

**SCHOOL DISTRICT  
OF  
THE TOWNSHIP OF MONTAGUE**

**Township of Montague School District  
Board of Education  
Montague, New Jersey**

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual  
Financial Report**

**of the**

**Township of Montague School District  
Board of Education**

**Montague, New Jersey**

**For the Fiscal Year Ended June 30, 2017**

**Prepared by**

**Township of Montague School District  
Board of Education**

**Finance Department**

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## **INTRODUCTORY SECTION**

**MONTAGUE TOWNSHIP SCHOOL DISTRICT  
MONTAGUE ELEMENTARY SCHOOL**

**475 Route 206**

**Montague, NJ 07827**

**V: 973 293 7131 / F: 973 293 3391**

**[www.montagueschool.org](http://www.montagueschool.org)**

**Timothy C. Capone**

*Chief School Administrator/Principal*

**Tina M. Palecek**

*Business Administrator/Bd. Secretary*

**Donna Pinzone**

*Assistant to the Chief School Administrator*

**Christopher Gregory**

*Assistant Principal*

November 28, 2017

The Honorable President and Members of  
the Board of Education  
Montague Township School District  
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Montague Township School District (the "District") for the fiscal year ended 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 Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

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

1) REPORTING ENTITY AND ITS SERVICES: The Montague Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Montague Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate for preschool disabled and grade levels Pre-K through 12 with students in grades 7 through 12 being educated through sending-receiving relationships with the Port Jervis School District, Port Jervis, New York and the High Point Regional High School, Sussex, New Jersey. Additionally, students in grades 9 through 12 can attend Sussex County Technical School and there is also an optional 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> grade program at Sussex County Charter School for Montague resident students. Educational services include regular, vocational as well as special education for educationally disabled youngsters. There are also several students enrolled at Kittatiny Regional School District through the School Choice Program. The District completed the 2016-2017 fiscal year with a total number of Montague resident students, 454, enrolled at the various schools mentioned above.

2) MAJOR INITIATIVES: The Montague Board of Education continues to meet the educational needs of all Montague's children. As of September 2016, Montague transitioned to a PreK-8 district. During the 2016-2017 school year the Montague School District continued to provide quality education to all students. Montague students continue to score very high on PARCC testing; in many categories the students are the highest in Sussex County.

3) ECONOMIC CONDITION AND OUTLOOK: The Township is experiencing very slight growth in the area of residential development and expansion, with a stabilization of commercial properties. The Township underwent a re-evaluation of all properties resulting in the net valuation of property to go from \$223.1 million to \$358.6 million in 2015. This did not affect the school tax levy, but did change the tax rates, resulting in some property owners seeing an increase in their total tax while others saw a decrease. The most pressing economic issue facing the school district is the amount of tuition which is paid out to various schools and the transportation costs associated with those placements. These costs account for nearly 41% of the total operating budget. The long-range-facility-plan was also updated during the 2016-2017 school year.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2017.



6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

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

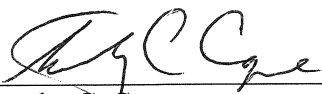
8) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. Insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule, contained in the District's CAFR.

The District is a member of the New Jersey Schools Insurance Group ("NJSIG") which is a risk-sharing public entity risk management pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance coverage for their respective members. Additional information on the pool is included in Note 10 to the Basic Financial Statements.

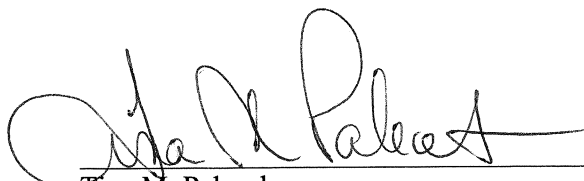
9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes,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

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

Respectfully submitted,

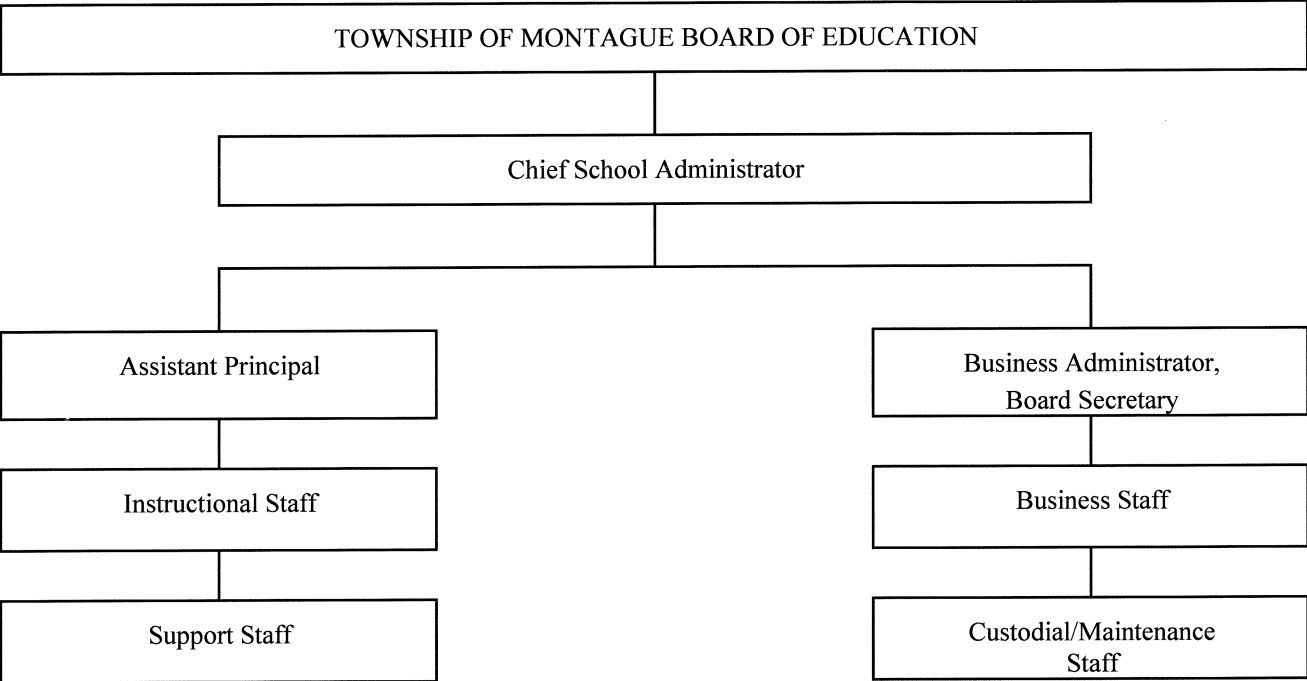


Timothy C. Capone  
Chief School Administrator



Tina M. Palecek  
Board Secretary/Business Administrator

**ORGANIZATIONAL CHART**



**MONTAGUE TOWNSHIP SCHOOL DISTRICT  
ROSTER OF OFFICIALS  
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Glen Plotsky, President	2018
Diane Cole, Vice President	2019
Sally Rogers Kurtzman, Vice President	2019
Linda Spinapolice	2019
Emma Masset	2018
Gayle Andriac	2017
Tacia Johnson	2017

<u>Other Officials</u>	<u>Title</u>
Janice L. Hodge	Chief School Administrator/Principal (until 12/31/2016)
Robert Walker	Interim Chief School Administrator/Principal (1/1/2017-6/30/2017)
Timothy C. Capone	Chief School Administrator/Principal (from 7/1/2017)
Janet MacKenzie	School Business Administrator/Board Secretary (until 9/6/16)
Christopher Lessard	Interim School Business Administrator/Board Secretary (11/17/16 - 12/31/16)
Tina M. Palecek	School Business Administrator/Board Secretary (from 1/1/17)
Michelle Lastarza	Treasurer of School Monies

**Montague Township School District  
Consultants and Advisors**

**Audit Firm**

Nisivoccia LLP, CPAs  
Mount Arlington Corporate Center  
200 Valley Road, Suite 300  
Mount Arlington, New Jersey 07856-1320  
and  
Lawrence Business Park  
11 Lawrence Road  
Newton, New Jersey 07860

**Attorneys**

Daniel Perez  
93 Spring Street, Suite 505  
Newton, New Jersey 07860

Kraemer and Corazza, Attorneys at Law  
328 D Sparta Avenue  
Sparta, New Jersey 07871

**Official Depositories**

Sussex Bank  
399 Route 23  
Franklin, New Jersey 07416

State of New Jersey Cash Management Fund  
Division of Investment  
Department of the Treasury  
Trenton, New Jersey 08625

## **FINANCIAL SECTION**

## Independent Auditors' Report

The Honorable President and Members  
of the Board of Education  
Montague Township School District  
County of Sussex, 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 Board of Education of the Township of Montague School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

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

The Honorable President and Members  
of the Board of Education  
Montague Township School District  
Page 3

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Mount Arlington, New Jersey  
November 28, 2017

NISIVOCCIA LLP



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



**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MONTAGUE TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

This section of Montague Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The District's net position status increased by \$82,184 on a district-wide basis.
- Enrollment in the District increased by 24 students and cost per pupil decreased by \$6,198.
- The District had a net increase in its outstanding long-term liabilities of 33.22 percent, primarily due to an increase in the net pension liability.

**Overview of the Financial Statements**

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

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

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

**Figure A-1**  
**Organization of the Montague Township School District's Financial Report**

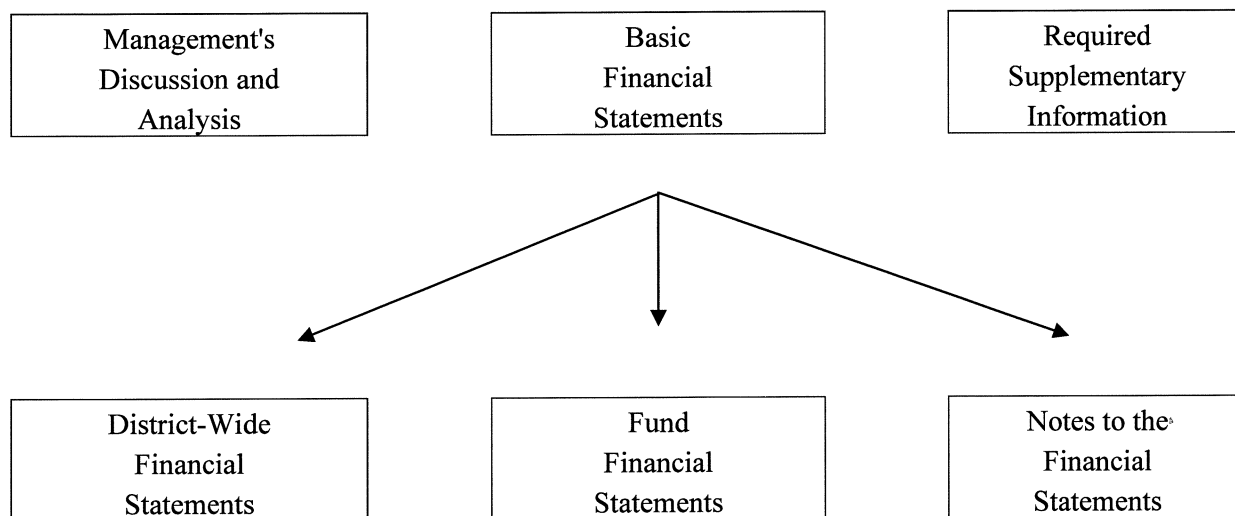


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**Figure A-2**

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

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

## District-wide Statements

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

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

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

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

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

## Fund Financial Statements

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

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

The District has three kinds of funds:

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

## Fund Financial Statements

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

## Notes to 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 District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

## Financial Analysis of the District as a Whole

**Net Position.** The District's combined net position increased by 9.15%. Net position from governmental activities increased by \$87,656 and net position from business-type activities decreased by \$5,472. Net investment in capital assets decreased by \$52,683, restricted net position increased by \$306,632 and unrestricted net position decreased by \$171,765.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017
Current and							
Other Assets	\$ 1,030,094	\$ 1,210,865	\$ 45,580	\$ 39,562	\$ 1,075,674	\$ 1,250,427	-13.98%
Capital Assets, Net	1,595,406	1,641,163	7,720	8,567	1,603,126	1,649,730	-2.82%
Total Assets	2,625,500	2,852,028	53,300	48,129	2,678,800	2,900,157	-7.63%
Deferred Outflows of Resources	714,135	394,576			714,135	394,576	80.99%
Other Liabilities	306,063	796,655	21,917	11,274	327,980	807,929	-59.40%
Long-Term Liabilities	2,082,686	1,563,308			2,082,686	1,563,308	33.22%
Total Liabilities	2,388,749	2,359,963	21,917	11,274	2,410,666	2,371,237	1.66%
Deferred Inflows of Resources	2,226	25,637			2,226	25,637	-91.32%
Net Position:							
Net Investment in							
Capital Assets	1,589,327	1,641,163	7,720	8,567	1,597,047	1,649,730	-3.19%
Restricted	444,003	217,703			444,003	217,703	103.95%
Unrestricted/(Deficit)	(1,084,670)	(997,862)	23,663	28,288	(1,061,007)	(969,574)	-9.43%
Total Net Position	\$ 948,660	\$ 861,004	\$ 31,383	\$ 36,855	\$ 980,043	\$ 897,859	9.15%

**Changes in Net Position.** The District's combined net position was \$980,043 on June 30, 2017, \$82,184 or 9.15% more than the prior year (See Figure A-3). Net investment in capital assets decreased by \$52,683 due to current year depreciation expense of \$132,548 and a net increase in capital lease payable of \$6,079; offset by capital acquisitions of

\$85,944; Restricted net position increased by \$306,632 due to an increase in Debt Service Fund fund balance of \$2,008, an increase in Impact Aid Reserve of \$58,395 and an increase in current year excess surplus of \$180,890; offset by a decrease in the Capital Reserve of \$14,993. Unrestricted net position decreased by \$171,765 primarily due to an increase in net pension liability of \$519,232, offset by \$353,171 increase in deferred outflows and inflows of resources related to pensions (See Figure A-3).

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017
<b>Revenue:</b>							
<b>Program Revenue:</b>							
Charges for Services			\$ 12,129	\$ 13,696	\$ 12,129	\$ 13,696	-11.44%
Grants and Contributions:							
Operating	\$ 2,754,448	\$ 2,395,326	68,808	85,688	2,823,256	2,481,014	13.79%
<b>General Revenue:</b>							
Property Taxes	5,782,740	5,903,110			5,782,740	5,903,110	-2.04%
Federal and State Aid Not Restricted	2,225,159	2,244,711			2,225,159	2,244,711	-0.87%
Other	41,771	5,789	5	4	41,776	5,793	621.15%
<b>Total Revenue</b>	<b>10,804,118</b>	<b>10,548,936</b>	<b>80,942</b>	<b>99,388</b>	<b>10,885,060</b>	<b>10,648,324</b>	<b>2.22%</b>
<b>Expenses:</b>							
Instruction	4,866,037	4,252,515			4,866,037	4,252,515	14.43%
Pupil and Instruction Services	3,274,490	3,662,932			3,274,490	3,662,932	-10.60%
Administrative and Business	596,007	748,472			596,007	748,472	-20.37%
Maintenance and Operations	583,386	554,997			583,386	554,997	5.12%
Transportation	955,273	1,006,746			955,273	1,006,746	-5.11%
Other	441,269	466,310	86,414	107,130	527,683	573,440	-7.98%
<b>Total Expenses</b>	<b>10,716,462</b>	<b>10,691,972</b>	<b>86,414</b>	<b>107,130</b>	<b>10,802,876</b>	<b>10,799,102</b>	<b>0.03%</b>
<b>Increase/(Decrease) in Net Position</b>	<b>\$ 87,656</b>	<b>\$ (143,036)</b>	<b>\$ (5,472)</b>	<b>\$ (7,742)</b>	<b>\$ 82,184</b>	<b>\$ (150,778)</b>	<b>-154.51%</b>

**Revenue Sources.** The District's total revenue for the 2016/2017 school year was \$10,885,060 (See Figure A-5). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$5,782,740 of the total, or 53.13 percent (See Figure A-5). Another 46.38 percent came from state and federal aid, 0.11 percent came from charges for services and the remainder from other miscellaneous sources. The Montague Township School District primarily conducts its operations from the revenue it receives from its local taxpayers.

**Figure A-5**  
**Sources of Revenue for Fiscal Year 2017**

Sources of Income:	<u>Amount</u>	<u>Percentage</u>
Grants and Contributions	\$ 2,823,256	25.94%
Property Taxes	5,782,740	53.13%
Unrestricted Federal and State Aid	2,225,159	20.44%
Charges for Services	12,129	0.11%
Other	41,776	0.38%
	<u>\$ 10,885,060</u>	<u>100.00%</u>

The total cost of all programs and services was \$10,802,876. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (84.19 percent) (See Figure A-6). The District's administrative and business activities accounted for 5.52 percent of total costs. It is important to note that depreciation of \$132,548 is included in expenses for the year.

**Figure A-6**  
**Expenses for Fiscal Year 2017**

Expense Category:	<u>Amount</u>	<u>Percentage</u>
Instruction	\$ 4,866,037	45.04%
Pupil and Instruction Services	3,274,490	30.31%
Administrative and Business	596,007	5.52%
Maintenance and Operations	583,386	5.40%
Transportation	955,273	8.84%
Other	527,683	4.89%
	<u>\$ 10,802,876</u>	<u>100.00%</u>

**Governmental Activities**

Maintaining existing programs with fluctuating enrollment, the provision of a multitude of special programs/services for disabled pupils, and increases in District health benefits costs places a great demand on the District's resources. As a result, careful management of expenses remains essential for the District to sustain its financial health.

Because State aid has remained relatively flat over the past few years, the burden of funding education in the District has fallen on property taxes. Therefore, it is crucial that the District examine its expenses carefully, since any proposed increase to the School District budget will be funded entirely through property taxes.

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



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

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	\$ 4,866,037	\$ 4,252,515	\$ 2,609,508	\$ 2,423,610
Pupil and Instruction Services	3,274,490	3,662,932	3,231,572	3,566,398
Administrative and Business	596,007	748,472	543,119	689,534
Maintenance and Operations	583,386	554,997	583,386	554,997
Transportation	955,273	1,006,746	553,160	595,797
Other	441,269	466,310	441,269	466,310
	<u>\$ 10,716,462</u>	<u>\$ 10,691,972</u>	<u>\$ 7,962,014</u>	<u>\$ 8,296,646</u>

- The cost of all governmental activities this year was \$10,716,462.
- The federal and state governments subsidized certain programs with grants and contributions (\$2,754,448).
- Most of the District’s costs, however, were financed by District taxpayers (\$5,782,740).
- A portion of governmental activities was financed with federal and state aid not restricted (\$2,225,159).
- The remainder of governmental activities funding came from private contributions, investment earnings and miscellaneous revenue.

**Business-Type Activities**

Net position from the District’s business-type activities decreased by \$5,472 (Refer to Figure A-4) which is primarily due to a decrease in non-operating revenue.

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

The District’s financial situation increased slightly. The Township is experiencing very slight growth in the area of residential development and expansion, with a stabilization of commercial properties. The Township underwent a re-valuation of all properties effective for 2015. The revaluation resulted in the net valuation of property going from \$223.1 million to \$358.6 million. This does not affect the school tax levy but did change the tax rates, resulting in some property owners seeing an increase in their total tax while others saw a decrease.

As a result, to maintain a stable financial position, the District must continue to practice sound fiscal management.

**General Fund Budgetary Highlights**

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

- Changes made within budgetary line items were in school-based needs for programs and textbooks, and increased maintenance, legal and other professional services.

## Capital Asset and Long-Term Liability Administration

Figure A-8

### Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2017	2016	2017	2016	2017	2016	2017
Sites (Land)	\$ 45,148	\$ 45,148			\$ 45,148	\$ 45,148	0.00%
Site Improvements	23,132	33,271			23,132	33,271	-30.47%
Buildings and Building Improvements	1,443,425	1,477,059			1,443,425	1,477,059	-2.28%
Machinery and Equipment	83,701	85,685	\$ 7,720	\$ 8,567	91,421	94,252	-3.00%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$ 1,595,406</b>	<b>\$ 1,641,163</b>	<b>\$ 7,720</b>	<b>\$ 8,567</b>	<b>\$ 1,603,126</b>	<b>\$ 1,649,730</b>	<b>-2.82%</b>

The District's overall capital assets (net of depreciation) decreased by \$46,604 due to current year depreciation expense of \$132,548; offset by capital acquisitions of \$85,944. (More detailed information about the District's capital assets is presented in Note 5 to the basic financial statements.)

### Long-term Liabilities

At year-end, the District had no general obligation bonds as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the basic financial statements.)

Figure A-9

### Outstanding Long-Term Liabilities

	Total School District		Total Percentage Change
	2017	2016	2017
Net Pension Liability	\$ 1,935,046	1,415,814	36.67%
Other Long-term Liabilities	147,640	147,494	0.10%
	<b>\$ 2,082,686</b>	<b>\$ 1,563,308</b>	<b>33.22%</b>

- The District's other long-term liabilities consist of compensated absences payable which decreased \$5,933 during the year and net capital leases increase of \$6,079.
- In fiscal year 2017, the District had an increase of \$519,232 in the net pension liability.
- The District entered into a \$7,644 capital lease purchase agreement for copiers and paid down \$1,565 in lease principal during the fiscal year.

### ***Factors Bearing on the District's Future Revenue/Expense Changes***

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

- The volatility of heating gas and electric costs continue to be a concern that could potentially impact the District's future financial resources.
- The volatility of health costs continue to be a concern that could impact the District's financial resources.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Business Administrator at the Montague Board of Education, 475 Route 206, Montague, New Jersey 07827.

## **BASIC FINANCIAL STATEMENTS**

## **DISTRICT-WIDE FINANCIAL STATEMENTS**

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 538,682	\$ 13,011	\$ 551,693
Internal Balances	(26,349)	26,349	
Interfund Receivable - Fiduciary Fund	29,477		29,477
Receivable from Federal Government	218,301	6,143	224,444
Receivable from State Government	11,619	77	11,696
Restricted Cash and Cash Equivalents	258,364		258,364
Capital Assets, Net:			
Sites (Land)	45,148		45,148
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	1,550,258	7,720	1,557,978
Total Assets	<u>2,625,500</u>	<u>53,300</u>	<u>2,678,800</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Changes in Assumptions - Pensions	400,838		400,838
Changes in Proportion - Pensions	155,684		155,684
Difference Between Expected and Actual Experience - Pensions	35,986		35,986
Difference Between Projected and Actual Investment			
Earnings - Pensions	73,785		73,785
District Contribution Subsequent to the Measurement Date - Pensions	47,842		47,842
Total Deferred Outflows of Resources	<u>714,135</u>		<u>714,135</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	300,763	21,917	322,680
Payable to Federal Government	1,559		1,559
Unearned Revenue	3,741		3,741
Noncurrent Liabilities:			
Due Within One Year	11,441		11,441
Due Beyond One Year	2,071,245		2,071,245
Total Liabilities	<u>2,388,749</u>	<u>21,917</u>	<u>2,410,666</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Changes in Proportion - Pensions	2,226		2,226
Total Deferred Inflows of Resources	<u>2,226</u>		<u>2,226</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,589,327	7,720	1,597,047
Restricted for:			
Excess Surplus	180,890		180,890
Capital Projects	28,325		28,325
Debt Service	4,749		4,749
Impact Aid Reserve	230,039		230,039
Unrestricted/(Deficit)	(1,084,670)	23,663	(1,061,007)
Total Net Position	<u>\$ 948,660</u>	<u>\$ 31,383</u>	<u>\$ 980,043</u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expenses)/Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>						
<b>Instruction:</b>						
Regular	\$ 3,811,914		\$ 1,509,848	\$ (2,302,066)		\$ (2,302,066)
Special Education	866,380		669,706	(196,674)		(196,674)
Other Instruction	175,318		71,881	(103,437)		(103,437)
School-Sponsored Instruction	12,425		5,094	(7,331)		(7,331)
<b>Support Services:</b>						
Tuition	2,334,196		11,814	(2,322,382)		(2,322,382)
Student & Instruction Related Services	940,294		31,104	(909,190)		(909,190)
General Administrative Services	326,777		18,233	(308,544)		(308,544)
School Administrative Services	136,434		34,655	(101,779)		(101,779)
Central Services	124,627			(124,627)		(124,627)
Administration Information Technology	8,169			(8,169)		(8,169)
Plant Operations and Maintenance	583,386			(583,386)		(583,386)
Pupil Transportation	955,273		402,113	(553,160)		(553,160)
Charter Schools	441,269			(441,269)		(441,269)
<b>Total Governmental Activities</b>	<b>10,716,462</b>		<b>2,754,448</b>	<b>(7,962,014)</b>		<b>(7,962,014)</b>
<b>Business-Type Activities:</b>						
Food Service	86,414	\$ 12,129	68,808		\$ (5,477)	(5,477)
<b>Total Business-Type Activities</b>	<b>86,414</b>	<b>12,129</b>	<b>68,808</b>		<b>(5,477)</b>	<b>(5,477)</b>
<b>Total Primary Government</b>	<b>10,802,876</b>	<b>12,129</b>	<b>2,823,256</b>	<b>(7,962,014)</b>	<b>(5,477)</b>	<b>(7,967,491)</b>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Net (Expenses)/Revenues and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes, Net	\$ 5,780,732		\$ 5,780,732
Taxes Levied for Debt Service	2,008		2,008
Federal and State Aid Not Restricted	2,225,159		2,225,159
Interest Earnings	7,343	\$ 5	7,348
Miscellaneous Income	34,428		34,428
Total General Revenues	8,049,670	5	8,049,675
Change in Net Position	87,656	(5,472)	82,184
Net Position - Beginning	861,004	36,855	897,859
Net Position - Ending	\$ 948,660	\$ 31,383	\$ 980,043

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



## **FUND FINANCIAL STATEMENTS**

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 453,601		\$ 80,332	\$ 4,749	\$ 538,682
Interfund Receivable	237,567				237,567
Receivables from Federal Government		\$ 218,301			218,301
Receivables from State Government	11,619				11,619
Restricted Cash and Cash Equivalents:					
Capital Reserve Account	28,325				28,325
Impact Aid Reserve Account	230,039				230,039
<b>Total Assets</b>	<b>\$ 961,151</b>	<b>\$ 218,301</b>	<b>\$ 80,332</b>	<b>\$ 4,749</b>	<b>\$ 1,264,533</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Interfund Payable	\$ 26,349	\$ 208,090			\$ 234,439
Payable to Federal Government		1,559			1,559
Accounts Payable	244,269	8,652			252,921
Unearned Revenue	3,741				3,741
<b>Total Liabilities</b>	<b>274,359</b>	<b>218,301</b>			<b>492,660</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Excess Surplus - For 2018-2019 School Year	180,890				180,890
Capital Reserve Account	28,325				28,325
Impact Aid General Fund Reserve Account	230,039				230,039
Debt Service				\$ 4,749	4,749
Committed			\$ 80,332		80,332
<b>Assigned:</b>					
Other Purposes	247,538				247,538
<b>Total Fund Balances</b>	<b>686,792</b>		<b>80,332</b>	<b>4,749</b>	<b>771,873</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 961,151</b>	<b>\$ 218,301</b>	<b>\$ 80,332</b>	<b>\$ 4,749</b>	

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

Capital Assets used in Governmental Activities are not financial resources and therefore are not reported in the Funds. The cost of the assets is \$4,560,089 and the accumulated depreciation is \$2,964,683.	\$ 1,595,406
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the Funds (see Note 6).	(147,640)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(1,935,046)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Deferred Outflows of Resources:	
Changes in Assumptions - Pensions	400,838
Changes in Proportions - Pensions	155,684
Difference Between Expected and Actual Experience - Pensions	35,986
Difference Between Projected and Actual Investment Earnings - Pensions	73,785
Deferred Inflows of Resources:	
Changes in Proportions - Pensions	(2,226)
<b>Net Position of Governmental Activities</b>	<b>\$ 948,660</b>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Local Sources:					
Local Tax Levy	\$ 5,780,732	\$		2,008	\$ 5,782,740
Interest Earned	7,343				7,343
Miscellaneous	34,428				34,428
Total - Local Sources	5,822,503			2,008	5,824,511
State Sources	3,351,686				3,351,686
Federal Sources	179,707	\$ 218,301			398,008
Total Revenues	9,353,896	218,301		2,008	9,574,205
<b>EXPENDITURES</b>					
Current:					
Regular Instruction	1,709,512	113,079			1,822,591
Special Education Instruction	325,760	96,571			422,331
Other Special Instruction	74,075				74,075
School Sponsored Instruction	5,250				5,250
Support Services and Undistributed Costs:					
Tuition	2,334,196				2,334,196
Student and Other Instruction Related Services	674,572	8,651			683,223
General Administrative Services	276,441				276,441
School Administrative Services	59,578				59,578
Central Services	86,707				86,707
Administration Information Technology	5,573				5,573
Plant Operations and Maintenance	486,884				486,884
Pupil Transportation	907,943				907,943
Unallocated Benefits	1,589,231				1,589,231

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES					
Transfer to Charter Schools	\$ 441,269				\$ 441,269
Capital Outlay	86,937				86,937
Total Expenditures	<u>9,063,928</u>	<u>\$ 218,301</u>			<u>9,282,229</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	289,968			\$ 2,008	291,976
OTHER FINANCING SOURCES					
Capital Leases (non-budgeted)	7,644				7,644
Total Other Financing Sources	<u>7,644</u>				<u>7,644</u>
Net Change in Fund Balances	297,612			2,008	299,620
Fund Balance —July 1	389,180	-0-	80,332	2,741	472,253
Fund Balance —June 30	<u>\$ 686,792</u>	<u>\$ -0-</u>	<u>\$ 80,332</u>	<u>\$ 4,749</u>	<u>\$ 771,873</u>

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

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

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2)		\$ 299,620
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 depreciation and deletion of capital assets differs from capital outlays in the period.		
	Depreciation expense	\$ (131,701)
	Capital Outlays	<u>85,944</u> (45,757)
In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation (+).		
		5,933
Leases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		(7,644)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities. (+)		
		1,565
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(519,232)
Change in Deferred Outflows:		
Changes in Assumptions		248,791
Changes in Proportion		4,974
Difference Between Expected and Actual Experience - Pensions		2,210
Difference Between Projected and Actual Investment Earnings - Pensions		96,549
Change in Deferred Inflows:		
Changes in Proportion		<u>647</u>
Change in Net Position of Governmental Activities (Exhibit A-2)		<u>\$ 87,656</u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds
	Food Service
<b>ASSETS:</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 13,011
Interfund Receivable - General Fund	26,349
Intergovernmental Receivable:	
Federal	6,143
State	77
	45,580
Total Current Assets	
Non-Current Assets:	
Capital Assets	25,670
Less: Accumulated Depreciation	(17,950)
	7,720
Total Non-Current Assets	
	53,300
<b>LIABILITIES:</b>	
Current Liabilities:	
Accounts Payable - Vendors	21,917
	21,917
Total Current Liabilities	
<b>NET POSITION:</b>	
Investment in Capital Assets	7,720
Unrestricted	23,663
	31,383
Total Net Position	\$ 31,383

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u> Food Service
Operating Revenue:	
Local Sources:	
Daily Sales:	
Reimbursable Programs	\$ 10,431
Non-Reimbursable Programs	<u>1,698</u>
Total Operating Revenue	<u>12,129</u>
Operating Expenses:	
Cost of Sales:	
Reimbursable Programs	66,167
Non-Reimbursable Programs	10,771
Supplies, Insurance & Other Costs	8,168
Miscellaneous Expenditures	461
Depreciation Expense	<u>847</u>
Total Operating Expenses	<u>86,414</u>
Operating Loss	<u>(74,285)</u>
Non-Operating Revenue:	
Local Sources:	
Interest Income	5
State Sources:	
State School Lunch Program	816
Federal Sources:	
National School Lunch Program	34,398
School Breakfast Program	26,742
Food Distribution Program	<u>6,852</u>
Total Non-Operating Revenue	<u>68,813</u>
Change in Net Position	(5,472)
Net Position - Beginning of Year	<u>36,855</u>
Net Position - End of Year	<u><u>\$ 31,383</u></u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u> Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 12,129
Payments to Suppliers for Goods and Services	<u>(68,072)</u>
Net Cash Used for Operating Activities	<u>(55,943)</u>
Cash Flows from Noncapital and Financing Activities:	
State Sources	547
Federal Sources	<u>41,156</u>
Net Cash Provided by Noncapital Financing Activities	<u>41,703</u>
Cash Flows from Investment Activities:	
Interest Income	<u>5</u>
Net Cash Provided by Investing Activities	<u>5</u>
Net Decrease in Cash and Cash Equivalents	(14,235)
Cash and Cash Equivalents, July 1	<u>27,246</u>
Cash and Cash Equivalents, June 30	<u>\$ 13,011</u>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (74,285)
Adjustment to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation	847
Food Distribution Program	6,852
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>10,643</u>
Net Cash Used for Operating Activities	<u>\$ (55,943)</u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized U.S.D.A. Commodities through the Food Distribution Program valued at \$6,852.

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



TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 207,065	\$ 602	\$ 245	\$ 1,422
Interfund Receivable - Payroll Agency Fund			2,100	
<b>Total Assets</b>	<u>207,065</u>	<u>602</u>	<u>2,345</u>	<u>1,422</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	36,721			
Accrued Salaries and Wages	138,124			
Interfund Payable - General Fund	28,068		1,409	
Interfund Payable - Flexible Spending Trust	2,100			
Due to Student Groups	2,052			
<b>Total Liabilities</b>	<u>207,065</u>		<u>1,409</u>	
<b>NET POSITION:</b>				
Restricted for Scholarships				1,422
Restricted for Flexible Spending Claims			936	
Held in Trust for Unemployment Claims		602		
<b>Total Net Position</b>	<u>\$ -0-</u>	<u>\$ 602</u>	<u>\$ 936</u>	<u>\$ 1,422</u>

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
ADDITIONS:			
Contributions:			
Plan Member		\$ 2,100	
Budget Appropriation	\$ 12,000		
Investment Earnings:			
Interest	1		\$ 1
Total Contributions	12,001	2,100	1
Total Additions	12,001	2,100	1
DEDUCTIONS:			
Unemployment Claims	11,424		
Flexible Spending Claims		1,564	
Scholarships Awarded			50
Total Deductions	11,424	1,564	50
Change in Net Position	577	536	(49)
Net Position - Beginning of the Year	25	400	1,471
Net Position - End of the Year	\$ 602	\$ 936	\$ 1,422

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

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

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

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

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

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,355,363	\$ 218,301
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	258,426	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(259,893)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 9,353,896	\$ 218,301

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

	General Fund	Special Revenue Fund
Uses/Outflows of Resources: Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 9,063,928	\$ 218,301
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 9,063,928	\$ 218,301

E. Cash and Cash Equivalents and Investments:

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

F. Interfund Transactions (Cont'd)

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

K. Capital Assets:

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



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

K. Capital Assets: (Cont'd)

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

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Site Improvements	15 to 30 years
Machinery and Equipment	5 to 20 years
Computer and Related Technology	5 years
Vehicles	8 years

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2017, the amount earned by these employees, but not disbursed was \$138,124.

N. Compensated Absences:

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: Of the \$686,792 General Fund fund balance at June 30, 2017, \$247,537 is assigned for encumbrances which is \$6,413 less than the budgetary assigned fund balance due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018; \$28,325 is restricted in the capital reserve account; \$230,039 is restricted in the impact aid general fund reserve account; \$180,890 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2019; and \$-0- is unassigned fund balance deficit which is \$253,480 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final two state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

Capital Projects Fund: The District has no Capital Projects fund balance at June 30, 2017.

Debt Service Fund: The \$85,081 fund balance in the Debt Service Fund at June 30, 2017 is restricted.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school Districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had no excess surplus.

The District's fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$259,893, \$253,480 in unassigned fund balance and \$6,413 in assigned for encumbrances, as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the related state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

Q. Fund Balance Restrictions, Commitments, and Assignments:

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

In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus capital reserve, an impact aid general fund reserve and debt service.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources of \$80,332 at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances in the General Fund at June 30, 2017.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows and inflows of resources related to pensions at June 30, 2017.

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

R. Net Position: (Cont'd)

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

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

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

S. Deficit Net Position:

The District has a deficit in unrestricted net position of \$1,165,002 in governmental activities, which is due to \$141,561 of compensated absences payable, changes in proportion in pensions of \$2,226 and the net pension liability of \$1,935,046; offset by \$247,538 fund balance assigned for encumbrances and deferred outflows of resources related to pensions of \$666,293.

The deficit in Governmental Activities does not indicate that the District is facing financial difficulties and is a permitted practice by generally accepted accounting principles.

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

GASB requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

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

Custodial Credit Risk – The District's policy with respect to custodial credit risk requires that the District ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

Investments: (Cont'd)

- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); and
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2017, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents		Total
		Capital Reserve Account	Impact Aid Reserve Account	
Checking and Savings Accounts	\$ 709,779	\$ 28,325	\$ 230,039	\$ 968,143
New Jersey Cash Management Fund	51,248			51,248
	<u>\$ 761,027</u>	<u>\$ 28,325</u>	<u>\$ 230,039</u>	<u>\$ 1,019,391</u>

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$1,019,391 and the bank balance was \$1,274,179. The \$51,248 in the New Jersey Cash Management Fund is uninsured and unregistered.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District on September 27, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both.

A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question on the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1g, 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	\$ 43,318
Add:	
Interest Earnings	7
Less:	
Budgeted Withdrawal from Capital Reserve	(15,000)
Ending Balance, June 30, 2017	\$ 28,325

The balance in the capital reserve account at June 30, 2017 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawal from the capital reserve was for use in a DOE approved facilities project consistent with the District's LRFP.

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 45,148			\$ 45,148
Total Capital Assets Not Being Depreciated	45,148			45,148
Capital Assets Being Depreciated:				
Site Improvements	137,392			137,392
Buildings and Building Improvements	3,665,224	\$ 78,300		3,743,524
Machinery and Equipment	626,381	7,644		634,025
Total Capital Assets Being Depreciated	4,428,997	85,944		4,514,941
Governmental Activities Capital Assets	4,474,145	85,944		4,560,089
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(2,188,165)	(111,934)		(2,300,099)
Site Improvements	(104,121)	(10,139)		(114,260)
Machinery and Equipment	(540,696)	(9,628)		(550,324)
	(2,832,982)	(131,701)		(2,964,683)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 1,641,163	\$ (45,757)	\$ -0-	\$ 1,595,406



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 5. CAPITAL ASSETS (Cont'd)

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Business-Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 25,670			\$ 25,670
Less Accumulated Depreciation	(17,103)	\$ (847)		(17,950)
Business-Type Activities Capital Assets, Net of Accumulated Depreciation	\$ 8,567	\$ (847)	\$ -0-	\$ 7,720

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 32,607
Special Education	6,212
Other Instruction	1,413
School Sponsored Instruction	100
Student and Instruction Related Services	56,600
General Administrative Services	5,272
School Administrative Services	1,136
Central Services	1,653
Administration Information Technology	106
Plant Operations and Maintenance	9,286
Pupil Transportation	17,316
	\$ 131,701

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Accrued	Retired	Balance 6/30/2017
Net Pension Liability	\$ 1,415,814	\$ 519,232		\$ 1,935,046
Compensated Absences Payable	147,494	16,385	\$ 22,318	141,561
Capital Leases Payable		7,644	1,565	6,079
	\$ 1,563,308	\$ 543,261	\$ 23,883	\$ 2,082,686

A. Bonds Payable:

The Board had no bonds payable as of June 30, 2017.

B. Bonds Authorized But Not Issued:

The Board had no bonds authorized but not issued as of June 30, 2017.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable:

The District is leasing copiers under capital lease valued at \$7,644 of which \$1,565 has matured and been repaid. The capital lease is for a term of five years.

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2017.

Fiscal Year	Amount
2018	\$ 1,800
2019	1,800
2020	1,800
2021	1,500
	6,900
Less amount representing interest	(821)
Present Value Net of Minimum Lease Payments	\$ 6,079

The current portion of the capital lease payable at June 30, 2017 is \$1,441 and the long-term portion is \$4,638. The General Fund will be used to liquidate the capital lease payable.

D. Compensated Absences:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance is \$10,000 and the long-term liability balance of compensated absences is \$131,561. The General Fund will be used to liquidate compensated absences payable. The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the Enterprise Funds.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$1,935,046. See Note 8 for further information on the PERS.

NOTE 7: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District did not make any transfers to the capital outlay accounts.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS

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

A. Public Employees’ Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 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

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

Benefits Provided (Cont’d)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$58,390 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the District reported a liability of \$1,935,046 for its proportionate share of the net pension liability. 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.0065%, which was an increase of 0.0002% from its proportion measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$224,101. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	6.44	\$ 24,324	
	2015	5.72	99,393	
	2016	5.57	277,121	
			<u>400,838</u>	
Difference Between Expected and Actual Experience	2015	5.72	27,576	
	2016	5.57	8,410	
			<u>35,986</u>	
Changes in Proportion	2014	6.44		\$ 2,226
	2015	5.72	118,780	
	2016	5.57	36,904	
			<u>155,684</u>	<u>2,226</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00	(36,450)	
	2015	5.00	23,320	
	2016	5.00	86,915	
			<u>73,785</u>	
Contribution Made Subsequent to the Measurement Date	2016	1.00	47,842	
			<u>47,842</u>	
			<u>\$ 714,135</u>	<u>\$ 2,226</u>

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

Fiscal Year Ending June 30,	Total
2017	\$ 114,959
2018	114,959
2019	133,184
2020	111,894
2021	35,613
	<u>\$ 510,609</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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:

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 Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. 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 rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one 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.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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 PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return (Cont'd)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%

Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based the contribution rate in the most recent fiscal year. 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 District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 2,371,173	\$ 1,935,046	\$ 1,574,985

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 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:

Tier	Definition
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



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a 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 members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2016, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District.

During the fiscal year ended 2017, the State of New Jersey contributed \$249,943 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,479,856.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

At June 30, 2017, the State's proportionate share of the net pension liability associated with the District was \$19,695,671. 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 District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.025%, which was an increase of 0.004% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$	-0-
State's Proportionate Share of the Net Pension Liability Associated with the District		19,695,671
Total	\$	19,695,671

For the fiscal year ended June 30, 2017, the State recognized pension expense on behalf of the District in the amount of \$1,479,856 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

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

	Year of Deferral	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2014	8.5	\$ 1,691,524,165	
	2015	8.3	4,488,602,746	
	2016	8.3	9,522,623,964	
			15,702,750,875	
Difference Between Expected and Actual Experience	2014	8.3		\$ 16,110,615
	2015	8.5	277,221,464	
	2016	8.3		118,421,979
			277,221,464	134,532,594
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.0	(870,618,286)	
	2015	5.0	577,926,182	
	2016	5.0	1,727,420,767	
			1,434,728,663	
		\$ 17,414,701,002	\$ 134,532,594	

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

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 a generational basis based on a 60 years 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.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension 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:

<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 Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	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 – TPAF

The discount rate used to measure the total pension liability was 3.22% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 8. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF (Cont'd)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029. Therefore, the long-term expected rate of return on pension 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 State's Proportionate Share of the Net Pension Liability Associated with the District to Changes in the Discount Rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 23,521,033	\$ 19,695,671	\$ 16,571,770

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

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

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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

For DCRP, the District recognized pension expense of \$446 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$833 for the year ended June 30, 2017.

NOTE 9. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 of Public Laws 1990 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. 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 premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$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 Pension and Benefits issues a publically available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial2015combined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$215,805, \$238,687 and \$211,127 for the fiscal year ended June 30, 2017, 2016 and 2015, respectively.

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains its health care coverage through Horizon Blue Cross Blue Shield of New Jersey.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

Property, Liability and Health Benefits

A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the New Jersey Schools Insurance Group (“NJSIG”). This public entity risk management pool provided general liability, property and automobile coverage and workers’ compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The NJSIG is a risk-sharing public entity risk pool that is both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the NJSIG are elected.

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

Selected, summarized financial information for the NJSIG as of June 30, 2017 is as follows:

Total Assets	<u>\$ 328,772,862</u>
Net Position	<u>\$ 78,662,630</u>
Total Revenue	<u>\$ 131,811,793</u>
Total Expenses	<u>\$ 121,371,527</u>
Change in Net Position	<u>\$ 10,440,266</u>
Member Dividends	<u>\$ -0-</u>

Financial statements for the Group are available at the Group’s Executive Director’s Office:

New Jersey Schools Insurance Group  
600 Midlantic Drive  
Mount Laurel, NJ 08054  
(609) 386-6060  
[www.njsig.org](http://www.njsig.org)

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 10. RISK MANAGEMENT (Cont'd)

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 12,000	\$ 1	\$ -0-	\$ 11,424	\$ 602
2015-2016	10,000	-0-	-0-	11,596	25
2014-2015	12,000	1	-0-	11,990	1,621

NOTE 11. ECONOMIC DEPENDENCY

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

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2017 there were interfund receivables and payables as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 237,567	\$ 26,349
Special Revenue Fund		208,090
Proprietary Fund - Food Service Fund	26,349	
Fiduciary Fund - Payroll Agency Fund		30,168
Fiduciary Fund - Flexible Spending Trust	2,100	1,409
	<u>\$ 266,016</u>	<u>\$ 266,016</u>

The interfund receivable in the General Fund is comprised of \$208,090 due from the Special Revenue Fund due to timing of federal and state grant collections, \$28,068 due from the Payroll Agency Fund for employee health benefit contributions and accumulated interest and \$1,409 due from the Flexible Spending Trust for unclaimed balances. The receivable due from the General Fund to the Food Service Fund is for the state subsidy reimbursements from fiscal years 2015, 2016 and 2017. The receivable due from the Payroll Agency Fund to the Flexible Spending Trust is for current year plan member contributions.



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 13. DEFERRED COMPENSATION

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

AXA Equitable Financial  
Lincoln Life Financial

NOTE 14. TAX CALENDAR

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

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

NOTE 15. COMMITMENTS AND CONTINGENCIES

Litigation

The Board is periodically involved in claims or lawsuits arising in the normal course of business. The Board does not believe that the ultimate outcome of these cases would have a material adverse effect on the District's financial position.

Grant Programs

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

Encumbrances

At June 30, 2017, the District had \$253,951 of encumbrances in the General Fund.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 16. ACCOUNTS PAYABLE

The following accounts payable existed on the various balance sheets as of June 30, 2017:

	<u>Governmental Funds</u>		District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Activities	<u>Business-Type Activities</u>
	General Fund	Special Revenue Fund			Food Service Fund
Due to State of New Jersey			\$ 47,842	\$ 47,842	
Vendors	\$ 244,269	\$ 8,652		252,921	\$ 21,917
	<u>\$ 244,269</u>	<u>\$ 8,652</u>	<u>\$ 47,842</u>	<u>\$ 300,763</u>	<u>\$ 21,917</u>

NOTE 17. IMPACT AID GENERAL FUND RESERVE ACCOUNT

An impact aid general fund reserve account was established by the District on June 24, 2015. Impact Aid revenue received from the federal government under section 8002 or 8003 of the Elementary and Secondary Education Act of 1965 can be used for any legal purpose without restriction. The reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Impact Aid provides financial assistance to school districts affected by federal activities. Because federal property is exempt from local property taxes, Impact Aid helps to replace lost revenue that would otherwise be available to pay for educating children who live on federal property or whose parents work on federal property.

A board of education may appropriate federal impact aid funds to establish or supplement the reserve account in the district's annual budget, or through a transfer by a two-thirds affirmative vote of the authorized membership of the board between June 1 and June 30, for withdrawal in any subsequent school year. Any transfer to the reserve account shall not exceed the total amount of federal impact aid received in the fiscal year. The board, at its discretion, may use the funds in the reserve account to finance the district's general fund or to finance school facilities projects, in a manner consistent with federal law. The total amount of funds on deposit in the reserve account shall not be limited.

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

Beginning Balance, July 1, 2016	\$ 171,644
Add:	
Transfer	173,268
Less:	
Withdrawal as per Board Resolution	<u>(114,873)</u>
Ending Balance, June 30, 2017	<u>\$ 230,039</u>

**SCHEDULES OF REQUIRED  
SUPPLEMENTARY INFORMATION**

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's proportion of the net pension liability	0.0053582936%	0.0063070832%	0.0065335359%
District's proportionate share of the net pension liability	\$ 1,003,219	\$ 1,415,814	\$ 1,935,046
District's covered employee payroll	\$ 397,514	\$ 432,817	\$ 358,746
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	252.37%	327.12%	539.39%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%	40.14%

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 44,173	\$ 54,224	\$ 58,390
Contributions in relation to the contractually required contribution	(44,173)	(54,224)	(58,390)
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 389,564	\$ 397,514	\$ 432,817
Contributions as a percentage of covered employee payroll	11.34%	13.64%	13.49%

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
ASSOCIATED WITH THE DISTRICT  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's proportion of the net pension liability attributable to the District	0.0252718611%	0.0245993334%	0.0250369653%
State's proportionate share of the net pension liability attributable to the District	\$ 13,506,987	\$ 15,547,829	\$ 19,695,671
District's covered employee payroll	\$ 2,495,206	\$ 2,531,867	\$ 2,402,629
State's proportionate share of the net pension liability attributable to the District as a percentage of the covered employee payroll	541.32%	614.09%	819.75%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%	22.33%

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES  
SCHEDULE OF STATE CONTRIBUTIONS  
TEACHERS' PENSION AND ANNUITY FUND  
LAST THREE FISCAL YEARS  
UNAUDITED

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually required contribution	\$ 726,803	\$ 949,335	\$ 1,479,856
Contributions in relation to the contractually required contribution	<u>(132,993)</u>	<u>(200,456)</u>	<u>(249,943)</u>
Contribution deficiency/(excess)	<u>\$ 593,810</u>	<u>\$ 748,879</u>	<u>\$ 1,229,913</u>
District's covered employee payroll	\$ 2,531,867	\$ 2,402,629	\$ 2,246,299
Contributions as a percentage of covered employee payroll	5.25%	8.34%	11.13%

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.

The inflation rate changed from 3.04% as of June 30, 2015 to 3.08% as of June 30, 2016. The salary increases changed from 2.15% - 4.40% for 2012 – 2021 to 1.65%-4.15% through 2026 and from 3.15%-5.40% thereafter to 2.65%-5.15% thereafter.

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For local employees, mortality tables are set back 2 years for males and 7 years for females. 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 rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward one year for females).

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016. The municipal bond rate changed from 3.80% to 2.85%. The long-term expected rate of return on pension plan investments changed from 7.90% to 7.65%.



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

B. TEACHERS PENSION AND ANNUITY FUND (Cont'd)

Changes of Assumptions (Cont'd)

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

**BUDGETARY COMPARISON SCHEDULES  
(UNAUDITED)**

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 5,780,732		\$ 5,780,732	\$ 5,780,732	\$ 7
Interest on Capital Reserve				41,764	41,764
Unrestricted Miscellaneous Revenues				5,822,503	41,771
<b>Total Local Sources</b>	<u>5,780,732</u>		<u>5,780,732</u>	<u>5,822,503</u>	<u>41,771</u>
<b>State Sources:</b>					
Equalization Aid	1,906,677		1,906,677	1,906,677	
Categorical Transportation Aid	398,801		398,801	398,801	
Categorical Special Education Aid	257,132		257,132	257,132	
Categorical Security Aid	100,706		100,706	100,706	
Adjustment Aid	26,780		26,780	26,780	
PARCC Readiness Aid	4,510		4,510	4,510	
Per Pupil Growth Aid	4,510		4,510	4,510	
Professional Learning Community Aid	3,460		3,460	3,460	
Nonpublic Transportation				3,480	3,480
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				215,805	215,805
On-Behalf TPAF Pension Contributions (Non-Budgeted)				249,943	249,943
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				9,056	9,056
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				429	429
TPAF Social Security (Reimbursed - Non-Budgeted)				171,864	171,864
<b>Total State Sources</b>	<u>2,702,576</u>		<u>2,702,576</u>	<u>3,353,153</u>	<u>650,577</u>
<b>Federal Sources:</b>					
Impact Aid				173,268	173,268
Medicaid Assistance Program	6,953		6,953	6,439	(514)
<b>Total Federal Sources</b>	<u>6,953</u>		<u>6,953</u>	<u>179,707</u>	<u>172,754</u>
<b>TOTAL REVENUES</b>	<u>8,490,261</u>		<u>8,490,261</u>	<u>9,355,363</u>	<u>865,102</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 73,425	\$ 107,167	\$ 180,592	\$ 180,592	
Kindergarten - Salaries of Teachers	148,255	(148,255)			
Grades 1-5 - Salaries of Teachers	659,957	112,514	772,471	772,396	\$ 75
Grades 6-8 - Salaries of Teachers	315,631	68,718	384,349	384,348	1
Regular Programs - Home Instruction:					
Salaries of Teachers	1,700	2,948	4,648	3,501	1,147
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	103,541	(4,967)	98,574	98,570	4
Purchased Professional - Educational Services	2,000	(1,600)	400	400	
Purchased Technical Services	64,174	51,679	115,853	97,918	17,935
Other Purchased Services (400-500 Series)	1,000	1,067	2,067	2,067	
General Supplies	121,989	46,791	168,780	154,214	14,566
Textbooks	2,000	(2,000)			
Other Objects	11,250	11,085	22,335	15,506	6,829
<b>Total Regular Programs - Instruction</b>	<b>1,504,922</b>	<b>245,147</b>	<b>1,750,069</b>	<b>1,709,512</b>	<b>40,557</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	115,105	26,690	141,795	141,795	
Total Learning and/or Language Disabilities	115,105	26,690	141,795	141,795	
Resource Room/Resource Center:					
Salaries of Teachers	294,484	(147,091)	147,393	147,253	140
Total Resource Room/Resource Center	294,484	(147,091)	147,393	147,253	140

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Preschool Handicapped - Part Time:					
Salaries of Teachers	\$ 81,365	\$ (44,653)	\$ 36,712	\$ 36,712	
Other Salaries for Instruction	28,254	(26,690)	1,564		\$ 1,564
Total Preschool Handicapped - Part Time	<u>109,619</u>	<u>(71,343)</u>	<u>38,276</u>	<u>36,712</u>	<u>1,564</u>
Total Special Education Instruction	<u>519,208</u>	<u>(191,744)</u>	<u>327,464</u>	<u>325,760</u>	<u>1,704</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	163,030	(59,400)	103,630	38,763	64,867
Total Basic Skills/Remedial - Instruction	<u>163,030</u>	<u>(59,400)</u>	<u>103,630</u>	<u>38,763</u>	<u>64,867</u>
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	8,300	(7,150)	1,150	1,150	
Total School-Sponsored Cocurricular Activities - Instruction	<u>8,300</u>	<u>(7,150)</u>	<u>1,150</u>	<u>1,150</u>	
School-Sponsored Athletics - Instruction:					
Salaries		4,100	4,100	4,100	
Total School-Sponsored Athletics - Instruction		<u>4,100</u>	<u>4,100</u>	<u>4,100</u>	
Other Instructional Programs - Instruction					
Salaries	35,313		35,313	35,312	1
Total Other Instructional Programs - Instruction	<u>35,313</u>		<u>35,313</u>	<u>35,312</u>	<u>1</u>
Total Instruction	<u>2,230,773</u>	<u>(9,047)</u>	<u>2,221,726</u>	<u>2,114,597</u>	<u>107,129</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Regular	1,258,084	(9,734)	1,248,350	1,247,388	962
Tuition to Other LEAs Within the State - Special	547,346	310,741	858,087	734,308	123,779
Tuition to County Vocational School District - Regular	149,940	(28,702)	121,238	121,237	1

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Instruction: (Cont'd)					
Tuition to Private Schools for the Handicapped - Within State	\$ 395,503	\$ (392,605)	\$ 2,898	\$ 2,898	
Tuition to Private Schools for the Handicapped - Outside State	336,968	(137,586)	199,382	196,059	\$ 3,323
Tuition - State Facilities	32,306		32,306	32,306	
Total Instruction	<u>2,720,147</u>	<u>(257,886)</u>	<u>2,462,261</u>	<u>2,334,196</u>	<u>128,065</u>
Health Services:					
Salaries	65,725		65,725	65,725	
Supplies and Materials	1,000		1,000	875	125
Total Health Services	<u>66,725</u>		<u>66,725</u>	<u>66,600</u>	<u>125</u>
Other Support Services - Students - Extraordinary Services:					
Purchased Professional - Educational Services	202,244	84,011	286,255	276,035	10,220
Total Other Support Services - Students - Extraordinary Services	<u>202,244</u>	<u>84,011</u>	<u>286,255</u>	<u>276,035</u>	<u>10,220</u>
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	206,172	192	206,364	206,363	1
Salaries of Secretarial and Clerical Assistants	35,953	(10,626)	25,327	25,232	95
Purchased Professional - Educational Services	600	6,450	7,050	7,050	
Supplies and Materials	35		35		35
Other Objects		150	150	150	
Total Other Support Services - Students - Child Study Team	<u>242,760</u>	<u>(3,834)</u>	<u>238,926</u>	<u>238,795</u>	<u>131</u>
Improvement of Instructional Services:					
Salaries of Other Professional Staff	14,000	34,430	48,430	48,430	
Total Improvement of Instructional Services	<u>14,000</u>	<u>34,430</u>	<u>48,430</u>	<u>48,430</u>	

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Educational Media Services/School Library:					
Salaries	\$ 35,313		\$ 35,313	\$ 35,313	\$ 68
Supplies and Materials	750	(682)	68		
Total Educational Media Services/School Library	<u>36,063</u>	<u>(682)</u>	<u>35,381</u>	<u>35,313</u>	<u>68</u>
Instructional Staff Training Services:					
Other Purchased Professional and Technical Services	1,950	6,334	8,284	8,249	35
Other Purchased Services (400-500 series)	600	550	1,150	1,150	
Total Instructional Staff Training Services	<u>2,550</u>	<u>6,884</u>	<u>9,434</u>	<u>9,399</u>	<u>35</u>
Support Services - General Administration:					
Salaries	163,315	18,724	182,039	148,253	33,786
Legal Services	10,382	21,100	31,482	25,916	5,566
Audit Fees	22,368		22,368	21,680	688
Other Purchased Professional Services	1,500	1,510	3,010	3,010	
Communications/Telephone	9,100	18,413	27,513	27,213	300
BOE Other Purchased Services	12,000	17,807	29,807	28,490	1,317
Miscellaneous Purchased Services (400-500 series)	3,850		3,850	3,850	
General Supplies	750	1,000	1,750	44	1,706
Miscellaneous Expenditures	3,860	5,246	9,106	9,106	
BOE Membership Dues and Fees	6,100	3,000	9,100	8,879	221
Total Support Services - General Administration	<u>233,225</u>	<u>86,800</u>	<u>320,025</u>	<u>276,441</u>	<u>43,584</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals/Program Directors	85,146	(30,644)	54,502	54,502	
Salaries of Secretarial and Clerical Assistants	2,500	2,576	5,076	5,076	
Total Support Services - School Administration	<u>87,646</u>	<u>(28,068)</u>	<u>59,578</u>	<u>59,578</u>	

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 115,628	\$ (34,430)	\$ 81,198	\$ 81,188	\$ 10
Purchased Professional Services	450	5,690	6,140	5,519	621
Purchased Technical Services	2,800	(2,800)			
Supplies and Materials	200	(200)			
Total Central Services	119,078	(31,740)	87,338	86,707	631
Administration Information Technology:					
Salaries		5,573	5,573	5,573	
Total Administration Information Technology		5,573	5,573	5,573	
Required Maintenance for School Facilities:					
Salaries	30,851	1,087	31,938	31,938	
Cleaning, Repair and Maintenance Services	31,000	99,258	130,258	117,435	12,823
General Supplies	3,400	617	4,017	4,016	1
Total Required Maintenance of School Facilities	65,251	100,962	166,213	153,389	12,824
Custodial Services:					
Salaries	154,939	8,274	163,213	163,213	
Purchased Professional and Technical Services	13,000	(4,336)	8,664	8,664	
Cleaning, Repair and Maintenance Services	22,970	31,189	54,159	54,125	34
Insurance	30,008	(2,942)	27,066	27,066	
General Supplies	19,142	4,820	23,962	19,835	4,127
Energy (Electricity)	121,000	(49,613)	71,387	60,592	10,795
Total Custodial Services	361,059	(12,608)	348,451	333,495	14,956
Student Transportation Services:					
Salary for Pupil Transportation (Between Home & School) - Regular	50,195	16,092	66,287	66,287	



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Student Transportation Services (Cont'd)					
Salary for Pupil Transportation (Between Home & School) - Special Education	\$ 2,450	\$ (1,819)	\$ 631	\$ 631	\$ 37,483
Contracted Services:					
Between Home and School - Vendors	494,910	(1,080)	493,830	456,347	1,415
Between Home and School - Joint Agreements	14,697	(553)	14,144	12,729	43,392
Special Education Students - Vendors	280,315	112,484	392,799	349,407	
Aid in Lieu - Nonpublic Schools	26,500	(3,958)	22,542	22,542	
Total Student Transportation Services	869,067	121,166	990,233	907,943	82,290
Undistributed Expenditures:					
Unallocated Benefits:					
Social Security Contributions	56,121	9,395	65,516	65,516	
Other Retirement Contributions - PERS	53,030	5,810	58,840	58,390	450
Other Retirement Contributions - Regular		446	446	446	
Unemployment Compensation	12,000		12,000	12,000	
Workmen's Compensation	36,556	(6,956)	29,600	29,600	
Health Benefits	814,713	(72,882)	741,831	727,292	14,539
Tuition Reimbursement	12,000	707	12,707	12,707	
Other Employee Benefits	12,000	24,183	36,183	36,183	
Total Unallocated Benefits	996,420	(39,297)	957,123	942,134	14,989
On-Behalf Contributions:					
On-Behalf TPAF Post Retirement Contributions (Non-Budgeted)				215,805	(215,805)
On-Behalf TPAF Pension Contributions (Non-Budgeted)				249,943	(249,943)
On-Behalf TPAF Non-Contributory Insurance (Non-Budgeted)				9,056	(9,056)
On-Behalf TPAF Long-Term Disability Insurance (Non-Budgeted)				429	(429)
TPAF Social Security (Reimbursed - Non-Budgeted)				171,864	(171,864)
Total On-Behalf Contributions				647,097	(647,097)
Total Employee Benefits	996,420	(39,297)	957,123	1,589,231	(632,108)
Total Undistributed Expenses	6,016,235	65,711	6,081,946	6,421,125	(339,179)

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
TOTAL GENERAL CURRENT EXPENSE	\$ 8,247,008	\$ 56,664	\$ 8,303,672	\$ 8,535,722	\$ (232,050)
<b>CAPITAL OUTLAY:</b>					
Facilities Acquisition and Construction Services:					
Assessment of Debt Service on SDA Funding	993		993	993	15,000
Purchased Professional/Technical Services	15,000		15,000		
Construction Services	78,300		78,300	78,300	
Total Facilities Acquisition and Construction Services	94,293		94,293	79,293	15,000
Assets Acquired Under Capital Leases (non-budgeted):					
Undistributed Expenditures:					
Regular Program - Instruction				7,644	(7,644)
Total Assets Acquired Under Capital Leases (non-budgeted)				7,644	(7,644)
TOTAL CAPITAL OUTLAY	94,293		94,293	86,937	7,356
Transfer of Funds to Charter Schools	383,060	58,209	441,269	441,269	
TOTAL EXPENDITURES	8,724,361	114,873	8,839,234	9,063,928	(224,694)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(234,100)	(114,873)	(348,973)	291,435	640,408
<b>Other Financing Sources:</b>					
Capital Leases (non-budgeted)				7,644	(7,644)
Total Other Financing Sources				7,644	(7,644)
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures	(234,100)	(114,873)	(348,973)	299,079	632,764
Fund Balance, July 1	647,606		647,606	647,606	
Fund Balance, June 30	\$ 413,506	\$ (114,873)	\$ 298,633	\$ 946,685	\$ 632,764

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Recapitulation:</u>					
<u>Restricted:</u>					
Excess Surplus - For 2018-2019 School Year				\$ 180,890	
Capital Reserve				28,325	
Impact Aid General Fund Reserve				230,039	
<u>Assigned:</u>					
Year-End Encumbrances				253,951	
Unassigned Fund Balance				<u>253,480</u>	
				<u>946,685</u>	
Reconciliation to Governmental Funds Statements (GAAP):					
June State Aid Payments not Recognized on GAAP Basis				<u>(259,893)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 686,792</u>	

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
 (UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
Federal Sources	\$ 201,000	\$ 44,641	\$ 245,641	\$ 218,301	\$ 27,340
Total Revenues	201,000	44,641	245,641	218,301	27,340
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	194,000	(80,921)	113,079	113,079	
Other Purchased Services		6,590	6,590		6,590
Tuition		96,571	96,571	96,571	
Total Instruction	194,000	22,240	216,240	209,650	6,590
Support Services:					
Personal Services - Employee Benefits		29,401	29,401	8,651	20,750
Purchased Professional-Educational Services	7,000	(7,000)			
Total Support Services	7,000	22,401	29,401	8,651	20,750
Total Expenditures	\$ 201,000	\$ 44,641	\$ 245,641	\$ 218,301	\$ 27,340

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 9,355,363	\$ 218,301
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Purposes, not Recognized for Budgetary Statements	258,426	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(259,893)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 9,353,896</u>	<u>\$ 218,301</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 9,063,928</u>	<u>\$ 218,301</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,063,928</u>	<u>\$ 218,301</u>

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Unaudited)

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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

**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**



MONTAGUE TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	No Child Left Behind	I.D.E.A.		
	Title I	Basic	Preschool	Total
REVENUE:				
Federal Sources	\$ 121,730	\$ 92,337	\$ 4,234	\$ 218,301
Total Revenue	121,730	92,337	4,234	218,301
EXPENDITURES:				
Instruction:				
Salaries of Teachers	113,079			113,079
Tuition		92,337	4,234	96,571
Total Instruction	113,079	92,337	4,234	209,650
Support Services:				
Personal Services - Employee Benefits	8,651			8,651
Total Support Services	8,651			8,651
Total Expenditures	\$ 121,730	\$ 92,337	\$ 4,234	\$ 218,301

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
PRESCHOOL EDUCATION AID SCHEDULE OF EXPENDITURES  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

## **CAPITAL PROJECTS FUND**

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGETARY BASIS  
CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Fund Balance - Beginning	\$ 80,332
Fund Balance - Ending	\$ 80,332

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
REPAIR AND PARTIAL REPLACEMENT OF ROOF  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 107,147		\$ 107,147	\$ 107,147
Note Proceeds	237,075		237,075	237,075
Total Revenue and Other Financing Sources	<u>344,222</u>		<u>344,222</u>	<u>344,222</u>
Expenditures:				
Purchased Professional and Technical Services	39,090		39,090	39,090
Construction Services	224,800		224,800	305,132
Transfer to Debt Service Fund				
Total Expenditures	<u>263,890</u>		<u>263,890</u>	<u>344,222</u>
Excess/(Deficiency) of Revenue and Other Financing Sources Over/(Under) Expenditures	<u>\$ 80,332</u>	<u>\$ -0-</u>	<u>\$ 80,332</u>	<u>\$ -0-</u>

## Additional Project Information:

Project Number(s)	3300-050-09-1001
Grant Date	3/4/2009
Original Authorized Cost	\$ 395,125
Cancellation of SDA Grant	(50,903)
Revised Authorized Cost	\$ 344,222
Change Order Percentage	-13%
Percentage Completion	100%
Original Target Completion Date	6/30/2010
Revised Completion Date	6/30/2011

## **PROPRIETARY FUNDS**

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u> <u>Food Service</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 13,011
Interfund Receivable - General Fund	26,349
Intergovernmental Receivable:	
Federal	6,143
State	77
	77
<b>Total Current Assets</b>	<b>45,580</b>
<b>Non-Current Assets:</b>	
Capital Assets	25,670
Less: Accumulated Depreciation	(17,950)
	7,720
<b>Total Non-Current Assets</b>	<b>7,720</b>
<b>Total Assets</b>	<b>53,300</b>
<b>LIABILITIES:</b>	
<b>Current Liabilities:</b>	
Accounts Payable - Vendors	21,917
	21,917
<b>Total Current Liabilities</b>	<b>21,917</b>
<b>NET POSITION:</b>	
Investment in Capital Assets	7,720
Unrestricted	23,663
	31,383
<b>Total Net Position</b>	<b>\$ 31,383</b>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales:	
Reimbursable Programs	\$ 10,431
Non-Reimbursable Programs	<u>1,698</u>
Total Operating Revenue	<u>12,129</u>
Operating Expenses:	
Cost of Sales:	
Reimbursable Programs	66,167
Non-Reimbursable Programs	10,771
Supplies, Insurance & Other Costs	8,168
Miscellaneous Expenditures	461
Depreciation Expense	<u>847</u>
Total Operating Expenses	<u>86,414</u>
Operating Loss	<u>(74,285)</u>
Non-Operating Revenue:	
Local Sources:	
Interest Income	5
State Sources:	
State School Lunch Program	816
Federal Sources:	
National School Lunch Program	34,398
School Breakfast Program	26,742
Food Distribution Program	<u>6,852</u>
Total Non-Operating Revenue	<u>68,813</u>
Change in Net Position	(5,472)
Net Position - Beginning of Year	<u>36,855</u>
Net Position - End of Year	<u>\$ 31,383</u>



TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
PROPRIETARY FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds <u>Food Service</u>
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 12,129
Payments to Suppliers for Goods and Services	<u>(68,072)</u>
Net Cash Used for Operating Activities	<u>(55,943)</u>
Cash Flows from Noncapital and Financing Activities:	
State Sources	547
Federal Sources	<u>41,156</u>
Net Cash Provided by Noncapital Financing Activities	<u>41,703</u>
Cash Flows from Investment Activities:	
Interest Income	<u>5</u>
Net Cash Provided by Investing Activities	<u>5</u>
Net Decrease in Cash and Cash Equivalents	(14,235)
Cash and Cash Equivalents, July 1	<u>27,246</u>
Cash and Cash Equivalents, June 30	<u><u>\$ 13,011</u></u>
Reconciliation of Operating Loss to Net Cash	
Used for Operating Activities:	
Operating Loss	\$ (74,285)
Adjustment to Reconcile Operating Loss to Net Cash	
Used for Operating Activities:	
Depreciation	847
Food Distribution Program	6,852
Changes in Assets and Liabilities:	
Increase in Accounts Payable	<u>10,643</u>
Net Cash Used for Operating Activities	<u><u>\$ (55,943)</u></u>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund received and utilized U.S.D.A. Commodities through the Food Distribution Program valued at \$6,852.

## **FIDUCIARY FUNDS**

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

		<u>Agency</u>	<u>Total</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>
ASSETS:	Student Activity	Payroll	Total	Trust	Trust	Trust
Cash and Cash Equivalents	\$ 2,052	\$ 205,013	\$ 207,065	\$ 602	\$ 245	\$ 1,422
Interfund Receivable					2,100	
<b>Total Assets</b>	<b>2,052</b>	<b>205,013</b>	<b>207,065</b>	<b>602</b>	<b>2,345</b>	<b>1,422</b>
<b>LIABILITIES:</b>						
Payroll Deductions and Withholdings		36,721	36,721			
Accrued Salaries and Wages		138,124	138,124			
Interfund Payable - General Fund		28,068	28,068		1,409	
Interfund Payable - Flexible Spending Trust		2,100	2,100			
Due to Student Groups	2,052		2,052			
<b>Total Liabilities</b>	<b>2,052</b>	<b>205,013</b>	<b>207,065</b>		<b>1,409</b>	
<b>NET POSITION:</b>						
Held in Trust for Unemployment Claims				602		
Restricted for Flexible Spending Claims					936	
Restricted for Scholarships						1,422
<b>Total Net Position</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 602</b>	<b>\$ 936</b>	<b>\$ 1,422</b>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
FIDUCIARY FUND  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
	<u>                    </u>	<u>                    </u>	<u>                    </u>
ADDITIONS:			
Contributions:			
Plan Members		\$      2,100	
Budget Appropriation	\$      12,000		
Investment Earnings:			
Interest	<u>                    1</u>		<u>                    \$      1</u>
Total Contributions	<u>                  12,001</u>	<u>                  2,100</u>	<u>                  1</u>
Total Additions	<u>                  12,001</u>	<u>                  2,100</u>	<u>                  1</u>
DEDUCTIONS:			
Unemployment Claims	11,424		
Flexible Spending Claims		1,564	
Scholarships Awarded			<u>                  50</u>
Total Deductions	<u>                  11,424</u>	<u>                  1,564</u>	<u>                  50</u>
Change in Net Position	577	536	(49)
Net Position - Beginning of the Year	<u>                  25</u>	<u>                  400</u>	<u>                  1,471</u>
Net Position - End of the Year	<u>                  \$      602</u>	<u>                  \$      936</u>	<u>                  \$      1,422</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,144	\$ 1,302	\$ 1,394	\$ 2,052
Total Assets	<u>\$ 2,144</u>	<u>\$ 1,302</u>	<u>\$ 1,394</u>	<u>\$ 2,052</u>
<b>LIABILITIES:</b>				
Due to Student Groups	\$ 2,144	\$ 1,302	\$ 1,394	\$ 2,052
Total Liabilities	<u>\$ 2,144</u>	<u>\$ 1,302</u>	<u>\$ 1,394</u>	<u>\$ 2,052</u>

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 161,999	\$ 4,553,414	\$ 4,510,400	\$ 205,013
Total Assets	<u>\$ 161,999</u>	<u>\$ 4,553,414</u>	<u>\$ 4,510,400</u>	<u>\$ 205,013</u>
<b>LIABILITIES:</b>				
Payroll Deductions and Withholdings	\$ 17,859	\$ 4,267,297	\$ 4,248,435	\$ 36,721
Accrued Salaries and Wages - Summer Pay	130,509	138,109	130,494	138,124
Interfund Payable - General Fund	13,631	145,818	131,381	28,068
Interfund Payable - Flexible Spending Trust	<u>          </u>	<u>2,100</u>	<u>          </u>	<u>2,100</u>
Total Liabilities	<u>\$ 161,999</u>	<u>\$ 4,553,324</u>	<u>\$ 4,510,310</u>	<u>\$ 205,013</u>

## **LONG-TERM DEBT**

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
LONG-TERM DEBT  
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Item</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2017</u>
Copiers	0.47%	\$ 7,644	<u>\$ 7,644</u>	<u>\$ 1,565</u>	<u>\$ 6,079</u>



TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original</u>	<u>Budget</u>	<u>Final</u>	<u>Variance</u>
	<u>Budget</u>	<u>Transfers</u>	<u>Budget</u>	<u>Final to Actual</u>
REVENUES:				
Local Sources:				
Local Tax Levy	\$ 2,008		\$ 2,008	\$ 2,008
Total Revenues	<u>2,008</u>		<u>2,008</u>	<u>2,008</u>
EXPENDITURES:				
Regular Debt Service:				
Interest	2,008		2,008	\$ 2,008
Total Regular Debt Service	<u>2,008</u>		<u>2,008</u>	<u>2,008</u>
Total Expenditures	<u>2,008</u>		<u>2,008</u>	<u>2,008</u>
Excess/(Deficiency) of Revenues and Other Financing Sources				
Over/(Under) Expenditures	2,741		2,741	2,008
Fund Balance, July 1				
Fund Balance, June 30	<u>\$ 2,741</u>	<u>\$ -0-</u>	<u>\$ 2,741</u>	<u>\$ 4,749</u>
Recapitulation:				
Restricted				<u>\$ 4,749</u>

## STATISTICAL SECTION

(Unaudited)

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

### Contents

### Exhibit

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

#### **Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

#### **Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

(accrual basis of accounting)

UNAUDITED

June 30,

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Net Investment in Capital Assets	\$ 1,438,185	\$ 1,425,190	\$ 1,385,800	\$ 1,610,304	\$ 1,612,432	\$ 1,708,946	\$ 1,678,271	\$ 1,635,421	\$ 1,641,163	\$ 1,589,327
Restricted	13,982	62,013	204,452	173,490	210,789	167,712	167,802	366,610	217,703	444,003
Unrestricted / (Deficit)	124,563	(196,012)	(55,022)	35,298	460,526	365,556	(437,219)	(997,991)	(997,862)	(1,084,670)
Total governmental activities net position	\$ 1,576,730	\$ 1,291,191	\$ 1,535,230	\$ 1,819,092	\$ 2,283,747	\$ 2,242,214	\$ 1,408,854	\$ 1,004,040	\$ 861,004	\$ 948,660
<b>Business-type Activities:</b>										
Investment in Capital Assets	\$ 7,231	\$ 3,625	\$ 3,334	\$ 3,043	\$ 4,956	\$ 4,521	\$ 10,261	\$ 9,414	\$ 8,567	\$ 7,720
Unrestricted	17,153	15,141	24,114	35,936	34,544	37,718	30,498	35,183	28,288	23,663
Total business-type activities net position	\$ 24,384	\$ 18,766	\$ 27,448	\$ 38,979	\$ 39,500	\$ 42,239	\$ 40,759	\$ 44,597	\$ 36,855	\$ 31,383
<b>District-wide:</b>										
Net Investment in Capital Assets	\$ 1,445,416	\$ 1,428,815	\$ 1,389,134	\$ 1,613,347	\$ 1,617,388	\$ 1,713,467	\$ 1,688,532	\$ 1,644,835	\$ 1,649,730	\$ 1,597,047
Restricted	13,982	62,013	204,452	173,490	210,789	167,712	167,802	366,610	217,703	444,003
Unrestricted / (Deficit)	141,716	(180,871)	(30,908)	71,234	495,070	403,274	(406,721)	(962,808)	(969,574)	(1,061,007)
Total District Net Position	\$ 1,601,114	\$ 1,309,957	\$ 1,562,678	\$ 1,858,071	\$ 2,323,247	\$ 2,284,453	\$ 1,449,613	\$ 1,048,637	\$ 897,859	\$ 980,043

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
*(accrual basis of accounting)*

UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses</b>										
Governmental Activities:										
Instruction:										
Regular	\$ 3,700,336	\$ 2,385,007	\$ 2,330,524	\$ 2,231,773	\$ 2,298,956	\$ 2,372,899	\$ 2,307,831	\$ 2,998,252	\$ 3,007,195	\$ 3,811,914
Special Education	1,867,738	787,052	748,757	784,326	572,636	786,905	770,358	801,762	871,760	866,380
Other Special Instruction	247,095	168,837	180,228	221,075	253,641	254,279	280,339	41,492	367,078	175,318
School-Sponsored Instruction	4,564	125,111	124,326	93,154	106,353	124,272	132,455	63,561	6,482	12,425
Support Services:										
Student & Instruction Related Services	639,425	3,133,971	2,919,162	2,587,292	2,819,372	3,125,710	2,630,728	4,075,329	3,662,932	3,274,490
General Administrative Services	270,079	257,755	296,462	293,982	383,838	324,532	336,638	276,959	387,956	326,777
School Administrative Services	215,920	126,550	97,247	106,341	108,593	126,779	127,090	172,573	177,903	136,434
Central Services	176,298	121,423	125,235	123,846	202,833	211,743	201,156	177,044	182,613	124,627
Administration Information Technology		46,540	48,535	59,688						8,169
Plant Operations and Maintenance	600,721	541,326	533,232	504,207	521,967	570,642	590,550	538,050	554,997	583,386
Pupil Transportation	788,756	789,202	747,527	725,546	848,952	861,388	929,334	1,011,551	1,006,746	955,273
Charter Schools		467,372	540,851	919,957	726,638	702,967	761,756	573,397	463,836	441,269
Capital Outlay	33,317	29,906	26,395	28,666	25,558	17,493	15,607	993	2,474	
Interest on Long-term Debt								3,498		
Total Governmental Activities Expenses	8,544,249	8,980,052	8,718,481	8,679,853	8,869,337	9,479,609	9,084,835	10,750,652	10,691,972	10,716,462
Business-type Activities:										
Food Service	161,097	187,660	116,080	95,254	108,235	107,825	107,342	98,249	107,130	86,414
Total Business-type Activities Expenses	161,097	187,660	116,080	95,254	108,235	107,825	107,342	98,249	107,130	86,414
Total District Expenses	8,705,346	9,167,712	8,834,561	8,775,107	8,977,572	9,587,434	9,192,177	10,848,901	10,799,102	10,802,876
<b>Program Revenues</b>										
Governmental Activities:										
Operating Grants and Contributions	1,551,559	1,200,022	1,258,605	1,340,307	1,377,013	1,481,482	1,373,284	2,284,675	2,395,326	2,754,448
Capital Grants and Contributions				105,556						
Total Governmental Activities Program Revenues	1,551,559	1,200,022	1,258,605	1,445,863	1,377,013	1,481,482	1,373,284	2,284,675	2,395,326	2,754,448

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
*(accrual basis of accounting)*  
UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Program Revenues</b>										
Business-type Activities:										
Charges for Services:										
Food Service	\$ 32,224	\$ 32,993	\$ 28,703	\$ 27,168	\$ 23,184	\$ 21,623	\$ 17,416	\$ 14,718	\$ 13,696	\$ 12,129
Operating Grants and Contributions	59,649	76,191	80,636	79,558	83,244	88,933	88,435	87,362	85,688	68,808
Total Business-type Activities Revenues	91,873	109,184	109,339	106,726	106,428	110,556	105,851	102,080	99,384	80,937
Total District Program Revenues	1,643,432	1,309,206	1,367,944	1,552,589	1,483,441	1,592,038	1,479,135	2,386,755	2,494,710	2,835,385
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(6,992,690)	(7,780,030)	(7,459,876)	(7,233,990)	(7,492,324)	(7,998,127)	(7,711,551)	(8,465,977)	(8,296,646)	(7,962,014)
Business-type Activities	(69,224)	(78,476)	(6,741)	11,472	(1,807)	2,731	(1,491)	3,831	(7,746)	(5,477)
Total District-wide Net (Expense)/Revenue	(7,061,914)	(7,858,506)	(7,466,617)	(7,222,518)	(7,494,131)	(7,995,396)	(7,713,042)	(8,462,146)	(8,304,392)	(7,967,491)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	4,976,774	5,083,322	5,286,654	5,298,120	5,404,082	5,447,314	5,556,260	5,667,385	5,780,732	5,780,732
Taxes Levied for Debt Service	1,962,287	75,727	76,977	77,086	130,469	123,414	124,525	124,637	122,378	2,008
Unrestricted Grants and Contributions	45,957	2,391,852	2,329,279	2,114,510	2,381,601	2,361,340	2,220,065	2,245,946	2,244,711	2,225,159
Investment Earnings	8,185	431	172	31	2,922	1,749	2,423	1,174	1,240	7,343
Miscellaneous Income	(65,233)	15,823	26,133	28,105	40,181	22,777	3,163	20,273	4,549	34,428
Transfers		(72,664)	(15,300)		(2,276)			1,748		
Total Governmental Activities	6,927,970	7,494,491	7,703,915	7,517,852	7,956,979	7,956,594	7,906,436	8,061,163	8,153,610	8,049,670
Business-type Activities:										
Investment Earnings	246	194	123	59	52	8	11	7	4	5
Transfers	65,233	72,664	15,300		2,276					
Total Business-type Activities	65,479	72,858	15,423	59	2,328	8	11	7	4	5
Total District-wide	6,993,449	7,567,349	7,719,338	7,517,911	7,959,307	7,956,602	7,906,447	8,061,170	8,153,614	8,049,675

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS  
*(accrual basis of accounting)*

UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Change in Net Position</b>										
Governmental Activities	\$ (64,720)	\$ (285,539)	\$ 244,039	\$ 283,862	\$ 464,655	\$ (41,533)	\$ 194,885	\$ (404,814)	\$ (143,036)	\$ 87,656
Business-type Activities	(3,745)	(5,618)	8,682	11,531	521	2,739	(1,480)	3,838	(7,742)	(5,472)
Total District	\$ (68,465)	\$ (291,157)	\$ 252,721	\$ 295,393	\$ 465,176	\$ (38,794)	\$ 193,405	\$ (400,976)	\$ (150,778)	\$ 82,184

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
 FUND BALANCES, GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 (modified accrual basis of accounting)  
 UNAUDITED

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>General Fund:</b>										
Reserved	\$ 84,863	\$ 62,009	\$ 204,449							
Unrestricted/(Deficit)	220,169	(40,458)	91,773							
Restricted				\$ 152,576	\$ 210,760	\$ 167,687	\$ 167,802	\$ 366,610	\$ 214,962	\$ 439,254
Assigned				179,244	370,616	252,135	556,989	85,601	174,218	247,538
Unassigned				186,927	361,530	344,274	212,471	62,020		
<b>Total General Fund</b>	<b>\$ 305,032</b>	<b>\$ 21,551</b>	<b>\$ 296,222</b>	<b>\$ 518,747</b>	<b>\$ 942,906</b>	<b>\$ 764,096</b>	<b>\$ 937,262</b>	<b>\$ 514,231</b>	<b>\$ 389,180</b>	<b>\$ 686,792</b>
<b>All Other Governmental Funds:</b>										
Unreserved/(Deficit)	\$ (3,961)	\$ 4	\$ 3			\$ 25		\$ 31,332	\$ 2,741	\$ 4,749
Restricted									80,332	80,332
Committed						(68,409)		(2,008)		
Unassigned / (Deficit)				\$ (158,330)	\$ (112,730)		\$ (21,917)			
<b>Total All Other Governmental Funds</b>	<b>\$ (3,961)</b>	<b>\$ 4</b>	<b>\$ 3</b>	<b>\$ (158,330)</b>	<b>\$ (112,730)</b>	<b>\$ (68,384)</b>	<b>\$ (21,917)</b>	<b>\$ 29,324</b>	<b>\$ 83,073</b>	<b>\$ 85,081</b>
<b>Total All Governmental Funds:</b>										
Reserved	\$ 84,863	\$ 62,009	\$ 204,449							
Unrestricted/(Deficit)	216,208	(40,454)	91,776							
Restricted				\$ 152,576	\$ 210,760	\$ 167,712	\$ 167,802	\$ 366,610	\$ 217,703	\$ 444,003
Committed				179,244	370,616	252,135	556,989	31,332	80,332	80,332
Assigned				186,927	248,800	275,865	190,554	85,601	174,218	247,538
Unassigned								60,012		
<b>Total All Governmental Funds</b>	<b>\$ 301,071</b>	<b>\$ 21,555</b>	<b>\$ 296,225</b>	<b>\$ 518,747</b>	<b>\$ 830,176</b>	<b>\$ 695,712</b>	<b>\$ 915,345</b>	<b>\$ 543,555</b>	<b>\$ 472,253</b>	<b>\$ 771,873</b>

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
*(modified accrual basis of accounting)*  
UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Tax Levy	\$ 4,976,774	\$ 5,159,049	\$ 5,363,631	\$ 5,375,206	\$ 5,534,551	\$ 5,570,728	\$ 5,680,785	\$ 5,792,022	\$ 5,903,110	\$ 5,782,740
Interest Earnings	45,957	431	172	28,136	85	153	115	1,174	1,240	7,343
Miscellaneous	8,185	15,823	26,133	3,066,642	42,918	24,373	5,471	20,273	4,549	34,428
State Sources	3,179,989	3,242,018	2,981,201	3,066,642	3,101,513	3,295,621	3,273,397	3,324,954	3,417,531	3,351,686
Federal Sources	333,857	349,856	606,683	493,731	657,101	558,284	319,952	611,857	473,627	398,008
<b>Total Revenues</b>	<b>8,544,762</b>	<b>8,767,177</b>	<b>8,977,820</b>	<b>8,963,715</b>	<b>9,336,168</b>	<b>9,449,159</b>	<b>9,279,720</b>	<b>9,750,280</b>	<b>9,800,057</b>	<b>9,574,205</b>
<b>Expenditures</b>										
<b>Instruction:</b>										
Regular Instruction	3,636,114	1,670,131	1,636,549	1,598,512	1,649,861	1,681,813	1,663,814	1,806,233	1,646,499	1,822,591
Special Education Instruction	1,843,096	561,338	551,668	608,627	441,953	568,109	555,804	429,140	472,673	422,331
Other Special Instruction	240,263	166,061	177,038	215,119	248,082	249,755	275,142	40,838	178,410	74,075
School Sponsored Activities and Athletics	4,479	29,258	30,975	3,599	3,250	3,775	3,600	3,850	3,150	5,250
<b>Support Services:</b>										
Student & Instruction Related Services	621,000	2,912,793	2,705,455	2,420,156	2,611,494	2,871,226	2,455,315	3,851,721	3,431,945	3,017,419
General Administrative Services	265,191	209,342	250,328	242,437	331,468	263,365	287,355	228,093	324,650	276,441
School Administrative Services	209,673	84,850	70,009	74,345	75,685	85,648	87,301	92,236	87,358	59,578
Central Services	170,172	88,413	93,019	93,413	153,594	159,799	155,401	131,922	134,660	86,707
Administration Information Technology		33,278	35,552	44,794						5,573
Plant Operations and Maintenance	591,329	457,961	450,019	442,502	466,601	502,796	515,093	455,828	437,925	486,884
Pupil Transportation	787,314	761,943	717,329	694,822	824,317	837,060	901,123	972,826	962,829	907,943
Unallocated Benefits		1,394,175	1,310,574	1,182,010	1,154,015	1,398,148	1,302,601	1,432,413	1,569,409	1,589,231
Charter Schools		467,372	540,851	919,957	726,638	702,967	761,756	573,397	463,836	441,269
Capital Outlay	20,988	40,929	20,711	265,133	75,055	161,964	993	15,953	74,354	86,937
Debt Service:										
Principal	65,000	65,000	70,000	70,000	120,575	121,500	127,500	128,500	128,000	
Interest and Other Charges	34,597	31,185	27,773	24,097	27,220	22,198	14,789	9,368	4,661	
<b>Total Expenditures</b>	<b>8,489,216</b>	<b>8,974,029</b>	<b>8,687,850</b>	<b>8,899,523</b>	<b>8,909,808</b>	<b>9,630,123</b>	<b>9,107,587</b>	<b>10,172,318</b>	<b>9,920,359</b>	<b>9,282,229</b>



TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)

UNAUDITED

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (Deficiency) of Revenues	\$ 55,546	\$ (206,852)	\$ 289,970	\$ 64,192	\$ 426,360	\$ (180,964)	\$ 172,133	\$ (422,038)	\$ (120,302)	\$ 291,976
Over/(Under) Expenditures	(65,233)	(72,664)	15,300		(2,276)			1,748		7,644
<b>Other Financing Sources/(Uses)</b>										
Premium on Temporary Note					100					
Funded by Budget Appropriation					45,575	46,500	47,500	48,500	49,000	
Capital Leases (non-budgeted)										
Transfers										
Total Other Financing Sources/(Uses)	(65,233)	(72,664)	15,300	-0-	43,399	46,500	47,500	50,248	49,000	7,644
Net Change in Fund Balances	\$ (9,687)	\$ (279,516)	\$ 305,270	\$ 64,192	\$ 469,759	\$ (134,464)	\$ 219,633	\$ (371,790)	\$ (71,302)	\$ 299,620
Debt Service as a Percentage of Noncapital Expenditures	1.18%	1.08%	1.13%	1.09%	1.67%	1.52%	1.56%	1.36%	1.35%	0.00%

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
GENERAL FUND - OTHER LOCAL REVENUES BY SOURCE  
LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)  
UNAUDITED

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest</u> <u>Earnings</u>	<u>Prior Year</u> <u>Refunds</u>	<u>Other</u>	<u>Total</u>
2008	\$ 45,957		\$ 8,185	\$ 54,142
2009	11,561	\$ 89	4,604	16,254
2010	16,759	374	9,172	26,305
2011	6,425		21,711	28,136
2012	2,922	28,402	11,679	43,003
2013	1,749	4,537	18,240	24,526
2014	2,423		3,163	5,586
2015	1,174	6,269	14,004	21,447
2016	1,240		4,549	5,789
2017	7,343		34,428	41,771

Source: Township of Montague School District records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN YEARS  
 UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007	\$ 14,648,400	\$ 171,705,250	\$ 8,584,600	\$ 1,036,760	\$ 21,961,400	\$ 2,136,600	\$ 420,000	\$ 220,493,010	\$ 677,937	\$ 221,170,947	\$ 53,268,150	\$ 2.241	\$ 452,907,438
2008	14,229,190	176,080,600	8,697,200	1,108,910	22,412,400	2,136,600	420,000	225,084,900	686,971	225,771,871	53,343,350	2.246	479,040,677
2009	13,386,140	177,610,600	9,137,800	1,223,170	22,500,100	2,136,600	420,000	226,414,410	545,181	226,959,591	53,982,550	2.318	481,711,730
2010	13,010,940	179,655,000	8,751,800	1,189,920	22,778,000	2,136,600	420,000	227,942,260	592,314	228,534,574	54,002,850	2.349	453,597,230
2011	12,562,400	180,529,800	8,853,900	1,095,460	21,018,300	2,136,600	420,000	226,616,460	646,537	227,262,997	54,457,950	2.390	410,086,506
2012	11,832,000	179,693,200	9,455,700	1,290,860	21,018,300	2,136,600	420,000	225,846,660	692,194	226,538,854	54,975,550	2.471	374,978,952
2013	11,878,750	179,701,043	9,339,100	1,146,042	18,932,540	1,899,300	420,000	223,316,775	683,418	224,000,193	55,575,350	2.471	333,192,269
2014	10,862,850	180,125,043	9,638,000	1,159,342	19,083,140	1,899,300	420,000	223,187,675	-0-	223,187,675	55,586,950	2.597	333,175,171
2015	* 16,354,600	263,029,600	14,750,900	1,208,000	35,023,300	27,828,900	448,000	358,643,300	-0-	358,643,300	82,880,000	1.615	342,264,384
2016	16,006,700	262,316,400	14,597,200	1,211,100	34,950,200	27,686,800	448,000	357,216,400	-0-	357,216,400	81,940,900	1.652	351,615,565

\* - Revaluation became effective in this year.

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

b - Tax rates are per \$100.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

Source: Municipal Tax Assessor.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
LAST TEN YEARS  
*(rate per \$100 of assessed value)*  
UNAUDITED

Year Ended December 31,	<u>Township of Montague School District Direct Rate</u>			<u>Overlapping Rates</u>		Total Direct and Overlapping Tax Rate
	<u>Basic Rate <sup>a</sup></u>	<u>General Obligation Debt Service <sup>b</sup></u>	<u>Total Direct</u>	<u>Township of Montague</u>	<u>Sussex County</u>	
2007	\$ 2.215	\$ 0.026	\$ 2.241	\$ 0.392	\$ 0.837	\$ 3.470
2008	2.213	0.033	2.246	0.400	0.818	3.464
2009	2.285	0.033	2.318	0.440	0.807	3.565
2010	2.315	0.034	2.349	0.469	0.803	3.621
2011	2.334	0.056	2.390	0.476	0.768	3.634
2012	2.416	0.055	2.471	0.497	0.769	3.737
2013	2.417	0.054	2.471	0.524	0.756	3.751
2014	2.541	0.056	2.597	0.547	0.780	3.924
2015	* 1.582	0.033	1.615	0.389	0.492	2.496
2016	1.651	0.001	1.652	0.401	0.543	2.596

\* - Revaluation became effective in this year.

**a** - The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

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

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

Source: Municipal Tax Collector and School Business Administrator.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
PRINCIPAL PROPERTY TAX PAYERS,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

	2016		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION IS NOT AVAILABLE

	2007		
Taxpayer	Taxable Assessed Value	Rank	% of Total District Net Assessed Value

INFORMATION IS NOT AVAILABLE

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
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 <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 4,976,774	\$ 4,976,774	100.00%	\$ -0-
2009	5,159,049	5,159,049	100.00%	-0-
2010	5,363,631	5,363,631	100.00%	-0-
2011	5,375,206	5,375,206	100.00%	-0-
2012	5,534,551	5,521,439	99.76%	13,112
2013	5,570,728	5,570,728	100.00%	-0-
2014	5,680,785	5,680,785	100.00%	-0-
2015	5,792,022	5,792,022	100.00%	-0-
2016	5,903,110	5,903,110	100.00%	-0-
2017	5,782,740	5,782,740	100.00%	-0-

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

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities			Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases	Bond Anticipation Notes (BANs)			
2008	\$ 594,000		\$ -0-	\$ 594,000	0.34%	\$ 153.69
2009	529,000		-0-	529,000	0.29%	136.02
2010	459,000		-0-	459,000	0.26%	117.54
2011	389,000		237,075	626,075	0.35%	161.78
2012	314,000		191,500	505,500	0.27%	130.92
2013	239,000		145,000	384,000	0.20%	100.21
2014	159,000		97,500	256,500	0.13%	67.50
2015	79,000		49,000	128,000	0.06%	33.86
2016	-0-		-0-	-0-	0.00%	-0-
2017	-0-	\$ 6,079	-0-	6,079	0.00%	1.64

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

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

Source: School District Financial Reports.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2008	\$ 594,000	\$ 594,000	0.269%	\$ 153.69
2009	529,000	529,000	0.234%	136.02
2010	459,000	459,000	0.202%	117.54
2011	389,000	389,000	0.170%	100.52
2012	314,000	314,000	0.138%	81.33
2013	239,000	239,000	0.106%	62.37
2014	159,000	159,000	0.071%	41.84
2015	79,000	79,000	0.035%	20.90
2016	-0-	-0-	0.000%	-0-
2017	-0-	-0-	0.000%	-0-

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

**b** - See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

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



TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2016  
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Township of Montague	\$ 377,520	100.00%	\$ 377,520
Sussex County General Obligation Debt	111,347,324	2.09 %	<u>2,322,813</u>
Subtotal, Overlapping Debt			2,700,333
Township of Montague School District Direct Debt			<u>-0-</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$ 2,700,333</u></u>

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

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

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

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

<u>Year Ended</u> <u>December 31,</u>	<u>Equalized</u> <u>Valuation Basis</u>
2016	\$ 368,302,299
2015	352,544,284
2014	319,295,672
	<u>\$1,040,142,255</u>
Average Equalized Valuation of Taxable Property	<u>\$ 346,714,085</u>
Debt Limit (2.5% of Average Equalization Value)	\$ 8,667,852 <sup>a</sup>
Net Bonded School Debt	<u>-0-</u>
Legal Debt Margin	<u>\$ 8,667,852</u>

	<u>Fiscal Year</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt Limit	\$ 10,748,014	\$ 11,561,878	\$ 11,633,766	\$ 11,149,744	\$ 10,294,423
Total Net Debt Applicable to Limit	<u>594,000</u>	<u>529,000</u>	<u>459,000</u>	<u>389,000</u>	<u>314,000</u>
Legal Debt Margin	<u>\$ 10,154,014</u>	<u>\$ 11,032,878</u>	<u>\$ 11,174,766</u>	<u>\$ 10,760,744</u>	<u>\$ 9,980,423</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.53%	4.58%	3.95%	3.49%	3.05%

	<u>Fiscal Year</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt Limit	\$ 8,798,852	\$ 8,798,852	\$ 8,335,111	\$ 8,366,780	\$ 8,667,852
Total Net Debt Applicable to Limit	<u>239,000</u>	<u>159,000</u>	<u>79,000</u>	<u>-0-</u>	<u>-0-</u>
Legal Debt Margin	<u>\$ 8,559,852</u>	<u>\$ 8,639,852</u>	<u>\$ 8,256,111</u>	<u>\$ 8,366,780</u>	<u>\$ 8,667,852</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	2.72%	1.81%	0.95%	0.00%	0.00%

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

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

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Sussex County Per Capita Personal Income <sup>b</sup></u>	<u>Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2008	3,889	\$ 47,416	\$ 184,400,824	9.60%
2009	3,905	46,021	179,712,005	15.50%
2010	3,870	46,659	180,570,330	16.40%
2011	3,861	48,471	187,146,531	16.00%
2012	3,832	50,169	192,247,608	15.90%
2013	3,800	50,534	192,029,200	13.00%
2014	3,780	52,851	199,776,780	6.80%
2015	3,743	55,497	207,725,271	5.80%
2016	3,718	55,497 **	206,337,846	4.80%
2017	3,718 *	55,497 **	206,337,846 ***	N/A

\* - Latest population data available (2016) was used for calculation purposes.

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

\*\*\* - Latest available population data (2016) and latest available Sussex County per capita personal income (2015) was used for calculation purposes.

N/A - Information not available

Source:

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the county population and per capita personal income presented

<sup>c</sup> Per capita personal income by county estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS - COUNTY OF SUSSEX,  
CURRENT YEAR AND NINE YEARS AGO  
UNAUDITED

Employer	2016		
	Employees	Rank (Optional)	Percentage of Total Employment
Newton Medical Center	1,000-4,999	1	1.38%-6.91%
County of Sussex	500-999	2	0.69%-1.38%
Thorlabs	500-999	3	0.69%-1.38%
Sussex County Community College	250-499	4	0.35%-0.69%
Newton 213 LLC, C/O Ronetco	100-249	5	0.14%-0.34%
Bristol Glen	100-249	6	0.14%-0.34%
Barn Hill Care Center	100-249	7	0.14%-0.34%
Home Depot	100-249	8	0.14%-0.34%
Kohls	100-249	9	0.14%-0.34%
Superior Court of Newton	100-249	10	0.14%-0.34%
	<u>2,850-8,990</u>		<u>3.94%-12.42%</u>
Total Employment	<u>72,391</u>		
Employer	2007		
	Employees	Rank (Optional)	Percentage of Total Employment
Newton Memorial Hospital	1,109	1	1.37%
County of Sussex	770	2	0.95%
Ronetco Supermarkets, Inc. (Shop Rite)	672	3	0.83%
Sussex County Community College	516	4	0.64%
Wal-Mart	426	5	0.53%
Newton Board of Education	266	6	0.33%
Lakeland Bank	226	7	0.28%
Kittatinny Regional High School	169	8	0.21%
Thorlabs	150	9	0.19%
All Quality Care, Inc.	150	10	0.19%
	<u>4,454</u>		<u>5.50%</u>
Total Employment	<u>81,045</u>		

Source: Sussex County Chamber of Commerce

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
 UNAUDITED

<u>Function/Program</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction:										
Regular	24.5	24.5	24.5	24.5	24.5	24.5	24.5	23.5	23.5	19.0
Special Education	4.5	4.5	4.5	4.5	4.5	4.5	4.5	3.5	3.5	8.0
Other Instruction	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	4.0
Support Services:										
Student & Instruction Related Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
General Administrative Services	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
School Administrative Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	3.5	3.5	3.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Pupil Transportation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Food Service	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
<b>Total</b>	<b>50.5</b>	<b>50.5</b>	<b>49.5</b>	<b>48.5</b>	<b>48.5</b>	<b>48.5</b>	<b>48.5</b>	<b>46.5</b>	<b>45.5</b>	<b>45.5</b>

Source: District Personnel Records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS  
UNAUDITED

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>d</sup>	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio Elementary	Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	316	\$ 8,368,631	\$ 26,483	-4.94%	30.0	9:1	282.4	273.3	-5.65%	96.78%
2009	302	8,836,915	29,261	10.49%	30.0	10:1	291.2	284.3	3.12%	97.63%
2010	299	8,569,366	28,660	-2.05%	30.0	10:1	290.4	284.7	-0.27%	98.04%
2011	302	8,540,293	28,279	-1.33%	28.0	11:1	302.1	294.5	4.03%	97.48%
2012	293	8,686,958	29,628	4.77%	28.0	10:1	293.2	281.4	-2.95%	95.98%
2013	273	9,324,461	34,156	15.28%	28.0	10:1	273.0	264.8	-6.89%	97.00%
2014	259	8,964,305	34,611	1.33%	28.0	9:1	259.2	250.2	-5.05%	96.53%
2015	219	10,018,497	45,747	32.17%	26.0	9:1	216.1	206.1	-16.63%	95.37%
2016	226	9,713,344	42,979	-6.05%	26.0	9:1	212.6	199.7	-1.62%	93.92%
2017	250	9,195,292	36,781	-14.42%	27.0	9:1	250.0	233.0	17.59%	93.20%

**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).

**d** - Cost per pupil is the sum of operating expenditures divided by enrollment. This cost per pupil may be different from the State's cost per pupil calculations.

Note: Enrollment based on annual October District count.

Source: Township of Montague School District records.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
SCHOOL BUILDING INFORMATION  
LAST TEN FISCAL YEARS  
UNAUDITED

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b><u>District Building</u></b>										
Elementary School										
Square Feet	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010	40,010
Capacity (students)	327	327	327	327	327	327	327	327	327	327
Enrollment	316	302	299	302	293	273	259	219	226	250

Number of Schools at June 30, 2017  
 Elementary = 1

Note: Enrollment is based on the annual October District count.

Source: Township of Montague School District Facilities Office.

TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
LAST TEN FISCAL YEARS  
UNAUDITED

Undistributed Expenditures - Required Maintenance  
 For School Facilities - Account #11-000-261-XXX:

	Fiscal Year Ended June 30,				
<u>School Facilities*</u>	2013	2014	2015	2016	2017
Montague Elementary School	\$ 79,877	\$ 96,998	\$ 88,903	\$ 94,229	\$ 153,389

	Fiscal Year Ended June 30,				
<u>School Facilities*</u>	2008	2009	2010	2011	2012
Montague Elementary School	\$ 120,572	\$ 96,245	\$ 48,930	\$ 112,109	\$ 85,925

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

Source: Township of Montague School District records.



TOWNSHIP OF MONTAGUE SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - NJSIG		
General Liability	\$ 16,000,000	
Property/Environmental	11,249,161	\$ 26,000
Commercial Automobile	16,000,000	1,000
Board of Education Liability	16,000,000	10,000
Public Employee Dishonesty Bond	500,000	1,000
Workers Compensation	Statutory	
Selective Insurance Surety Bonds:		
School Business Administrator/Board Secretary	200,000	1,000
Treasurer of School Monies	200,000	1,000

Source: Township of Montague School District records.

## **SINGLE AUDIT SECTION**



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 200 Valley Road, Suite 300  
 Mt. Arlington, NJ 07856  
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Report on Internal Control Over Financial Reporting and  
 On Compliance and Other Matters Based on an Audit of Financial Statements  
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Montague Township School District  
 County of Sussex, New Jersey

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

**Internal Control Over Financial Reporting**

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

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

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

The Honorable President and Members  
of the Board of Education  
Montague Township School District  
Page 2

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Mount Arlington, New Jersey  
November 28, 2017

NISIVOCCIA LLP



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



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

Independent Auditors' Report

The Honorable President and Members  
 of the Board of Education  
 Montague Township School District  
 County of Sussex, New Jersey.

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

We have audited the Board of Education of the Township of Montague School District's (the "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 District's major state programs for the fiscal year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditors' Responsibility***

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

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

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

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

### Report on Internal Control Over Compliance

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

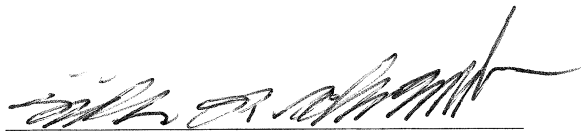
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Mount Arlington, New Jersey  
November 28, 2017

NISIVOCCIA LLP



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

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

Federal Grantor/Pass Through Grantor/ Program/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at		Due to Grantor	Cash Received	Budgetary Expenditures	Budgetary Accounts Receivable	Balance at	
					June 30, 2016	June 30, 2017					Due to Grantor	Amounts Provided to Subrecipients
<b>U.S. Department of Agriculture:</b>												
Passed-through State Department of Agriculture:												
Child Nutrition Cluster:												
Food Distribution Program	10-555	N/A	7/1/16-6/30/17	\$ 6,852	\$	6,852						
School Breakfast Program	10-553	N/A	7/1/16-6/30/17	26,742		24,098		(6,852)		(2,644)		
School Breakfast Program	10-553	N/A	7/1/15-6/30/16	34,191	\$	5,757		(26,742)				
National School Lunch Program	10-555	N/A	7/1/16-6/30/17	34,398		30,899		(34,398)		(3,499)		
National School Lunch Program	10-555	N/A	7/1/15-6/30/16	39,839		6,333						
Total Child Nutrition Cluster/U.S. Department of Agriculture						73,939		(67,992)		(6,143)		
<b>U.S. Department of Education:</b>												
Special Revenue Fund:												
Passed-through State Department of Education:												
Special Education Cluster:												
I.D.E.A. Part B, Basic	84-027	IDEA330017	7/1/16-6/30/17	92,337				(92,337)		(92,337)		
I.D.E.A. Preschool	84-173	IDEA330017	7/1/16-6/30/17	4,234				(4,234)		(4,234)		
Total Special Education Cluster								(96,571)		(96,571)		
No Child Left Behind:												
Title I	84-010	NCLB330017	7/1/16-6/30/17	142,480				(121,730)		(121,730)		
Title I	84-010	NCLB330016	7/1/15-6/30/16	145,287		24,723					\$ 1,247	
Title I	84-010	NCLB330014	7/1/13-6/30/14	150,143							287	
Total Title I						24,723		(121,730)		(121,730)	1,534	
Title IIA	84-367	NCLB330017	7/1/16-6/30/17	6,590								
Title IIA	84-367	NCLB330016	7/1/15-6/30/16	7,638							25	
Total Title IIA											25	
Total Special Revenue Fund						24,723		(218,301)		(218,301)	1,559	
<b>General Fund:</b>												
Impact Aid	84-041	40-NI-XXXX-4401	7/1/16-6/30/17	173,268		173,268		(173,268)				
Total U.S. Department of Education						197,991		(391,569)		(218,301)	1,559	
<b>U.S. Department of Health and Human Services:</b>												
<b>General Fund:</b>												
Medicaid Assistance Program	93-778	N/A	7/1/16-6/30/17	5,674				(5,674)				
Medicaid Assistance Program-ARRA	93-778	N/A	4/1/09-12/31/09	765				(765)				
Total U.S. Department of Health and Human Services						6,439		(6,439)				
Total Federal Awards						278,369		(466,000)		(224,444)	1,559	\$ -0-

N/A - Not Available/Applicable

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

**MONTAGUE TOWNSHIP SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance June 30, 2016		Cash Received	Budgetary Expenditures	Balance June 30, 2017		MEMO		
				Budgetary Accounts Receivable	Accounts Receivable			Budgetary Accounts Receivable	Budgetary Receivable	Budgetary Receivable	Cumulative Total Expenditures	
<b>State Department of Education:</b>												
General Fund State Aid:			\$ 257,132			\$ 232,405	\$ (257,132)	\$ (24,727)	\$	\$ 257,132		
Categorical Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	1,906,677		1,723,322	(1,906,677)	(183,355)	(9,684)		1,906,677		
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	100,706		91,022	(100,706)	(2,575)	(38,351)		100,706		
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	26,780		24,205	(26,780)	(4,510)	(434)		26,780		
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	398,801		360,450	(398,801)	(4,510)	(434)		398,801		
Categorical Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	4,510		4,076	(4,510)	(434)	(333)		4,510		
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	4,510		4,076	(4,510)	(434)	(333)		4,510		
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	3,460		3,127	(3,460)	(3480)	(3,480)		3,460		
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	3,480							3,480		
Excess Nonpublic Transportation Costs	17-495-034-5120-014	7/1/16-6/30/17										
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	7/1/16-6/30/17	171,864		163,725	(171,864)	(8,139)	(8,139)		171,864		
On-Behalf TPAF Post Retirement Contributions	17-495-034-5094-001	7/1/16-6/30/17	215,805		215,805	(215,805)				215,805		
On-Behalf TPAF Pension Contributions	17-495-034-5094-002	7/1/16-6/30/17	249,943		249,943	(249,943)				249,943		
On-Behalf TPAF Non-Contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	9,056		9,056	(9,056)				9,056		
On-Behalf Long Term Disability Insurance Contributions	17-495-034-5094-004	7/1/16-6/30/17	429		429	(429)				429		
Categorical Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	257,132	\$ (24,619)	24,619					257,132		
Equalization Aid	16-495-034-5120-078	7/1/15-6/30/16	1,906,677	(182,554)	182,554					1,906,677		
Categorical Security Aid	16-495-034-5120-084	7/1/15-6/30/16	100,706	(9,642)	9,642					100,706		
Adjustment Aid	16-495-034-5120-085	7/1/15-6/30/16	26,780	(2,564)	2,564					26,780		
Categorical Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	398,801	(38,183)	38,183					398,801		
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	4,510	(432)	432					4,510		
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	4,510	(432)	432					4,510		
Extraordinary Special Education Costs Aid	16-495-034-5120-097	7/1/15-6/30/16	66,978	(66,978)	66,978					66,978		
Excess Nonpublic Transportation Costs	16-495-034-5120-044	7/1/15-6/30/16	10,665	(10,665)	10,665					10,665		
Reimbursed TPAF Social Security Contributions	16-495-034-5120-014	7/1/15-6/30/16										
Subtotal - General Fund			176,560	(8,568)	8,568					176,560		
				(344,637)	3,426,278		(3,353,153)	(271,512)	(11,619)	6,306,472		
Food Service Fund:												
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	816		739	(816)	(77)	(77)		816		
State School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	894	(141)	141					894		
Subtotal - Food Service Fund				(141)	880		(816)	(77)		1,710		
Total State Awards			\$ 3,427,158	(344,778)	3,427,158		(3,353,969)	(271,589)	(11,696)	\$ 6,308,182		
Less: On-Behalf TPAF Pension System Contributions:												
On-Behalf TPAF Post Retirement Contributions							215,805					
On-Behalf TPAF Pension Contributions							249,943					
On-Behalf TPAF Non-Contributory Insurance							9,056					
On-Behalf Long Term Disability Insurance Contributions							429					
Subtotal - On-Behalf TPAF Pension System Contributions							475,233					
Total State Awards Subject to Single Audit Major Program Determination							\$ (2,878,736)					

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



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

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Montague Township School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The District has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to P.L. 2003, C.97 (A3521). For GAAP purposes, these payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,467) for the General Fund and \$-0- for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 179,707	\$ 3,351,686	\$ 3,531,393
Special Revenue Fund	218,301		218,301
Food Service Enterprise Fund	<u>67,992</u>	<u>816</u>	<u>68,808</u>
Total Awards	<u>\$ 466,000</u>	<u>\$ 3,352,502</u>	<u>\$ 3,818,502</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the year ended June 30, 2017. Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively.

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

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2017 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

	C.F.D.A. / State Grant Number	Grant Period	Award Amount	Budgetary Expenditures
<u>State:</u>				
Categorical Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 257,132	\$ 257,132
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	1,906,677	1,906,677
Categorical Security Aid	17-495-034-5120-084	7/1/16-6/30/17	100,706	100,706
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	26,780	26,780
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	4,510	4,510
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	4,510	4,510
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	3,460	3,460

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

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in 2 CFR 200.516(a) of the Uniform Guidance and New Jersey's OMB Circular 15-08.

MONTAGUE TOWNSHIP SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

There were no prior year audit findings.