

**SCHOOL DISTRICT OF  
MILLSTONE TOWNSHIP**

Millstone Township, New Jersey  
County of Monmouth

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**OF THE**

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**MILLSTONE TOWNSHIP, NEW JERSEY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Prepared by**

**Millstone Township School District  
Business Administrator's Office**



**OUTLINE OF CAFR - GASB #34**

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**INTRODUCTORY SECTION**

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# Millstone Township School District

5 Dawson Court,  
Millstone Township, NJ 08535

Christopher Huss, EdD  
Superintendent of Schools  
Phone: (732) 786-0950 Ext. 51010  
Email: [chuss@millstone.k12.nj.us](mailto:chuss@millstone.k12.nj.us)



Bernard Biesiada  
Business Administrator/Board Secretary  
Phone: (732) 786-0950 Ext. 51002  
Email: [bbiesiada@millstone.k12.nj.us](mailto:bbiesiada@millstone.k12.nj.us)

December 1, 2017

Honorable President and  
Members of the Board of Education  
Millstone Township School District  
County of Monmouth  
Millstone Township, New Jersey 08535

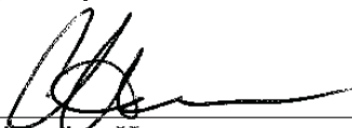
Dear Board Members:

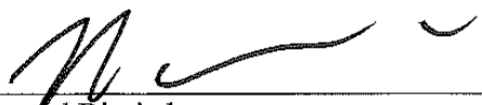
The comprehensive annual financial report of the Millstone Township School District ("District") for the fiscal year ending June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart, a roster of principal officials and a list of consultants and advisors. The financial section includes the district-wide and fund financial statements and schedules, as well as the auditor's report and the Management's Discussion and Analysis. The statistical section includes selected financial statements and schedules as well as 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); the New Jersey State Aid/Grant Compliance Supplement; the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

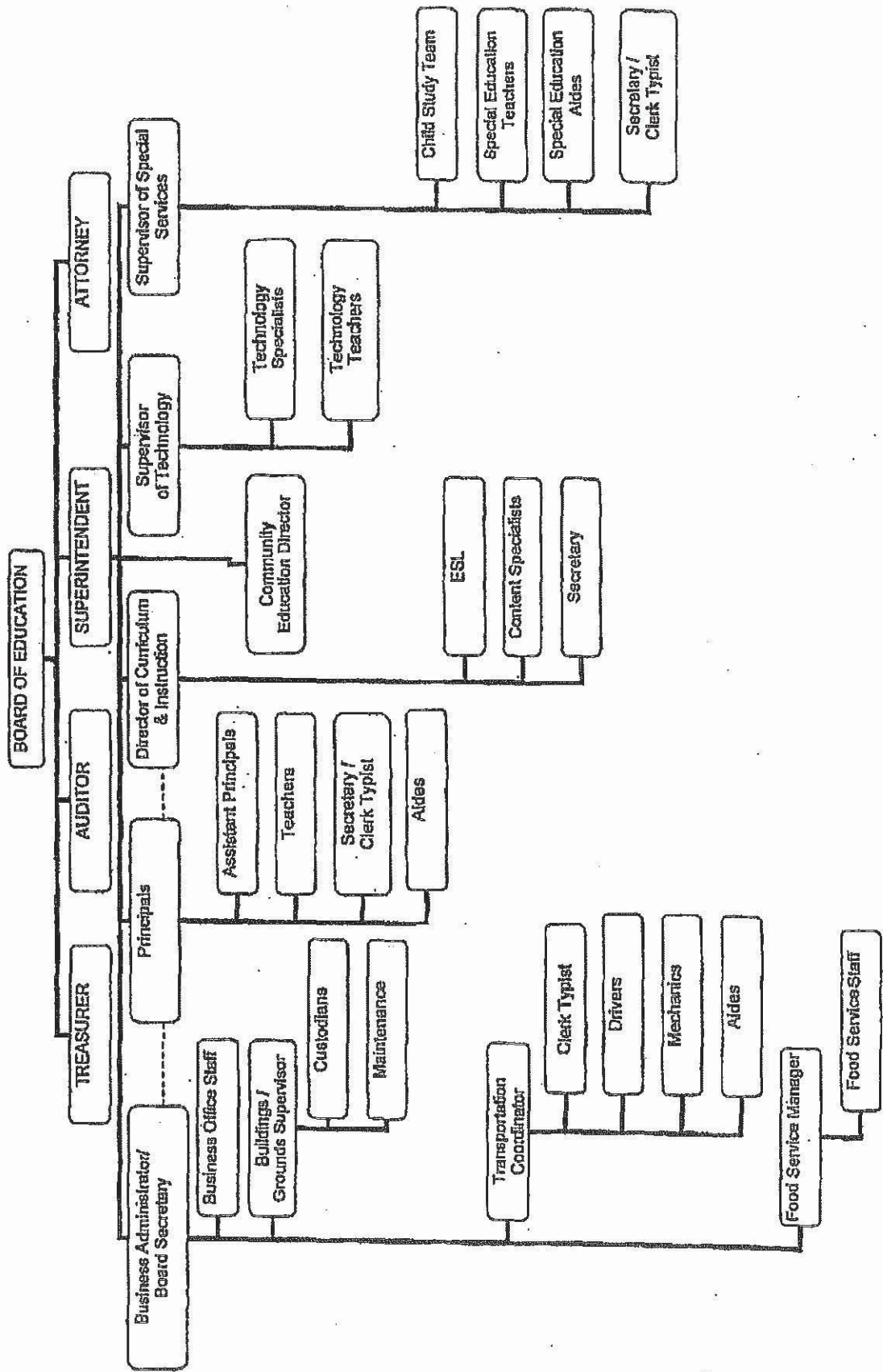
Respectfully submitted,

  
\_\_\_\_\_  
Christopher Huss  
Superintendent of Schools

  
\_\_\_\_\_  
Bernard Biesiada  
Business Administrator / Board Secretary

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MILLSTONE TOWNSHIP SCHOOL DISTRICT  
ORGANIZATION CHART



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**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**5 Dawson Court  
Millstone Township, New Jersey 08535**

**ROSTER OF OFFICIALS**

**JUNE 30, 2017**

<b>MEMBERS OF THE BOARD OF EDUCATION</b>	<b>TERM EXPIRES</b>
Salvatore Casale, President	2019
Melissa Riviello, Vice President	2017
Cynthia Bailey	2017
David DePinho	2019
Margaret Gordon	2017
Billy Hanson	2018
Amy Jacobson	2018
Kevin McGovern	2019
Dr. John Sico, Jr.	2018

**OTHER OFFICIALS**

Scott Feder, Superintendent of Schools  
Bernard S. Biesiada, Business Administrator/Board Secretary  
Karen Barry, Director of Curriculum and Instruction  
Maria Bandola, Administrative Assistant to Superintendent  
Edward DeBevec, Treasurer of School Monies  
Bruce Padula, Solicitor

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**5 Dawson Court  
Millstone Township, New Jersey 08535**

**CONSULTANTS AND ADVISORS**

**ATTORNEY**

Bruce W. Padula  
Cleary, Giacobbe, Alfieri, Jacobs LLC  
5 Ravine Drive  
P.O. Box 533  
Matawan, New Jersey 07747

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Machado Law Group  
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Clark, New Jersey 07066

Vito Gagliardi, Jr.  
Porzio, Bromberg and Newman, P.C.  
100 Southgate Parkway  
P.O. Box 1997  
Morristown, New Jersey 07962

**AUDIT FIRM**

Rodney R. Haines, CPA, PSA  
Holman Frenia Allison, P. C.  
680 Hooper Ave, Suite 2, Bldg B  
Toms River, New Jersey 08753

**OFFICIAL DEPOSITORY**

PNC Bank  
591 Route 33 & Millstone Road  
Englishtown, New Jersey 07726



**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Honorable President and Members  
of the Board of Education  
Millstone Township School District  
County of Monmouth  
Millstone, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Millstone Township School District, County of Monmouth, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Millstone Township School District, County of Monmouth, State of New Jersey, 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, budgetary comparison information, and the schedules related to accounting and reporting for pensions, 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 Millstone Township School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, statistical section and schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Division of Administration and Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying combining statements and related major fund supporting statements and schedules, and the schedules of expenditures of federal awards and 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 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 accompanying combining statements and related major fund supporting statements and schedules and schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

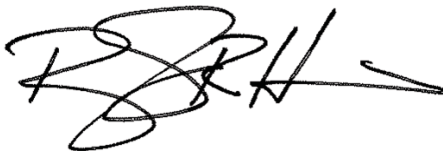
The introductory section and statistical section listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'R. Haines', with a stylized flourish at the end.

Rodney R. Haines  
Certified Public Accountant  
Public School Accountant, No. 2198

Toms River, New Jersey  
December 1, 2017

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**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

Management's Discussion and Analysis

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited)**

As management of the Millstone Township School District, New Jersey (School District), we offer readers of the School District's financial statements this narrative overview and analysis of the School District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

**Overview of the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components:

- 1) Government-Wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The *government-wide financial statements* are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of net activities.

The *statement of net position* presents information about all of the School District's assets and liabilities. The difference between the assets plus deferred outflows or resources and liabilities plus deferred inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the School District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement even though the resulting cash flows may be recorded in a future period.

Both of the government-wide financial statements distinguish functions of the School District that are supported from taxes and intergovernmental revenues (*governmental activities*) and other functions that are intended to recover most of their costs from user fees and charges (*business-type activities*). Governmental activities consolidate governmental funds including the General Fund, Special Revenue Fund, Capital Projects Fund, and Debt Service Fund. Business-type activities reflect the Food Service Fund, the Community Education Fund, the Performing Arts Center Fund, and the Shoprite Fund.

**Fund Financial Statements**

*Fund financial statements* are designed to demonstrate compliance with financial-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the School District are divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

*Governmental funds* account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide financial statements,

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Overview of the Basic Financial Statements (continued)**

**Fund Financial Statements (continued)**

the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financial requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School District maintains four individual governmental funds. The major funds are the General Fund, the Special Revenue Fund, the Capital Projects Fund, and the Debt Service Fund. They are presented separately in the fund financial statements.

The School District adopts an annual appropriated budget for the General Fund, Special Revenue Fund and the Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with budgetary requirements.

*Proprietary funds* are used to present the same functions as the business-type activities presented in the government-wide financial statements. The School District maintains one type of proprietary fund – the Enterprise Fund. The fund financial statements of the enterprise fund provides the same information as the government-wide financial statements, only in more detail.

The School District's four enterprise funds (Food Service Fund, Community Education Fund, Performing Arts Center Fund, and Shoprite Fund) are listed individually and are considered to be major funds.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's programs.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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

Table 1 provides a summary of the School Districts net position for the fiscal years 2017 compared to fiscal year 2016.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Financial Analysis of the School District as a Whole (continued)**

**Table 1**  
**Summary of Net Position**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Current & Other Assets	\$ 5,927,436	\$ 2,921,258	\$ 3,006,178	102.9%
Capital Assets, Net	40,798,647	40,479,047	319,600	0.8%
Total Assets	<u>46,726,083</u>	<u>43,400,305</u>	<u>3,325,778</u>	7.7%
Deferred Outflow of Resources	<u>4,153,368</u>	<u>2,424,919</u>	<u>1,728,449</u>	71.3%
Current and other Liabilities	6,397,230	4,381,758	2,015,472	46.0%
Noncurrent Liabilities	39,171,353	37,345,741	1,825,612	4.9%
Total Liabilities	<u>45,568,583</u>	<u>41,727,499</u>	<u>3,841,084</u>	9.2%
Deferred Inflow of Resources	<u>425,353</u>	<u>325,833</u>	<u>99,520</u>	30.5%
Net Position:				
Net Investment in Capital Assets	10,194,908	9,721,917	472,991	4.9%
Restricted	2,412,771	1,725,331	687,440	39.8%
Unrestricted (Deficit)	<u>(7,722,164)</u>	<u>(7,675,356)</u>	<u>(46,808)</u>	0.6%
Total Net Position	<u>\$ 4,885,515</u>	<u>\$ 3,771,892</u>	<u>\$ 1,113,623</u>	29.5%

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Financial Analysis of the School District as a Whole (continued)**

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

**Table 2**  
**Summary of Changes in Net Position**

	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
<b>Revenues:</b>				
Program Revenues:				
Charges for Services	\$ 667,387	\$ 723,905	\$ (56,518)	-7.8%
Operating Grants & Contributions	3,249,734	2,986,596	263,138	8.8%
General Revenues:				
Property Taxes	30,880,311	30,188,648	691,663	2.3%
Federal & State Aid	5,208,832	5,071,088	137,744	2.7%
Other General Revenues	860,572	975,058	(114,486)	-11.7%
Total Revenues	<u>40,866,836</u>	<u>39,945,295</u>	<u>921,541</u>	<u>2.3%</u>
<b>Function/Program Expenditures:</b>				
Regular Instruction	8,047,418	8,408,588	(361,170)	-4.3%
Special Education Instruction	3,243,291	3,087,295	155,996	5.1%
Other Special Instruction	403,441	514,880	(111,439)	-21.6%
Other Instruction	204,375	178,456	25,919	14.5%
Tuition	10,024,622	9,850,519	174,103	1.8%
Student & Instruction Related Services	3,526,430	3,325,423	201,007	6.0%
General Administrative	1,533,840	1,720,656	(186,816)	-10.9%
School Administrative Services	913,259	615,228	298,031	48.4%
Central Services	440,244	493,013	(52,769)	-10.7%
Administrative Info. Technology	112,186	103,894	8,292	8.0%
Plant Operations & Maintenance	2,664,917	2,696,201	(31,284)	-1.2%
Pupil Transportation	3,066,827	3,000,204	66,623	2.2%
Unallocated Benefits	568,118	124,803	443,315	355.2%
On Behalf TPAF Pension and Social				
Security Contributions	2,617,626	2,335,800	281,826	12.1%
Interest & Other Charges	554,167	1,719,244	(1,165,077)	-67.8%
Unallocated Depreciation	1,226,846	1,158,522	68,324	5.9%
Food Service	441,734	457,557	(15,823)	-3.5%
Community Education	58,499	61,696	(3,197)	-5.2%
Performing Arts Center	101,813	113,524	(11,711)	-10.3%
Shoprite	3,560	-	3,560	#DIV/0!
Total Expenditures	<u>39,753,213</u>	<u>39,965,503</u>	<u>(212,290)</u>	<u>-0.5%</u>
Change In Net Position	1,113,623	(20,208)	1,133,831	-5610.8%
Net Position - Beginning	<u>3,771,892</u>	<u>3,792,100</u>	<u>(20,208)</u>	<u>-0.5%</u>
Net Position - Ending	<u>\$ 4,885,515</u>	<u>\$ 3,771,892</u>	<u>\$ 1,113,623</u>	<u>29.5%</u>

**Governmental Activities**

During the fiscal year 2017, the net position of governmental activities increased by \$1,133,831 or 5,610.8%. The primary reason for the increase was an increase in property tax revenue, an increase in operating grants and contributions, and a decrease in overall expenditures.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Governmental Activities (continued)**

The assets and deferred outflows of the primary government activities exceeded liabilities and deferred inflows by \$4,885,515 with an unrestricted deficit balance of \$7,722,164. The deficit in unrestricted net position is primarily due to accounting treatment for compensated absences payable, GASB 68 net pension liability, and the last two state aid payments. In addition, state statutes prohibit school districts from maintaining more than 2% of its adopted budget as unassigned fund balance.

The School District's governmental activities unrestricted net position had GASB 68 pension not been implemented would have been as follows:

**Table 3**  
**GASB 68 Effect on Unrestricted Net Position**

Unrestricted Net Position (With GASB 68)	\$	(7,722,164)
Add back: PERS Pension Liability		10,246,583
Less: Deferred Outflows related to pensions		(2,947,581)
Add back: Deferred Inflows related to pensions		<u>425,353</u>
Unrestricted Net Position (Without GASB 68)	<u>\$</u>	<u>2,191</u>

**Business-type Activities**

During the fiscal year 2017, the net position of business-type activities increased by \$652 or 0.15%.

The assets and deferred outflows of the business-type activities exceeded liabilities and deferred inflows by \$425,033.

**General Fund Budgeting Highlights**

Final budgeted revenues was \$33,005,852, which was equal to the original budget. Excluding nonbudgeted revenues, the School District's actual revenues exceeded budgeted revenues by \$512,246.

Final budgeted appropriations was \$34,101,428, which was an increase of \$485,713 from the original budget. The increase is primarily due to prior year reserve for encumbrances and a budgeted transfer from capital reserve to capital projects, which increase the budget appropriations in the subsequent fiscal year's budget. Excluding nonbudgeted revenues, the School District's budget appropriations exceeded actual expenditures by \$365,199.

The School District's general fund balance – budgetary basis (Exhibit C-1) was \$2,289,969 at June 30, 2017, a decrease of \$218,131 from the prior year.

**Governmental Funds**

At the end of the current fiscal year, the School District's governmental funds reported a combined ending fund balance of \$2,975,289, an increase of \$917,772 from the prior year.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Governmental Funds (continued)**

*General fund* - During the current fiscal year, the fund balance of the School District's general fund decreased by \$214,149 or 10.41% to \$1,843,368 at June 30, 2017, compared to a decrease of \$229,692 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the general fund is as follows:

- Higher than anticipated renewals for health care, prescription and dental plans.
- Unanticipated expenses in special education.
- Unanticipated legal fees as the School District defends itself in a suit levied against the district by the Upper Freehold Regional School District.

*Special revenue fund* – There was no change in the fund balance for the special revenue fund.

*Capital projects fund* - During the current fiscal year, the fund balance of the School District's capital projects fund increased by \$1,118,868 or 100% to \$1,118,868 at June 30, 2017, compared to a decrease of \$479,982 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in fund balance of the capital projects fund is as follows:

- During the year ended June 30, 2017, the School District began capital projects related to the roof replacement of the primary school and the elementary school. The proceeds of bond issuance of \$2,600,000 exceeded the construction costs incurred of \$1,481,132.
- The decrease in fund balance from the year ended June 30, 2016 was a result of completing and closing out capital projects during that year. \$479,982 was the balance in the capital projects fund at the completion of the construction projects. The balance was transferred to the debt service for future principal payments, resulting in a decrease of fund balance of \$479,982 in the capital projects fund.

*Debt service fund* - During the current fiscal year, the fund balance of the School District's debt service fund increased by \$13,053 or 100% to \$13,053 at June 30, 2017, compared to a decrease of \$20,001 in fund balance in the prior fiscal year.

**Proprietary Funds**

*Food service fund* - During the current fiscal year, the net position of the School District's food service fund increased by \$2,663 or 1.59% to \$170,651 at June 30, 2017, compared to a decrease of \$3,437 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position of the food service fund is as follows:

- Greater participation in the food service program district-wide.

*Community education fund* - During the current fiscal year, the net position of the School District's community education fund increased by \$36 or 21% to \$211 at June 30, 2017, compared to a decrease of \$5,855 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position is as follows:

- The board contributed \$16,200 to the community education fund in the current year to keep the community education fund from going into a deficit.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Proprietary Funds (continued)**

*Performing arts center fund* - During the current fiscal year, the net position of the School District's performing arts center fund decreased by \$6,818 or 2.66% to \$249,400 at June 30, 2017, compared to an increase of \$85,203 in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position is as follows:

- The performing arts center fund contributed \$100,000 to the board in the current year to assist in funding School District operations

*Shoprite fund* - During the current fiscal year, the net position of the School District's Shoprite fund increased by \$4,771 or 100% to \$4,771 at June 30, 2017, compared to an increase of \$-0- in fund balance in the prior fiscal year. The primary factor(s) affecting the change in net position is as follows:

- The Shoprite fund was a new proprietary fund created in the current year. This fund was created with a purpose of assisting special education students learn "real life" skills by employing them in an internal school food store.

**Capital Assets**

The School District's capital assets for its governmental and business-type activities as of June 30, 2017, totaled \$40,798,647 (net of accumulated depreciation). Capital assets includes land, land improvements, buildings and improvements and equipment. The School District's "Net Investment in Capital Assets" component of net position represents capital assets, net of accumulated depreciation less any outstanding debt associated with the capital assets. There was a net increase in the School District's investment in capital assets for the current fiscal year in the amount of \$472,991. This increase is primarily due to the pay down of debt and current year construction exceeding the current year's depreciation of capital assets. Table 4 shows fiscal 2017 balances compared to 2016.

**Table 4**  
**Summary of Capital Assets**

<u>Capital Asset (Net of Depreciation):</u>	June 30, <u>2017</u>	June 30, <u>2016</u>	Increase/ <u>(Decrease)</u>	Percentage <u>Change</u>
Construction in Progress	\$ 1,481,132	\$ -	\$ 1,481,132	#DIV/0!
Site Improvements	53,133,517	53,130,643	2,874	0.0%
Building and Improvements	2,370,970	3,115,292	(744,322)	-23.9%
Equipment	1,379,595	1,372,962	6,633	0.5%
Accumulated Depreciation	<u>(17,566,567)</u>	<u>(17,139,850)</u>	<u>(426,717)</u>	2.5%
	<u>\$ 40,798,647</u>	<u>\$ 40,479,047</u>	<u>\$ 319,600</u>	0.8%

Depreciation expense for the year was \$1,248,369. Additional information on the School District's capital assets can be found in the notes to the basic financial statements (Note 5) of this report.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**(Unaudited) (Continued)**

**Debt Administration**

**Long-term debt** – At the end of the current fiscal year, the School District had total bonded debt outstanding of \$28,435,000, which is an increase of \$100,000 from the prior year.

Additional information on the School District's long-term obligations can be found in the notes to the basic financial statements (Note 7) of this report.

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

The biggest factor facing the Millstone Township School District in the future is enrollment. While the district has seen declining enrollment across all grade levels in previous years, there has been stability and even a slight increase in enrollment at the Pre-K to Grade 1 levels.

The Millstone Township School District continues to monitor its assets and will need to continue to budget annually for the upkeep and replacement of building equipment district wide.

**Contacting the School Districts Financial Management**

This financial report is designed to provide a general overview of the School District's finances for all those with an interest in the School District. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Bernard S. Biesiada, Business Administrator/Board Secretary, Millstone Township School District, 5 Dawson Court, Millstone, New Jersey 08535.



**BASIC FINANCIAL STATEMENTS**

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A. Government-Wide Financial Statements

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Cash & Cash Equivalents	\$ 4,965,563	\$ 247,261	\$ 5,212,824
Receivables, Net (Note 4)	610,171	2,931	613,102
Interfund Receivables	91,384	-	91,384
Inventory	-	10,126	10,126
Capital Assets, Net (Note 5)			
Non-Depreciable	1,481,132	-	1,481,132
Depreciable	39,148,147	169,368	39,317,515
<b>Total Assets</b>	<b>46,296,397</b>	<b>429,686</b>	<b>46,726,083</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Related to Pensions (Note 8)	2,947,581	-	2,947,581
Related to Refunding of Debt	1,205,787	-	1,205,787
<b>Total Deferred Outflow of Resources</b>	<b>4,153,368</b>	<b>-</b>	<b>4,153,368</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>50,449,765</b>	<b>429,686</b>	<b>50,879,451</b>
<b>LIABILITIES</b>			
Accounts Payable	1,650,764	8,167	1,658,931
Interfunds Payable	62,103	(17,200)	44,903
Accrued Interest	545,201	-	545,201
Payable to Other Governments	331,152	-	331,152
Unearned Revenue	978,962	13,686	992,648
Noncurrent Liabilities (Note 7):			
Due Within One Year	2,824,395	-	2,824,395
Due Beyond One Year	39,171,353	-	39,171,353
<b>Total Liabilities</b>	<b>45,563,930</b>	<b>4,653</b>	<b>45,568,583</b>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Related to Pensions (Note 8)	425,353	-	425,353
<b>Total Deferred Inflow of Resources</b>	<b>425,353</b>	<b>-</b>	<b>425,353</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>45,989,283</b>	<b>4,653</b>	<b>45,993,936</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	10,025,540	169,368	10,194,908
Restricted For:			
Capital Projects	1,118,868	-	1,118,868
Debt Service	13,053	-	13,053
Capital Reserve	351,093	-	351,093
Tuition Reserve	300,000	-	300,000
Excess Surplus	629,757	-	629,757
Unrestricted	(7,977,829)	255,665	(7,722,164)
<b>Total Net Position</b>	<b>\$ 4,460,482</b>	<b>\$ 425,033</b>	<b>\$ 4,885,515</b>

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:					
Instruction:					
Regular	\$ 8,047,418	\$ -	-	\$ (8,047,418)	\$ (8,047,418)
Special Education	3,243,291	-	502,876	(2,740,415)	(2,740,415)
Other Special Instruction	403,441	-	-	(403,441)	(403,441)
Other Instruction	204,375	-	-	(204,375)	(204,375)
Support Services & Undistributed Costs:					
Tuition	10,024,622	-	-	(10,024,622)	(10,024,622)
Student & Instruction Related Services	3,526,430	-	-	(3,526,430)	(3,526,430)
School Administrative Services	1,533,840	-	-	(1,533,840)	(1,533,840)
General & Business Administrative Services	913,259	-	-	(913,259)	(913,259)
Central Services	440,244	-	54,886	(385,358)	(385,358)
Administrative Information Technology	112,186	-	-	(112,186)	(112,186)
Plant Operations & Maintenance	2,664,917	-	-	(2,664,917)	(2,664,917)
Pupil Transportation	3,066,827	51,854	-	(3,014,973)	(3,014,973)
Unallocated Employee Benefits	3,185,744	-	2,617,626	(568,118)	(568,118)
Interest & Other Charges on Long-Term Debt	554,167	-	-	(554,167)	(554,167)
Unallocated Depreciation & Adjustments	1,226,846	-	-	(1,226,846)	(1,226,846)
<b>Total Governmental Activities</b>	<b>39,147,607</b>	<b>51,854</b>	<b>3,175,388</b>	<b>(35,920,365)</b>	<b>(35,920,365)</b>

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Business-Type Activities:					
Community Education Program	58,499	42,335	-	-	(16,164)
Performing Arts Center	101,813	194,816	-	-	93,003
Food Service	441,734	370,051	74,346	-	2,663
Shoptrite	3,560	8,331	-	-	4,771
Total Business-Type Activities	605,606	615,533	74,346	-	84,273
Total Primary Government	\$ 39,753,213	\$ 667,387	\$ 3,249,734	\$ (35,920,365)	\$ 84,273
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes, Including Debt Service				30,880,311	-
Federal & State Aid Not Restricted				5,208,832	-
Investment Earnings				-	179
Miscellaneous Income				860,393	-
Transfers				83,800	(83,800)
Total General Revenues				37,033,336	(83,621)
Change In Net Position				1,112,971	652
Net Position - Beginning				3,347,511	424,381
Net Position - Ending				\$ 4,460,482	\$ 425,033
				\$	\$ 4,885,515

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## B. Fund Financial Statements

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## Governmental Funds

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

ASSETS	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
Assets:					
Cash & Cash Equivalents	\$ 1,822,552	\$ -	\$ 2,287,113	\$ 869,362	\$ 4,979,027
Interfund Receivable	46,712	-	44,564	108	91,384
Intergovernmental Receivables:					
Local	86,807	-	-	-	86,807
State	420,983	-	-	-	420,983
Federal	-	98,484	-	-	98,484
Other Receivables	3,897	-	-	-	3,897
<b>Total Assets</b>	<b>\$ 2,380,951</b>	<b>\$ 98,484</b>	<b>\$ 2,331,677</b>	<b>\$ 869,470</b>	<b>\$ 5,680,582</b>
LIABILITIES & FUND BALANCES					
Liabilities:					
Cash Overdraft	\$ -	\$ 13,464	\$ -	\$ -	\$ 13,464
Accounts Payable	426,363	11,700	1,212,701	-	1,650,764
Interfund Payables	61,995	-	108	-	62,103
Unearned Revenue	49,225	73,320	-	856,417	978,962
<b>Total Liabilities</b>	<b>537,583</b>	<b>98,484</b>	<b>1,212,809</b>	<b>856,417</b>	<b>2,705,293</b>
Fund Balances:					
Restricted for:					
Capital Reserve Account	351,093	-	-	-	351,093
Tuition Reserve	300,000	-	-	-	300,000
Excess Surplus	200,003	-	-	-	200,003
Capital Projects Fund	-	-	1,118,868	-	1,118,868
Debt Service Fund	-	-	-	13,053	13,053
Excess Surplus Designated for Subsequent Year's Expenditures	429,754	-	-	-	429,754
Assigned to:					
Designated for Subsequent Year's Expenditures	103,433	-	-	-	103,433
Other Purposes	43,935	-	-	-	43,935
Unassigned:					
General Fund	415,150	-	-	-	415,150
<b>Total Fund Balances</b>	<b>1,843,368</b>	<b>-</b>	<b>1,118,868</b>	<b>13,053</b>	<b>2,975,289</b>
<b>Total Liabilities &amp; Fund Balances</b>	<b>\$ 2,380,951</b>	<b>\$ 98,484</b>	<b>\$ 2,331,677</b>	<b>\$ 869,470</b>	
Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:					
Deferred charge on refunding of debt is not recorded in the fund financials but is recorded on the district-wide financials.					(2,091,788)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$57,918,188 and the accumulated depreciation is \$17,288,910.					40,629,279
Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore are not reported in the funds.					2,522,228
Accrued interest payable and PERS pension payable are not recorded in the fund financial Statements due to the fact that the payables are not due in the period					(545,201)
Accrued pension contributions for the June 30, 2017 plan year are not paid with current economic resources and are therefore not reported as a liability in the funds, but are included in accounts payable in the government-wide statement of net position					(331,152)
Long-term liabilities, including net pension liability, bonds payable, compensated absences payable, bond premium and capital leases are not due and payable in the current period and therefore are not reported as liabilities in the funds (See Illustrative Note 7)					(38,698,173)
<b>Net position of Governmental Activities</b>					<b>\$ 4,460,482</b>

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES  
FOR THE FISCAL 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	\$ 27,463,913	\$ -	\$ -	\$ 3,416,398	\$ 30,880,311
Other Governmental Units	-	-	-	-	-
Tuition	49,299	-	-	-	49,299
Transportation	51,854	-	-	-	51,854
Miscellaneous	682,267	115,774	108	-	798,149
Total Local Sources	<u>28,247,333</u>	<u>115,774</u>	<u>108</u>	<u>3,416,398</u>	<u>31,779,613</u>
State Sources	7,808,573	-	-	133,659	7,942,232
Federal Sources	-	441,988	-	-	441,988
Total Revenues	<u>36,055,906</u>	<u>557,762</u>	<u>108</u>	<u>3,550,057</u>	<u>40,163,833</u>
Expenditures:					
Current Expense:					
Regular Instruction	8,047,418	-	-	-	8,047,418
Special Education Instruction	2,740,415	502,876	-	-	3,243,291
Other Special Instruction	403,441	-	-	-	403,441
Other Instruction	204,375	-	-	-	204,375
Support Services & Undistributed Costs:					
Tuition	10,024,622	-	-	-	10,024,622
Student & Instruction Related Services	3,526,430	-	-	-	3,526,430
School Administrative Services	1,478,954	54,886	-	-	1,533,840
General & Business Administrative Services	913,259	-	-	-	913,259
Central Services	440,244	-	-	-	440,244
Administrative Information Technology	112,186	-	-	-	112,186
Plant Operations & Maintenance	2,693,859	-	-	-	2,693,859
Pupil Transportation	3,066,827	-	-	-	3,066,827
Employee Benefits	2,617,626	-	-	-	2,617,626
Capital Outlay	84,199	-	1,481,132	-	1,565,331
Debt Service:					
Principal	-	-	-	2,510,000	2,510,000
Interest & Other Charges	-	-	-	1,040,057	1,040,057
Total Expenditures	<u>36,353,855</u>	<u>557,762</u>	<u>1,481,132</u>	<u>3,550,057</u>	<u>41,942,806</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>(297,949)</u>	<u>-</u>	<u>(1,481,024)</u>	<u>-</u>	<u>(1,778,973)</u>
Other Financing Sources/(Uses):					
Transfers In	83,800	-	-	108	83,908
Transfers Out	-	-	(108)	-	(108)
Proceeds of Bond Issuance	-	-	2,600,000	-	2,600,000
Refund of Escrow	-	-	-	12,945	12,945
Total Other Financing Sources/(Uses)	<u>83,800</u>	<u>-</u>	<u>2,599,892</u>	<u>13,053</u>	<u>2,696,745</u>
Net Change in Fund Balance	(214,149)	-	1,118,868	13,053	917,772
Fund Balance - July 1	2,057,517	-	-	-	2,057,517
Fund Balance - June 30	<u>\$ 1,843,368</u>	<u>\$ -</u>	<u>\$ 1,118,868</u>	<u>\$ 13,053</u>	<u>\$ 2,975,289</u>

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Total Net Change in Fund Balances - Governmental Funds (From B-2) \$ 917,772

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

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

Depreciation Expense	(1,208,686)	
Adjustments & Deletions to Fixed Assets	15,200	
Capital Outlays	1,531,971	338,485

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities

Pension Expense - PERS Contribution - 2017	313,907	
Unfunded TPAF Pension Expense	(4,480,107)	
State Share of Unfunded TPAF Pension Expense	4,480,107	
Pension Expense	(861,488)	(547,581)

Repayment of bond and capital lease principal is an expenditure in the governmental fund, but the repayment reduces long-term obligations in the statement the statement of net position and is not reported in the statement of activities. 2,538,942

Proceeds from debt issues are a financing source in the governmental funds. They are not revenue in the statement of activities; issuing debt increases long-term obligations in the statement of net position. (2,600,000)

Loss on early extinguishments of debt, deferred issuance costs, and original issue premiums are recorded when incurred in the governmental funds but are deferred and recognized in the statement of activities over the life of the refunding:

Amortization of Loss on Refunding	(184,113)	
Amortization of Original Issue Premium	398,562	214,449

In the Statement of Activities, certain operating expenses, e.g., compensate absences (vacation and sick pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used/(paid). When the earned amount, exceeds the paid amount, the difference is a reduction in the reconciliation:

Prior Year	250,254	
Current Year	(270,791)	(20,537)

In the Statement of Activities, interest on long-term obligations is accrued, regardless of when due. In the governmental funds, interest is reported when due. The increase in accrued interest is a decrease to the reconciliation.

Prior Year	816,642	
Current Year	(545,201)	271,441

Change in net position of Governmental Activities \$ 1,112,971

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

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## Proprietary Funds

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2017**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	FOOD SERVICE	COMMUNITY EDUCATION	PERFORMING ARTS CENTER	SHOPRITE	
Current Assets:					
Cash & Cash Equivalents	\$ 54,555	\$ -	\$ 201,749	\$ 5,326	\$ 261,630
Intergovernmental Receivables	2,931	-	-	-	2,931
Inventories	10,126	-	-	-	10,126
Total Current Assets	67,612	17,200	201,749	5,326	291,887
Noncurrent Assets:					
Furniture, Machinery & Equipment	382,122	-	64,905	-	447,027
Less: Accumulated Depreciation	(264,972)	-	(12,687)	-	(277,659)
Total Noncurrent Assets	117,150	-	52,218	-	169,368
Total Assets	184,762	17,200	253,967	5,326	461,255
LIABILITIES					
Cash Overdraft	-	14,369	-	-	14,369
Accounts Payable	425	2,620	4,567	555	8,167
Unearned Revenue	13,686	-	-	-	13,686
Total Liabilities	14,111	16,989	4,567	555	36,222
NET POSITION					
Net Investment in Capital Assets	117,150	-	52,218	-	169,368
Unrestricted	53,501	211	197,182	4,771	255,665
Total Net Position	\$ 170,651	\$ 211	\$ 249,400	\$ 4,771	\$ 425,033

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	FOOD SERVICE	COMMUNITY EDUCATION	PERFORMING ARTS CENTER	SHOPRITE	
Operating Revenues:					
Local Revenues:					
Daily Sales - Reimbursable Programs	\$ 183,043	\$ -	\$ -	\$ -	\$ 183,043
Total - Daily Sales - Reimbursable Programs	183,043	-	-	-	183,043
Daily Sales - Nonreimbursable Programs	183,536	-	-	-	183,536
Special Functions	3,472	-	-	-	3,472
Interest Revenue	-	-	179	-	179
Community Service Activities	-	42,335	194,816	8,331	245,482
Total Operating Revenue	370,051	42,335	194,995	8,331	615,712
Operating Expenses:					
Cost of Sales - Reimbursable Programs	108,261	-	-	-	108,261
Cost of Sales - Non-Reimbursable Programs	63,357	-	-	-	63,357
Salaries	170,131	32,459	55,082	-	257,672
Support Services - Employee Benefits	32,540	2,483	4,156	-	39,179
Management Fees	22,772	-	-	-	22,772
Purchased Professional/Technical Services	587	21,440	23,458	-	45,485
Supplies & Materials	12,799	1,947	2,163	3,560	20,469
Depreciation	16,230	-	5,293	-	21,523
General Insurance	8,260	-	-	-	8,260
Office Expense	3,021	-	-	-	3,021
Travel	2,446	-	-	-	2,446
Bad Debt Expense	-	-	4,333	-	4,333
Miscellaneous Expenditures	1,330	170	7,328	-	8,828
Total Operating Expenses	441,734	58,499	101,813	3,560	605,606
Operating Income/(Loss)	(71,683)	(16,164)	93,182	4,771	10,106
Nonoperating Revenues:					
State Sources:					
State School Lunch Program	3,226	-	-	-	3,226
Federal Sources:					
National School Lunch Program	48,603	-	-	-	48,603
National School Performance Based Program	4,633	-	-	-	4,633
Special Milk Program	803	-	-	-	803
Food Distribution Program	17,081	-	-	-	17,081
Contribution from/(to) the Board	-	16,200	(100,000)	-	(83,800)
Total Nonoperating Revenues/(Expenses)	74,346	16,200	(100,000)	-	(9,454)
Change in Net Position	2,663	36	(6,818)	4,771	652
Total Net Position	167,988	175	256,218	-	424,381
Total Net Position - Ending	\$ 170,651	\$ 211	\$ 249,400	\$ 4,771	\$ 425,033

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	FOOD SERVICE	COMMUNITY EDUCATION	PERFORMING ARTS CENTER	SHOPRITE	
Cash Flows From Operating Activities:					
Receipts from Customers	\$ 377,734	\$ 25,135	\$ 199,149	\$ 8,331	\$ 610,349
Payments to Employees	(202,671)	(34,942)	(59,238)	-	(296,851)
Payments to Suppliers	(238,716)	(21,944)	(38,856)	(3,005)	(302,521)
Interest Earned	-	-	179	-	179
Net Cash Provided/(Used) by Operating Activities	(63,653)	(31,751)	101,234	5,326	11,156
Cash Flows From Capital Financing Activities:					
Purchase of Capital Assets	-	-	(2,638)	-	(2,638)
Net Cash Provided/(Used) by Capital Financing Activities	-	-	(2,638)	-	(2,638)
Cash Flows From Noncapital Financing Activities:					
State Sources	3,226	-	-	-	3,226
Federal Sources	54,039	-	-	-	54,039
Cash Paid for Board Contribution	-	16,200	(100,000)	-	(83,800)
Net Cash Provided by Noncapital Financing Activities	57,265	16,200	(100,000)	-	(26,535)
Net Increase/(Decrease) in Cash & Cash Equivalents	(6,388)	(15,551)	(1,404)	5,326	(18,017)
Cash & Cash Equivalents, July 1	60,943	1,182	203,153	-	265,278
Cash & Cash Equivalents, June 30	\$ 54,555	\$ (14,369)	\$ 201,749	\$ 5,326	\$ 247,261

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (71,683)	\$ (16,164)	\$ 93,182	\$ 4,771	\$ 10,106
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:					
Depreciation Expense	16,230	-	5,293	-	21,523
Food Distribution Program	17,081	-	-	-	17,081
Change in Assets & Liabilities:					
Increase/(Decrease) in Receivables	7,683	(17,200)	4,333	-	(5,184)
Increase/(Decrease) in Inventory	2,613	-	-	-	2,613
(Decrease)/Increase in Accounts Payable	(35,577)	1,613	(1,574)	555	(34,983)
Net Cash Provided/(Used) by Operating Activities	\$ (63,653)	\$ (31,751)	\$ 101,234	\$ 5,326	\$ 11,156

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

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Fiduciary Fund

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

ASSETS	PRIVATE PURPOSE TRUST		AGENCY		TOTAL
	SCHOLARSHIP FUND	UNEMPLOYMENT COMPENSATION	STUDENT ACTIVITIES	PAYROLL FUND	
Cash & Cash Equivalents	\$ 6,516	\$ 20,208	\$ 43,613	\$ 68,429	\$ 138,766
Total Assets	6,516	20,208	43,613	68,429	138,766
LIABILITIES					
Interfunds Payable	-	7,407	-	39,074	46,481
Accounts Payable	-	8,163	-	29,334	37,497
Payable to Summer Teachers	-	-	-	21	21
Payable to Student Groups	-	-	43,613	-	43,613
Total Liabilities	-	15,570	43,613	68,429	127,612
NET POSITION					
Held in Trust for Unemployment Claims & Other Purposes	-	4,638	-	-	4,638
Reserved for Scholarships	6,516	-	-	-	6,516
Total Net Position	\$ 6,516	\$ 4,638	\$ -	\$ -	\$ 11,154

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2017**

ADDITIONS	PRIVATE PURPOSE		TOTAL
	SCHOLARSHIP FUND	UNEMPLOYMENT COMPENSATION	
Contributions:			
Plan Member	\$ -	\$ 27,924	\$ 27,924
Total Contributions	-	27,924	27,924
Investment Earnings:			
Interest	1	15	16
Net Investment Earnings	1	15	16
Total Additions	1	27,939	27,940
DEDUCTIONS			
Quarterly Contribution Reports	-	9,129	9,129
Unemployment Claims	-	41,781	41,781
Scholarships Awarded	225	-	225
Bank Fees	-	20	20
Total Deductions	225	50,930	51,155
Change in Net Position	(224)	(22,991)	(23,215)
Net Position - Beginning of the Year	6,740	27,629	34,369
Net Position - End of the Year	\$ 6,516	\$ 4,638	\$ 11,154

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

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# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017

### Note 1. Summary of Significant Accounting Policies

#### **Basis of Presentation**

The financial statements of the Millstone Township School District (hereafter referred to as the “School District”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

#### **Reporting Entity**

The Millstone Township School District is a Type II School District located in the County of Monmouth, State of New Jersey. As a Type II School District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. These terms are staggered so that three members’ terms expire each year. The purpose of the School District is to educate students in grades kindergarten through eighth at its three schools. The School District has an approximate enrollment at June 30, 2017 of 1,138 students.

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

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

There were no additional entities required to be included in the reporting entity under the criteria as described above. Furthermore, the School District is not includable in any other reporting entity on the basis of such criteria.

#### **Component Units**

GASB Statement No.14. *The Financial Reporting Entity*, provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legal entity but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB 61, *The Financial Reporting Entity: Omnis – an Amendment of GASB Statements No. 14 and No. 34*. The School District had no component units as of for the year ended June 30, 2017.

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

#### **Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### **A. Government-Wide Financial Statements**

The School District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the School District accompanied by a total column. Fiduciary activities of the School District are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the School District are reported in three categories: 1) charges for services, 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.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

#### **B. Governmental Fund Financial Statements**

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. The School District has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. (The School District's deferred outflows of resources and deferred inflows of resources are noncurrent.) The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the School District, are property tax and intergovernmental revenues. Expenditures are recorded in the accounting period in which the related

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the School District. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the School District and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations.

The School District funds outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When both restricted and unrestricted resources are available for use, it is the School District's policy to use restricted resources first, then unrestricted resources as they are needed. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The School District reports the following major governmental funds:

**General Fund** - The general fund is the general operating fund of the School 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 noninstructional equipment which are classified in the capital outlay sub-fund.

As required by the New Jersey Department of Education the School 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, interest earnings and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment.

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

**Special Revenue Fund** - The special revenue fund is used to account for the proceeds of specific revenue from state and federal government, other than major capital projects, debt service or proprietary funds, and local appropriations that are restricted or committed to expenditures for specified purposes.

**Capital Projects Fund** - The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition of construction of major capital facilities, other than those financed by proprietary funds. The financial resources are derived from New Jersey School Development Authority grants, temporary notes, capital leases, or serial bonds that are specially 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 financial resources that are restricted, committed, or assigned to an expenditure for the payment of general long-term debt principal, interest and related costs of governmental funds.

### C. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The School District reports the following major proprietary funds:

**Food Service Fund** – The food service fund accounts for the financial transactions related to the food service operations of the School District.

**Community Education Fund** – The community education fund accounts for the financial transactions related to the community education operations to the School District.

**Performing Arts Center Fund** – The performing arts center fund accounts for the financial transactions related to the performing arts center operations to the School District.

**Shoprite Fund** – The shoprite fund accounts for the financial transactions related to the school food store operations to the School District.



# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

#### **D. Fiduciary Fund Financial Statements**

Fiduciary fund financial statements include a Statement of Net Position. The School District's fiduciary funds include Agency and Private-Purpose Trust Funds. Private Purpose Trust and Agency Funds are used to account for and report assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, and other governments. Private Purpose Trust and Agency Funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above.

The School District reports the following fiduciary funds:

**Private Purpose Trust Funds** - Private-purpose trust funds are used to account for the principal and income for trust arrangements that benefit individuals, private organizations, or other governments. The School District currently maintains the following private purpose trust funds:

Unemployment Trust Fund – Revenues consist of employee payroll withholdings, interest income, and contributions through the annual budget process of the School District. Expenditures consist of unemployment reimbursement claims.

Scholarship Fund – Revenues consist of interest income and donations. Expenditures consist of scholarships provided to students.

**Agency Funds** - Agency funds (payroll and student activity funds) are assets held by a governmental entity either as trustee or as an agent for other parties and cannot be used to finance the governmental entities own operating programs.

#### **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. In accordance with P.L.2011 c.202, which became effective January 17, 2012, the School District eliminated the April annual voter referendum on budgets which met the statutory tax levy cap limitations and the board of education members are elected at the November general election. 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. 6A:23-2-2(f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23-2-11.

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 one or more June 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.

## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### **Note 1. Summary of Significant Accounting Policies (continued)**

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.

The budget, as detailed on Exhibit C-1, Exhibit C-2, and Exhibit I-3, includes all amendments to the adopted budget, if any.

Exhibit C-3 presents a reconciliation of the general fund revenues and special revenue fund revenues and expenditures from the budgetary basis of accounts as presented in the general fund budgetary comparison schedules and the special revenue fund budgetary comparison schedule to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds. Note that the School District does not report encumbrances outstanding at fiscal year-end as expenditures in the general fund since the general fund budget follows modified accrual basis with the exception of the revenue recognition policy for the last state aid payments.

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

Open encumbrances in the special revenue fund for which the School District has received advances are reflected in the balance sheet as a reduction of the accounts receivables or as unearned revenue at fiscal year-end.

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

#### **Cash, Cash Equivalents and Investments**

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

Investments are stated at fair value in accordance with Governmental Accounting Standards Board (GASB). New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. N.J.S.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 et. Seq.* establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act (“GUDPA”).

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

GUDPA was enacted in 1970 to protect governmental units from loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

For purposes of the statement of cash flows, the School District considers all highly liquid investments (including restricted assets) with a maturity when purchased of twelve months or less and all local government investment pools to be cash equivalents

#### **Tuition Receivable/Payable**

Tuition rates were established by the receiving School District based on estimated costs. The charges are subject to adjustment when the actual costs are determined.

#### **Inventories**

Inventories are valued at cost, using the first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

#### **Interfund Receivables/Payables**

Interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the School District and that are due within one year. As previously mentioned, these amounts are eliminated in the governmental and business-type columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are presented as Internal Balances in the Statement of Net Position.

#### **Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation. All reported capital assets except land and construction in progress are depreciated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The School District does not possess any infrastructure. The School District has established a threshold of \$2,000 for capitalization of depreciable assets.

Capital assets of the School District are depreciated or amortized using the straight-line method over the following estimated useful lives:

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 1. Summary of Significant Accounting Policies (continued)**

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	20-50 Years	20-50 Years
Machinery & Equipment	10-15 Years	10-15 Years
Office & Computer Equipment	5-10 Years	N/A
Vehicles	8 Years	N/A

**Compensated Absences**

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

The entire compensated absences liability is reported on the government-wide financial statements and proprietary fund financial statements. Compensated absences liability is not recorded in the governmental funds. Instead expenditures are recognized in the governmental funds as payments come due each period, for example, as a result of resignations or retirements.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and is recorded as a liability until the revenue is both measureable and the School District is eligible to realize the revenue.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements. In general, government fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable available financial resources.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts reported in the financial statements and accompanying note disclosures. Actual results could differ from those estimates.

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

#### **Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Reimbursements from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

#### **Deferred Outflows and Deferred 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.

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 a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

#### **Deferred Loss on Refunding Debt**

Deferred loss on refunding debt arising from the issuance of the refunding bonds is recorded as deferred outflows of resources. It is amortized in a systematic and rational manner over the shorter of the duration of the related debt or the new debt issues as a component of interest expense.

#### **Bond Premiums, Discounts and Issuance Costs**

In the government-wide financial statements and in the proprietary fund financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when bonds are issued.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Public Employees' Retirement System (PERS) and Teacher's Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's fiduciary net position have been

## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### Note 1. Summary of Significant Accounting Policies (continued)

determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Fund Balance**

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances in the governmental funds financial statements are classified into the following five categories, as defined below:

- Non-spendable – This classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned – This classification includes amounts that are constrained by the School District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to the business administrator through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the School District's policy to consider restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, it is the School District's policy to consider amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 1. Summary of Significant Accounting Policies (continued)

#### Net Position

Net position, represents the difference between 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 components represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for acquisition, construction, or improvement of those assets.
- Restricted – This component of 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 creditors, grantors or laws or regulations of other governments.
- Unrestricted – This component of net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

#### Impact of Recently Issued Accounting Principles

##### Adopted Accounting Pronouncements

The following GASB Statements became effective for the fiscal year ended June 30, 2017:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The adoption of this Statement had no impact on the School District's financial statements

Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose information about those agreements. The adoption of this Statement had no impact on the School District's financial statements.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The adoption of this Statement had no impact on the School District's financial statements.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The adoption of this Statement had no impact on the School District's financial statements.

## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### Note 1. Summary of Significant Accounting Policies (continued)

##### Recently Issued Accounting Pronouncements

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agency Employers and Agent Multi-Employer Plans*, for OPEB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB Plans. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement will be effective for the year ended June 30, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, 68 and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement will be effective for the year ended June 30, 2018. Management has not yet determined the potential impact on the School District's financial statements.

Statement No. 83, *Certain Asset Retirement Obligations*. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. Statement No. 83 establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 84, *Fiduciary Activities*. The Statement intends to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. To that end, Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Statement No. 84 is effective for reporting periods beginning after



MILLSTONE TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)

**Note 1. Summary of Significant Accounting Policies (continued)**

December 15, 2018. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 85, *Omnibus 2017*. This Statement provides guidance that addresses several different accounting and financial reporting issues identified during the implementation and application of other GASB pronouncements. The guidance in Statement No. 85 is effective for periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 86, *Accounting for Certain Debt Extinguishment*. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with only existing resources, that is, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. Statement No. 86 is effective for reporting periods beginning after June 15, 2017. Management does not expect this Statement to have a material impact on the School District's financial statements.

Statement No. 87, *Leases*. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. The GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after December 15, 2019. Management does not expect this Statement to have a material impact on the School District's financial statements.

**Note 2. Deposits and Investments**

**Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the Board's deposits may not be recovered. Although the Board does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 et seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of GUDPA. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Public fund owned by the Board in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings, student activity fund or other funds that may pass to the Board relative to the happening of a future condition. Such funds are shown as Uninsured and Uncollateralized in the schedule below. As of June 30, 2017, the School District's bank balance of \$5,891,208 was exposed to custodial credit risk as follows:

Insured under FDIC and GUDPA	\$ 5,891,208
Uninsured and Uncollateralized	<u>-</u>
	<u>\$ 5,891,208</u>

MILLSTONE TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)

Note 3. Reserve Accounts

Capital Reserve

A capital reserve account was established by the School 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 School District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a School District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year-end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A School 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 *N.J.S.A.19:60-2*. Pursuant to *N.J.A.C.6:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Beginning Balance, July 1, 2016	\$	351,093
Increased by:		
Interest Earnings		-
Projects Cancelled		<u>351,093</u>
		702,186
Decreased by:		
Budget Withdrawals		<u>(351,093)</u>
Ending Balance, June 30, 2017	\$	<u>351,093</u>

Tuition Reserve

A tuition reserve account may be established in accordance with *N.J.A.C.6A:23-3.1(f)* for tuition between two Boards of Education that are in a formal sending/receiving relationship. The maximum amount that may be restricted at year end is 10% of the estimated contract year. Upon certification of tuition rates in the second year following the contract year, full appropriation of the applicable year's reserve must be liquidated and any remaining balance related to that year must be reserved and budgeted for tax relief. The District's tuition reserve account balance of \$200,000 as of June 30, 2017 is comprised of \$200,000 established during 2015/2016 which will be used to pay for any tuition adjustments for the fiscal year ending June 30, 2018.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 3. Reserve Accounts (continued)**

Beginning Balance, July 1, 2016	\$ 200,000
Increased by:	
Interest Earnings	-
Deposits approved by Board	<u>100,000</u>
	300,000
Decreased by:	
Budget Withdrawals	<u>-</u>
Ending Balance, June 30, 2017	<u><u>\$ 300,000</u></u>

**Note 4. Accounts Receivable**

Accounts receivable at June 30, 2017 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full due to the stable condition of state and federal programs, the current fiscal year guarantee of federal funds and the budgetary control of New Jersey governmental entities. Accounts receivable in the School District's governmental and business-type activities as of June 30, 2017, consisted of the following:

<u>Description</u>	<u>Governmental Funds</u>			<u>Total Governmental Activities</u>	<u>Proprietary Funds</u>	
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>		<u>Food Service Fund</u>	<u>Total Business-Type Activities</u>
Federal Awards	\$ -	\$ 98,484	\$ -	\$ 98,484	\$ 2,766	\$ 2,766
State Awards	420,983	-	-	420,983	165	165
Local - Tuition	86,807	-	-	86,807	-	-
Other	<u>3,897</u>	-	-	<u>3,897</u>	-	-
Total	<u>\$ 511,687</u>	<u>\$ 98,484</u>	<u>\$ -</u>	<u>\$ 610,171</u>	<u>\$ 2,931</u>	<u>\$ 2,931</u>

**Note 5. Capital Assets**

Capital assets activity for the year ended June 30, 2017 was as follows:

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 5. Capital Assets (continued)**

	Balance July 1, <u>2016</u>	<u>Additions</u>	Retirements and Transfers	Balance June 30, <u>2017</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ 1,481,132	\$ -	\$ 1,481,132
Total Capital Assets not being depreciated	<u>-</u>	<u>1,481,132</u>	<u>-</u>	<u>1,481,132</u>
Capital Assets being depreciated:				
Site Improvements	53,130,643	2,874	-	53,133,517
Buildings and Improvements	3,090,592	43,970	(788,292)	2,346,270
Equipment	953,273	3,995	-	957,268
Total Capital Assets being depreciated	<u>57,174,508</u>	<u>50,839</u>	<u>(788,292)</u>	<u>56,437,055</u>
Less: Accumulated Depreciation:				
Site Improvements	(685,192)	(25,313)	-	(710,505)
Buildings and Improvements	(13,295,483)	(1,132,894)	-	(14,428,377)
Equipment	(2,903,039)	(50,479)	803,492	(2,150,026)
Total Accumulated Depreciation	<u>(16,883,714)</u>	<u>(1,208,686)</u>	<u>803,492</u>	<u>(17,288,908)</u>
Total Capital Assets being depreciated, net	<u>40,290,794</u>	<u>(1,157,847)</u>	<u>15,200</u>	<u>39,148,147</u>
Total Governmental Activities Capital Assets, net	<u>\$ 40,290,794</u>	<u>\$ 323,285</u>	<u>\$ 15,200</u>	<u>\$ 40,629,279</u>
	Balance July 1, <u>2016</u>	<u>Additions</u>	Retirements and Transfers	Balance June 30, <u>2017</u>
<b>Business-Type Activities:</b>				
Buildings and Improvements	\$ 24,700	\$ -	\$ -	\$ 24,700
Equipment	419,689	2,638	-	422,327
	<u>444,389</u>	<u>2,638</u>	<u>-</u>	<u>447,027</u>
Less: Accumulated Depreciation:				
Buildings and Improvements	(988)	(988)	-	(1,976)
Equipment	(255,148)	(20,535)	-	(275,683)
	<u>(256,136)</u>	<u>(21,523)</u>	<u>-</u>	<u>(277,659)</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 188,253</u>	<u>\$ (18,885)</u>	<u>\$ -</u>	<u>\$ 169,368</u>

Depreciation expense was not allocated among the various functions/programs of the School District.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 6. Interfund Receivables, Payables and Transfers**

Individual fund receivables/payables balances at June 30, 2017 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 46,712	\$ 61,995
Capital Projects Fund	44,564	108
Debt Service Fund	108	-
Community Education Fund	17,200	-
Payroll Fund	-	39,074
Unemployment Fund	-	7,407
	<u>\$ 108,584</u>	<u>\$ 108,584</u>

The interfund receivables and payables above predominately resulted from payment made by certain funds on behalf of other funds. All interfund balances are expected to be repaid within one year.

A summary of interfund transfers is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 100,000	\$ 16,200
Capital Projects Fund	-	108
Debt Service Fund	108	-
Performing Arts Center Fund	-	100,000
Community Education Fund	16,200	-
	<u>\$ 116,308</u>	<u>\$ 116,308</u>

The purpose of the interfund transfers were to fund a deficit in the community education fund, to contribute surplus from the performing arts center to the general fund, and to transfer interest earned in capital projects to the debt service fund.

**Note 7. Long-Term Obligations**

During the fiscal year-ended June 30, 2017 the following changes occurred in long-term obligations for the governmental and business-type activities:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Balance Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 28,345,000	\$ 2,600,000	\$ 2,510,000	\$ 28,435,000	\$ 2,400,000
Capital Leases	105,893	-	28,942	76,951	29,974
Unamortized Bond Premiums	3,696,136	-	398,561	3,297,575	394,421
Compensated Absences	250,254	20,537	-	270,791	-
Net Pension Liability	7,885,961	2,029,470	-	9,915,431	-
	<u>\$ 40,283,244</u>	<u>\$ 4,650,007</u>	<u>\$ 2,937,503</u>	<u>\$ 41,995,748</u>	<u>\$ 2,824,395</u>

For governmental activities, the bonds payable are liquidated from the School District's debt service fund. Compensated absences, capital leases, unamortized bond premiums and net pension liability are liquidated by the general fund.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 7. Long-Term Obligations (continued)**

**Bonds Payable**

The voters of the municipality through referendums authorize bonds in accordance with State Law. All bonds are retired in serial installments within the statutory period of usefulness.

On May 15, 2005, the School District issued \$4,565,000 of Refunding Bonds. The Refunding Bonds were issued at interest rates at 4% and mature on March 15, 2018.

On December 6, 2011, the School District issued \$15,045,000 of Refunding Bonds. The Refunding Bonds were issued at interest rates at 5% and mature on July 15, 2021.

On April 19, 2016, the School District issued \$16,900,000 of Refunding Bonds. The Refunding Bonds were issued at interest rates varying from 4.00% to 5.00% and mature on July 15, 2030.

On April 5, 2017, the School District issued \$2,600,000 of General Obligation Bonds. The General Obligation Bonds were issued at interest rates varying from 2.00% to 2.50% and mature on March 1, 2027.

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

Fiscal Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,400,000	\$ 1,171,636	\$ 3,571,636
2019	1,945,000	1,076,700	3,021,700
2020	2,075,000	984,950	3,059,950
2021	2,175,000	984,950	3,159,950
2022	2,195,000	786,775	2,981,775
2023-2027	10,710,000	2,668,300	13,378,300
2028-2031	6,935,000	680,850	7,615,850
	<u>\$ 28,435,000</u>	<u>\$ 8,354,161</u>	<u>\$ 36,789,161</u>

**Capital Lease Payable**

The future minimum lease payments for the capital lease is as follows:

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 7. Long-Term Obligations (continued)**

Fiscal Year Ending <u>June 30,</u>		
2018	\$	32,195
2019		32,195
2020		<u>16,097</u>
Total Minimum Lease Payments		80,487
Less: Amount Representing Interest		<u>(3,536)</u>
Present Value of Minimum Lease Payments		<u>\$ 76,951</u>

Amortization of the leased equipment under capital assets is included with depreciation expense.

**Bonds Authorized but not Issued**

As of June 30, 2017, the School District had no bonds authorized but not issued.

**Note 8. Pension Plans**

**A. Public Employees' Retirement System (PERS)**

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and 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

## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### Note 8. Pension Plans (continued)

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 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 year 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, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

**Pension Liability, Pension Expense and Deferred Outflows/Inflows of Resources** - At June 30, 2017, the School District reported a liability of \$9,915,431 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2015, to the measurement date of June 30, 2016. The School District's proportion of the net pension liability was based on the School District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The School District's proportion measured as of June 30, 2016, was .03348% which was a decrease of .00165% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School District recognized full accrual pension expense of \$844,984 in the government-wide financial statements. This pension expense was based on the pension plans June 30, 2016 measurement date. At June 30, 2017 the School District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:



**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 184,397	\$ -
Changes of Assumptions	2,053,948	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	378,084	-
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	-	425,353
School District contributions subsequent to measurement date	<u>331,152</u>	<u>                    </u>
	<u>\$ 2,947,581</u>	<u>\$ 425,353</u>

\$331,152 reported as deferred outflows of resources resulting from school district contributions subsequent to the measurement date is due April 1, 2018 and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending <u>June 30,</u></b>	
2018	\$ 495,702
2019	495,702
2020	596,385
2021	496,192
2022	<u>107,095</u>
	<u>\$ 2,191,076</u>

The amortization of the above other deferred outflows of resources and deferred inflows of resources related to pensions will be over the following number of years:

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

	<b><u>Deferred Outflow of Resources</u></b>	<b><u>Deferred Inflow of Resources</u></b>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
 Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
 Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	5.00	-
June 30, 2015	5.00	-
June 30, 2016	5.00	-

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.57, 5.72 and 6.44 years for the 2016, 2015, and 2014 amounts, respectively.

**Actuarial Assumptions** – The collective 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 assumptions:

Inflation Rate	3.08%
 Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% - 5.15% Based on Age
 Investment Rate of Return	7.65%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

In addition, the tables 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. Post-retirement mortality rate were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on the 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 scales. 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.

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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic 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 Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment grade 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%

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

**Discount Rate** - The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. The single blended discount rate was based on 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 municipals 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 contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the School District's proportionate share of the net pension liability as of June 30, 2016, calculated using the discount rate of 3.98% as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>At 1% Decrease <u>(2.98%)</u></b>	<b>At Current Discount Rate <u>(3.98%)</u></b>	<b>At 1% Increase <u>(4.98%)</u></b>
School District's Proportionate Share of the Net Pension Liability	<u>\$ 12,150,203</u>	<u>\$ 9,915,431</u>	<u>\$ 8,070,433</u>

**Additional Information** - The following is a summary of the collective balances of the local group at June 30, 2017 and 2016:

	<u>6/30/2017</u>	<u>6/30/2016</u>
Collective Deferred Outflows of Resources	\$ 7,815,204,785	\$ 2,946,265,815
Collective Deferred Inflows of Resources	\$ -	\$ 360,920,604
Collective Net Pension Liability	\$ 29,617,131,759	\$ 22,447,996,119
 School District's portion	 0.03348%	 0.03513%

**B. Teachers' Pension and Annuity Fund (TPAF)**

**Plan Description** - The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF) is a cost sharing multiple-employer defined benefit pension plan with a special-funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. TPAF is administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about TPAF, please

# MILLSTONE TOWNSHIP SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

### Note 8. Pension Plans (continued)

refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

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

The following represents the membership tiers for TPAF:

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

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

**Contributions** - The contribution policy for TPAF is set by *N.J.S.A 18A:66* and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.2% in State fiscal year 2017. 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 year 2016, the State's pension contribution was less than the actuarial determined amount.

As mentioned previously, 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, the School District is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the School District does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers.

**Pension Liability and Pension Expense** - The State's proportionate share of the TPAF net pension liability, attributable to the School District as of June 30, 2016 was \$73,598,555. The School District's proportionate share was \$0.

MILLSTONE TOWNSHIP SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)

**Note 8. Pension Plans (continued)**

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on projection of the State's long-term contributions to the pension plan associated with the District relative to the projected contributions by the State associated with all participating school districts, actuarially determined. At June 30, 2016, the State proportionate share of the TPAF net pension liability attributable to the School District was .09356, which was a decrease of .00474% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the State of New Jersey recognized a pension expense in the amount of \$5,529,907 for the State's proportionate share of the TPAF pension expense attributable to the School District. This pension expense was based on the pension plans June 30, 2016 measurement date.

**Actuarial Assumptions** – 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:	
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 generational basis based 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 experience 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 Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.39%
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 Equities	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	0.50%	2.87%
Hedge Funds - MultiStrategy	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. The single blended discount rate was based on 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 municipals 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 contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 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.

**Sensitivity of the School District's proportionate share of the Net Pension Liability to Changes in the Discount Rate** – As previously mentioned, TPAF has a special funding situation where the State pays 100% of the School District's annual required contribution. The following represents the State's proportionate share of the net pension liability, attributable to the School District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the net pension liability, attributable to the School District's would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 8. Pension Plans (continued)**

	<b>At 1% Decrease <u>(2.22%)</u></b>	<b>At Current Discount Rate <u>(3.22%)</u></b>	<b>At 1% Increase <u>(4.22%)</u></b>
State of New Jersey's Proportionate Share of Net Pension Liability associated with the School District	\$ 87,893,122	\$ 73,598,555	\$ 61,925,196
	\$ 87,893,122	\$ 73,598,555	\$ 61,925,196

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

**C. Defined Contribution Plan (DCRP)**

**Plan Description** - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of N.J.S.A. 43:15C-1 et seq. The DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage

Individuals eligible for membership in the DCRP include:

- State or local officials who are elected or appointed on or after July 1, 2007;
- 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 established "maximum compensation" limits;
- Employees enrolled in the Police and Firemen's Retirement System (PFRS) or State Police Retirement System (SPRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits;
- Employees otherwise eligible to enroll in the PERS or TPAF on or after November 2, 2008, who do not earn the minimum annual salary for PERS or TPAF Tier 3 enrollment but who earn salary of at least \$5,000 annually. The minimum salary in 2017 is \$8,300 and is subject to adjustment in future years.
- Employees otherwise eligible to enroll in the PERS or TPAF after May 21, 2010, who do not work the minimum number of hours per week required for PERS or TPAF Tier 4 or Tier 5 enrollment but who earn salary of at least \$5,000 annually. The minimum number is 35 hours per week for State employees, or 32 hours per week for local government or local education employees



## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### Note 8. Pension Plans (continued)

**Contributions** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires active members and contribution employers. When enrolled in the DCRP, members are required to contribute 5.5% of their base salary to a tax-deferred investment account established with Prudential Financial, which jointly administers the DCRP investments with the Division of Pension and Benefits. Member contributions are matched by a 3% contribution from the School District.

For the year ended June 30, 2017, employee contributions totaled \$9,723, and the School District recognized an expense for payments made to the Defined Contribution Retirement program in the amount of \$5,235.

#### Note 9. State Post-Retirement Medical Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving 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 P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program (APB) who retired from a board of education or county college with 25 years of service. The State paid \$231.2 million toward Chapter 126 benefits for 20,045 eligible retired members in Fiscal Year 2016.

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

#### Note 10. On-Behalf Payments for Fringe Benefits and Salaries

As previously mentioned, the School District receives on-behalf payments from the State of New Jersey for normal costs and post-retirement medical costs related to the Teachers' Pension and Annuity Fund (TPAF) pension plan. The School District is not legally responsible for these contributions. The on-behalf payments are recorded as revenues and expenditures in the government-wide and general fund financial statements. For the fiscal year ended June 30, 2017, the on-behalf payments for normal costs, post-retirement medical costs, and long-term disability were \$1,049,800, \$874,723, and \$2,008, respectively.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2017 (continued)**

**Note 11. Risk Management**

The School 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.

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

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Interest Earnings</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 27,924	\$ 15	\$ 50,930	\$ 4,638
2015-2016	32,465	11	17,706	27,629
2014-2015	31,409	8	33,872	12,859

**Property and Liability Insurance** – The School District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

**Joint Insurance Pool** – The School District also participates in the Burlington County Insurance Pool Joint Insurance Fund and, public entity risk pool. The Pool provides its members with the following coverage:

Property – Blanket Building & Grounds	General & Automobile Liability
Environmental Impairment Liability	Workers’ Compensation
School Board Legal Liability	Excess Liability
Employers Liability	Comprehensive Crime Coverage

**Note 12. Contingencies**

**State and Federal Grantor Agencies** - The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017 may be impaired. In the opinion of the School District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

**Litigation** – The School District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the School Districts’ attorney that resolution of these matters will not have a material adverse effect on the financial condition of the School District.

## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

**Economic Dependency** – The School District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, could have an effect on the School District's programs and activities.

#### **Note 13. Deferred Compensation**

The School District offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b) and 457. The plans, which are administered by the entities listed below, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Lincoln Investment Planning  
Variable Annuity Life Insurance Company  
AXA Equitable

#### **Note 14. Compensated Absences**

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

School District employees are granted varying amount of vacation and sick leave in accordance with the School District's personnel policies. Upon termination, employees are paid for accrued vacation. The School District 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 School District for the unused sick leave in accordance with School Districts' agreements with the various employee unions.

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. At June 30, 2017, the liability for compensated absences reported on the government-wide Statement of Net Position was \$270,791.

#### **Note 15. Tax Abatements**

As defined by the Governmental Accounting Standards Board (GASB) Statement No. 77, a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

## MILLSTONE TOWNSHIP SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2017 (continued)

#### **Note 15. Tax Abatements (continued)**

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

#### **Note 16. Commitments**

The School District has contractual commitments at June 30, 2017 to various vendors, which are recorded in the general fund as assigned to other purposes in the amount of \$43,935.

#### **Note 17. Calculation of Excess Surplus**

The designation for Restricted Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A.18A:7F-7. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year-end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 was \$200,003.

#### **Note 18. Fund Balances**

**General Fund** – Of the \$1,843,368 General Fund fund balance at June 30, 2017, \$351,093 has been restricted for the Capital Reserve Account; \$300,000 has been restricted for the Tuition Reserve Account; \$200,003 has been restricted for current year excess surplus; \$429,754 is restricted for prior year excess surplus – designated for subsequent year's expenditures; \$43,935 has been assigned to other purposes; \$103,433 has been assigned and included as anticipated revenue for the year ending June 30, 2018; and \$415,150 has been unassigned.

**Capital Projects Fund** – Of the \$1,118,868 Capital Projects Fund fund balance at June 30, 2017, \$1,118,868 is restricted for future capital projects approved by the School District.

**Debt Service Fund** – Of the \$13,053 Debt Service Fund fund balance at June 30, 2017, \$13,053 is restricted for future debt service payments.

#### **Note 19. Deficit in Net Position**

**Unrestricted Net Position** – The School District governmental activities had a deficit in unrestricted net position in the amount of \$7,977,829 at June 30, 2017. The primary causes of this deficit is the School District not recognizing the receivable for the last two state aid payments and the recording of the net pension liability for the Public Employee's Retirement System (PERS) as of June 30, 2017. This deficit in unrestricted net position for governmental activities does not indicate that the School District is facing financial difficulties.

**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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### C. Budgetary Comparison Schedules

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Revenues:</b>						
<b>Local Sources:</b>						
Local Tax Levy	10-1210	\$ 27,463,913	\$ -	\$ 27,463,913	\$ 27,463,913	\$ -
Tuition from Individuals	10-1300	-	-	-	14,477	14,477
Tuition from Other LEAs within the State	10-1320	28,000	-	28,000	34,822	6,822
Transportation Fees from Individuals	10-1410	18,000	-	18,000	4,751	(13,249)
Transportation Fees from Other LEA's	10-1420	-	-	-	-	-
Transportation Fees from Other Sources	10-1440	70,000	-	70,000	47,103	(22,897)
Interest Income	10-1510	1,000	-	1,000	1,565	565
Rents and Royalties	10-1910	5,000	-	5,000	4,210	(790)
Unrestricted Miscellaneous	10-1990	320,000	-	320,000	676,492	356,492
<b>Total Local Sources</b>		<b>27,905,913</b>	<b>-</b>	<b>27,905,913</b>	<b>28,247,333</b>	<b>341,420</b>
<b>State Sources:</b>						
Extraordinary Aid	10-3131	200,000	-	200,000	355,854	155,854
Categorical Special Education Aid	10-3132	1,263,326	-	1,263,326	1,263,326	-
Equalization Aid	10-3176	2,349,161	-	2,349,161	2,349,161	-
Categorical Security Aid	10-3177	160,905	-	160,905	160,905	-
Categorical Transportation Aid	10-3121	634,121	-	634,121	634,121	-
Adjustment Aid	10-3178	339,326	-	339,326	339,326	-
PARCC Readiness Aid	10-3197	18,105	-	18,105	18,105	-
Per Pupil Growth Aid	10-3198	18,105	-	18,105	18,105	-
Professional Learning Commission Aid	10-3183	16,890	-	16,890	16,890	-
Nonpublic Transportation Aid	10-3XXX	-	-	-	31,172	31,172
<b>Nonbudgeted:</b>						
On-Behalf TPAF Post Retirement Medical	10-3901	-	-	-	874,723	874,723
On-Behalf TPAF Pension Contribution	10-3901	-	-	-	1,049,800	1,049,800
On-Behalf TPAF Long-Term Disability Insurance	10-3901	-	-	-	2,008	2,008
Reimbursed TPAF Social Security	10-3902	-	-	-	691,095	691,095
<b>Total State Sources</b>		<b>4,999,939</b>	<b>-</b>	<b>4,999,939</b>	<b>7,804,591</b>	<b>2,804,652</b>
<b>Total Revenues</b>		<b>32,905,852</b>	<b>-</b>	<b>32,905,852</b>	<b>36,051,924</b>	<b>3,146,072</b>
<b>Expenditures:</b>						
<b>Current Expense:</b>						
<b>Instruction - Regular Programs:</b>						
<b>Salaries of Teachers:</b>						
Preschool	11-105-100-101	184,145	55,110	239,255	238,255	1,000
Preschool Aides	11-105-100-106	71,011	16,472	87,483	87,483	-
Kindergarten	11-110-100-101	262,260	-	262,260	259,643	2,617
Grades 1 - 5	11-120-100-101	2,728,469	40,861	2,769,330	2,768,874	456
Aides Elementary	11-120-100-106	21,993	773	22,766	22,766	-
Grades 6 - 8	11-130-100-101	2,484,243	(49,491)	2,434,752	2,434,752	-
<b>Home Instruction - Regular Programs:</b>						
Salaries of Teachers	11-150-100-101	5,950	-	5,950	2,042	3,908
<b>Regular Programs - Undistributed Instruction:</b>						
Other Salaries for Instruction	11-190-100-106	-	18,827	18,827	18,827	-
Social Security Contributions	11-190-100-220	171,913	(58,000)	113,913	111,108	2,805
Unemployment Compensation	11-190-100-250	10,877	(10,000)	877	-	877
Workmen's Compensation	11-190-100-260	65,900	-	65,900	63,286	2,614
Health Benefits	11-190-100-270	1,952,667	(333,230)	1,619,437	1,615,667	3,770
Tuition Reimbursement	11-190-100-280	65,000	(20,000)	45,000	42,565	2,435
Purchased Technical Services	11-190-100-340	8,475	-	8,475	7,040	1,435
Other Purchased Services	11-190-100-500	118,795	(61,000)	57,795	54,978	2,817
Travel Expense	11-190-100-580	4,650	2,832	7,482	7,569	(87)
General Supplies	11-190-100-610	399,496	(85,190)	314,306	311,220	3,086
Textbooks	11-190-100-640	11,400	(9,500)	1,900	1,343	557
<b>Total Regular Programs</b>		<b>8,567,244</b>	<b>(491,536)</b>	<b>8,075,708</b>	<b>8,047,418</b>	<b>28,290</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Special Education:</b>						
<b>Learning and/or Language Disabilities:</b>						
Salaries of Teachers	11-204-100-101	101,282	7,522	108,804	108,803	1
Other Salaries for Instruction	11-204-100-106	37,416	11,238	48,654	48,654	-
Social Security Contributions	11-204-100-220	63,075	-	63,075	61,072	2,003
Unemployment Compensation	11-204-100-250	2,260	-	2,260	-	2,260
Workmen's Compensation	11-204-100-260	24,179	12,000	36,179	34,786	1,393
Health Benefits	11-204-100-270	691,381	196,690	888,071	888,071	-
General Supplies	11-204-100-610	2,835	-	2,835	2,002	833
<b>Total Learning &amp;/or Language Disabilities</b>		<b>922,428</b>	<b>227,450</b>	<b>1,149,878</b>	<b>1,143,388</b>	<b>6,490</b>
<b>Multiple Disabilities:</b>						
Salaries of Teachers	11-212-100-101	57,015	37	57,052	57,052	-
Other Salaries for Instruction	11-212-100-106	50,711	1,138	51,849	51,842	7
General Supplies	11-212-100-610	1,700	-	1,700	936	764
<b>Total Multiple Disabilities</b>		<b>109,426</b>	<b>1,175</b>	<b>110,601</b>	<b>109,830</b>	<b>771</b>
<b>Resource Room / Resource Center:</b>						
Salaries of Teachers	11-213-100-101	1,276,940	83,875	1,360,815	1,360,815	-
Other Salaries for Instruction	11-213-100-106	69,447	40,785	110,232	110,232	-
General Supplies	11-213-100-610	26,653	(11,133)	15,520	13,032	2,488
<b>Total Resource Room/Resource Center</b>		<b>1,373,040</b>	<b>113,527</b>	<b>1,486,567</b>	<b>1,484,079</b>	<b>2,488</b>
<b>Preschool Disabilities - Part-Time:</b>						
Salaries of Teachers	11-215-100-101	-	3,118	3,118	3,118	-
<b>Total Preschool Disabilities - Part-Time</b>		<b>-</b>	<b>3,118</b>	<b>3,118</b>	<b>3,118</b>	<b>-</b>
<b>Total Special Education</b>		<b>2,404,894</b>	<b>345,270</b>	<b>2,750,164</b>	<b>2,740,415</b>	<b>9,749</b>
<b>Basic Skills/Remedial - Instruction:</b>						
Salaries of Teachers	11-230-100-101	445,429	(85,482)	359,947	359,590	357
<b>Total Basic Skills/Remedial - Instruction</b>		<b>445,429</b>	<b>(85,482)</b>	<b>359,947</b>	<b>359,590</b>	<b>357</b>
<b>Bilingual Education - Instruction:</b>						
Salaries of Teachers	11-240-100-101	43,852	-	43,852	43,851	1
<b>Total Bilingual Education - Instruction</b>		<b>43,852</b>	<b>-</b>	<b>43,852</b>	<b>43,851</b>	<b>1</b>
<b>School Sponsored Cocurricular Activities:</b>						
Salaries	11-401-100-100	42,400	29,353	71,753	71,753	-
Social Security Contributions	11-401-100-220	2,119	-	2,119	1,103	1,016
Unemployment Compensation	11-401-100-220	294	-	294	-	294
Workmen's Compensation	11-401-100-260	812	-	812	628	184
Health Benefits	11-401-100-270	24,901	(8,000)	16,901	16,050	851
Other Objects	11-401-100-800	5,000	-	5,000	4,320	680
<b>Total School Sponsored Cocurricular - Activities</b>		<b>75,526</b>	<b>21,353</b>	<b>96,879</b>	<b>93,854</b>	<b>3,025</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
School Sponsored Athletics - Instruction:						
Salaries	11-402-100-100	75,000	6,918	81,918	81,918	-
Other Purchased Services	11-402-100-500	13,320	-	13,320	7,030	6,290
Supplies and Materials	11-402-100-600	23,200	-	23,200	21,573	1,627
<b>Total School Sponsored Athletics - Instruction</b>		<b>111,520</b>	<b>6,918</b>	<b>118,438</b>	<b>110,521</b>	<b>7,917</b>
<b>Total - Instruction</b>		<b>11,648,465</b>	<b>(203,477)</b>	<b>11,444,988</b>	<b>11,395,649</b>	<b>49,339</b>
Undistributed Expenditures:						
Instruction:						
Tuition to Other LEAs Within State Regular	11-000-100-561	8,158,163	38,564	8,196,727	8,195,771	956
Tuition to Other LEAs Within State Special	11-000-100-562	672,967	(58,034)	614,933	614,645	288
Tuition to County Vocational School District - Regular	11-000-100-563	196,140	49,050	245,190	242,235	2,955
Tuition to County Vocational School District - Special	11-000-100-564	40,110	(14,000)	26,110	25,650	460
Tuition to CSSD & Regional Day School	11-000-100-565	270,907	66,039	336,946	333,012	3,934
Tuition to Private Schools for Disabled Within the State	11-000-100-566	727,110	(182,371)	544,739	533,906	10,833
Tuition Other	11-000-100-569	89,390	(9,000)	80,390	79,403	987
<b>Total Undistributed Expenditures - Instruction</b>		<b>10,154,787</b>	<b>(109,752)</b>	<b>10,045,035</b>	<b>10,024,622</b>	<b>20,413</b>
Attendance & Social Work Services:						
Salaries	11-000-211-100	158,262	588	158,850	158,850	-
Social Security Contributions	11-000-211-220	2,521	-	2,521	1,694	827
Other Retirement Contributions - PERS	11-000-211-241	967	16,000	16,967	16,513	454
Unemployment Compensation	11-000-211-250	350	-	350	271	79
Health Benefits	11-000-211-270	29,636	(5,000)	24,636	24,633	3
<b>Total Attendance &amp; Social Work Services</b>		<b>191,736</b>	<b>11,588</b>	<b>203,324</b>	<b>201,961</b>	<b>1,363</b>
Health Services:						
Salaries	11-000-213-100	212,433	-	212,433	210,352	2,081
Social Security Contributions	11-000-213-220	5,909	-	5,909	3,898	2,011
Unemployment Compensation	11-000-213-250	821	-	821	-	821
Workmen's Compensation	11-000-213-260	2,265	-	2,265	2,220	45
Health Benefits	11-000-213-270	69,456	(10,000)	59,456	56,679	2,777
Purchased Professional & Technical Services	11-000-213-300	2,000	16,717	18,717	18,717	-
Other Purchased Services	11-000-213-500	505	-	505	110	395
Supplies and Materials	11-000-213-600	7,290	-	7,290	6,349	941
Other Objects	11-000-213-800	400	-	400	89	311
<b>Total Health Services</b>		<b>301,079</b>	<b>6,717</b>	<b>307,796</b>	<b>298,414</b>	<b>9,382</b>
Other Support Services - Students - Related Services:						
Salaries	11-000-216-100	374,051	(683)	373,368	373,368	-
Social Security Contributions	11-000-216-220	10,565	-	10,565	6,547	4,018
Unemployment Compensation	11-000-216-250	967	-	967	-	967
Workmen's Compensation	11-000-216-260	4,050	-	4,050	3,729	321
Health Benefits	11-000-216-270	124,177	(28,000)	96,177	95,200	977
Purchased Professional - Educational Services	11-000-216-320	115,440	8,304	123,744	122,495	1,249
Supplies and Materials	11-000-216-600	6,652	-	6,652	4,605	2,047
<b>Total Other Support Services - Students - Related Services</b>		<b>635,902</b>	<b>(20,379)</b>	<b>615,523</b>	<b>605,944</b>	<b>9,579</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Other Support Services - Students - Extraordinary Services:</b>						
Salaries	11-000-217-100	146,721	10,824	157,545	157,545	-
Social Security Contributions	11-000-217-220	4,029	-	4,029	4,029	-
Unemployment Compensation	11-000-217-250	560	-	560	560	-
Workmen's Compensation	11-000-217-260	1,544	-	1,544	1,544	-
Health Benefits	11-000-217-270	47,354	-	47,354	47,354	-
Purchased Professional & Educational Services	11-000-217-320	379,947	(77,459)	302,488	300,408	2,080
Other Purchased Professional Svc.	11-000-217-330	-	-	-	-	-
Supplies and Materials	11-000-217-600	7,000	1,716	8,716	1,330	7,386
<b>Total Other Support Services - Students - Extraordinary Services</b>		<b>587,155</b>	<b>(64,919)</b>	<b>522,236</b>	<b>512,770</b>	<b>9,466</b>
<b>Other Support Services - Students - Regular:</b>						
Salaries of Other Professional Staff	11-000-218-104	273,282	2,757	276,039	276,039	-
Social Security Contributions	11-000-218-220	7,679	(2,100)	5,579	5,063	516
Unemployment Compensation	11-000-218-250	567	-	567	-	567
Workmen's Compensation	11-000-218-260	2,944	-	2,944	2,883	61
Health Benefits	11-000-218-270	90,257	(16,006)	74,251	73,617	634
Supplies and Materials	11-000-218-600	1,500	-	1,500	1,500	-
<b>Total Other Support Services - Students - Regular</b>		<b>376,229</b>	<b>(15,349)</b>	<b>360,880</b>	<b>359,102</b>	<b>1,778</b>
<b>Other Support Services - Students - Special Services:</b>						
Salaries of Other Professional Staff	11-000-219-104	409,097	(53,400)	355,697	355,339	358
Salaries of Secretarial & Clerical Assistants	11-000-219-105	47,998	(600)	47,398	47,236	162
Social Security Contributions	11-000-219-220	13,057	(4,000)	9,057	8,094	963
Unemployment Compensation	11-000-219-250	813	-	813	-	813
Workmen's Compensation	11-000-219-260	5,005	-	5,005	4,611	394
Health Benefits	11-000-219-270	153,469	(35,000)	118,469	117,699	770
Travel Expenditures	11-000-219-580	5,000	-	5,000	267	4,733
Miscellaneous Purchased Services	11-000-219-592	18,200	-	18,200	10,924	7,276
Supplies and Materials	11-000-219-600	14,935	5,670	20,605	14,149	6,456
Other Objects	11-000-219-890	2,050	-	2,050	1,307	743
<b>Total Other Support Services - Students - Special Services</b>		<b>669,624</b>	<b>(87,330)</b>	<b>582,294</b>	<b>559,626</b>	<b>22,668</b>
<b>Improvement of Instruction Services:</b>						
Salaries of Supervisors of Instruction	11-000-221-102	158,732	33,283	192,015	192,015	-
Salaries of Secretarial & Clerical Assistants	11-000-221-105	36,718	1,017	37,735	37,735	-
Social Security Contributions	11-000-221-220	5,498	(244)	5,254	4,882	372
Unemployment Compensation	11-000-221-250	764	(700)	64	-	64
Workmen's Compensation	11-000-221-260	2,108	700	2,808	2,781	27
Health Benefits	11-000-221-270	64,627	6,355	70,982	70,982	-
Other Purchased Professional and Technical Services	11-000-221-300	14,165	-	14,165	13,338	827
Other Purchased Services	11-000-221-500	500	-	500	-	500
Travel Expenditures	11-000-221-580	4,670	-	4,670	1,687	2,983
Supplies and Materials	11-000-221-600	8,000	20,827	28,827	26,673	2,154
Other Objects	11-000-221-800	4,850	-	4,850	3,068	1,782
<b>Total Improvement of Instruction Services</b>		<b>300,632</b>	<b>61,238</b>	<b>361,870</b>	<b>353,161</b>	<b>8,709</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Educational Media Services/School Library:</b>						
Salaries	11-000-222-100	59,230	9,433	68,663	68,663	-
Social Security Contributions	11-000-222-220	6,076	(2,000)	4,076	4,052	24
Other Retirement Contributions - PERS	11-000-222-241	-	28,000	28,000	27,097	903
Unemployment Compensation	11-000-222-250	844	-	844	650	194
Workmen's Compensation	11-000-222-260	2,329	(2,000)	329	-	329
Health Benefits	11-000-222-270	71,417	(12,000)	59,417	58,915	502
Salaries of Technology Coordinators	11-000-222-177	157,520	(16,000)	141,520	141,232	288
Purchased Professional & Technical Services	11-000-222-300	21,000	(12,750)	8,250	-	8,250
Other Purchased Services	11-000-222-500	3,500	-	3,500	2,613	887
Supplies and Materials	11-000-222-600	21,850	-	21,850	9,324	12,526
<b>Total Educational Media Services/School Library</b>		<b>343,766</b>	<b>(7,317)</b>	<b>336,449</b>	<b>312,546</b>	<b>23,903</b>
<b>Instructional Staff Training Services:</b>						
Salaries of Supervisors of Instr.	11-000-223-102	141,146	3,620	144,766	144,766	-
Salaries of Other Professional Staff	11-000-223-104	57,500	(9,293)	48,207	43,113	5,094
Other Salaries	11-000-223-110	32,500	(32,400)	100	-	100
Social Security Contributions	11-000-223-220	6,529	(3,000)	3,529	3,466	63
Unemployment Compensation	11-000-223-250	907	-	907	-	907
Workmen's Compensation	11-000-223-260	2,503	-	2,503	1,974	529
Health Benefits	11-000-223-270	76,743	(26,300)	50,443	50,409	34
Educational Services	11-000-223-320	50,000	10,900	60,900	59,610	1,290
Other Purchased Services	11-000-223-500	22,818	-	22,818	19,568	3,250
<b>Total Instructional Staff Training Services</b>		<b>390,646</b>	<b>(56,473)</b>	<b>334,173</b>	<b>322,906</b>	<b>11,267</b>
<b>Support Services General Administration:</b>						
Salaries	11-000-230-100	243,663	(6,000)	237,663	264,046	(26,383)
Social Security Contributions	11-000-230-220	6,883	(2,400)	4,483	4,449	34
Other Retirement Contributions - PERS	11-000-230-241	-	11,000	11,000	10,500	500
Unemployment Compensation	11-000-230-250	956	(956)	-	-	-
Workmen's Compensation	11-000-230-260	2,638	-	2,638	2,534	104
Health Benefits	11-000-230-270	80,899	(16,200)	64,699	64,687	12
Legal Services	11-000-230-331	30,000	62,753	92,753	356,924	(264,171)
Audit Services	11-000-230-332	27,000	-	27,000	31,675	(4,675)
Architectural/Engineering Services	11-000-230-333	7,000	24,201	31,201	22,497	8,704
Other Purchased Professional Services	11-000-230-339	45,900	1,429	47,329	58,202	(10,873)
Communications/Telephone	11-000-230-530	40,000	(4,569)	35,431	38,999	(3,568)
Supt Travel Expenses	11-000-230-580	2,000	-	2,000	1,387	613
Travel	11-000-230-585	1,500	-	1,500	1,500	-
Other Purchased Services (400-500)	11-000-230-590	43,100	(38,440)	4,660	6,301	(1,641)
Supplies and Materials	11-000-230-600	2,000	345	2,345	2,978	(633)
General Supplies	11-000-230-610	3,500	(1,533)	1,967	1,924	43
Miscellaneous Expenditures	11-000-230-890	27,700	8,703	36,403	44,656	(8,253)
<b>Total Support Services General Administration</b>		<b>564,739</b>	<b>38,332</b>	<b>603,071</b>	<b>913,259</b>	<b>(310,188)</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Support Services School Administration:</b>						
Salaries of Principals & Assistant Principals	11-000-240-103	657,403	(22,408)	634,995	634,995	-
Salaries of Other Professional Staff	11-000-240-104	143,579	4,879	148,458	148,458	-
Salaries of Secretarial & Clerical Assistants	11-000-240-105	68,460	12,905	81,365	81,365	-
Social Security Contributions	11-000-240-220	3,730	31,000	34,730	34,523	207
Other Retirement Contributions - PERS	11-000-240-241	24,287	2,000	26,287	26,079	208
Unemployment Compensation	11-000-240-250	518	-	518	-	518
Workmen's Compensation	11-000-240-260	1,430	18,300	19,730	19,665	65
Health Benefits	11-000-240-270	127,407	374,614	502,021	502,021	-
Purchased Professional & Technical Services	11-000-240-300	2,790	(1,491)	1,299	-	1,299
Other Purchased Services						
Travel	11-000-240-580	2,250	-	2,250	-	2,250
Other Purchased Services (400-500)	11-000-240-500	18,021	-	18,021	9,470	8,551
Supplies and Materials	11-000-240-600	17,800	-	17,800	10,423	7,377
Other Objects	11-000-240-800	14,300	(1,576)	12,724	11,955	769
<b>Total Support Services School Administration</b>		<b>1,081,975</b>	<b>418,223</b>	<b>1,500,198</b>	<b>1,478,954</b>	<b>21,244</b>
<b>Central Services:</b>						
Salaries	11-000-251-100	298,835	(40,863)	257,972	257,463	509
Social Security Contributions	11-000-251-220	8,441	(2,400)	6,041	5,998	43
Other Retirement Contributions - PERS	11-000-251-241	27,376	3,000	30,376	29,949	427
Unemployment Compensation	11-000-251-250	672	-	672	-	672
Workmen's Compensation	11-000-251-260	3,236	200	3,436	3,417	19
Health Benefits	11-000-251-270	99,217	(11,200)	88,017	87,214	803
Purchased Professional Services	11-000-251-330	27,000	-	27,000	25,616	1,384
Other Purchased Services	11-000-251-500	4,800	3,641	8,441	7,892	549
Travel	11-000-251-580	2,000	549	2,549	3,098	(549)
Miscellaneous Purchased Services	11-000-251-592	16,000	-	16,000	12,145	3,855
Supplies and Materials	11-000-251-600	5,500	-	5,500	4,542	958
Miscellaneous Expenditures	11-000-251-890	3,500	-	3,500	2,910	590
<b>Total Central Services</b>		<b>496,577</b>	<b>(47,073)</b>	<b>449,504</b>	<b>440,244</b>	<b>9,260</b>
<b>Administration Information Technology:</b>						
Salaries	11-000-252-100	-	2,800	2,800	2,800	-
Purchased Technical Services	11-000-252-340	90,000	-	90,000	86,929	3,071
Other Purchased Services (400-500)	11-000-252-500	25,000	(1,400)	23,600	21,178	2,422
General Supplies	11-000-252-600	5,000	-	5,000	829	4,171
Other Objects	11-000-252-800	-	450	450	450	-
<b>Total Administration Information Technology</b>		<b>120,000</b>	<b>1,850</b>	<b>121,850</b>	<b>112,186</b>	<b>9,664</b>
<b>Required Maintenance for School Facilities:</b>						
Salaries	11-000-261-100	322,416	(27,888)	294,528	294,448	80
Cleaning, Repair & Maintenance Services	11-000-261-420	210,425	4,130	214,555	197,219	17,336
General Supplies	11-000-261-610	66,821	-	66,821	57,608	9,213
<b>Total Required Maintenance for School Facilities</b>		<b>599,662</b>	<b>(23,758)</b>	<b>575,904</b>	<b>549,275</b>	<b>26,629</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
<b>Other Operation &amp; Maintenance of Plant:</b>						
Salaries	11-000-262-100	703,094	24,563	727,657	727,657	-
Salaries of Non-Instructional Aides	11-000-262-107	68,243	-	68,243	66,365	1,878
Social Security Contributions	11-000-262-220	31,027	(16,000)	15,027	14,828	199
Other Retirement Contributions - PERS	11-000-262-241	202,037	(53,000)	149,037	148,693	344
Unemployment Compensation	11-000-262-250	2,309	(2,000)	309	-	309
Workmen's Compensation	11-000-262-260	11,894	(3,000)	8,894	8,445	449
Health Benefits	11-000-262-270	367,190	(151,500)	215,690	215,612	78
Purchased Professional & Technical Services	11-000-262-300	124,000	(23,025)	100,975	94,180	6,795
Cleaning, Repair & Maintenance Services	11-000-262-420	-	73,040	73,040	34,507	38,533
Insurance	11-000-262-520	120,000	25,338	145,338	142,923	2,415
General Supplies	11-000-262-610	108,600	(7,694)	100,906	94,915	5,991
Energy (Heat & Electricity)	11-000-262-620	574,700	11,001	585,701	583,929	1,772
Other Objects	11-000-262-800	16,500	-	16,500	12,530	3,970
<b>Total Other Operation &amp; Maintenance of Plant</b>		<b>2,329,594</b>	<b>(122,277)</b>	<b>2,207,317</b>	<b>2,144,584</b>	<b>62,733</b>
<b>Student Transportation Services:</b>						
Salaries for Pupil Transportation (Between Home & School) - Regular	11-000-270-160	343,682	(28,260)	315,422	315,422	-
Salaries for Pupil Transportation (Between Home & School) - Special Ed.	11-000-270-161	12,153	250	12,403	12,403	-
Social Security Contributions	11-000-270-220	10,950	-	10,950	7,332	3,618
Other Retirement Contributions - PERS	11-000-270-241	71,300	(14,000)	57,300	56,816	484
Unemployment Compensation	11-000-270-250	521	-	521	-	521
Workmen's Compensation	11-000-270-260	4,197	-	4,197	4,176	21
Health Benefits	11-000-270-270	128,701	(19,200)	109,501	106,622	2,879
Other Employee Benefits	11-000-270-290	-	1,200	1,200	1,102	98
Other Purchased Professional & Technical Services	11-000-270-390	2,000	13,350	15,350	15,211	139
Cleaning, Repair & Maintenance Services	11-000-270-420	27,700	(1,500)	26,200	22,823	3,377
Contracted Services (Regular Education Routes) - Vendors	11-000-270-511	1,224,765	32,849	1,257,614	1,257,514	100
Contracted Services (Special Education Students) - Vendors	11-000-270-514	695,214	356,792	1,052,006	1,052,006	-
Contracted Services (Aid in Lieu of Payments) - Nonpublic Sch.	11-000-270-503	65,000	453	65,453	65,453	-
Miscellaneous Purchased Services - Transportation	11-000-270-593	4,000	(2,500)	1,500	-	1,500
Supplies and Materials	11-000-270-600	187,000	(26,393)	160,607	149,205	11,402
Other Objects	11-000-270-800	3,500	-	3,500	742	2,758
<b>Total Student Transportation Services</b>		<b>2,780,683</b>	<b>313,041</b>	<b>3,093,724</b>	<b>3,066,827</b>	<b>26,897</b>
<b>Nonbudgeted:</b>						
On-Behalf Post Retirement Medical		-	-	-	874,723	(874,723)
On-Behalf TPAF Pension Contribution		-	-	-	1,049,800	(1,049,800)
On-Behalf TPAF Long-Term Disability Insurance		-	-	-	2,008	(2,008)
Reimbursed TPAF Social Security		-	-	-	691,095	(691,095)
<b>Total Undistributed Expenditures</b>		<b>21,924,786</b>	<b>296,362</b>	<b>22,221,148</b>	<b>24,874,007</b>	<b>(2,652,859)</b>
<b>Total Expenditures - Current Expense</b>		<b>33,573,251</b>	<b>92,885</b>	<b>33,666,136</b>	<b>36,269,656</b>	<b>(2,603,520)</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	ACCOUNT NUMBER	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Capital Outlay:						
Facilities Acquisition & Construction Services:						
Construction	12-000-400-450	-	41,735	41,735	41,735	-
Other Objects	12-000-400-800	42,464	-	42,464	42,464	-
Capital Reserve Transfer to Capital	12-000-400-931	-	351,093	351,093	-	351,093
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Facilities Acquisition & Construction Services		42,464	392,828	435,292	84,199	351,093
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Capital Outlay		42,464	392,828	435,292	84,199	351,093
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures		33,615,715	485,713	34,101,428	36,353,855	(2,252,427)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Sources/(Uses):						
Net Transfers from Enterprise Funds		100,000	-	100,000	83,800	(16,200)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources /(Uses)		100,000	-	100,000	83,800	(16,200)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures & Other Financing Sources/(Uses)		33,515,715	485,713	34,001,428	36,270,055	(2,268,627)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess/(Deficiency) of Revenues & Other Financing Sources Over/(Under) Expenditures & Other						
Financing Uses		(609,863)	(485,713)	(1,095,576)	(218,131)	877,445
Fund Balances, July 1		2,508,100	-	2,508,100	2,508,100	-
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund Balances, June 30		\$ 1,898,237	\$ (485,713)	\$ 1,412,524	\$ 2,289,969	\$ 877,445

**RECAPITULATION OF BUDGET TRANSFERS**

Prior Year-end Encumbrances	\$ 134,621
Transfer from Capital Reserve to Capital Projects	<u>351,093</u>
Total Budget Transfers	<u>\$ 485,714</u>

**RECAPITULATION OF FUND BALANCE**

Restricted Fund Balance:		
Capital Reserve	\$ 351,093	
Tuition Reserve	300,000	
Excess Surplus	200,003	
Excess Surplus Designated for Subsequent Year's Expenditures	429,754	
Assigned Fund Balance:		
Year-end Encumbrances	43,935	
Designated for Subsequent Year's Expenditures	103,433	
Unassigned Fund Balance	<u>861,751</u>	
Total - Budgetary Basis	2,289,969	
Reconciliation to Governmental Fund Statements (GAAP):		
Last State Aid Payment Not Recognized on GAAP Basis	<u>(446,601)</u>	
Total Fund Balance per Governmental Funds (GAAP)	<u>\$ 1,843,368</u>	



**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR FISCAL YEAR ENDED JUNE 30, 2017**

REVENUES	ORIGINAL BUDGET	BUDGET TRANSFERS	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Local Sources	\$ -	\$ 100,823	\$ 100,823	\$ 100,823	\$ -
Federal Sources	391,414	50,574	441,988	441,988	-
Total Revenues	<u>391,414</u>	<u>151,397</u>	<u>542,811</u>	<u>542,811</u>	<u>-</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	83,281	(922)	82,359	82,359	-
Tuition	250,000	22,805	272,805	272,805	-
General Supplies	51,653	81,108	132,761	132,761	-
Total Instruction	<u>384,934</u>	<u>102,991</u>	<u>487,925</u>	<u>487,925</u>	<u>-</u>
Support Services:					
Salaries	6,480	(280)	6,200	6,200	-
Personal Services - Employee Benefits	-	17,680	17,680	17,680	-
Purchased Professional - Educational Services	-	24,647	24,647	24,647	-
Other Purchased Services	-	1,724	1,724	1,724	-
Supplies & Materials	-	4,635	4,635	4,635	-
Total Support Services	<u>6,480</u>	<u>48,406</u>	<u>54,886</u>	<u>54,886</u>	<u>-</u>
Total Expenditures	<u>391,414</u>	<u>151,397</u>	<u>542,811</u>	<u>542,811</u>	<u>-</u>
Total Outflows	<u>391,414</u>	<u>151,397</u>	<u>542,811</u>	<u>542,811</u>	<u>-</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures & Other Financing Sources/(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART II**

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

	GENERAL FUND	SPECIAL REVENUE FUND
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
From the Budgetary Comparison Schedule (C-Series)	\$ 36,051,924	\$ 542,811
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior	-	15,761
Current	-	(810)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.		
	450,583	-
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.		
	(446,601)	-
<hr/>		
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds. (B-2)	<u>\$ 36,055,906</u>	<u>\$ 557,762</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	\$ 36,353,855	\$ 542,811
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
	-	14,951
<hr/>		
Total Expenditures as Reported on the Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds (B-2)	<u>\$ 36,353,855</u>	<u>\$ 557,762</u>

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**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

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**MILLSTONE 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
District's proportion of the net pension liability (asset)	0.03348%	0.03513%	0.03610%	0.03644%
District's proportionate share of the net pension liability (asset)	\$ 9,915,431	\$ 7,885,961	\$ 6,757,995	\$ 6,964,815
District's covered-employee payroll	\$ 2,399,615	\$ 2,333,859	\$ 2,356,072	\$ 2,420,913
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	413.21%	337.89%	286.83%	287.69%
Plan fiduciary net position as a percentage of the total pension liability	47.92%	52.08%	52.08%	48.72%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014
Contractually required contribution	\$ 331,152	\$ 297,420	\$ 302,023	\$ 297,563
Contributions in relation to the contractually required contribution	331,152	297,420	302,023	297,563
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 2,399,615	\$ 2,333,859	\$ 2,356,072	\$ 2,420,913
Contributions as a percentage of covered-employee payroll	13.80%	12.74%	12.82%	12.29%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHERS' PENSION AND ANNUITY FUND  
 LAST TEN FISCAL YEARS**

	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.09356%	0.09830%	0.09639%	0.09170%
State's proportionate share of the net pension liability (asset) associated with the District	\$73,598,555	\$62,127,485	\$51,515,206	\$ 46,342,788
District's covered-employee payroll	\$ 9,562,090	\$ 9,364,304	\$ 9,541,518	\$ 9,442,932
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%

\*\*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PART III  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Teachers Pension and Annuity Fund (TPAF)**

**Changes in Benefit Terms** - None.

**Changes in Assumptions** - The discount rate changed from 4.13% as of June 30, 2015, to 3.22% as of June 30, 2016.

**Public Employees' Retirement System (PERS)**

**Changes in Benefit Terms** - None.

**Changes in Assumptions** - The discount rate changed from 4.90 % as of June 30, 2015, to 3.98% as of June 30, 2016.

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**OTHER SUPPLEMENTARY INFORMATION**

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D. School Based Budget Schedules

Not Applicable

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E. Special Revenue Fund

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	I.D.E.A. PART B BASIC	I.D.E.A. PRESCHOOL	TITLE I	TITLE II-A	LOCAL GRANTS	TOTAL
<b>Revenues:</b>						
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ 100,823	\$ 100,823
Federal Source	272,806	11,844	132,691	24,647	-	441,988
<b>Total Revenues</b>	<b>272,806</b>	<b>11,844</b>	<b>132,691</b>	<b>24,647</b>	<b>100,823</b>	<b>542,811</b>
<b>Expenditures:</b>						
<b>Instruction:</b>						
Salaries of Teachers	\$ 11,698	\$ -	\$ 69,731	\$ -	\$ 930	\$ 82,359
Tuition	260,961	11,844	-	-	-	272,805
General Supplies	147	-	37,356	-	95,258	132,761
<b>Total Instruction</b>	<b>272,806</b>	<b>11,844</b>	<b>107,087</b>	<b>-</b>	<b>96,188</b>	<b>487,925</b>
<b>Support Services:</b>						
Salaries	-	-	6,200	-	-	6,200
Personal Services - Employee Benefits	-	-	17,680	-	-	17,680
Purchased Professional Educational Services	-	-	-	24,647	-	24,647
Other Purchased Services	-	-	1,724	-	-	1,724
Supplies & Materials	-	-	-	-	4,635	4,635
<b>Total Support Services</b>	<b>-</b>	<b>-</b>	<b>25,604</b>	<b>24,647</b>	<b>4,635</b>	<b>54,886</b>
<b>Total Expenditures</b>	<b>\$ 272,806</b>	<b>\$ 11,844</b>	<b>\$ 132,691</b>	<b>\$ 24,647</b>	<b>\$ 100,823</b>	<b>\$ 542,811</b>

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F. Capital Projects Fund

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**MILLSTONE SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF PROJECT EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

PROJECT TITLE/ISSUE	ORIGINAL DATE	ORIGINAL APPROPRIATIONS	EXPENDITURES TO DATE		UNEXPENDED BALANCE JUNE 30, 2017
			PRIOR YEARS	CURRENT YEAR	
New Primary School Roof	10/28/16	\$ 1,465,100	\$ -	\$ 829,818	\$ 635,282
New Elementary School Roof	10/28/16	1,134,900	-	651,314	483,586
Total		\$ 2,600,000	\$ -	\$ 1,481,132	\$ 1,118,868

**MILLSTONE 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 & Other Financing Sources:	
Bond Proceeds & Transfers	\$ 2,600,000
Interest Income	108
	<hr/>
Total Revenues & Other Financing Sources	2,600,108
	<hr/>
Expenditures & Other Financing Uses:	
Purchased Professional & Technical Services	108,350
Construction Services	1,372,782
Transfers to Debt Service Fund	108
	<hr/>
Total Expenditures & Other Financing Uses	1,481,240
	<hr/>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	1,118,868
	<hr/>
Fund Balance - Beginning	-
	<hr/>
Fund Balance - Ending	\$ 1,118,868
	<hr/> <hr/>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
PROJECT STATUS--BUDGETARY BASIS  
PRIMARY SCHOOL SCHOOL ROOF  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
Bond Proceeds & Transfers	\$ -	\$ 1,465,100	\$ 1,465,100	\$ 1,465,100
Interest Income	-	61	61	-
Total Reserve	-	1,465,161	1,465,161	1,465,100
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	-	61,060	61,060	78,852
Construction Services	-	768,758	768,758	1,276,222
Miscellaneous	-	-	-	110,026
Transfers to Debt Service Fund	-	61	61	-
Total Expenditures & Other Financing Uses	-	829,879	829,879	1,465,100
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 635,282	\$ 635,282	\$ -

**ADDITIONAL PROJECT INFORMATION**

Project Number	3200-080-17-1000
Grant Date	10/28/2016
Bond Authorization Date	4/5/2017
Bonds Authorized	\$ 1,465,100
Bonds Issued	\$ 1,465,100
Original Authorized Cost	\$ 1,655,893
Revised Authorized Cost	\$ 1,465,100
Percentage Increase Over Original Authorized Cost	-11.52%
Percentage Completion	56.64%
Original Target Completion Date	06/30/18
Revised Target Completion Date	06/30/18

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND  
PROJECT STATUS--BUDGETARY BASIS  
ELEMENTARY SCHOOL ROOF  
FROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017**

	PRIOR PERIODS	CURRENT YEAR	TOTALS	REVISED AUTHORIZED COST
Revenues & Other Financing Sources:				
Bond Proceeds & Transfers	\$ -	\$ 1,134,900	\$ 1,134,900	\$ 1,134,900
Interest Income	-	47	47	-
Total Reserve	-	1,134,947	1,134,947	1,134,900
Expenditures & Other Financing Uses:				
Purchased Professional & Technical Services	-	47,290	47,290	61,074
Construction Services	-	604,024	604,024	988,607
Miscellaneous	-	-	-	85,219
Transfers to Debt Service Fund	-	47	47	-
Total Expenditures & Other Financing Uses	-	651,361	651,361	1,134,900
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	\$ -	\$ 483,586	\$ 483,586	\$ -

**ADDITIONAL PROJECT INFORMATION**

Project Number	3200-060-17-1000
Grant Date	10/28/2016
Bond Authorization Date	4/5/2017
Bonds Authorized	\$ 1,134,900
Bonds Issued	\$ 1,134,900
Original Authorized Cost	\$ 1,282,549
Revised Authorized Cost	\$ 1,134,900
Percentage Increase Over Original Authorized Cost	-11.51%
Percentage Completion	57.39%
Original Target Completion Date	06/30/18
Revised Target Completion Date	06/30/18

## G. Proprietary Funds

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## Enterprise Funds

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING SCHEDULE OF NET POSITION  
AS OF JUNE 30, 2017**

ASSETS	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	FOOD SERVICE	COMMUNITY EDUCATION	PERFORMING ARTS CENTER	SHOPRITE	
Current Assets:					
Cash & Cash Equivalents	\$ 54,555	\$ -	201,749	5,326	\$ 261,630
Interfund Receivables	-	17,200	-	-	17,200
Intergovernmental Receivables	2,931	-	-	-	2,931
Inventories	10,126	-	-	-	10,126
Total Current Assets	67,612	17,200	201,749	5,326	291,887
Noncurrent Assets:					
Furniture, Machinery & Equipment	382,122	-	64,905	-	447,027
Less: Accumulated Depreciation	(264,972)	-	(12,687)	-	(277,659)
Total Noncurrent Assets	117,150	-	52,218	-	169,368
Total Assets	184,762	17,200	253,967	5,326	461,255
LIABILITIES					
Cash Overdraft	-	14,369	-	-	14,369
Accounts Payable	425	2,620	4,567	555	8,167
Unearned Revenue	13,686	-	-	-	13,686
Total Liabilities	14,111	16,989	4,567	555	36,222
NET POSITION					
Investment in Capital Assets Net of Related Debt	117,150	-	52,218	-	169,368
Unrestricted	53,501	211	197,182	4,771	255,665
Total Net Position	\$ 170,651	\$ 211	249,400	4,771	\$ 425,033

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION  
AS OF JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				TOTAL
	FOOD SERVICE	COMMUNITY EDUCATION	PERFORMING ARTS CENTER	SHOPRITE	
Operating Revenues:					
Local Revenues:					
Daily Sales - Reimbursable Programs	\$ 183,043	\$ -	\$ -	\$ -	\$ 183,043
Total - Daily Sales - Reimbursable Programs	183,043	-	-	-	183,043
Daily Sales - Nonreimbursable Programs	183,536	-	-	-	183,536
Special Functions	3,472	-	-	-	3,472
Interest Revenue	-	-	179	-	179
Community Service Activities	-	42,335	194,816	8,331	245,482
Total Operating Revenue	370,051	42,335	194,995	8,331	615,712
Operating Expenses:					
Cost of Sales - Reimbursable Programs	108,261	-	-	-	108,261
Cost of Sales - Non-Reimbursable Programs	63,357	-	-	-	63,357
Salaries	170,131	32,459	55,082	-	257,672
Support Services - Employee Benefits	32,540	2,483	4,156	-	39,179
Management Fees	22,772	-	-	-	22,772
Purchased Professional/Technical Services	587	21,440	23,458	-	45,485
Supplies & Materials	12,799	1,947	2,163	3,560	20,469
Depreciation	16,230	-	5,293	-	21,523
General Insurance	8,260	-	-	-	8,260
Office Expense	3,021	-	-	-	3,021
Travel	2,446	-	-	-	2,446
Bad Debt Expense	-	-	4,333	-	4,333
Miscellaneous Expenditures	1,330	170	7,328	-	8,828
Total Operating Expenses	441,734	58,499	101,813	3,560	605,606
Operating Income/(Loss)	(71,683)	(16,164)	93,182	4,771	10,106
Nonoperating Revenues/(Expenses):					
State Sources:					
State School Lunch Program	3,226	-	-	-	3,226
Federal Sources:					
National School Lunch Program	48,603	-	-	-	48,603
National School Performance Based Program	4,633	-	-	-	4,633
Special Milk Program	803	-	-	-	803
Food Distribution Program	17,081	-	-	-	17,081
Contribution from/(to) the Board	-	16,200	(100,000)	-	(83,800)
Total Nonoperating Revenues/(Expenses)	74,346	16,200	(100,000)	-	(9,454)
Change in Net Position	2,663	36	(6,818)	4,771	652
Total Net Position - Beginning	167,988	175	256,218	-	424,381
Total Net Position - Ending	\$ 170,651	\$ 211	\$ 249,400	\$ 4,771	\$ 425,033

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
ENTERPRISE FUND  
COMBINING SCHEDULE OF CASH FLOWS  
AS OF JUNE 30, 2017**

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				
	FOOD SERVICE	COMMUNITY EDUCATION	PERFORMING ARTS CENTER	SHOPRITE	TOTAL
Cash Flows From Operating Activities:					
Receipts from Customers	\$ 377,734	\$ 25,135	\$ 199,149	\$ 8,331	\$ 610,349
Payments to Employees	(202,671)	(34,942)	(59,238)	-	(296,851)
Payments to Suppliers	(238,716)	(21,944)	(38,856)	(3,005)	(302,521)
Interest Earned	-	-	179	-	179
Net Cash Provided/(Used) by Operating Activities	(63,653)	(31,751)	101,234	5,326	11,156
Cash Flows From Capital Financing Activities:					
Purchase of Capital Assets	-	-	(2,638)	-	(2,638)
Net Cash Provided/(Used) by Capital Financing Activities	-	-	(2,638)	-	(2,638)
Cash Flows From Noncapital Financing Activities:					
State Sources	3,226	-	-	-	3,226
Federal Sources	54,039	-	-	-	54,039
Cash Paid for Board Contribution	-	16,200	(100,000)	-	(83,800)
Net Cash Provided by Noncapital Financing Activities	57,265	16,200	(100,000)	-	(26,535)
Net Increase/(Decrease) in Cash & Cash Equivalents	(6,388)	(15,551)	(1,404)	5,326	(18,017)
Cash & Cash Equivalents, July 1	60,943	1,182	203,153	-	265,278
Cash & Cash Equivalents, June 30	\$ 54,555	\$ (14,369)	\$ 201,749	\$ 5,326	\$ 247,261

**Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:**

Operating Income/(Loss)	\$ (71,683)	\$ (16,164)	\$ 93,182	\$ 4,771	\$ 10,106
Adjustments to Reconcile Operating Income/(Loss) to Cash Provided/(Used) by Operating Activities:					
Depreciation Expense	16,230	-	5,293	-	21,523
Food Distribution Program	17,081	-	-	-	17,081
Change in Assets & Liabilities:					
Increase/(Decrease) in Receivables	7,683	(17,200)	4,333	-	(5,184)
Increase/(Decrease) in Inventory	2,613	-	-	-	2,613
(Decrease)/Increase in Accounts Payable	(35,577)	1,613	(1,574)	555	(34,983)
Net Cash Provided/(Used) by Operating Activities	\$ (63,653)	\$ (31,751)	\$ 101,234	\$ 5,326	\$ 11,156

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Internal Service Fund

Not Applicable

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## H. Fiduciary Fund

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

ASSETS	PRIVATE PURPOSE TRUST		AGENCY		TOTAL
	SCHOLARSHIP FUND	UNEMPLOYMENT COMPENSATION	STUDENT ACTIVITIES	PAYROLL FUND	
Cash & Cash Equivalents	\$ 6,516	\$ 20,208	\$ 43,613	\$ 68,429	\$ 138,766
Total Assets	6,516	20,208	43,613	68,429	138,766
<b>LIABILITIES</b>					
Interfund Payable	-	7,407	-	39,074	46,481
Accounts Payable	-	8,163	-	29,334	37,497
Payable to Summer Teachers	-	-	-	21	21
Due to Student Groups	-	-	43,613	-	43,613
Total Liabilities	-	15,570	43,613	68,429	127,612
<b>NET POSITION</b>					
Held in Trust for Unemployment Claims & Other Purposes	-	4,638	-	-	4,638
Reserved for Scholarships	6,516	-	-	-	6,516
Total Net Position	\$ 6,516	\$ 4,638	\$ -	\$ -	\$ 11,154

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMPARATIVE COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	PRIVATE PURPOSE TRUST		TOTAL
	SCHOLARSHIP FUNDS	UNEMPLOYMENT COMPENSATION	
Additions:			
Contributions:			
Plan Member	\$ -	\$ 27,924	\$ 27,924
Other - Interest	1	15	16
Total Additions	1	27,939	27,940
Deductions:			
Quarterly Contribution Reports	-	9,129	9,129
Unemployment Claims	-	41,781	41,781
Scholarships Awarded	225	-	225
Bank Fees	-	20	20
Total Deductions	225	50,930	51,155
Change in Net Position	(224)	(22,991)	(23,215)
Net Position - Beginning of Year	6,740	27,629	34,369
Net Position - End of Year	\$ 6,516	\$ 4,638	\$ 11,154

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ASSETS	BALANCE JULY 1, 2016	CASH RECEIPTS	CASH DISBURSEMENTS	BALANCE JUNE 30, 2017
Elementary School	\$ 6,143	\$ 27,076	\$ 23,686	\$ 9,533
Primary School	1,427	14,922	11,233	5,116
Middle School	33,902	124,275	129,213	28,964
<b>Total Assets</b>	<b>\$ 41,472</b>	<b>\$ 166,273</b>	<b>\$ 164,132</b>	<b>\$ 43,613</b>
<b>LIABILITIES</b>				
Payable to Student Groups	\$ 41,472	\$ 166,273	\$ 164,132	\$ 43,613
<b>Total Liabilities</b>	<b>\$ 41,472</b>	<b>\$ 166,273</b>	<b>\$ 164,132</b>	<b>\$ 43,613</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FIDUCIARY FUNDS  
SCHEDULE OF CHANGES IN PAYROLL AGENCY ASSETS & LIABILITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

ASSETS	BALANCE JULY 1, 2016	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2017
Cash & Cash Equivalents	\$ 133,605	\$ 14,202,622	\$ 14,267,798	\$ 68,429
<b>Total Assets</b>	<b>\$ 133,605</b>	<b>\$ 14,202,622</b>	<b>\$ 14,267,798</b>	<b>\$ 68,429</b>
<b>LIABILITIES</b>				
Payroll Deductions & Withholdings	\$ 104,315	\$ 14,192,817	\$ 14,267,798	\$ 29,334
Interfund Payable	29,269	9,805	-	39,074
Payable to Summer Teachers	21	-	-	21
<b>Total Liabilities</b>	<b>\$ 133,605</b>	<b>\$ 14,202,622</b>	<b>\$ 14,267,798</b>	<b>\$ 68,429</b>

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## I. Long-Term Debt

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF SERIAL BONDS PAYABLE  
JUNE 30, 2017**

ISSUE	DATE OF ISSUE	AMOUNT OF ISSUE	ANNUAL MATURITIES		INTEREST RATE	BALANCE JULY 1, 2016	ISSUED	RETIRED	BALANCE JUNE 30, 2017	
			DATE	AMOUNT						
Refunding Bonds	05/15/05	\$ 4,565,000	3/15/2018	\$ 500,000	4.000%	\$ 985,000	\$ -	\$ 485,000	\$ 500,000	
Refunding Bonds	05/11/06	9,800,000	-	-	-	25,000	-	25,000	-	
Refunding Bonds	01/04/07	9,960,000	-	-	-	40,000	-	40,000	-	
Refunding Bonds	12/6/11	15,045,000	07/15/17	1,900,000	5.000%	10,395,000	-	1,820,000	8,575,000	
			07/15/18	1,445,000	5.000%					
			07/15/19	1,825,000	5.000%					
			07/15/20	1,925,000	5.000%					
			07/15/21	1,480,000	5.000%					
Refunding Bonds - 201	4/19/16	16,900,000	07/15/21	465,000	4.000%	16,900,000	-	140,000	16,760,000	
			07/15/22	1,935,000	4.000%					
			07/15/23	1,910,000	4.000%					
			07/15/24	1,895,000	4.000%					
			07/15/25	1,865,000	4.000%					
			07/15/26	1,755,000	4.000%					
			07/15/27	1,755,000	4.000%					
			07/15/28	1,745,000	5.000%					
			07/15/29	1,725,000	5.000%					
			07/15/30	1,710,000	5.000%					
Bond Issuance - 2017	4/5/17	2,600,000	03/01/19	500,000	2.000%	-	2,600,000	-	2,600,000	
			03/01/20	250,000	2.000%					
			03/01/21	250,000	2.000%					
			03/01/22	250,000	2.000%					
			03/01/23	250,000	2.000%					
			03/01/24	250,000	2.250%					
			03/01/25	250,000	2.500%					
			03/01/26	300,000	2.500%					
			03/01/27	300,000	2.500%					
						Total	\$ 28,345,000	\$ 2,600,000	\$ 2,510,000	\$ 28,435,000

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
JUNE 30, 2017**

SERIES	INTEREST RATE	AMOUNT OF ORIGINAL ISSUE	AMOUNT OUTSTANDING JUNE 30, 2016	ISSUED CURRENT YEAR	RETIRED CURRENT YEAR	AMOUNT OUTSTANDING JUNE 30, 2017
Savin Digital Copiers (13)	2.750%	\$119,988	\$ 105,893	\$ -	\$ 28,942	\$ 76,951
Total			\$ 105,893	\$ -	\$ 28,942	\$ 76,951

**MILLSTONE 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 POSITIVE/ (NEGATIVE) FINAL TO ACTUAL
Revenues:					
Local Sources:					
Local Tax Levy	\$ 3,416,398	\$ -	\$ 3,416,398	\$ 3,416,398	\$ -
State Sources:					
Debt Service Aid Type II	133,659	-	133,659	133,659	-
Total Revenues	<u>3,550,057</u>	<u>-</u>	<u>3,550,057</u>	<u>3,550,057</u>	<u>-</u>
Expenditures					
Regular Debt Service:					
Interest on Bonds	1,453,767	(413,710)	1,040,057	1,040,057	-
Redemption of Principal	2,096,290	413,710	2,510,000	2,510,000	-
Total Expenditures	<u>3,550,057</u>	<u>-</u>	<u>3,550,057</u>	<u>3,550,057</u>	<u>-</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources/(Uses):					
Refund of Escrow	-	-	-	12,945	12,945
Interfund Transfers	-	-	-	108	108
Total Other Financing Sources/Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,053</u>	<u>13,053</u>
Excess/(Deficiency) of Revenues & Other Financing Sources Over/ (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,053</u>	<u>13,053</u>
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>\$ 13,053</u>	<u>\$ 13,053</u>

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**STATISTICAL SECTION (Unaudited)**

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FINANCIAL TRENDS/INFORMATION SCHEDULES

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**  
*(Accrual Basis of Accounting)*  
*Unaudited*

FISCAL YEAR ENDING JUNE 30,

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 10,025,540	\$ 9,533,664	\$ 9,090,208	\$ 7,222,321	\$ 5,818,790	\$ 5,160,126	\$ 8,121,597	\$ 7,535,367	\$ 7,212,141	\$ 6,561,473
Restricted	2,412,771	908,689	1,370,868	1,774,267	1,455,764	1,124,681	913,639	572,793	564,227	1,826,817
Unrestricted	(7,977,829)	(7,094,842)	(7,017,446)	21,053	(458,775)	(633,062)	301,039	657,241	389,272	582,266
<b>Total Governmental Activities</b>	<b>\$ 4,460,482</b>	<b>\$ 3,347,511</b>	<b>\$ 3,443,630</b>	<b>\$ 9,017,641</b>	<b>\$ 6,815,779</b>	<b>\$ 5,651,745</b>	<b>\$ 9,336,275</b>	<b>\$ 8,765,401</b>	<b>\$ 8,165,640</b>	<b>\$ 8,970,556</b>
<b>Business-Type Activities:</b>										
Net Investment in Capital Assets	\$ 169,368	\$ 188,253	\$ 207,815	\$ 177,014	\$ 187,365	\$ 206,987	\$ 134,776	\$ 176,988	\$ 58,296	\$ 74,014
Unrestricted	255,665	236,128	140,655	176,371	236,225	269,055	239,876	300,623	353,534	296,487
<b>Total Business-Type Activities</b>	<b>\$ 425,033</b>	<b>\$ 424,381</b>	<b>\$ 348,470</b>	<b>\$ 353,385</b>	<b>\$ 423,590</b>	<b>\$ 476,042</b>	<b>\$ 374,652</b>	<b>\$ 477,611</b>	<b>\$ 411,830</b>	<b>\$ 370,501</b>
<b>District-Wide:</b>										
Net Investment in Capital Assets	\$ 10,194,908	\$ 9,721,917	\$ 9,298,023	\$ 7,399,335	\$ 6,006,155	\$ 5,367,113	\$ 8,256,373	\$ 7,712,355	\$ 7,270,437	\$ 6,635,487
Restricted	2,412,771	908,689	1,370,868	1,774,267	1,455,764	1,124,681	913,639	572,793	564,227	1,826,817
Unrestricted	(7,722,164)	(6,858,714)	(6,876,791)	197,424	(222,550)	(364,007)	540,915	957,864	742,806	878,753
<b>Total District Net Position</b>	<b>\$ 4,885,515</b>	<b>\$ 3,771,892</b>	<b>\$ 3,792,100</b>	<b>\$ 9,371,026</b>	<b>\$ 7,239,369</b>	<b>\$ 6,127,787</b>	<b>\$ 9,710,927</b>	<b>\$ 9,243,012</b>	<b>\$ 8,577,470</b>	<b>\$ 9,341,057</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ (8,047,418)	\$ (8,408,588)	\$ (6,496,896)	\$ (6,086,322)	\$ (6,515,938)	\$ (5,814,291)	\$ (5,158,805)	\$ (6,153,797)	\$ (6,537,407)	\$ (6,335,433)
Special Education	(3,243,291)	(3,087,295)	(2,248,589)	(2,509,656)	(2,453,150)	(2,690,250)	(2,542,502)	(2,123,308)	(1,990,464)	(1,797,193)
Other Special Instruction	(403,441)	(514,880)	(485,500)	(496,942)	(501,025)	(527,632)	(445,707)	(354,077)	(359,587)	(380,523)
Other Instruction	(204,375)	(178,456)	(140,483)	(135,708)	(127,655)	(131,444)	(119,935)	(142,167)	(147,554)	(141,185)
Support Services & Undistributed Costs:										
Tuition	(10,024,622)	(9,850,519)	(9,696,349)	(8,873,937)	(9,713,742)	(10,126,312)	(11,701,161)	(10,880,256)	(10,319,542)	(9,570,884)
Student & Instruction										
Related Services	(3,526,430)	(3,325,423)	(2,193,900)	(2,003,743)	(2,052,399)	(1,658,189)	(1,535,567)	(1,630,808)	(1,795,462)	(1,636,439)
School Administrative Services	(1,533,840)	(1,720,656)	(1,177,982)	(987,754)	(1,056,680)	(891,827)	(861,779)	(949,893)	(999,501)	(986,592)
General Administrative Services	(913,259)	(615,228)	(464,172)	(517,354)	(537,759)	(661,651)	(456,079)	(497,075)	(467,948)	(416,945)
Central	(440,244)	(493,013)	(404,934)	(427,204)	(406,107)	(342,592)	(339,029)	(364,617)	(384,990)	(378,974)
Plant Operations & Maintenance	(2,664,917)	(2,696,201)	(2,024,769)	(1,902,180)	(1,830,540)	(1,840,167)	(1,886,643)	(2,021,320)	(2,102,121)	(2,258,458)
Administrative Information Technology	(112,186)	(103,894)	(260,110)	(218,453)	(213,373)	(313,186)	(255,765)	(294,576)	(244,183)	(229,763)
Pupil Transportation	(3,066,827)	(3,000,204)	(2,649,554)	(3,861,862)	(2,739,695)	(2,862,349)	(2,688,008)	(2,462,358)	(2,712,275)	(2,572,966)
Unallocated Employee Benefits	(3,185,744)	(2,460,603)	(8,889,145)	(6,201,023)	(6,339,178)	(5,637,072)	(5,035,314)	(5,313,796)	(5,190,250)	(5,255,428)
Special Schools								(107,846)	(103,760)	(102,739)
Interest & Other Charges on Long-Term Debt	(554,167)	(1,719,244)	(1,409,843)	(1,226,699)	(1,646,675)	(2,005,639)	(1,897,624)	(1,985,000)	(2,016,043)	(2,135,254)
Unallocated Change in Compensated Absences									41,590	(70,510)
Unallocated Depreciation	(1,226,846)	(1,158,522)	(1,073,536)	(1,128,088)	(40,823)	(37,932)	(40,283)	2,925	(1,460,545)	(1,755,822)
Total Governmental Activities Expenses	(39,147,607)	(39,332,726)	(39,615,762)	(36,556,326)	(37,544,747)	(36,761,952)	(36,290,190)	(36,702,834)	(36,790,042)	(36,025,108)

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Business-Type Activities</b>										
Food Service	(441,734)	(457,557)	(484,115)	(525,312)	(530,597)	(556,741)	(560,929)	(563,584)	(548,871)	(556,341)
Performing Arts Center	(101,813)	(113,524)	(127,523)	(74,085)	(87,423)	(56,976)	(74,568)	(78,238)	(51,963)	(11,351)
Community Education Program	(58,499)	(61,696)	(83,535)	(76,976)	(73,725)	(78,239)	(78,177)	-	-	(10,338)
Shoprite	(3,560)	-	-	-	-	-	-	-	-	-
<b>Total Business-Type Activities Expense</b>	<b>(605,606)</b>	<b>(695,173)</b>	<b>(695,173)</b>	<b>(676,373)</b>	<b>(691,745)</b>	<b>(691,956)</b>	<b>(713,674)</b>	<b>(641,822)</b>	<b>(600,834)</b>	<b>(578,030)</b>
<b>Total District Expenses</b>	<b>\$ (39,753,213)</b>	<b>\$ (40,310,935)</b>	<b>\$ (40,310,935)</b>	<b>\$ (37,232,699)</b>	<b>\$ (38,236,492)</b>	<b>\$ (37,453,908)</b>	<b>\$ (37,003,864)</b>	<b>\$ (37,344,656)</b>	<b>\$ (37,390,876)</b>	<b>\$ (36,603,138)</b>
<b>Governmental Activities:</b>										
Charges for Services:										
Pupil Transportation	\$ 51,854	\$ 93,045	\$ 76,885	\$ 1,198,391	\$ 612,338	\$ 49,815	\$ 52,686	\$ 83,264	\$ 296,306	\$ -
Special Schools	-	-	-	-	-	-	-	38,381	33,200	37,026
Operating Grants & Contributions	3,175,388	2,908,937	4,795,969	513,137	517,484	568,528	729,732	640,918	563,567	509,692
<b>Total Governmental Activities</b>	<b>3,227,242</b>	<b>3,001,982</b>	<b>4,872,854</b>	<b>1,711,528</b>	<b>1,129,822</b>	<b>618,343</b>	<b>782,418</b>	<b>762,563</b>	<b>893,073</b>	<b>546,718</b>
<b>Business-Type Activities:</b>										
Charges for Services:										
Food Service	370,051	376,437	359,726	365,039	366,906	411,221	448,817	454,030	469,661	468,862
Performing Arts Center	194,816	198,582	169,100	118,287	110,214	105,834	99,905	130,037	100,624	57,795
Community Education Program	42,335	55,841	71,668	79,803	73,090	93,270	78,851	-	-	9,995
Shoprite	8,331	-	-	-	-	-	-	-	-	-
Operating Grants & Contributions	74,346	77,659	89,675	92,910	88,816	91,046	82,542	89,838	71,046	81,552
<b>Total Business Type Activities Program</b>	<b>689,879</b>	<b>708,519</b>	<b>690,169</b>	<b>656,039</b>	<b>639,026</b>	<b>701,371</b>	<b>710,115</b>	<b>673,905</b>	<b>641,331</b>	<b>618,204</b>
<b>Total District Program Revenues</b>	<b>\$ 3,917,121</b>	<b>\$ 5,563,023</b>	<b>\$ 5,563,023</b>	<b>\$ 2,367,567</b>	<b>\$ 1,768,848</b>	<b>\$ 1,319,714</b>	<b>\$ 1,492,533</b>	<b>\$ 1,436,468</b>	<b>\$ 1,534,404</b>	<b>\$ 1,164,922</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**CHANGES IN NET POSITION - (ACCURAL BASIS OF ACCOUNTING)**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

	FISCAL YEAR ENDING JUNE 30,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net/(Expense)/Revenue:										
Governmental Activities	\$ (35,920,365)	\$ (36,330,744)	\$ (34,742,908)	\$ (34,844,798)	\$ (36,414,925)	\$ (36,143,609)	\$ (35,507,772)	\$ (35,940,271)	\$ (35,896,969)	\$ (35,478,390)
Business-Type Activities	84,273	75,742	(5,004)	(20,334)	(52,719)	9,415	(3,559)	32,083	40,497	40,174
<b>Total District-Wide Net Expenses</b>	<b>\$ (35,836,092)</b>	<b>\$ (36,255,002)</b>	<b>\$ (34,747,912)</b>	<b>\$ (34,865,132)</b>	<b>\$ (36,467,644)</b>	<b>\$ (36,134,194)</b>	<b>\$ (35,511,331)</b>	<b>\$ (35,908,188)</b>	<b>\$ (35,856,472)</b>	<b>\$ (35,438,216)</b>
General Revenues & Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes,										
Net	\$ 27,463,913	\$ 27,147,675	\$ 26,660,666	\$ 26,371,784	\$ 26,371,784	\$ 26,371,784	\$ 26,371,784	\$ 25,313,031	\$ 25,228,280	\$ 24,916,217
Taxes Levied for Debt Service	3,416,398	3,040,973	3,501,689	3,505,871	3,383,308	3,359,864	3,317,166	3,189,693	2,621,792	2,614,471
Unrestricted Grants & Contributions	5,208,832	5,071,088	5,300,147	6,843,493	7,242,214	6,387,057	5,546,114	6,933,729	6,705,063	6,763,325
Investment Earnings	-	-	-	-	-	-	-	-	-	4,082
Miscellaneous Income	944,193	974,889	671,210	719,653	581,653	858,029	843,582	968,461	536,918	975,398
<b>Total Governmental Activities</b>	<b>\$ 37,033,336</b>	<b>\$ 36,234,625</b>	<b>\$ 36,133,712</b>	<b>\$ 37,440,801</b>	<b>\$ 37,578,959</b>	<b>\$ 36,976,734</b>	<b>\$ 36,078,646</b>	<b>\$ 36,404,914</b>	<b>\$ 35,092,053</b>	<b>\$ 35,273,493</b>
Business-Type Activities:										
Miscellaneous Income / (Transfers)	(83,800)	-	-	(50,000)	-	-	(100,000)	167,666	-	-
Interest Earnings	179	169	89	129	267	143	600	1,150	832	1,845
<b>Total Business-Type Activities</b>	<b>(83,621)</b>	<b>169</b>	<b>89</b>	<b>(49,871)</b>	<b>267</b>	<b>143</b>	<b>(99,400)</b>	<b>168,816</b>	<b>832</b>	<b>1,845</b>
<b>Total District-Wide</b>	<b>\$ 36,949,715</b>	<b>\$ 36,234,794</b>	<b>\$ 36,133,801</b>	<b>\$ 37,390,930</b>	<b>\$ 37,579,226</b>	<b>\$ 36,976,877</b>	<b>\$ 35,979,246</b>	<b>\$ 36,573,730</b>	<b>\$ 35,092,885</b>	<b>\$ 35,275,338</b>
Change in Net Position:										
Governmental Activities	\$ 1,112,971	\$ (96,119)	\$ 1,390,804	\$ 2,596,003	\$ 1,164,034	\$ 833,125	\$ 570,874	\$ 464,643	\$ (804,916)	\$ (204,897)
Business-Type Activities	652	75,911	(4,915)	(70,205)	(52,452)	9,558	(102,959)	200,899	41,329	42,019
<b>Total District</b>	<b>\$ 1,113,623</b>	<b>\$ (20,208)</b>	<b>\$ 1,385,889</b>	<b>\$ 2,525,798</b>	<b>\$ 1,111,582</b>	<b>\$ 842,683</b>	<b>\$ 467,915</b>	<b>\$ 665,542</b>	<b>\$ (763,587)</b>	<b>\$ (162,878)</b>

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FUND BALANCES AND GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)  
Unaudited**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
FISCAL YEAR ENDING JUNE 30,										
General Fund:										
Restricted	\$ 1,280,850	\$ 1,530,037	\$ 1,843,755	\$ 2,007,793	\$ 779,320	\$ 441,907	\$ 306,460	\$ 364,712	\$ 43,886	\$ 229,320
Assigned	147,368	195,294	158,675	429,385	348,689	473,475	256,487			
Unassigned	415,150	332,186	284,779	300,292	381,417	258,325	176,809	206,747	94,744	272,146
Total General Fund	\$ 1,843,368	\$ 2,057,517	\$ 2,287,209	\$ 2,737,470	#####	\$ 1,173,707	\$ 739,756	\$ 571,459	\$ 138,630	\$ 501,466
All Other Governmental Funds:										
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,455	\$ 74,215	\$ 659,059
Restricted, Reported in:										
Capital Projects Fund	1,118,868	-	479,982	479,982	480,012	324,794	328,775	318,113	424,053	409,209
Debt Service Fund	13,053	-	20,001	20,001	39,211	39,211	21,917	22,513	22,073	529,229
Total All Other Governmental Funds	\$ 1,131,921	\$ -	\$ 499,983	\$ 499,983	\$ 519,223	\$ 364,005	\$ 350,692	\$ 441,081	\$ 520,341	\$ 1,597,497

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,**  
**LAST TEN FISCAL YEARS**  
*(Modified Accrual Basis of Accounting)*  
*Unaudited*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Local Tax Levy	\$ 30,880,311	\$ 30,188,648	\$ 30,162,355	\$ 29,877,655	\$ 29,755,092	\$ 29,688,950	\$ 28,502,724	\$ 27,850,072	\$ 27,530,688	\$ 24,185,519
Interest Earnings	899,302	1,067,934	748,095	1,921,004	1,193,991	796,268	1,068,213	866,424	1,012,424	727,302
Miscellaneous	7,942,232	7,562,377	7,493,367	6,843,493	7,354,963	5,635,945	6,537,666	6,797,150	6,837,994	491,996
State Sources	441,988	417,648	362,173	460,207	404,735	639,901	1,036,981	471,480	435,023	6,494,711
Federal Sources										480,289
<b>Total Revenue</b>	<b>40,163,833</b>	<b>39,236,607</b>	<b>38,765,990</b>	<b>39,102,359</b>	<b>38,708,781</b>	<b>36,761,064</b>	<b>37,145,584</b>	<b>35,985,126</b>	<b>35,820,211</b>	<b>32,379,817</b>
<b>Expenditures:</b>										
Instruction:										
Regular	8,047,418	8,408,588	6,496,896	6,093,455	6,515,938	5,158,805	6,153,797	6,537,407	6,335,433	6,327,714
Special	2,740,415	2,651,566	1,870,678	2,047,040	2,072,783	1,954,035	1,664,162	1,561,053	1,507,700	1,516,514
Other	403,441	514,880	485,500	496,942	501,025	445,707	354,077	359,587	380,523	336,806
School-Sponsored/Other	204,375	178,456	140,483	135,708	127,655	119,935	142,167	147,554	141,185	141,238
Undistributed:										
Instruction	10,024,622	9,850,519	9,696,349	8,873,937	9,713,742	11,701,161	10,880,256	10,319,542	9,570,884	8,948,790
Support Services - Students	3,526,430	3,325,423	2,193,900	2,003,743	2,052,399	1,535,567	1,630,808	1,795,462	1,636,439	1,597,337
Support Services - Instructional Staff	-	-	-	-	-	-	-	-	-	206,666
General Administration	913,259	615,228	464,172	517,354	537,759	456,079	497,075	467,948	416,945	418,444
School Administrative Services	1,478,954	1,463,260	1,088,068	937,233	919,563	720,514	768,121	865,345	766,393	680,409
Central Services	440,244	493,013	404,934	427,204	406,107	339,029	364,617	384,990	378,974	380,950
Administrative Information	112,186	103,894	260,110	218,453	213,373	255,765	294,576	244,183	229,763	189,943
Technology	2,693,859	2,696,201	2,024,769	1,911,182	1,830,540	1,886,643	2,020,459	2,102,121	2,258,458	1,651,297
Plant Operations & Maintenance	3,066,827	3,014,299	2,649,554	3,907,254	2,783,288	2,819,912	2,626,120	2,860,831	2,763,488	2,353,444
Pupil Transportation	2,008	-	4,502,829	4,412,692	4,355,226	3,741,416	4,045,519	3,950,789	3,724,119	3,526,281
Business & Other Support Services:	-	-	-	-	-	-	-	-	-	-
Employee Benefits	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
On-Behalf TPAF Pension Contributions	1,924,523	1,640,986	1,375,064	1,076,316	1,262,473	633,325	604,315	582,477	879,647	868,763
Reimbursed TPAF FICA Contributions	691,095	694,814	712,504	712,015	721,479	660,573	663,962	656,984	651,662	612,398

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)  
Unaudited**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenditures (continued):										
Special Schools	-	-	-	-	-	-	107,846	103,760	102,739	102,997
Capital Outlay	1,565,331	196,761	744,261	84,516	147,543	148,498	309,358	607,657	4,081,727	13,946,759
Special Revenue	557,762	573,137	467,825	513,137	517,484	731,549	647,125	563,567	573,806	-
Debt Service:										
Principal	2,510,000	2,270,000	2,155,000	2,010,000	1,880,000	1,630,000	1,490,000	1,355,000	1,200,000	1,043,820
Interest & Other Charges	1,040,057	1,580,447	1,483,355	1,565,345	1,659,466	1,844,643	1,905,041	1,958,861	2,016,637	2,127,434
Total Expenditures	41,942,806	40,271,472	39,216,251	37,943,526	38,217,843	36,783,156	37,169,401	37,425,118	39,616,522	46,978,004
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(1,778,973)	(1,034,865)	(450,261)	1,158,833	490,938	(22,092)	(23,817)	(1,439,992)	(3,796,311)	(14,598,187)
Other Financing Sources/(Uses):										
Capital Leases	-	119,988	-	-	-	-	220,375	-	192,913	94,211
Proceeds of Refunding Bonds	12,945	19,640,697	-	-	-	-	-	-	-	9,960,000
Proceeds of Bond Issuance	2,600,000	-	-	-	-	-	-	-	-	-
Deposit to Escrow Agent	-	(19,455,495)	-	-	-	-	-	-	-	(9,827,440)
Cost of Issuance	-	-	-	-	-	-	-	-	-	(132,560)
Cancelled Prior Year Liabilities	-	-	-	(30)	-	-	21,893	-	-	-
Cancelled Prior Year Receivables	-	-	-	-	-	-	-	-	-	-
Transfers In	83,908	479,982	375,369	50,000	-	100,007	135,128	-	18,281	476,653
Transfers Out	(108)	(479,982)	(375,369)	-	-	(7)	(10)	-	(18,281)	(476,653)
Total Other Financing Sources/ (Uses)	2,696,745	305,190	-	49,970	-	100,000	377,386	-	192,913	94,211
Net Change in Fund Balances	\$ 917,772	\$ (729,675)	\$ (450,261)	\$ 1,208,803	\$ 490,938	\$ 77,908	\$ 353,569	\$ (1,439,992)	\$ (3,603,398)	\$ (14,503,976)
Debt Service as a Percentage of Noncapital Expenditures	2.48%	3.92%	3.78%	4.13%	4.34%	5.01%	5.13%	5.23%	5.09%	4.53%

Source: District records  
Note: Noncapital expenditures are total expenditures less capital outlay

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)  
Unaudited**

FISCAL YEAR ENDED JUNE 30,	TRANSPORTATION	TUITION	INTEREST ON INVESTMENTS	RECREATION FEES	EMPLOYEE HEALTH BENEFITS	PRIOR YEAR REFUNDS	ENRICHMENT PROGRAM FEES	COMMUNITY SCHOOL FEES	MISCELLANEOUS	TOTAL
2017	\$ 51,854	\$ 49,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 682,267	\$ 783,420
2016	93,045	71,362	-	-	-	-	-	-	748,038	912,445
2015	76,885	51,431	2,060	5,623	-	253,598	-	252,846	267,212	909,655
2014	76,885	51,431	2,492	-	678	-	245,950	-	267,212	644,648
2013	104,234	612,338	-	-	-	-	-	-	370,884	1,087,456
2012	316,227	49,815	-	73,990	60,462	94,835	219,120	-	24,714	839,163
2011	33,329	541,225	6,335	73,280	17,028	23,113	-	-	15,864	710,174
2010	1,768	356,184	17,128	68,500	138,244	28,623	-	69,867	278,427	958,741
2009	-	296,306	82,166	39,775	127,834	2,625	-	65,680	183,482	797,868
2008	-	37,026	202,452	40,375	112,622	17,995	-	67,009	368,076	845,555

Source: District Records



REVENUE CAPACITY INFORMATION

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,  
 LAST TEN FISCAL YEARS**  
*Unaudited*

YEAR ENDED DECEMBER 31,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	TOTAL ASSESSED VALUE	PUBLIC UTILITIES	NET TAXABLE VALUATION	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2017	\$ 349,787,800	\$ 1,652,475,200	\$ 83,910,700	\$ 4,719,400	\$ 73,540,200	\$ 4,480,400	\$ 1,854,104,600	\$ -	\$ 1,854,104,600	\$ 1.684	\$ 1,848,192,869
2016	38,396,500	1,637,165,000	84,664,200	4,463,100	70,076,100	4,480,400	1,839,245,300	-	1,839,245,300	1.673	1,783,680,108
2015	36,745,500	1,526,814,200	80,706,300	4,732,700	69,814,300	4,480,400	1,723,293,400	6,622,605	1,729,916,005	1.906	1,770,330,133
2014	34,471,500	1,380,894,300	76,219,700	4,425,300	62,382,700	4,084,500	1,562,478,000	6,005,965	1,568,483,965	1.923	1,729,069,407
2013	35,666,000	1,377,787,300	77,010,700	4,436,700	62,293,700	4,084,500	1,561,278,900	6,010,929	1,567,289,829	1.907	1,783,443,985
2012	35,426,700	1,375,803,700	77,261,100	4,714,400	61,171,800	4,084,500	1,558,462,200	7,633,606	1,566,095,806	1.900	1,921,678,627
2011	43,822,300	1,556,812,100	88,872,900	4,583,600	67,627,300	4,641,500	1,766,359,700	7,170,368	1,773,530,068	1.731	1,971,022,893
2010	46,220,600	1,552,680,700	87,965,200	4,476,800	67,269,200	4,659,100	1,763,271,600	11,089,083	1,774,360,683	1.619	2,064,305,736
2009	38,030,500	1,233,242,800	72,632,400	4,031,600	52,893,500	3,870,700	1,404,701,500	4,679,322	1,409,380,822	2.022	2,122,635,950
2008	39,196,900	1,226,606,600	71,547,300	4,201,200	49,961,900	3,925,900	1,395,439,800	3,968,458	1,399,408,258	1.990	2,162,741,595

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN FISCAL YEARS  
(Rate per \$100 of Assessed Value)**

*Unaudited*

FISCAL YEAR ENDED DECEMBER 31,	SCHOOL DISTRICT DIRECT RATE			TOTAL DIRECT SCHOOL TAX RATE			OVERLAPPING RATES		TOTAL DIRECT AND OVERLAPPING TAX RATE
	BASIC RATE	GENERAL OBLIGATION DEBT SERVICE		MILLSTONE TOWNSHIP	MONMOUTH COUNTY				
2017	1.498	0.186	1.684	0.199	0.292			2.175	
2016	1.504	0.169	1.673	0.200	0.290			2.163	
2015	1.712	0.194	1.906	0.210	0.319			2.435	
2014	1.712	0.211	1.923	0.225	0.348			2.496	
2013	1.678	0.229	1.907	0.225	0.353			2.485	
2012	1.680	0.220	1.900	0.225	0.364			2.489	
2011	1.530	0.201	1.731	0.158	0.301			2.190	
2010	1.439	0.180	1.619	0.146	0.321			2.086	
2009	1.832	0.190	2.022	0.158	0.395			2.575	
2008	1.803	0.187	1.990	0.158	0.400			2.548	

Source: Municipal Tax Collector

**EXHIBIT J-8 NOT AVAILABLE**

EXHIBIT J-9

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHOOL PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
*Unaudited***

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
		AMOUNT	PERCENTAGE OF LEVY	
2017	\$ 30,880,311	\$ 30,880,311	100.00%	-
2016	30,188,648	30,188,648	100.00%	-
2015	30,162,355	30,162,355	100.00%	-
2014	30,162,355	30,162,355	100.00%	-
2013	29,755,092	29,755,092	100.00%	-
2012	29,731,648	29,731,648	100.00%	-
2011	29,688,950	29,688,950	100.00%	-
2010	28,502,724	28,502,724	100.00%	-
2009	27,850,072	27,850,072	100.00%	-
2008	27,530,688	27,530,688	100.00%	-

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

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DEBT CAPACITY INFORMATION

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CAPITAL LEASES	TOTAL DISTRICT		
2017	\$ 28,435,000	\$ 76,951	\$ 28,511,951	3.93%	\$ 2,728
2016	28,345,000	105,893	28,450,893	3.92%	2,723
2015	32,785,000	-	32,785,000	4.52%	3,139
2014	36,950,000	45,392	36,995,392	5.35%	3,530
2013	36,950,000	45,392	36,995,392	5.59%	3,525
2012	38,830,000	88,985	38,918,985	6.03%	3,706
2011	41,485,000	171,166	41,656,166	6.60%	3,938
2010	43,115,000	303,070	43,418,070	7.17%	4,105
2009	44,605,000	246,457	44,851,457	7.72%	4,387
2008	45,960,000	395,013	46,355,013	7.70%	4,548

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
*Unaudited*

FISCAL YEAR ENDED JUNE 30,	GENERAL BONDED DEBT OUTSTANDING			NET GENERAL BONDED DEBT OUTSTANDING	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	DEDUCTIONS				
2017	\$ 28,435,000	\$ -		\$ 28,435,000	N/A	N/A
2016	28,345,000	-		28,345,000	N/A	N/A
2015	32,785,000	-		32,785,000	1.90%	N/A
2014	34,940,000	-		34,940,000	2.09%	N/A
2013	36,950,000	-		36,950,000	2.36%	3,525
2012	38,830,000	-		38,830,000	2.48%	3,697
2011	41,485,000	-		41,485,000	2.34%	3,922
2010	43,115,000	-		43,115,000	2.43%	4,076
2009	44,605,000	-		44,605,000	3.16%	4,363
2008	45,960,000	-		45,960,000	3.28%	4,509

**RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF JUNE 30, 2017**  
*Unaudited*

GOVERNMENTAL UNIT	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Debt Repaid With Property Taxes:			
Millstone Township	\$ 14,544,816	100.00%	\$ 14,544,816
Monmouth County General Obligation Debt	456,319,190	1.60%	<u>7,301,107</u>
Subtotal, Overlapping Debt			21,845,923
Millstone Township Board of Education			<u>28,435,000</u>
Total Direct & Overlapping Debt			<u><u>\$ 50,280,923</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Monmouth County Board of Taxation.

Debt outstanding data provided by each governmental unit.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**  
*(Dollars in Thousands)*  
*Unaudited*

	FISCAL YEAR									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Debt Limit	\$ 53,576,414	52,491,151	52,504,012	53,946,408	56,328,667	58,952,053	60,934,600	62,693,715	62,508,827	53,542,412
Total Net Debt Applicable to Limit	28,435,000	28,345,000	33,240,000	32,785,000	36,950,000	38,830,000	41,485,000	43,115,000	44,605,000	45,960,000
Legal Debt Margin	\$ 25,141,414	24,146,151	19,264,012	21,161,408	19,378,667	20,122,053	19,449,600	19,578,715	17,903,827	7,582,412
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	53.1%	54.0%	63.3%	60.8%	65.6%	65.9%	68.1%	68.8%	71.4%	85.8%

**Legal Debt Margin Calculation for Fiscal Year 2017**

Equalized Valuation Basis	
2016	\$ 1,828,185,832
2015	1,770,700,462
2014	1,758,755,065
	<u>\$5,357,641,359</u>
Average Equalized Valuation of Taxable Property	<u>\$ 1,785,880,453</u>
Debt Limit (3 % of Average Equalization Value) Net Bonded School Debt	\$ 53,576,414 <u>28,435,000</u>
Legal Debt Margin	<u>\$ 25,141,414</u>

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

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DEMOGRAPHIC AND ECONOMIC STATISTICS

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
*Unaudited***

YEAR	POPULATION	PERSONAL INCOME	MONMOUTH COUNTY PER CAPITA INCOME	UNEMPLOYMENT RATE
2017	10,450	725,334,500	69,410	3.60%
2016	10,450	725,334,500	69,410	5.20%
2015	10,443	724,848,630	69,410	4.80%
2014	10,481	691,945,139	66,019	N/A
2013	10,496	661,951,232	63,067	5.60%
2012	10,502	645,095,852	61,426	3.80%
2011	10,578	631,178,682	59,669	3.80%
2010	10,577	605,543,827	57,251	3.70%
2009	10,223	580,942,421	56,827	3.70%
2008	10,193	602,192,247	59,079	2.20%

Source: NJ Dept of Labor and Workforce Development

**PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO  
*Unaudited***

	2017	2008
	EMPLOYEES	EMPLOYEES
Millstone Board of Education	321	286
Total	321	286

Source: Monmouth County Economic Development

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## OPERATING INFORMATION

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**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST NINE FISCAL YEARS**  
*Unaudited*

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009
Instruction:									
Regular	95	92	85	90	81	92	81	103	108
Special Education	31	38	55	55	50	41	49	39	39
Other Special Education	4	4	4	4	4	2	4	4	4
Support Services:									
Student & Instruction Related Services	35	35	35	35	28	26	26	26	36
General Administration	5	5	3	3	3	3	3	5	5
School Administrative Services	15	15	12	12	11	16	11	14	15
Central Services	9	9	10	10	8	8	8	8	6
Plant Operations & Maintenance	17	17	25	25	19	22	29	29	21
Pupil Transportation	11	12	5	5	3	24	3	36	43
Special School	-	-	3	3	1	-	1	1	1
Food Service	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>222</b>	<b>227</b>	<b>237</b>	<b>242</b>	<b>208</b>	<b>232</b>	<b>216</b>	<b>266</b>	<b>279</b>

**Source:** District Personnel Records

MILLSTONE TOWNSHIP SCHOOL DISTRICT  
 OPERATING STATISTICS  
 LAST TEN FISCAL YEARS  
*Unaudited*

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	COST PER PUPIL	PERCENTAGE CHANGE	TEACHING STAFF (b)	PUPIL/TEACHER RATIO		AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)	% CHANGE IN AVERAGE DAILY ENROLLMENT	STUDENT ATTENDANCE PERCENTAGE
						ELEMENTARY	MIDDLE SCHOOL				
2017	1,142	\$ 36,827,418	32,248	12.36%	130	10/1	10/1	1,140.25	1,075.72	-2.04%	94.3%
2016	1,161	36,224,264	28,701	-0.20%	134	13/1	11/1	1,164.00	1,094.00	-1.36%	94.2%
2015	1,195	34,365,810	28,758	8.44%	134	9/1	9/1	1,180.00	1,128.00	-8.93%	95.5%
2014	1,290	33,965,385	26,330	3.32%	139	9/1	9/1	1,285.40	1,274.60	-4.50%	99.2%
2013	1,355	34,530,834	25,484	9.89%	139	9/1	9/1	1,345.90	1,285.60	-7.23%	95.5%
2012	1,448	33,579,143	23,190	7.21%	129	11/1	11/1	1,450.80	1,395.60	-5.29%	96.2%
2011	1,533	33,160,015	21,631	2.46%	136	12/1	12/1	1,531.90	1,459.80	-2.70%	95.3%
2010	1,580	33,357,156	21,112	3.48%	144	13/1	13/1	1,574.38	1,524.04	-2.94%	96.8%
2009	1,637	33,399,840	20,403	4.75%	148	13/1	12/1	1,622.10	1,545.20	-2.34%	95.3%
2008	1,654	32,215,419	19,477	9.45%	135	13/1	12/1	1,660.90	1,595.59	-1.55%	96.1%

Sources: District records

Note: Enrollment based on annual October district count.

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEAR  
*Unaudited***

DISTRICT BUILDINGS	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Primary Schools:</b>										
Millstone Primary (1995):										
Square Feet	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000	82,000
Capacity (Students)	645	645	645	645	645	645	645	645	645	645
Enrollment	343	293	336	381	381	401	440	452	468	480
<b>Elementary School:</b>										
Millstone Elementary (1958/1987/1999):										
Square Feet	59,495	59,495	59,495	59,495	59,495	59,495	59,495	59,495	59,495	59,495
Capacity (Students)	592	592	592	592	592	592	592	592	592	592
Enrollment	379	399	422	448	448	480	510	521	560	551
<b>Middle School:</b>										
Millstone Middle (2007):										
Square Feet	167,536	167,536	167,536	167,536	167,536	167,536	167,536	167,536	167,536	167,536
Capacity (Students)	650	650	650	650	650	650	650	650	650	650
Enrollment	460	485	532	526	526	567	583	608	609	623
<b>Central Administration (1989)</b>										
Square Feet	1,120	1,120	1,120	1,120	1,120	1,120	1,120	1,120	1,120	1,120

Number of Schools at June 30, 2017:

- Primary = 1
- Elementary = 1
- Middle School = 1
- Other = 1

**Source:** District Facilities Office

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE  
LAST TEN FISCAL YEARS  
*Unaudited***

SCHOOL FACILITIES	PROJECT #	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Millstone Primary	N/A	\$ 174,335	\$ 182,647	\$ 148,167	\$ 104,200	\$ 104,200	\$ 91,585	\$ 70,455	\$ 91,080	\$ 97,283	\$ 107,821
Millstone Elementary	N/A	137,690	132,520	104,265	69,467	69,467	65,417	51,120	66,085	70,586	78,229
Millstone Middle	N/A	237,251	373,171	296,336	242,481	212,260	170,085	130,948	186,086	198,759	220,290
<b>Total</b>		<b>\$ 549,276</b>	<b>\$ 688,338</b>	<b>\$ 548,768</b>	<b>\$ 416,148</b>	<b>\$ 385,927</b>	<b>\$ 327,087</b>	<b>\$ 252,523</b>	<b>\$ 343,251</b>	<b>\$ 366,628</b>	<b>\$ 406,340</b>

\* 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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT**  
**INSURANCE SCHEDULE**  
**JUNE 30, 2017**  
*Unaudited*

	COVERAGE	DEDUCTIBLE
School Package Policy (1):		
Building & Contents ( All Locations)	\$72,538,038	1,000
General Automobile Liability	1,000,000	
School Board Legal Liability (3)	10,000,000	5,000
Employers Liability	1,000,000	
Garage	5,000,000	
Umbrella Liability:		
Umbrella (1)	10,000,000	
Umbrella "CAP" (2)	50,000,000	
Workers' Compensation (3)	2,000,000	
Supplementary Workers' Compensation (3)	1,750 Per Week	
Student Accident Insurance (4)	1,000,000	
Surety Bonds:		
Treasurer (5)	251,000	
Board Secretary/Business Administrator (5)	10,000	
(1) Utica Mutual		
(2) Firemen's Fund		
(3) New Jersey School Boards Insurance Group		
(4) Bollinger		
(5) Selective		

Source: District records.

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**SINGLE AUDIT SECTION**

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EXHIBIT K-1

**INDEPENDENT AUDITOR'S 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  
Millstone Township School District  
County of Monmouth  
Millstone, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Millstone Township School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Millstone Township School District's basic financial statements, and have issued our report thereon dated December 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Millstone 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Millstone Township School 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 Millstone Township School 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 one instance 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 as finding no. 2017-001.

### **The Millstone Township School District's Response to Findings**

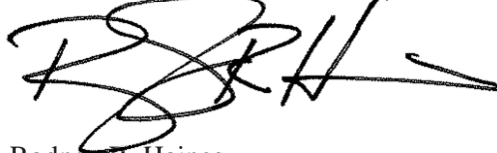
The Millstone Township School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 School District'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, and federal and state awarding agencies and pass-through entities, in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'R. Haines', written over a faint, illegible stamp or background.

Rodney R. Haines  
Certified Public Accountant  
Public School Accountant, No. 2198

Toms River, New Jersey  
December 1, 2017



EXHIBIT K-2

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY NEW JERSEY OMB  
CIRCULAR 15-08**

Honorable President and Members  
of the Board of Education  
Millstone Township School District  
County of Monmouth  
Millstone, New Jersey

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

We have audited the Millstone Township School District’s compliance with the types of compliance requirements described in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the School District’s major state programs for the fiscal year ended June 30, 2017. The Millstone 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 state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the Millstone Township School 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; New Jersey OMB’s Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards and New Jersey OMB’s Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

***Basis for Qualified Opinion on Categorical Special Education Aid, Adjustment Aid, Security Aid, Equalization Aid, Per Pupil Growth Aid, PARCC Readiness and Professional Learning Commission Aid.***

As described in the accompanying schedule of findings and questioned costs, Millstone Township School District did not comply with requirements regarding 17-495-034-5120-089 Categorical Special Education Aid, 15-495-034-5120-085 Adjustment Aid, 17-495-034-5120-084 Security Aid, 17-495-034-5120-078 Equalization Aid, 17-495-034-5120-097 Per Pupil Growth Aid, 17-495-034-5120-098 PARCC Readiness, and 17-495-034-5120-101 Professional Learning Commission Aid as described in finding number 2017-001. Compliance with such requirements is necessary, in our opinion, for Millstone Township School District to comply with the requirements applicable to that program.

***Qualified Opinion on Categorical Special Education Aid, Adjustment Aid, Security Aid, Equalization Aid, Per Pupil Growth Aid, PARCC Readiness and Professional Learning Commission Aid.***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Millstone 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 its Categorical Special Education Aid, Adjustment Aid, Security Aid, Equalization Aid, Per Pupil Growth Aid, PARCC Readiness and Professional Learning Commission Aid state programs for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed no other instances of noncompliance, which are required to be reported in accordance New Jersey OMB's Circular 15-08.

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

Management of the Millstone 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 School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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. As discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*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.

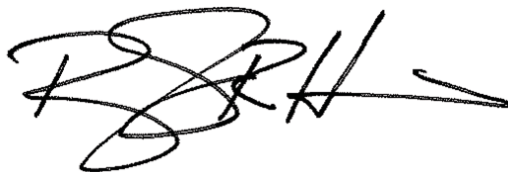
*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a significant deficiency.

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

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

A handwritten signature in black ink, appearing to read 'R. Haines', with a stylized flourish at the end.

Rodney R. Haines  
Certified Public Accountant  
Public School Accountant, No. 2198

Toms, River New Jersey  
December 1, 2017

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MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	FEDERAL NUMBER	FEDERAL PROJECT NUMBER	GRANTOR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT JUNE 30, 2016	CARRYOVER (WALLOVER) AMOUNT	CASH RECEIVED	BUDGETARY EXPENDITURES	SUBSEQUENT EXPENDITURES	REPAYMENT OF PRIOR YEAR BALANCES	ENCUMBRANCE PAYABLE CANCELED	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2017	DEFERRED REVENUE AT JUNE 30, 2017	DUE TO GRANTOR AT JUNE 30, 2017
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED- THROUGH STATE DEPARTMENT OF EDUCATION:</b>															
Child Nutrition Cluster:															
Noneash Assistance:															
Food Distribution Program	10.555	171N304N1099	N/A	\$17,081	7/1/16-6/30/17	\$ -	\$ -	\$ 17,081	\$ (17,081)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Assistance:															
National School Lunch Program	10.555	171N304N1099	100-010-3350-026	48,603	7/1/16-6/30/17	(9,094)	-	46,094	(48,603)	-	-	(2,509)	-	-	-
National School Lunch Program	10.555	171N304N1099	100-010-3350-026	50,549	7/1/15-6/30/16	(9,094)	-	9,094	(48,603)	-	-	(2,509)	-	-	-
Subtotal															
Healthy Hunger-Free Kids Act	10.555	171N304N1099	100-010-3350-026	4,633	7/1/16-6/30/17	(857)	-	4,397	(4,633)	-	-	(236)	-	-	-
Healthy Hunger-Free Kids Act	10.555	171N304N1099	100-010-3350-026	4,863	7/1/15-6/30/16	(857)	-	5,254	(4,633)	-	-	(236)	-	-	-
Subtotal															
Special Milk Program	10.556	171N304N1099	100-010-3350-026	803	7/1/16-6/30/17	(64)	-	782	(803)	-	-	(21)	-	-	-
Special Milk Program	10.556	171N304N1099	100-010-3350-026	735	7/1/15-6/30/16	(64)	-	846	(803)	-	-	(21)	-	-	-
Subtotal															
Total Child Nutrition Cluster															
Total U.S. Department of Agriculture															
Total U.S. Department of Agriculture															
<b>U.S. DEPARTMENT OF EDUCATION PASSED- THROUGH STATE DEPARTMENT OF EDUCATION:</b>															
Improving America's Schools Act Amended by Title I of Let Behind:															
Title I	84.010	S010A150030	NCLB-3200-17	126,117	7/1/16-6/30/17	-	-	56,434	(132,691)	-	-	(76,257)	-	-	-
Title I	84.010	S010A150030	NCLB-3200-16	125,691	7/1/15-6/30/16	(32,609)	-	32,609	(132,691)	-	-	(76,257)	-	-	-
Subtotal															
Title II - Part A	84.367A	S367A150029	NCLB-3200-17	17,739	7/1/16-6/30/17	-	-	17,739	(34,647)	-	-	(6,908)	-	-	-
Title II - Part A	84.367A	S367A150029	NCLB-3200-16	24,423	7/1/15-6/30/16	(4,740)	-	5,740	(34,647)	-	-	(6,908)	-	-	-
Subtotal															
I.D.E.A. Special Education Cluster:															
I.D.E.A. - Part B - Basic	84.027	H027A150100	IDEA-3200-17	270,229	7/1/16-6/30/17	-	-	260,813	(272,806)	-	-	(11,993)	-	-	-
I.D.E.A. - Part B - Basic	84.027	H027A150100	IDEA-3200-16	286,953	7/1/15-6/30/16	(59,705)	-	59,705	(272,806)	-	-	(11,993)	-	-	-
Subtotal															
I.D.E.A. Preschool	84.173	H173A150114	IDEA-3200-17	11,698	7/1/16-6/30/17	-	-	7,799	(11,844)	-	-	(4,135)	-	-	-
I.D.E.A. Preschool	84.173	H173A150114	IDEA-3200-16	22,537	7/1/15-6/30/16	(5,766)	-	5,766	(11,844)	-	-	(4,135)	-	-	-
Subtotal															
Total I.D.E.A. Special Education Cluster															
Total I.D.E.A. Special Education Cluster															
Total U.S. Department of Education															
Total U.S. Department of Education															
Total Federal Financial Awards															
Total Federal Financial Awards															

MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATE GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	AWARD AMOUNT	GRANT PERIOD	BALANCE AT		CASH RECEIVED	BUDGETARY EXPENDITURES	REPAYMENT OF PRIOR YEAR'S BALANCES	(ACCOUNTS RECEIVABLE) AT JUNE 30, 2017	DUE TO GRANTOR JUNE 30, 2017	MEMO	
				JUNE 30, 2016	JUNE 30, 2017						BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPENDITURES
<b>State Department of Education:</b>												
<b>General Fund:</b>												
Equalization Aid	17-495-034-5120-078	\$ 2,349,161	7/1/16-6/30/17	\$ -	\$ -	\$ 2,349,161	(2,349,161)	-	\$ -	\$ -	\$ 221,301	\$ 2,349,161
Special Education Aid	17-495-034-5120-089	1,263,326	7/1/16-6/30/17	-	-	1,263,326	(1,263,326)	-	-	-	119,011	1,263,326
Extraordinary Aid	17-495-034-5120-044	355,854	7/1/16-6/30/17	-	-	-	(355,854)	-	-	-	-	355,854
Extraordinary Aid	16-495-034-5120-044	283,093	7/1/15-6/30/16	(283,093)	-	-	-	-	(355,854)	-	-	-
Categorical Security Aid	17-495-034-5120-084	160,905	7/1/16-6/30/17	-	-	283,093	(160,905)	-	-	-	15,158	160,905
Categorical Security Aid	17-495-034-5120-014	634,121	7/1/16-6/30/17	-	-	634,121	(634,121)	-	-	-	59,737	634,121
Alignment Aid	17-495-034-5120-085	339,326	7/1/16-6/30/17	-	-	339,326	(339,326)	-	-	-	31,966	339,326
Per Pupil Growth Aid	17-495-034-5120-097	18,105	7/1/16-6/30/17	-	-	18,105	(18,105)	-	-	-	1,705	18,105
PARCC Readiness	17-495-034-5120-098	18,105	7/1/16-6/30/17	-	-	18,105	(18,105)	-	-	-	1,705	18,105
Professional Learning Commission Aid	17-495-034-5120-101	16,890	7/1/16-6/30/17	-	-	16,890	(16,890)	-	-	-	1,705	16,890
Reimbursed Nonpublic Transportation Aid	17-100-034-5120-014	31,172	7/1/16-6/30/17	-	-	-	(31,172)	-	(31,172)	-	-	31,172
Reimbursed Nonpublic Transportation Aid	16-100-034-5120-014	31,834	7/1/15-6/30/16	(31,834)	-	-	-	-	-	-	-	-
On-Behalf TPAF Pension	17-100-034-5095-116	1,049,800	7/1/16-6/30/17	-	-	1,049,800	(1,049,800)	-	-	-	-	1,049,800
On-Behalf TPAF Post-Retirement Medical (Nonbudgeted)	17-100-034-5095-116	874,723	7/1/16-6/30/17	-	-	874,723	(874,723)	-	-	-	-	874,723
On-Behalf TPAF Long Term Disability Insurance (Nonbudgeted)	17-495-034-5095-007	2,008	7/1/16-6/30/17	-	-	2,008	(2,008)	-	-	-	-	2,008
Reimbursement TPAF Social Security Contributions	17-100-034-5095-002	691,095	7/1/16-6/30/17	-	-	660,807	(691,095)	-	(30,288)	-	-	691,095
Reimbursement TPAF Social Security Contributions	16-100-034-5095-002	712,504	7/1/15-6/30/16	(34,007)	-	34,007	-	-	-	-	-	-
Total General Fund				(348,934)	7,736,211	(7,804,591)	(417,314)	-	-	-	452,288	7,804,591
<b>Capital Projects Fund:</b>												
New Septic System	SP#-3200-080-14-1001	205,977	1/6/14	(205,977)	205,977	-	-	-	-	-	-	-
Total Capital Projects Fund				(205,977)	205,977	-	-	-	-	-	-	-
<b>Debt Service Fund:</b>												
Debt Service Aid Type II	17-100-034-5120-125	133,659	7/1/16-6/30/17	-	-	133,659	(133,659)	-	-	-	-	133,659
Total Debt Service Fund				-	133,659	(133,659)	-	-	-	-	-	133,659
<b>State Department of Agriculture:</b>												
<b>Enterprise Fund:</b>												
School Lunch Program (State Share)	17-100-010-3360-066	3,226	7/1/16-6/30/17	-	-	3,061	(3,226)	-	(165)	-	-	3,226
School Lunch Program (State Share)	16-100-010-3360-066	3,504	7/1/15-6/30/16	(599)	-	599	-	-	-	-	-	-
Total Enterprise Fund				(599)	3,660	(3,226)	(3,226)	-	(165)	-	-	3,226
Total State Financial Assistance				(555,510)	8,079,507	(7,941,476)	(417,479)	-	-	-	452,288	7,941,476
Less: State Financial Assistance Not Subject to Major Program Determination												
On-Behalf TPAF Long Term Disability Insurance (Nonbudgeted)	17-495-034-5095-007	2,008	7/1/16-6/30/17	-	-	-	2,008	-	-	-	-	-
On-Behalf TPAF Post-Retirement Medical (Nonbudgeted)	17-100-034-5095-116	874,723	7/1/16-6/30/17	-	-	-	874,723	-	-	-	-	-
On-Behalf TPAF Pension Contributions (Nonbudgeted)	17-100-034-5095-116	1,049,800	7/1/16-6/30/17	-	-	-	1,049,800	-	-	-	-	-
Total State Financial Assistance Subject to Major Program Determination							(6,014,945)					

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Note 1. Basis of Presentation**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all federal awards and state financial assistance programs of the Millstone Township School District. The School District is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

**Note 2. Summary of Significant Accounting Policies**

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the following exception: programs recorded in the enterprise fund are presented using the accrual basis of accounting and programs recorded in the capital projects fund are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the School District's basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The School District did not elect the 10-percent de minimis indirect cost rate as discussed in 2 CFR 200.414.

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the School District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

**Note 3. Relationship to Basic Financial Statements**

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

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Note 3. Relationship to Basic Financial Statements (continued)**

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$3,982 for the general fund. See Exhibit C-3 Note A of the basic financial statements, for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance expenditures reported in the School District's basic financial statements on a GAAP basis are presented as follows:

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 7,808,573	\$ 7,808,573
Special Revenue Fund	441,988	-	441,988
Capital Projects Fund	-	-	-
Debt Service Fund	-	133,659	133,659
Food Service Fund	71,120	3,226	74,346
	<hr/>	<hr/>	<hr/>
Total Awards & Financial Assistance	<u>\$ 513,108</u>	<u>\$ 7,945,458</u>	<u>\$ 8,458,566</u>

**Note 4. Relationship to Federal and State Financial Reports**

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

**Note 5. Federal and State Loans Outstanding**

The Millstone Township School District had no loan balances outstanding at June 30, 2017.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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) Material weakness(es) identified?        yes   X   no

2) Significant deficiency(ies) identified?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

**SECTION IS N/A - NOT REQUIRED**

Internal control over major programs:

1) Material weakness(es) identified?        yes        no

2) Significant deficiency(ies) identified?        yes        none reported

Type of auditor's report issued on compliance for major programs \_\_\_\_\_

Any audit findings disclosed that are required to be reported  
in accordance with 2 CFR 200 section .516(a) of Uniform Guidance?        yes        no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>_____</u>	<u>_____</u>	<u>_____</u>

Dollar threshold used to determine Type A programs \_\_\_\_\_

Auditee qualified as low-risk auditee?        yes        no

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

**State Financial Assistance**

Dollar threshold used to determine Type A programs \$750,000

Auditee qualified as low-risk auditee?  yes  no

Internal control over major programs:

    1) Material weakness(es) identified?  yes  no

    2) Significant deficiency(ies) identified?  yes  no

Type of auditor's report issued on compliance for major programs Qualified

Any audit findings disclosed that are required to be reported  
in accordance with New Jersey OMB's Circular 15-08?  yes  no

Identification of major programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
495-034-5120-078	Equalization Aid
495-034-5120-084	Security Aid
495-034-5120-085	Adjustment Aid
495-034-5120-089	Special Education Categorical Aid
495-034-5120-097	Per Pupil Growth Aid
495-034-5120-098	PARCC Readiness Aid
495-034-5120-101	Professional Learning Community Aid

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section II – Financial Statement Findings**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance related to the basic financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

None.

**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs**

This section identifies the significant deficiencies, material weaknesses and instances of noncompliance, including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08.

**FEDERAL AWARDS**

N/A – Federal single audit not required

**STATE FINANCIAL ASSISTANCE**

**Finding 2017-001**

Information on the state program:

Categorical Special Education Aid, Adjustment Aid, Security Aid, Equalization Aid, Per Pupil Growth Aid, PARCC Readiness and Professional Learning Commission Aid.

Criteria or specific requirement:

A school district shall not incur any obligation or approve any payment in excess of the amount appropriated by the district board of education in the applicable line item account (*N.J.A.C. 6A:23A-16.10*)

Condition:

The School District overexpended multiple line item accounts in their Support Services - General Administration expenses. The overexpenditures in Support Services – General Administration netted to a total of \$310,188.

Context:

During the year ended June 30, 2017, the School District was involved in a lawsuit; resulting in legal fees approximately \$327,000 higher than what was originally expected and appropriated. The District Business Administrator requested approval from the Executive County School Business Official to perform budget transfers to cover these unexpected costs. The Executive County School Business Official denied the request, stating it exceeded the allowable limit to be transferred into general administrative costs.



**MILLSTONE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS & QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Section III – Federal Awards & State Financial Assistance Findings & Questioned Costs  
(continued)**

Questioned Costs:

None noted.

Cause:

The District was engaged in an unexpected lawsuit. The Executive County School Business Official denied the request to transfer money into general administrative costs to cover the budget over expenditures.

Effect or potential effect:

The Support Services – General Administrative appropriations were overspent.

Recommendation:

The District needs to continue following the procedures for obtaining approvals for transfers in excess of ten percent to general administrative expenses.

View of Responsible Official:

The School District Business Official has discussed the significant legal fees with the Board of Education throughout the school year along with the denial of transfer by the Executive County School Business Official. The School District Business Official and the Board of Education continue to vigorously defend the School District from the suit brought against them by the Upper Freehold Regional School District.

**MILLSTONE 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**

This section identifies the status of prior year findings related to the financial statements, federal awards and state financial assistance that are required to be reported in accordance with *Government Auditing Standards*, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08.

Financial Statement Findings

No Prior Year Findings.

Federal Awards

N/A – No Federal Single Audit in prior year.

State Financial Assistance

No Prior Year Findings.