	
Enterprise fund																	
Child Nutrition Cluster																	
Special milk program for children	10.556	16161NJ304N1099	N/A	1,275	07/01/15	06/30/16	(47)	-	47	-	-	-	-	-	-		
Special milk program for children	10.556	171NJ304N1099	N/A	1,223	10/01/16	09/30/17	-	-	1,174	1,223	-	-	(49)	-	-		
National school lunch program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	13,874	07/01/15	06/30/16	3,914	-	-	3,914	-	-	-	-	-		
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	15,770	10/01/16	09/30/17	-	-	15,770	11,211	-	-	-	4,559	-		
National school lunch program cash assistance	10.555	16161NJ304N1099	N/A	66,458	07/01/15	06/30/16	(2,160)	-	2,160	-	-	-	-	-	-		
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	53,890	10/01/16	09/30/17	-	-	52,223	53,890	-	-	(1,667)	-	-		
Total enterprise fund							1,707	-	71,374	70,238	-	-	(1,716)	4,559	-		
Total federal financial assistance							\$ 3,685	\$ -	\$ 339,748	\$ 349,890	\$ 9,300	\$ -	\$ (1,716)	\$ 4,559	\$ -		

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2017

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016			Budgetary Expenditure	Adjustments/ Repayments	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Cash Received			Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special education categorical aid	17-495-034-5120-089	\$ 704,190	07/01/16	06/30/17	\$ -	\$ -	\$ 635,600	\$ 704,190	\$ -	\$ -	\$ -	\$ -	\$ 68,590	\$ 704,190
Equalization aid	17-495-034-5120-078	2,603,952	07/01/16	06/30/17	-	-	2,350,319	2,603,952	-	-	-	-	253,633	2,603,952
School choice aid	17-495-034-5120-068	130,656	07/01/16	06/30/17	-	-	117,930	130,656	-	-	-	-	12,726	130,656
Security aid	17-495-034-5120-084	26,030	07/01/16	06/30/17	-	-	23,495	26,030	-	-	-	-	2,535	26,030
Under adequacy aid	17-495-034-5120-096	12,277	07/01/16	06/30/17	-	-	11,081	12,277	-	-	-	-	1,196	12,277
Transportation aid	17-495-034-5120-014	39,846	07/01/16	06/30/17	-	-	35,965	39,846	-	-	-	-	3,881	39,846
PARCC readiness aid	17-495-034-5120-098	11,820	07/01/16	06/30/17	-	-	10,669	11,820	-	-	-	-	1,151	11,820
Per pupil growth aid	17-495-034-5120-097	11,820	07/01/16	06/30/17	-	-	10,669	11,820	-	-	-	-	1,151	11,820
Professional learning community aid	17-495-034-5120-101	11,660	07/01/16	06/30/17	-	-	10,523	11,660	-	-	-	-	1,137	11,660
Extraordinary aid	17-100-034-5120-473	62,357	07/01/16	06/30/17	-	-	-	62,357	-	(62,357)	-	-	-	62,357
Extraordinary aid	16-100-034-5120-473	50,641	07/01/15	06/30/16	(50,641)	-	50,641	-	-	-	-	-	-	50,641
Non-public transportation aid	17-495-034-5120-014	6,264	07/01/16	06/30/17	-	-	-	6,264	-	(6,264)	-	-	-	6,264
Non-public transportation aid	16-495-034-5120-014	4,793	07/01/15	06/30/16	(4,793)	-	4,793	-	-	-	-	-	-	4,793
On behalf TPAF pension contribution - teachers' pension & annuity fund	17-495-034-5094-002	562,895	07/01/16	06/30/17	-	-	562,895	562,895	-	-	-	-	-	562,895
On behalf TPAF pension contribution - non-contributory insurance	17-495-034-5094-004	20,395	07/01/16	06/30/17	-	-	20,395	20,395	-	-	-	-	-	20,395
On behalf TPAF pension contribution - post retirement medical	17-495-034-5094-001	486,013	07/01/16	06/30/17	-	-	486,013	486,013	-	-	-	-	-	486,013
On behalf TPAF pension contribution - long-term disability insurance	17-495-034-5094-001	882	07/01/16	06/30/17	-	-	882	882	-	-	-	-	-	882
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	315,637	07/01/16	06/30/17	-	-	315,637	315,637	-	-	-	-	-	315,637
Total general fund					<u>(55,434)</u>	<u>-</u>	<u>4,647,507</u>	<u>5,006,694</u>	<u>-</u>	<u>(68,621)</u>	<u>-</u>	<u>-</u>	<u>346,000</u>	<u>5,062,128</u>
Special revenue fund														
Nonpublic textbook aid	17-100-034-5120-064	857	07/01/15	06/30/16	-	857	-	-	857	-	-	-	-	-
Nonpublic security aid	17-100-034-5120-509	675	07/01/15	06/30/16	-	675	-	-	675	-	-	-	-	-
Total special revenue fund					<u>-</u>	<u>1,532</u>	<u>-</u>	<u>-</u>	<u>1,532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt service fund														
Debt service aid - State support	17-495-034-5120-017	209,117	07/01/16	06/30/17	-	-	209,117	209,117	-	-	-	-	-	209,117
Total debt service fund					<u>-</u>	<u>-</u>	<u>209,117</u>	<u>209,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>209,117</u>
State Department of Agriculture														
Enterprise fund														
State school lunch program	16-100-010-3350-023	2,401	07/01/15	06/30/16	(82)	-	82	-	-	-	-	-	-	2,401
State school lunch program	17-100-010-3350-023	2,123	07/01/16	06/30/17	-	-	2,055	2,123	-	(68)	-	-	-	2,123
Total enterprise fund					<u>(82)</u>	<u>-</u>	<u>2,137</u>	<u>2,123</u>	<u>-</u>	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,524</u>
Total State financial assistance					<u>\$ (55,516)</u>	<u>\$ 1,532</u>	<u>\$ 4,858,761</u>	<u>5,217,934</u>	<u>\$ 1,532</u>	<u>\$ (68,689)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 346,000</u>	<u>\$ 5,275,769</u>
Less: On behalf TPAF pension system contributions								(1,070,185)						
Total for State financial assistance - major program determination								<u>\$ 4,147,749</u>						

See independent auditors' report.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2017

Note 1 - General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance present the activity of all Federal and State financial assistance programs of the Board of Education, Franklin Township School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal awards and state financial assistance received directly from federal and state agencies, as well as federal and state financial assistance passed through other government agencies, is included on the Schedules of Expenditures of Federal Awards and State Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. This basis of accounting is described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of financial statements

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

The General Fund is presented in the accompanying Schedules on the Modified Accrual Basis with the exception of the revenue recognition of the last State Aid payment in the current budget year, which is mandated pursuant to PL 2003, Ch. 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the State deferred and recording of the last State Aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying Schedules on the Grant Accounting Budgetary Basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$146 for the General Fund and \$0 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.

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 571	\$ 5,006,548	\$ 5,007,119
Special Revenue Fund	279,081	-	279,081
Capital Projects Fund	-	(8,679)	(8,679)
Debt Service Fund	-	209,117	209,117
Food Service Fund	70,238	2,123	72,361
	<u>\$ 349,890</u>	<u>\$ 5,209,109</u>	<u>\$ 5,558,999</u>

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2017

- Note 4 - Relationship to federal and state financial reports
Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.
- Note 5 - Other
Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security contributions for TPAF members for the year ended June 30, 2017.

LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? __ Yes X No
2. Were significant deficiencies identified? __ Yes X None reported

Noncompliance material to basic financial statements noted?

__ Yes X No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? __ Yes __ No
2. Were significant deficiencies identified? __ Yes __ None reported

What was the type of auditor's report issued on compliance for major programs?

Were any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?

__ Yes __ No

Identification of Major Programs:

CFDA Number(s)	FEIN Number(s)	Name of Federal Program or Cluster
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>

What was the dollar threshold used to distinguish between Type A and Type B programs?

Did the auditee qualify as a low-risk auditee?

__ Yes __ No

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section I
For the Fiscal Year Ended June 30, 2017**

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes ___ No

Internal Control Over Major Programs:

- 1. Were material weakness(es) identified? ___ Yes X No
- 2. Were there significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None reported

What was the type of auditor's report issued on compliance for major programs? Unmodified

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08 as applicable? ___ Yes X No

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
	<i>State Aid Public Cluster:</i>
<i>17-495-034-5120-089</i>	<i>Special Education Categorical Aid</i>
<i>17-495-034-5120-078</i>	<i>Equalization Aid</i>
<i>17-495-034-5120-084</i>	<i>Security Aid</i>
<i>17-495-034-5120-096</i>	<i>Under Adequacy Aid</i>
<i>17-495-034-5120-068</i>	<i>School Choice Aid</i>
<i>17-495-034-5120-097</i>	<i>Per Pupil Growth Aid</i>
<i>17-495-034-5120-098</i>	<i>PARCC Readiness Aid</i>
<i>17-495-034-5120-101</i>	<i>Professional Learning Community Aid</i>
<i>17-495-034-5094-003</i>	<i>Reimbursed TPAF Social Security Contribution</i>
<i>17-495-034-5120-017</i>	<i>Debt Service Aid - State Support</i>

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs - Section II and III
For the Fiscal Year Ended June 30, 2017**

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2017.

Section III - Federal Awards and State Financial Assistance Findings and Questioned Costs

There were no findings or questioned costs for the year ended June 30, 2017.

**LOPATCONG TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior-year Audit Findings
and Questioned Costs as Prepared by Management
For the Fiscal Year Ended June 30, 2017**

Status of Prior Year Findings

There were no prior year findings or questioned costs.