

**LONG HILL TOWNSHIP  
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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

**Prepared by  
Long Hill Township School District  
Department of Administration**

**LONG HILL TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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

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**LONG HILL TOWNSHIP SCHOOL DISTRICT  
BOARD OF EDUCATION**

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**LONG HILL TOWNSHIP BOARD OF EDUCATION  
BUSINESS OFFICE  
759 Valley Road, Gillette, NJ 07933**

Joseph Bellino, Interim Business Administrator/Board Secretary

Jamie Rewick, Assistant Business Administrator  
Supervisor

Lori Karasewicz, Financial

Phone: 908-647-1200

Fax: 908-647-7818

December 5, 2017

Honorable President and Members  
of the Board of Education  
Long Hill Township School District  
County of Morris  
Gillette, New Jersey 07933

Dear Board Members:

The comprehensive annual financial report of the Long Hill Township School District (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 (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: 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 general-purpose financial statements and schedules, as well as the auditors' report thereon. 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 the Single Audit Act of 1984, as amended by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and New Jersey OMB's Circular 15 - 08, Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid Payments. Information related to this single audit, including the auditors' report on compliance and on internal control over financial reporting and compliance with requirements applicable to each major program and internal control over compliance, are included in the single audit section of this report.

**1) REPORTING ENTITY AND ITS SERVICES:** Long Hill Township School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB Statement No. 14. All funds and account groups of the District are included in this report. The Long Hill Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for students qualifying for those services. The District's year-end enrollment for the 2016-17 fiscal year was 846 students, which is 34 students higher than the previous year's enrollment. Enrollment in the district is projected to decline over the next several years according to a demographic study that was compiled for the school district in March 2010 and updated in 2013. However, the district has seen an increase in enrollment, particularly at the primary and elementary levels.

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2016-17	833	(2.6%)
2015-16	812	(1.1%)
2014-15	821	(4.0%)
2013-14	855	(3.1%)
2012-13	882	(5.9%)
2011-12	937	(1.8%)
2010-11	954	(7.5%)
2009-10	1031	0.02%
2008-09	1028	(3.47%)
2007-08	1065	(1.5%)

**2) ECONOMIC CONDITION AND OUTLOOK:** The Long Hill Board of Education continues to be fiscally responsible when developing its budget. In addition to keeping tax increases to a minimum, the Board of Education has worked to increase its surplus, or 'unreserved balance,' to the maximum allowable amount of 2.0% of its general fund budget. The district has also slowly built up both its maintenance and capital reserve budgetary funds. By setting aside funds in these operational reserves, the district will be able to replace existing boilers in the future at each of our district school buildings: Gillette Elementary, Millington Elementary and Central Middle Schools. In addition, Long Hill used a combination of funds from the capital reserve account, State funding and a 2014 bond issue to upgrade HVAC systems in all three schools. The budget, as reviewed and approved by the Executive County Superintendent, reflects numerous instances of shared services and joint purchasing to help reduce costs. The budget also met all of the efficiency standards established by the New Jersey Department of Education.

**3. MAJOR INITIATIVES:** During the 2016-17 school year, the district began revising curriculum and continued its use of the Danielson Evaluation Framework for teacher observations. All Long Hill administrators were trained by the NJDOE on providing actionable feedback through the Danielson Evaluation Framework and on the tenets of AchieveNJ and in particular, how to develop rigorous Student Growth Objectives for teachers. Funds for professional development for teachers and administrators were increased in the district's budget to allow for greater training in Mathematics and Literacy in grades K-8. The district also

received funds from the federal government through the No Child Left Behind Program (NCLB) in titles I, II, III, and III Immigrant Funds. These funds assisted the district in implementing a Leveled Literacy Intervention program for the district's most at-risk students and to assist with professional development costs. The Board of Education authorized the purchase of additional Chromebooks to assist with the one to one Chromebook pilot program in grade five. Training in the use of Chromebooks and the Google classroom is on-going, with the expectation that teachers will incorporate them into the curriculum and lesson plans.

The district continues focusing on areas such as: implementation of data informed strategies to improve instruction; replacement of computers as needed and purchasing touch screen Chromebooks for primary students and additional Chromebooks at each school; providing Smart Boards and document cameras to teachers to enhance instruction in the classroom; and working as a professional learning community with the Watchung, Green Brook and Watchung Hills Regional School Districts to share professional development, best practices and resources.

**4) INTERNAL ACCOUNTING CONTROLS:** Management of the District is responsible for establishing and maintaining internal control designed to ensure that the assets of the District are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control 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 awards and state financial assistance, the District also is responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the District management.

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

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

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



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

**7) FINANCIAL INFORMATION AT FISCAL YEAR-END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedule presents a summary of the general fund, special revenue fund and debt service fund revenues for the fiscal year ended June 30, 2017 and the amount and percentages of increases and decreases in relation to prior year revenues.

	Amount	% of Total	Increase (Decrease) from Prior Year	% of Increase (Decrease)
<b>Revenues</b>				
Local Sources				
Tax Levy				
General	\$ 14,649,675	85.66%	\$ 286,014	1.99%
Debt Service	1,099,590	6.43%	8,771	0.80%
Other Revenues	223,639	1.31%	39,978	21.77%
State Aid	888,478	5.20%	89,888	11.26%
Federal Aid	240,192	1.40%	(9,191)	-3.69%
<b>Total</b>	<b>\$ 17,101,574</b>	<b>100.00%</b>	<b>\$ 415,460</b>	<b>2.49%</b>

The following table presents a summary of general fund, special revenue fund, and debt service fund expenditures for the fiscal year ended June 30, 2017:

	Amount	% of Total	Increase (Decrease) from Prior Year	% of Increase (Decrease)
<b>Expenditures</b>				
Current Expense	\$ 15,286,013	89.46%	\$ 448,420	3.02%
Capital Outlay	423,030	2.48%	288,525	214.51%
Special Projects	241,757	1.42%	(56,558)	-18.96%
Debt Service				
Principal	715,000	4.19%	45,000	6.72%
Interest	418,769	2.45%	(35,231)	-7.76%
<b>Total</b>	<b>\$ 17,084,569</b>	<b>100.00%</b>	<b>\$ 690,156</b>	<b>4.21%</b>

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

**8) DEBT ADMINISTRATION:** At June 30, 2017 the District had total outstanding debt issues of \$ \$9,824,000.

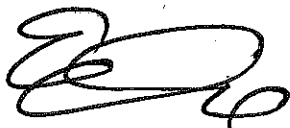
**9) CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to Financial Statements", Notes 1 and 2. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under 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 NJ, where the funds are secured in accordance with the Act.

**10) RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. The Board participates in joint insurance workmen's compensation and health benefits trusts with other districts.

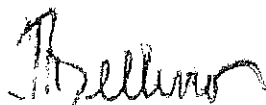
**11) OTHER INFORMATION:** Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki and Company CPA's PC was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984, as amended by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments. The Auditors' report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

**12) ACKNOWLEDGEMENTS:** We would like to express our appreciation to the members of the Long Hill Township School Board 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.

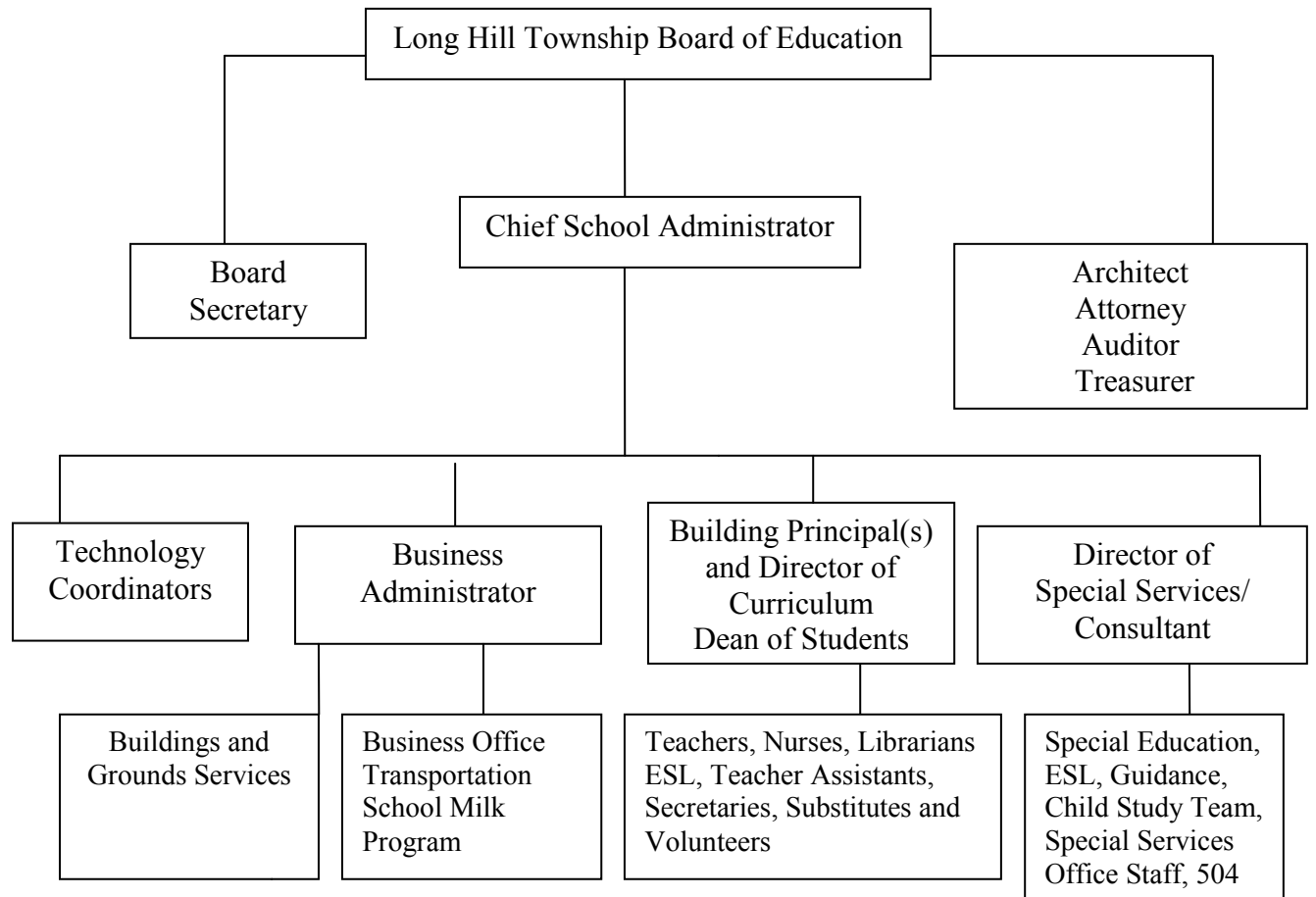
Respectfully submitted,



Dr. Edwin Acevedo  
School Superintendent



Joseph Bellino  
Interim Business Administrator/  
Board Secretary



**LONG HILL TOWNSHIP SCHOOL DISTRICT**

**Roster of Officials  
June 30, 2017**

<b>Members of the Board of Education</b>	<b>Title</b>	<b>Term Expires</b>
Nicholas Stevens	President	2017
Marta Moakley	Vice-President	2017
Jordana Raban		2017
David Carn		2017
Reid Bundonis		2018
Ann Butler		2018
Matthew DiGiorgio		2019
Karen Ann Nyquist		2019
Thomas O'Leary		2019
<b>Other Officials</b>		
Dr. Edwin Acevedo	Superintendent	
John Esposito	Business Administrator/Board Secretary	

**LONG HILL TOWNSHIP SCHOOL DISTRICT**

**Consultants & Advisors  
June 30, 2017**

**AUDIT FIRM**

Bedard, Kurowicki & Co.  
114 Broad Street  
Flemington, NJ 08822

**ATTORNEY**

Schwartz Simon, Edelstein & Celso  
100 S Jefferson Rd #200  
Whippany, NJ 07981

**OFFICIAL DEPOSITORY**

PNC Bank  
38 Lyons Mall  
Basking Ridge, NJ 07920

Municipal Investors Service Corp.  
113 King Street  
Armonk, NY 10504



Certified Public Accountants, PC

[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## **Independent Auditors' Report**

Honorable President and  
Members of the Board of Education  
Long Hill Township School District  
County of Morris, New Jersey

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Long Hill Township School District (the District) in the County of Morris, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the Table of Contents.

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

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

### **Auditors' Responsibility**

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

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Long Hill Township School District, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

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

### Other Information

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

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


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

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

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

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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

  
William M. Colantano  
Certified Public Accountant  
Registered Municipal Accountant

December 5, 2017  
Flemington, New Jersey



**REQUIRED SUPPLEMENTARY INFORMATION - PART I**

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

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

**Financial Highlights**

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$618,983 from 2016.
- General revenues accounted for \$22,610,965 or 98.41 percent of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$365,265 or 1.59 percent of total revenues of \$22,976,230.
- Total assets of governmental activities decreased by \$559,363 as cash and cash equivalents decreased by \$408,059, receivables and other assets increased by \$158,157 and capital assets decreased by \$309,461.
- The School District had \$23,595,213 in expenses; only \$365,265 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$22,610,965 were adequate to provide for these programs.
- Among major funds, the General Fund had \$17,637,821 in revenues and \$17,619,818 in expenditures. The General Fund's balance increased \$18,003 from 2016.

**Using this Comprehensive Annual Financial Report (CAFR)**

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

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

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

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

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

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net position for 2017 compared to 2016.

**Table 1**  
**Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
<b>ASSETS</b>				
Current and Other Assets	\$ 3,691,248	\$ 3,968,050	\$ (276,802)	-6.98%
Capital Assets	33,726,254	34,035,715	(309,461)	-0.91%
Total Assets	<u>37,417,502</u>	<u>38,003,765</u>	<u>(586,263)</u>	-1.54%
Deferred Outflows of Resources	<u>1,431,141</u>	<u>613,229</u>	<u>817,912</u>	133.38%
<b>LIABILITIES</b>				
Long-term liabilities	15,374,592	14,237,191	1,137,401	7.99%
Other liabilities	347,818	570,967	(223,149)	-39.08%
Total liabilities	<u>15,722,410</u>	<u>14,808,158</u>	<u>914,252</u>	6.17%
Deferred Inflows of Resources	<u>34,419</u>	<u>98,039</u>	<u>(63,620)</u>	-64.89%
<b>NET POSITION</b>				
Net Investment in Capital Assets	23,902,254	23,496,715	405,539	1.73%
Restricted	2,294,952	2,199,654	95,298	4.33%
Unrestricted	<u>(3,105,392)</u>	<u>(1,985,572)</u>	<u>(1,119,820)</u>	56.40%
Total Net Position	<u>\$ 23,091,814</u>	<u>\$ 23,710,797</u>	<u>\$ (618,983)</u>	-2.61%

Total assets decreased \$586,263. Cash and cash equivalents decreased by \$409,945 receivables and other assets increased by \$133,143 and capital assets decreased by \$309,461. Unrestricted net position of the School District, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, decreased by \$1,119,820.

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

Table 2 shows the changes in net position from fiscal year 2016.

**Table 2**  
**Changes in Net Position**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
<b>REVENUES</b>				
Program Revenues:				
Charges for Services	\$ 117,629	\$ 118,888	\$ (1,259)	-1.06%
Operating Grants & Contributions	247,636	305,895	(58,259)	-19.05%
General Revenues:				
Property Taxes	15,749,265	15,454,480	294,785	1.91%
Unrestricted Grants	6,745,684	4,820,457	1,925,227	39.94%
Investment Income	7	2,036	(2,029)	-99.66%
Other	116,009	75,041	40,968	54.59%
Total Revenues	<u>22,976,230</u>	<u>20,776,797</u>	<u>2,199,433</u>	10.59%
<b>PROGRAM EXPENSES</b>				
Instruction:				
Regular	8,606,961	7,499,034	1,107,927	14.77%
Special Education	3,771,860	3,130,071	641,789	20.50%
Other-Extracurricular Activities	49,075	475,292	(426,217)	-89.67%
Support Services:				
Tuition	549,914	603,911	(53,997)	-8.94%
Students & Instruction Related Services	4,786,166	3,266,554	1,519,612	46.52%
General & Business Admin.	1,287,909	1,302,615	(14,706)	-1.13%
School Administration	1,399,585	1,217,675	181,910	14.94%
Maintenance	1,745,474	1,530,921	214,553	14.01%
Transportation	881,120	808,295	72,825	9.01%
Food Service-Milk Program	41,983	22,443	19,540	87.07%
Transfer to Charter Schools	71,967	27,683	44,284	159.97%
Interest on Long Term Debt	403,199	422,579	(19,380)	-4.59%
Total Expense	<u>23,595,213</u>	<u>20,307,073</u>	<u>3,288,140</u>	16.19%
Increase (Decrease) Net Position	<u>\$ (618,983)</u>	<u>\$ 469,724</u>	<u>\$ (1,088,707)</u>	-231.78%

**Governmental Activities**

Property taxes made up 68.55 percent of revenues for governmental activities for the Long Hill Township Public School District for fiscal year 2017.

Instruction comprised 52.67 percent of district expenses. Support service expenses make up 47.33 percent of the expenses.

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

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

**Table 3**  
**Cost of Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Instruction	\$ 12,427,896	\$ 11,104,397	\$ 12,368,934	\$ 11,056,087
Support Services:				
Tuition	549,914	603,911	350,099	391,202
Students and Instructional Staff	4,786,166	3,266,554	4,760,436	3,188,657
General and Business Admin.	1,287,909	1,302,615	1,287,909	1,302,615
School Administration	1,399,585	1,217,675	1,399,585	1,217,675
Plant Operations & Maintenance	1,745,474	1,530,921	1,717,874	1,506,646
Pupil Transportation	881,120	808,295	843,840	766,576
Food Services-Milk Program	41,983	22,443	26,105	2,570
Transfer to Charter Schools	71,967	27,683	71,967	27,683
Interest on Long Term Debt	403,199	422,579	403,199	422,579
	<u>\$ 23,595,213</u>	<u>\$ 20,307,073</u>	<u>\$ 23,229,948</u>	<u>\$ 19,882,290</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student. Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

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

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

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

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities general revenue support is 98.41 percent. The community, as a whole, is the primary support for the Long Hill Township Public School District.

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

**The School District's Funds**

These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$18,979,168, expenditures of \$19,015,867. The net change in fund balance for the year was most significant in the Capital Projects Fund, a decrease of \$53,704. The School District is able to meet current operating costs with no urgent need for additional funds.

**General Fund Budgeting Highlights**

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

During the course of the fiscal 2017 year, the School District amended its General Fund budget as needed. The School District used program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources was \$363,994 over original budgeted estimates of \$15,396,473. This difference was due primarily to additional state aid, tuition income, and other miscellaneous revenues.

The General fund expenditures and other financing uses of the School district were under revenues by \$18,243. The financial position of the School District continues to gain strength, and the Board and administration are still permitting only purchases of items essential to teaching and learning in order to maintain its fund balance.

**Capital Assets**

At the end of the fiscal year 2017, the School District had \$33,726,254 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

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

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
Land	\$ 8,567,700	\$ 8,567,700	\$ -	0.00%
Construction in Progress	1,116,392	3,037,227	(1,920,835)	-63.24%
Buildings and Improvements	23,598,436	22,032,595	1,565,841	7.11%
Machinery and Equipment	327,618	318,890	8,728	2.74%
Vehicles	116,108	79,303	36,805	46.41%
	<u>\$ 33,726,254</u>	<u>\$ 34,035,715</u>	<u>\$ (309,461)</u>	<u>-0.91%</u>

Overall capital assets decreased \$309,461 from fiscal year 2016 to fiscal year 2017. Increases in capital assets were offset by depreciation expenses for the year.

**LONG HILL TOWNSHIP PUBLIC SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2017**  
**Unaudited**

**Debt Administration**

At June 30, 2017, the School District had \$15,374,592 of long-term liabilities. This amount is detailed in Table 5 below.

At June 30, 2016, the School District's overall legal debt margin was \$51,680,707 and the unvoted debt margin was \$41,856,707.

**Table 5**  
**Outstanding Bonded Debt at June 30**

	6/30/2017	6/30/2016	Variance	
			Dollars	Percent
2014 School Bonds	\$ 1,189,000	\$ 1,339,000	\$ (150,000)	-11.20%
2012 School Bonds	8,635,000	9,200,000	(565,000)	-6.14%
Bond Premium	73,899	80,325	(6,426)	-8.00%
Compensated Absences	909,667	236,378	673,289	284.84%
PERS Net Pension Liability	4,567,026	3,381,488	1,185,538	35.06%
	<u>\$ 15,374,592</u>	<u>\$ 14,237,191</u>	<u>\$ 1,137,401</u>	7.99%

**For the Future**

The Long Hill Township Public School is presently in good financial condition. A primary concern is keeping any budget increase low while maintaining excellence in the classroom. The district has been able to increase its capital and maintenance reserve accounts to keep its buildings safe. However, future finances are not without challenges as state mandates continue to grow and funding to schools is decreased.

Long Hill Township is primarily a residential community, with very few ratables; thus, the burden is focused on homeowners to foot the tax burden. New legislation that limits the annual increase tax levy increase and restricts the flexibility of schools to develop and manage a fair and workable budget, was made into law in an attempt to control property taxes. Numerous other pieces of legislation are pending which will present a challenge to school administration to provide an excellent education within significant governmental constraints.

The Long Hill Township Public School District's system for financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

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

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Joseph Bellino, School Business Administrator/Board Secretary, Long Hill Township Board of Education, 759 Valley Road, Gillette, NJ 07933 or email at jbellino@longhill.org.



## **DISTRICT-WIDE FINANCIAL STATEMENTS**

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 104,962	\$ 6,294	\$ 111,256
Due from other funds	6,059	5,193	11,252
Receivables, net	1,575,249	478	1,575,727
Restricted assets	1,993,013	-	1,993,013
Capital assets, net			
Land	8,567,700	-	8,567,700
Capital assets not being depreciated	1,116,392	-	1,116,392
Other capital assets, net of depreciation	24,042,162	-	24,042,162
Total assets	<u>37,405,537</u>	<u>11,965</u>	<u>37,417,502</u>
<b>Deferred outflows of resources</b>			
Deferred amount on pension activity	<u>1,431,141</u>	<u>-</u>	<u>1,431,141</u>
<b>Liabilities</b>			
Accounts payable	157,866	-	157,866
Due to other funds	5,193	-	5,193
Accrued interest	167,584	-	167,584
Unearned revenue	17,175	-	17,175
Long-term liabilities			
Due within one year	741,426	-	741,426
Due beyond one year	14,633,166	-	14,633,166
Total liabilities	<u>15,722,410</u>	<u>-</u>	<u>15,722,410</u>
<b>Deferred inflows of resources</b>			
Deferred amount on pension liability	<u>34,419</u>	<u>-</u>	<u>34,419</u>
<b>Net Position</b>			
Net investment in capital assets	23,902,254	-	23,902,254
Restricted for			
Capital reserve	1,843,013	-	1,843,013
Maintenance reserve	150,000	-	150,000
Capital projects	301,939	-	301,939
Unrestricted	<u>(3,117,357)</u>	<u>11,965</u>	<u>(3,105,392)</u>
Total net position	<u>\$ 23,079,849</u>	<u>\$ 11,965</u>	<u>\$ 23,091,814</u>

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 4,480,458	\$ 4,126,503	\$ 42,750	\$ -	\$ -	\$ (8,564,211)	\$ -	\$ (8,564,211)
Special education	1,472,232	1,680,116	-	16,212	-	(3,136,136)	-	(3,136,136)
Other special education	269,665	349,847	-	-	-	(619,512)	-	(619,512)
Other instruction	29,209	19,866	-	-	-	(49,075)	-	(49,075)
Support services								
Tuition	549,914	-	-	199,815	-	(350,099)	-	(350,099)
Students & instruction related services	2,204,130	2,582,036	-	25,730	-	(4,760,436)	-	(4,760,436)
General & business administration services	633,064	654,845	-	-	-	(1,287,909)	-	(1,287,909)
School administration services	682,183	717,402	-	-	-	(1,399,585)	-	(1,399,585)
Plant operations & maintenance	1,690,661	54,813	27,600	-	-	(1,717,874)	-	(1,717,874)
Pupil transportation	881,120	-	37,280	-	-	(843,840)	-	(843,840)
Transfer to charter schools	71,967	-	-	-	-	(71,967)	-	(71,967)
Interest on long-term debt	403,199	-	-	-	-	(403,199)	-	(403,199)
Total governmental activities	<u>13,367,802</u>	<u>10,185,428</u>	<u>107,630</u>	<u>241,757</u>	<u>-</u>	<u>(23,203,843)</u>	<u>-</u>	<u>(23,203,843)</u>
Business-type activities								
Food service - milk fund	41,983	-	9,999	5,879	-	-	(26,105)	(26,105)
Total business-type activities	<u>41,983</u>	<u>-</u>	<u>9,999</u>	<u>5,879</u>	<u>-</u>	<u>-</u>	<u>(26,105)</u>	<u>(26,105)</u>
Total primary government	<u>\$ 13,409,785</u>	<u>\$ 10,185,428</u>	<u>\$ 117,629</u>	<u>\$ 247,636</u>	<u>\$ -</u>	<u>(23,203,843)</u>	<u>(26,105)</u>	<u>(23,229,948)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						14,649,675	-	14,649,675
Property taxes levied for debt service						1,099,590	-	1,099,590
Federal & State aid not restricted						6,745,684	-	6,745,684
Investment earnings						1,840	7	1,847
Miscellaneous income						114,169	-	114,169
Total general revenues, special items & transfers						<u>22,610,958</u>	<u>7</u>	<u>22,610,965</u>
Change in net position						(592,885)	(26,098)	(618,983)
Net position - beginning						23,672,734	38,063	23,710,797
Net position - ending						<u>\$ 23,079,849</u>	<u>\$ 11,965</u>	<u>\$ 23,091,814</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash & cash equivalents	\$ 90,126	\$ 14,834	\$ -	\$ 2	\$ 104,962
Due from other funds	1,030,310	-	-	-	1,030,310
Receivables from other governments					
State	258,520	4,917	1,309,812	-	1,573,249
Federal	-	2,000	-	-	2,000
Restricted cash & cash equivalents	1,993,013	-	-	-	1,993,013
<b>Total assets</b>	<b>\$ 3,371,969</b>	<b>\$ 21,751</b>	<b>\$ 1,309,812</b>	<b>\$ 2</b>	<b>\$ 4,703,534</b>
<b>Liabilities and fund balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 157,516	\$ 350	\$ -	\$ -	\$ 157,866
Due to other funds	5,193	16,376	1,007,873	2	1,029,444
Unearned revenue	12,150	5,025	-	-	17,175
<b>Total liabilities</b>	<b>174,859</b>	<b>21,751</b>	<b>1,007,873</b>	<b>2</b>	<b>1,204,485</b>

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Balance Sheet (continued)**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 301,939	\$ -	\$ 301,939
Excess surplus - designated for subsequent year's expenditures	284,449	-	-	-	284,449
Excess surplus - current year	283,232	-	-	-	283,232
Capital reserve	1,843,013	-	-	-	1,843,013
Maintenance reserve	150,000	-	-	-	150,000
Committed fund balance					
Encumbrances	145,377	-	-	-	145,377
Unassigned fund balance	491,039	-	-	-	491,039
Total fund balances	<u>3,197,110</u>	<u>-</u>	<u>301,939</u>	<u>-</u>	<u>3,499,049</u>
Total liabilities and fund balances	<u>\$ 3,371,969</u>	<u>\$ 21,751</u>	<u>\$ 1,309,812</u>	<u>\$ 2</u>	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$44,789,951 and the accumulated depreciation is \$11,063,697.	33,726,254
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	1,396,722
Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(15,374,592)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(167,584)</u>
Total net position of governmental activities	<u>\$ 23,079,849</u>

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Statement of Revenues, 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>					
<b>Local sources</b>					
Local tax levy	\$ 14,649,675	\$ -	\$ -	\$ 1,099,590	\$ 15,749,265
Tuition charges					
Individuals	42,750	-	-	-	42,750
Transportation fees from individuals	37,280	-	-	-	37,280
Interest on investments	1,840	-	-	-	1,840
Rents and royalties	27,600	-	-	-	27,600
Miscellaneous	114,169	-	-	-	114,169
	<u>14,873,314</u>	<u>-</u>	<u>-</u>	<u>1,099,590</u>	<u>15,972,904</u>
State sources	2,764,507	1,565	-	-	2,766,072
Federal sources	-	240,192	-	-	240,192
Total revenues	<u>17,637,821</u>	<u>241,757</u>	<u>-</u>	<u>1,099,590</u>	<u>18,979,168</u>
<b>Expenditures</b>					
<b>Current</b>					
<b>Instructional</b>					
Regular instruction	4,480,458	-	-	-	4,480,458
Special education instruction	1,456,020	16,212	-	-	1,472,232
Other special instruction	269,665	-	-	-	269,665
Other instruction	29,209	-	-	-	29,209
<b>Support service &amp; undistributed costs</b>					
Tuition	350,099	199,815	-	-	549,914
Student & instruction related services	2,178,400	25,730	-	-	2,204,130
General & business administrative services	633,064	-	-	-	633,064
School administrative services	682,183	-	-	-	682,183
Plant operations & maintenance	1,690,661	-	-	-	1,690,661
Pupil transportation	881,120	-	-	-	881,120
Unallocated benefits	4,440,761	-	-	-	4,440,761

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures and Changes in Fund Balances (continued)**  
**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 (cont'd)					
Capital outlay	\$ 423,030	\$ -	\$ 53,704	\$ -	\$ 476,734
Transfers of funds to charter schools	71,967	-	-	-	71,967
Debt service					
Principal	-	-	-	715,000	715,000
Interest & other charges	33,181	-	-	385,588	418,769
Total expenditures	<u>17,619,818</u>	<u>241,757</u>	<u>53,704</u>	<u>1,100,588</u>	<u>19,015,867</u>
Net change in fund balance	18,003	-	(53,704)	(998)	(36,699)
Fund balances, July 1	<u>3,179,107</u>	<u>-</u>	<u>355,643</u>	<u>998</u>	<u>3,535,748</u>
Fund balances, June 30	<u>\$ 3,197,110</u>	<u>\$ -</u>	<u>\$ 301,939</u>	<u>\$ -</u>	<u>\$ 3,499,049</u>

See accompanying notes to financial statements.



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

Total net changes in fund balances - governmental fund (from B-2) \$ (36,699)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	\$ 476,734	
Depreciation expense	<u>(786,195)</u>	(309,461)

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

Debt principal payments	715,000
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Governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred & amortized in the Statement of Activities:

Amortization of bond premium	6,426
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Governmental funds report District pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

(304,006)

See accompanying notes to financial statements.

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

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item. \$ 9,144

In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation. (673,289)

Change in net position of governmental activities \$ (592,885)

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Milk Service</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 6,294
Receivables from other governments	
Federal	478
Due from other funds	5,193
Total current assets	<u>11,965</u>
Noncurrent assets	
Capital assets	3,906
Less: accumulated depreciation	<u>3,906</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>11,965</u>
Net Position	
Unrestricted	<u>11,965</u>
Total net position	<u><u>\$ 11,965</u></u>

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	Milk Service
Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 9,999
Total operating revenues	9,999
Operating expenses	
Cost of sales - reimbursable programs	9,550
Salaries	5,000
Supplies and materials	26,540
Miscellaneous	893
Total operating expenses	41,983
Operating income (loss)	(31,984)
Non-operating revenues (expenses)	
Federal sources	
Special milk program	5,879
Interest earned on investments	7
Total non-operating revenues (expenses)	5,886
Change in net position	(26,098)
Net position, beginning	38,063
Net position, ending	\$ 11,965

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Milk Service</u>
Cash flows from operating activities	
Receipts from customers (net)	\$ 9,999
Payments to vendors (net)	(41,891)
Net cash provided by (used for) operating activities	<u>(31,892)</u>
 Cash flows from non-capital financing activities	
Federal sources	(6,904)
Net interfund transactions	36,903
Net cash provided by (used for) noncapital financing activities	<u>29,999</u>
 Cash flows from investing activities	
Interest on investments	<u>7</u>
 Net increase (decrease) in cash and cash equivalents	(1,886)
 Cash and cash equivalents, beginning	<u>8,180</u>
 Cash and cash equivalents, ending	<u><u>\$ 6,294</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (31,984)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
(Increase) decrease in accounts receivable	893
Increase (decrease) in accounts payable	<u>(801)</u>
 Net cash provided by (used for) operating activities	<u><u>\$ (31,892)</u></u>

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Net Position**  
**June 30, 2017**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 124,319	\$ 50,015	\$ 91,146
Due from other funds	65,995	-	-
Total assets	\$ 190,314	\$ 50,015	\$ 91,146
<b>Liabilities</b>			
Due to other funds	\$ -	\$ -	\$ 72,054
Due to student groups	-	50,015	-
Payroll deductions and withholdings	-	-	19,092
Total liabilities	-	\$ 50,015	\$ 91,146
<b>Net Position</b>			
Held in trust for unemployment claims & other purposes	\$ 190,314		

See accompanying notes to financial statements.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Statement of Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	<u>Unemployment Compensation Fund</u>
Additions	
Contributions	
Employee contributions	\$ 14,504
Investment earnings - interest	<u>67</u>
Total additions	14,571
Deductions	
Unemployment claims	<u>17,195</u>
Change in net position	(2,624)
Net position, beginning of the year	<u>192,938</u>
Net position, end of the year	<u><u>\$ 190,314</u></u>

See accompanying notes to financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Morris, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 846 students.

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

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

*Enterprise Fund* - The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Milk Service Fund.

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary fund types

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

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

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

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

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the Spring of each year for the General, Special Revenue, and Debt Service Funds. The budgets are submitted to the County office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line-item accounts within each fund. Line-item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum Chart of Accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

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

H. Short-term interfund receivable and payables

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

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

J. Capital assets

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

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

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

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

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

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

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

M. Long-term obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

N. Net position

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

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

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

O. Fund balances - governmental funds

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Comparative data/reclassifications

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

Q. Allocation of indirect expenses

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

R. Deferred outflows/inflows of resources

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 2 - Tax assessments and property taxes

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

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

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

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

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

Note 3 - Deposits, cash equivalents, and investments

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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

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

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

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

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

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	2,475,435
Total bank balances	<u>\$ 2,725,435</u>

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

Cash and cash equivalents		<u>\$ 2,369,749</u>
	<u>Ref.</u>	
Unrestricted cash and cash equivalents		
Governmental Funds, Balance Sheet	B-1	\$ 104,962
Enterprise Funds, Statement of Net Position	B-4	6,294
Fiduciary Funds, Statement of Net Position	B-7	265,480
Restricted cash and cash equivalents		
Governmental Funds, Balance Sheet	B-1	1,993,013
Total cash and cash equivalents		<u>\$ 2,369,749</u>

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 8,567,700	\$ -	\$ -	\$ 8,567,700
Construction in progress	3,037,227	53,704	1,974,539	1,116,392
Total	<u>11,604,927</u>	<u>53,704</u>	<u>1,974,539</u>	<u>9,684,092</u>
Capital assets, being depreciated				
Building & improvements	31,632,931	2,279,507	-	33,912,438
Furniture & equipment	933,101	65,749	-	998,850
Vehicles	142,258	52,313	-	194,571
Total	<u>32,708,290</u>	<u>2,397,569</u>	<u>-</u>	<u>35,105,859</u>
Accumulated depreciation				
Building & improvements	9,600,337	713,665	-	10,314,002
Furniture & equipment	614,211	57,021	-	671,232
Vehicles	62,954	15,509	-	78,463
Total	<u>10,277,502</u>	<u>786,195</u>	<u>-</u>	<u>11,063,697</u>
Total capital assets, being depreciated, net	<u>22,431,788</u>	<u>1,611,374</u>	<u>-</u>	<u>24,042,162</u>
Transfer	-	(1,974,539)	(1,974,539)	-
Governmental activities capital assets, net	<u>\$ 34,035,715</u>	<u>\$ (309,461)</u>	<u>\$ -</u>	<u>\$ 33,726,254</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 3,906	\$ -	\$ -	\$ 3,906
Less: accumulated depreciation	3,906	-	-	3,906
Business type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 4 - Capital assets (continued)

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

Instruction		
Regular	\$	351,151
Special education		115,385
Other special instruction		21,135
Other instruction		2,289
Support services		
Student & instruction		172,747
General & business administration		49,616
School administration		53,465
Plant maintenance		20,407
Total depreciation expense, governmental activities	\$	<u>786,195</u>

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 10,539,000	\$ -	\$ 715,000	\$ 9,824,000	\$ 735,000
Bond premium	80,325	-	6,426	73,899	6,426
Compensated absences payable	236,378	673,289	-	909,667	-
PERS net pension liability	3,381,488	1,185,538	-	4,567,026	-
Total governmental activities long-term liabilities	<u>\$ 14,237,191</u>	<u>\$ 1,858,827</u>	<u>\$ 721,426</u>	<u>\$ 15,374,592</u>	<u>\$ 741,426</u>

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

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 735,000	\$ 365,637	\$ 1,100,637
2019	760,000	345,137	1,105,137
2020	785,000	317,937	1,102,937
2021	815,000	289,837	1,104,837
2022	850,000	260,637	1,110,637
2023 - 2025	2,544,000	590,500	3,134,500
2026 - 2029	3,335,000	339,600	3,674,600
Total	<u>\$ 9,824,000</u>	<u>\$ 2,509,285</u>	<u>\$ 12,333,285</u>

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 5 - Long-term debt (continued)

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

\$1,464,000 - 2014 general obligation school building bonds, interest at 2.00% to 2.50% due in annual installments beginning January 15, 2016, through January 15, 2024.	\$ 1,189,000
\$9,880,000 - 2012 general obligation school building bonds, interest at 3.00% to 4.00%, due in annual installments beginning January 15, 2014, through January 15, 2029.	8,635,000
	\$ 9,824,000

The general obligation bonded debt of the District is limited by State Law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$51,680,707. General obligation debt at June 30, 2017 is \$9,824,000, resulting in a legal debt margin of \$41,856,707.

Note 6 - Pension plans

Description of systems

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

A. Public employees' retirement systems (PERS)

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of PERS.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

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

Plan description (continued)

The following represents the membership tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

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

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



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plans (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

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

Contributions

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

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, PL 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The Actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15-years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

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

	2016
Total pension liability	\$ 7,629,106
Plan fiduciary net position	3,062,080
Net pension liability	\$ 4,567,026

Plan fiduciary net position as a percentage of the total pension liability 40.14%

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

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

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Long-term expected rate of return

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

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

Discount rate

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Discount rate (continued)

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2043, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

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

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.98%)	\$ 4,567,026
At a 1% lower rate (2.98%)	5,596,357
At a 1% higher rate (4.98%)	3,717,224

Collective deferred outflows of resources and deferred inflows of resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 84,933	\$ -
Changes of assumptions	946,044	-
Net difference between projected and actual earnings on pension plan investments	174,145	-
Changes in proportion and differences between District contributions and proportionate share of contributions	89,028	34,419
District contributions subsequent to the measurement date	136,991	-
<b>Total</b>	<b>\$ 1,431,141</b>	<b>\$ 34,419</b>

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

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

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) of \$136,991 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 454,321	\$ 821,362	\$ 244,706	\$ 1,030,977
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	(55,655)	256,416	26,616	174,145
Net of deferred outflows	\$ 398,666	\$ 1,077,778	\$ 271,322	\$ 1,205,122

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

Year Ending June 30,

2017	\$ 271,322
2018	271,322
2019	314,336
2020	264,089
2021	84,053
Total	\$ 1,205,122

Pension expense

For the year ended June 30, 2017, the District recognized net pension expense of \$440,997, which represents the District's proportionate share of allocable plan pension expense of \$436,024, plus the net amortization of deferred amounts from changes in proportion of \$12,451, and less other adjustments to the net pension liability of \$7,478. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 -

Pension plan (continued)

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

Pension expense (continued)

Service cost	\$	149,046
Interest on total pension liability		325,424
Member contributions		(77,251)
Administrative expense		2,466
Expected investment return net of investment expense		(234,497)
Pension expense related to specific liabilities of individual employers		(486)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		222,867
Amortization of expected versus actual experience		21,839
Amortization of projected versus actual investment earnings on pension plan investments		26,616
Pension expense	\$	436,024

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

Plan description

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

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after 10-years of service, except for medical benefits, which vest after 25-years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

The following represents the membership tiers for TPAF:

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Plan description (continued)

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

Contributions

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

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$536,419 to the TPAF for normal pension benefits on behalf of the District.

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)  
B. Teacher's pension and annuity fund (TPAF) (continued)  
Components of net pension liability

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

	2016
State's proportionate share of net pension liability	\$ 52,986,217
Employer pension expense and related revenue	3,981,177
Non-employer contribution	536,419
Allocable proportionate percentage	0.0673556169%

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

Service cost	\$ 1,571,789
Interest on total pension liability	2,477,268
Member contributions	(510,702)
Administrative expense	9,231
Expected investment return net of investment expense	(1,268,248)
Pension expense related to specific liabilities of individual employers	(163)
Recognition of deferred inflows/outflows of resources	
Amortization of assumption changes or inputs	16,662
Amortization of expected versus actual experience	1,558,496
Amortization of projected versus actual investment earnings on pension plan investments	126,844
Pension expense	\$ 3,981,177



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

Collective net pension liability and actuarial information

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

	2016
Total pension liability	\$ 68,217,778
Plan fiduciary net position	15,231,561
Net pension liability	\$ 52,986,217

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

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

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

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

Long-term expected rate of return

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

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

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

Discount rate

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 6 - Pension plan (continued)

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

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

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

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 52,986,217
At a 1% lower rate (2.22%)	63,277,384
At a 1% higher rate (4.22%)	44,582,151

C. Defined contribution retirement program

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

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year ending 2017 was \$13,351.

D. Other pension plan information

During the year ended June 30, 2017, the State of New Jersey contributed \$633,206 to the TPAF for post-retirement medical benefits, \$26,572 for non-contributory insurance premiums, \$966 for long-term disability insurance, and \$733,373 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$483,477 during the year ended June 30, 2017 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25-years of credited service or on a disability retirement. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees eligible for post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

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

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

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

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 8 - Deferred compensation

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

- Prudential
- Equitable Life Assurance
- Valic

Note 9 - Interfund receivables and payables

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

	Receivable	Payable
General Fund	\$ 1,030,310	\$ 5,193
Special Revenue Fund	-	16,376
Capital Project Fund	-	1,007,873
Debt Service Fund	-	2
Milk Service Fund	5,193	-
Unemployment Compensation Fund	65,995	-
Payroll Agency Fund	-	72,054
	\$ 1,101,498	\$ 1,101,498

The balance due from Capital Projects Fund to General Fund of \$1,007,873 represents a loan due to delayed receipt of grant funds. The balance due from Special Revenue Fund to General Fund of \$16,376 represents a reimbursement to General Fund for a grantor repayment. The balance of \$2 due from Debt Service Fund to General Fund represents excess tax levy receivable received in Debt Service Fund. The balance due to Milk Service Fund from General Fund of \$5,193 represents aid received in General Fund not disbursed by year end. The balance due to General Fund from Payroll Agency of \$859 is health benefits employee contributions not yet received by General Fund at year end and \$5,200 represents a loan for flexible spending. The balance due from Payroll Agency to Unemployment Compensation of \$65,995 is unemployment withholdings not yet transferred at year end.

Note 10 - Contingent liabilities

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

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 11 - Risk management

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

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

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

<u>Fiscal Year</u>	<u>Board Contrib.</u>	<u>Interest Earnings</u>	<u>Employee Contrib.</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016 - 2017	\$ -	\$ 67	\$ 14,504	\$ 17,195	\$ 190,314
2015 - 2016	-	75	14,115	16,299	192,938
2014 - 2015	-	68	13,480	1,662	195,047

Note 12 - Legal reserve accounts

A Capital Reserve Account was established by the District for the accumulation of funds for use as Capital Outlay expenditures in subsequent fiscal years. The Capital Reserve Account is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the Capital Reserve Account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the Capital Reserve by appropriating funds in the annual General Fund budget certified for taxes. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 12 - Legal reserve accounts (continued)

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$150,000 to the Maintenance Reserve Account by Board resolution in June 2017 as summarized in the following schedule. The following schedule is a summarization of the Legal Reserve Accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 1,843,013	\$ -	\$ -	\$ -	\$ -	\$ 1,843,013
Maintenance	-	150,000	-	-	-	150,000
Total	<u>\$ 1,843,013</u>	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,993,013</u>

Note 13 - Fund balances - budgetary basis

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

	2017
Restricted	
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ 283,232
Excess surplus - Designated for subsequent year's expenditures. Amount appropriated in the succeeding year's budget to reduce tax requirements.	284,449
Capital Reserve Account - Represents funds restricted to capital projects in the Districts long range facilities plan.	1,843,013
Maintenance Reserve Account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A.18A:76-9).	150,000
Committed	
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30.	145,377
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	549,200
Total fund balance	\$ 3,255,271

Note 14 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$283,232.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Financial Statements**

Note 15 - Subsequent events

The District has evaluated subsequent events through December 5, 2017, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 16 - Recent accounting pronouncements not yet effective

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

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

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

Note 17 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of (\$3,117,357) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES</b>					
Local sources					
Local tax levy	\$ 14,649,675	\$ -	\$ 14,649,675	\$ 14,649,675	\$ -
Tuition from individuals	25,000	-	25,000	42,750	17,750
Transportation fees from individuals	35,000	-	35,000	37,280	2,280
Rents and royalties	-	-	-	27,600	27,600
Unrestricted miscellaneous revenues	33,500	-	33,500	116,009	82,509
Interest earned on capital reserve funds	500	-	500	-	(500)
<b>Total</b>	<b>14,743,675</b>	<b>-</b>	<b>14,743,675</b>	<b>14,873,314</b>	<b>129,639</b>
State Sources					
Categorical transportation aid	62,144	-	62,144	62,144	-
Extraordinary aid	-	-	-	212,938	212,938
Categorical special education aid	537,876	-	537,876	537,876	-
Categorical security aid	13,945	-	13,945	13,945	-
Adjustment aid	13,477	-	13,477	13,477	-
PARCC readiness aid	8,150	-	8,150	8,150	-
Per pupil growth aid	8,150	-	8,150	8,150	-
Professional learning community aid	8,030	-	8,030	8,030	-
Host district support aid	1,026	-	1,026	1,026	-
Other state aids	-	-	-	21,417	21,417
TPAF pension (on-behalf)	-	-	-	759,945	759,945
TPAF Social Security (reimbursed)	-	-	-	483,477	483,477
TPAF post retirement benefits	-	-	-	633,206	633,206
TPAF long-term disability insurance	-	-	-	966	966
<b>Total</b>	<b>652,798</b>	<b>-</b>	<b>652,798</b>	<b>2,764,747</b>	<b>2,111,949</b>
<b>Total revenues</b>	<b>\$ 15,396,473</b>	<b>\$ -</b>	<b>\$ 15,396,473</b>	<b>\$ 17,638,061</b>	<b>\$ 2,241,588</b>
<b>EXPENDITURES</b>					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 326,470	\$ (29,879)	\$ 296,591	\$ 294,836	\$ 1,755
Grades 1-5	1,915,593	103,596	2,019,189	2,017,989	1,200
Grades 6-8	1,629,051	(38,254)	1,590,797	1,580,687	10,110
Home instruction					
Salaries of teacher	5,000	(5,000)	-	-	-
Regular programs - undistributed instruction					
Purchased professional - educational services	182,565	10,071	192,636	178,375	14,261
Other purchased services	103,800	(21,173)	82,627	77,624	5,003
General supplies	244,092	63,397	307,489	296,975	10,514
Textbooks	85,068	(51,155)	33,913	33,913	-
Other objects	1,755	(1,696)	59	59	-
<b>Total</b>	<b>4,493,394</b>	<b>29,907</b>	<b>4,523,301</b>	<b>4,480,458</b>	<b>42,843</b>
Special education					
Multiple disabilities					
Salaries of teachers	118,067	(30,925)	87,142	85,932	1,210
Other salaries for instruction	72,557	(14,500)	58,057	58,057	-
General supplies	7,740	(7,740)	-	-	-
<b>Total</b>	<b>198,364</b>	<b>(53,165)</b>	<b>145,199</b>	<b>143,989</b>	<b>1,210</b>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Resource room/resource center					
Salaries of teachers	\$ 1,185,433	\$ (62,000)	\$ 1,123,433	\$ 1,122,140	\$ 1,293
General supplies	12,000	(61)	11,939	10,420	1,519
Total	<u>1,197,433</u>	<u>(62,061)</u>	<u>1,135,372</u>	<u>1,132,560</u>	<u>2,812</u>
Autism					
Other salaries for instruction	-	3,070	3,070	3,070	-
Total	<u>-</u>	<u>3,070</u>	<u>3,070</u>	<u>3,070</u>	<u>-</u>
Preschool disabilities - part-time					
Salaries of teachers	120,755	(6,079)	114,676	113,492	1,184
Other salaries for instruction	55,793	(12,960)	42,833	41,759	1,074
General supplies	3,400	17,846	21,246	20,168	1,078
Total	<u>179,948</u>	<u>(1,193)</u>	<u>178,755</u>	<u>175,419</u>	<u>3,336</u>
Home instruction					
Salaries of teachers	10,000	(9,018)	982	982	-
Total	<u>10,000</u>	<u>(9,018)</u>	<u>982</u>	<u>982</u>	<u>-</u>
Total special education	<u>1,585,745</u>	<u>(122,367)</u>	<u>1,463,378</u>	<u>1,456,020</u>	<u>7,358</u>
Basic skills/remedial					
Salaries of teachers	114,145	96,000	210,145	209,496	649
General supplies	900	(900)	-	-	-
Total	<u>115,045</u>	<u>95,100</u>	<u>210,145</u>	<u>209,496</u>	<u>649</u>
Bilingual education - instruction					
Salaries of teachers	59,625	300	59,925	59,775	150
Other purchased services	550	(550)	-	-	-
General supplies	1,500	(1,106)	394	394	-
Total	<u>61,675</u>	<u>(1,356)</u>	<u>60,319</u>	<u>60,169</u>	<u>150</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	4,000	7,730	11,730	11,730	-
Purchased services	3,800	(3,800)	-	-	-
Other objects	1,925	(1,925)	-	-	-
Total	<u>9,725</u>	<u>2,005</u>	<u>11,730</u>	<u>11,730</u>	<u>-</u>
School-sponsored athletics - instruction					
Purchased services	-	16,265	16,265	14,454	1,811
Supplies and materials	-	4,856	4,856	3,025	1,831
Total	<u>-</u>	<u>21,121</u>	<u>21,121</u>	<u>17,479</u>	<u>3,642</u>
Total instruction regular	<u>\$ 6,265,584</u>	<u>\$ 24,410</u>	<u>\$ 6,289,994</u>	<u>\$ 6,235,352</u>	<u>\$ 54,642</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the State - special	\$ 261,524	\$ (33,594)	\$ 227,930	\$ 227,930	\$ -
Tuition to priv. school for the disabled w/i State	232,210	(110,041)	122,169	122,169	-
Total	<u>493,734</u>	<u>(143,635)</u>	<u>350,099</u>	<u>350,099</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	272,466	(42,015)	230,451	228,293	2,158
Purchased professional and technical services	3,000	1,500	4,500	4,500	-
Supplies and materials	6,165	(2,000)	4,165	3,812	353
Total	<u>281,631</u>	<u>(42,515)</u>	<u>239,116</u>	<u>236,605</u>	<u>2,511</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	376,872	(686)	376,186	375,066	1,120
Purchased professional - educational services	57,066	(22,922)	34,144	23,777	10,367
Supplies and materials	3,500	-	3,500	2,810	690
Total	<u>437,438</u>	<u>(23,608)</u>	<u>413,830</u>	<u>401,653</u>	<u>12,177</u>
Undistributed expend - other supp. service stds. - extra service					
Salaries	513,617	24,000	537,617	532,367	5,250
Purchased professional - educational services	98,400	(48,040)	50,360	46,267	4,093
Supplies and materials	7,000	20,073	27,073	22,020	5,053
Total	<u>619,017</u>	<u>(3,967)</u>	<u>615,050</u>	<u>600,654</u>	<u>14,396</u>
Undistributed expenditures- guidance					
Salaries of other professional staff	247,107	(94,111)	152,996	152,996	-
Other purchased professional & technical services	6,500	(6,500)	-	-	-
Other purchased services	1,000	(148)	852	852	-
Supplies and materials	4,840	(4,487)	353	353	-
Total	<u>259,447</u>	<u>(105,246)</u>	<u>154,201</u>	<u>154,201</u>	<u>-</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	309,052	3,630	312,682	309,998	2,684
Salaries of secretarial and clerical assistants	83,282	3,492	86,774	83,765	3,009
Purchased professional - educational services	75,050	1,889	76,939	76,939	-
Other purchased professional & technical services	11,000	(6,510)	4,490	3,480	1,010
Other purchased services	-	4,138	4,138	-	4,138
Miscellaneous purchased service	8,580	(6,220)	2,360	1,457	903
Supplies and materials	9,537	(1,000)	8,537	7,841	696
Total	<u>496,501</u>	<u>(581)</u>	<u>495,920</u>	<u>483,480</u>	<u>12,440</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	61,772	(976)	60,796	60,796	-
Salaries of secretarial & clerical assist	24,912	(24,912)	-	-	-
Other purchased services	1,000	(1,000)	-	-	-
Total	<u>87,684</u>	<u>(26,888)</u>	<u>60,796</u>	<u>60,796</u>	<u>-</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - edu. media service/sch. library					
Salaries	\$ 226,697	\$ (34,216)	\$ 192,481	\$ 192,481	\$ -
Purchased professional and technical services	3,000	(3,000)	-	-	-
Other purchased services	500	(500)	-	-	-
Supplies and materials	18,584	(7,376)	11,208	8,589	2,619
<b>Total</b>	<b>248,781</b>	<b>(45,092)</b>	<b>203,689</b>	<b>201,070</b>	<b>2,619</b>
Undistributed expenditures - instructional staff training services					
Purchased professional - educational services	1,000	(466)	534	534	-
Other purchased services	34,400	6,180	40,580	38,762	1,818
Supplies and materials	1,330	(685)	645	645	-
<b>Total</b>	<b>36,730</b>	<b>5,029</b>	<b>41,759</b>	<b>39,941</b>	<b>1,818</b>
Undistributed expend. - support service - general admin.					
Salaries	215,473	1,845	217,318	217,318	-
Legal services	30,000	26,132	56,132	56,131	1
Audit fees	25,000	6,300	31,300	31,300	-
Other purchased professional services	-	850	850	850	-
Communications/telephone	60,000	(44,161)	15,839	10,156	5,683
BOE other purchased services	-	39	39	-	39
Misc purch services	-	18,156	18,156	17,058	1,098
General supplies	50	5,907	5,957	3,628	2,329
Miscellaneous expenditures	-	12,914	12,914	12,914	-
BOE membership dues and fees	10,000	(2,031)	7,969	7,969	-
<b>Total</b>	<b>340,523</b>	<b>25,951</b>	<b>366,474</b>	<b>357,324</b>	<b>9,150</b>
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	332,445	(893)	331,552	331,552	-
Salaries of secretarial and clerical assistants	204,001	30,463	234,464	234,464	-
Other purchased services	7,000	(6,448)	552	552	-
Supplies and materials	5,139	1,942	7,081	5,745	1,336
Other objects	2,000	4,289	6,289	6,090	199
<b>Total</b>	<b>550,585</b>	<b>29,353</b>	<b>579,938</b>	<b>578,403</b>	<b>1,535</b>
Undistributed expenditures - central services					
Salaries	271,010	(5,028)	265,982	265,982	-
Supplies and materials	395	8,177	8,572	8,142	430
Other objects	-	2,500	2,500	1,616	884
<b>Total</b>	<b>271,405</b>	<b>5,649</b>	<b>277,054</b>	<b>275,740</b>	<b>1,314</b>
Undistributed expenditures - admin. info. technology					
Salaries	102,257	1,523	103,780	103,780	-
<b>Total</b>	<b>102,257</b>	<b>1,523</b>	<b>103,780</b>	<b>103,780</b>	<b>-</b>
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	130,060	177,998	308,058	263,395	44,663
General supplies	149,516	(93,997)	55,519	43,543	11,976
<b>Total</b>	<b>279,576</b>	<b>84,001</b>	<b>363,577</b>	<b>306,938</b>	<b>56,639</b>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - custodial services					
Salaries	\$ 10,000	\$ 619	\$ 10,619	\$ 10,619	\$ -
Purchased professional and technical services	873,775	52,687	926,462	926,462	-
Cleaning, repair, and maintenance service	4,000	15,656	19,656	19,656	-
Other purchased property services	28,000	(8,871)	19,129	19,129	-
Insurance	92,000	678	92,678	92,678	-
Miscellaneous purchased services	14,000	(1,341)	12,659	12,659	-
General supplies	3,000	(2,952)	48	48	-
Energy (electricity)	340,000	(31,886)	308,114	302,472	5,642
Total	<u>1,364,775</u>	<u>24,590</u>	<u>1,389,365</u>	<u>1,383,723</u>	<u>5,642</u>
Undistributed expenditures - student transportation service					
Contract service - aid in lieu pymts - non-public schools	45,000	44,526	89,526	86,414	3,112
Contract service (between home & school) - vendors	420,143	(85,386)	334,757	334,757	-
Contract service (oth. than between home & school) - vend	2,000	130	2,130	1,692	438
Contract service (sp ed stds) - joint agreements	344,432	125,572	470,004	458,257	11,747
Miscellaneous purchased services - transportation	10,000	(10,000)	-	-	-
Total	<u>821,575</u>	<u>74,842</u>	<u>896,417</u>	<u>881,120</u>	<u>15,297</u>
Unallocated benefits - employee benefits					
Social Security contributions	177,959	(12,000)	165,959	158,258	7,701
Other retirement contributions - PERS	135,000	2,492	137,492	137,492	-
Workmen's compensation	90,000	(7,416)	82,584	82,584	-
Health benefits	2,229,294	(80,811)	2,148,483	2,071,006	77,477
Tuition reimbursement	35,000	20,214	55,214	55,075	139
Other employee benefits	92,000	(32,022)	59,978	58,752	1,226
Total	<u>2,759,253</u>	<u>(109,543)</u>	<u>2,649,710</u>	<u>2,563,167</u>	<u>86,543</u>
On-behalf TPAF pension contribution	-	-	-	759,945	(759,945)
On-behalf TPAF post retirement medical benefits	-	-	-	633,206	(633,206)
On-behalf TPAF long-term disability insurance	-	-	-	966	(966)
Reimbursed TPAF Social Security contribution	-	-	-	483,477	(483,477)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,877,594</u>	<u>(1,877,594)</u>
Total undistributed expenditures	<u>\$ 9,450,912</u>	<u>\$ (250,137)</u>	<u>\$ 9,200,775</u>	<u>\$ 10,856,288</u>	<u>\$ (1,655,513)</u>
Total current	<u>\$ 15,716,496</u>	<u>\$ (225,727)</u>	<u>\$ 15,490,769</u>	<u>\$ 17,091,640</u>	<u>\$ (1,600,871)</u>
Capital outlay					
Equipment					
Grades 1-5	\$ -	\$ 27,350	\$ 27,350	\$ 27,349	\$ 1
Grades 6-8	-	78,885	78,885	-	78,885
Undistributed					
Undistributed expenditures - instruction	-	38,400	38,400	38,400	-
Undistributed expend. - required maint. for school facilities	-	52,313	52,313	52,313	-
Total equipment	<u>-</u>	<u>196,948</u>	<u>196,948</u>	<u>118,062</u>	<u>78,886</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Facilities acquisition and construction service					
Construction services	\$ 304,968	\$ -	\$ 304,968	\$ 304,968	\$ -
Assessment for debt service on SDA funding	33,181	-	33,181	33,181	-
Total facilities acquisition and construction service	<u>338,149</u>	<u>-</u>	<u>338,149</u>	<u>338,149</u>	<u>-</u>
Total capital outlay	<u>\$ 338,149</u>	<u>\$ 196,948</u>	<u>\$ 535,097</u>	<u>\$ 456,211</u>	<u>\$ 78,886</u>
Transfer of funds to charter schools	<u>\$ 41,530</u>	<u>\$ 30,437</u>	<u>\$ 71,967</u>	<u>\$ 71,967</u>	<u>\$ -</u>
Total expenditures	<u>\$ 16,096,175</u>	<u>\$ 1,658</u>	<u>\$ 16,097,833</u>	<u>\$ 17,619,818</u>	<u>\$ (1,521,985)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (699,702)	\$ (1,658)	\$ (701,360)	\$ 18,243	\$ 719,603
Fund balances, July 1	<u>3,237,028</u>	<u>-</u>	<u>3,237,028</u>	<u>3,237,028</u>	<u>-</u>
Fund balances, June 30	<u>\$ 2,537,326</u>	<u>\$ (1,658)</u>	<u>\$ 2,535,668</u>	<u>\$ 3,255,271</u>	<u>\$ 719,603</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (429,087)	\$ -	\$ (429,087)	\$ (429,087)	\$ -
Interest deposit to capital reserve	500	-	500	-	(500)
Increase in maintenance reserve	-	150,000	150,000	150,000	-
Budgeted fund balance	<u>(271,115)</u>	<u>(151,658)</u>	<u>(422,773)</u>	<u>297,330</u>	<u>720,103</u>
Total	<u>\$ (699,702)</u>	<u>\$ (1,658)</u>	<u>\$ (701,360)</u>	<u>\$ 18,243</u>	<u>\$ 719,603</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 284,449	
Excess surplus - current year				283,232	
Capital reserve				1,843,013	
Maintenance reserve				150,000	
Committed fund balance					
Year-end encumbrances				145,377	
Unassigned fund balance				<u>549,200</u>	
Fund balance per budgetary basis				3,255,271	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(58,161)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 3,197,110</u>	

See independent auditors' report.



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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 66,315	\$ -	\$ 66,315	\$ 1,565	\$ (64,750)
Federal sources	236,118	-	236,118	244,992	8,874
Total revenues	<u>\$ 302,433</u>	<u>\$ -</u>	<u>\$ 302,433</u>	<u>\$ 246,557</u>	<u>\$ (55,876)</u>
Expenditures					
Instruction					
Supplies	\$ 35,637	\$ (4,400)	\$ 31,237	\$ 16,212	\$ 15,025
Totals	<u>35,637</u>	<u>(4,400)</u>	<u>31,237</u>	<u>16,212</u>	<u>15,025</u>
Support services					
Tuition	204,765	-	204,765	204,765	-
Salaries	39,226	-	39,226	-	39,226
Purchased professional & technical services	3,030	(1,000)	2,030	630	1,400
Other purchased services	19,593	5,400	24,993	24,768	225
Supplies	182	-	182	182	-
Total	<u>266,796</u>	<u>4,400</u>	<u>271,196</u>	<u>230,345</u>	<u>40,851</u>
Total expenditures	<u>\$ 302,433</u>	<u>\$ -</u>	<u>\$ 302,433</u>	<u>\$ 246,557</u>	<u>\$ 55,876</u>

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
**Budgetary Comparison Schedule**

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 17,638,061	\$ 246,557
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized		
Outstanding encumbrances prior year	-	150
Outstanding encumbrances current year	-	(4,950)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	57,921	-
State aid receivable current year	(58,161)	-
Total revenues (GAAP Basis)	<u>\$ 17,637,821</u>	<u>\$ 241,757</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 17,619,818	\$ 246,557
Differences - Budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances prior year	-	150
Outstanding encumbrances current year	-	(4,950)
Total expenditures (GAAP basis)	<u>\$ 17,619,818</u>	<u>\$ 241,757</u>

See independent auditors' report.

**REQUIRED SUPPLEMENTARY INFORMATION - PART III**

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0154202164%	0.0150636512%	0.0153385750%	0.0150357095%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 4,567,026	\$ 3,381,488	\$ 2,871,801	\$ 2,873,623	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	999,567	1,078,481	968,092	1,066,266	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	456.90%	313.54%	296.65%	269.50%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 136,991	\$ 129,507	\$ 126,499	\$ 113,291	\$ 115,967	\$ 110,591	\$ 146,794	\$ 138,103	\$ 70,361	\$ 93,473
Contributions in relation to the contractually required contribution	(136,991)	(129,507)	(126,499)	(113,291)	(115,967)	(110,591)	(146,794)	(138,103)	(70,361)	(93,473)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 1,006,986	\$ 999,567	\$ 1,078,481	\$ 968,092	\$ 1,066,266	\$ 1,031,709	\$ 1,017,279	\$ 928,626	\$ 1,508,554	\$ 1,555,754
Contributions as a percentage of covered employee payroll	13.60%	12.96%	11.73%	11.70%	10.88%	10.72%	14.43%	14.87%	4.66%	6.01%

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	52,986,217	39,623,449	35,790,018	33,336,637	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 52,986,217	\$ 39,623,449	\$ 35,790,018	\$ 33,336,637	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 6,598,498	\$ 6,724,784	\$ 6,463,514	\$ 6,383,823	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

N/A - Not Available

See independent auditors' report.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 760,911	\$ 539,276	\$ 338,931	\$ 283,285	\$ 426,216	\$ 209,551	\$ 20,755	\$ 22,534	\$ 21,916	\$ 481,048
Contributions in relation to the contractually required contribution	<u>(760,911)</u>	<u>(539,276)</u>	<u>(338,931)</u>	<u>(283,285)</u>	<u>(426,216)</u>	<u>(209,551)</u>	<u>(20,755)</u>	<u>(22,534)</u>	<u>(21,916)</u>	<u>(481,048)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 6,792,576	\$ 6,598,498	\$ 6,724,784	\$ 6,463,514	\$ 6,383,823	\$ 6,561,591	\$ 6,375,266	\$ 6,533,458	\$ 6,482,260	\$ 6,448,917
Contributions as a percentage of covered employee payroll	11.20%	8.17%	5.04%	4.38%	6.68%	3.19%	0.33%	0.34%	0.34%	7.46%

See independent auditors' report.



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

Note 1 - Special funding situation - TPAF

The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding Amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.

Note 2 - Changes in assumptions - TPAF

The discount rate decreased from 4.13% in State fiscal year 2015 to 3.22% in State fiscal year 2016. The inflation rate was 2.50% for State fiscal years 2015 and 2016.

Note 3 - Changes in assumptions - PERS

The discount rate decreased from 4.90% in State fiscal year 2015 to 3.98% in State fiscal year 2016. The inflation rate increased from 3.04% for State fiscal year 2015 to 3.08% for State fiscal year 2016.

## **SPECIAL REVENUE FUND**

### **DETAIL STATEMENTS**

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

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

	IDEA Basic	IDEA Preschool	NCLB Title IA	NCLB Title IIA	NJ Non-public	Total
Revenues						
State sources	\$ -	\$ -	\$ -	\$ -	\$ 1,565	\$ 1,565
Federal sources	193,496	11,269	21,859	18,368	-	244,992
Total revenues	<u>\$ 193,496</u>	<u>\$ 11,269</u>	<u>\$ 21,859</u>	<u>\$ 18,368</u>	<u>\$ 1,565</u>	<u>\$ 246,557</u>
Expenditures						
Instruction						
Supplies	\$ -	\$ -	\$ 15,459	\$ -	\$ 753	\$ 16,212
Total	<u>-</u>	<u>-</u>	<u>15,459</u>	<u>-</u>	<u>753</u>	<u>16,212</u>
Support services						
Tuition	193,496	11,269	-	-	-	204,765
Purchased professional and technical services	-	-	-	-	630	630
Other purchased services	-	-	6,400	18,368	-	24,768
Supplies	-	-	-	-	182	182
Total	<u>193,496</u>	<u>11,269</u>	<u>6,400</u>	<u>18,368</u>	<u>812</u>	<u>230,345</u>
Total expenditures	<u>\$ 193,496</u>	<u>\$ 11,269</u>	<u>\$ 21,859</u>	<u>\$ 18,368</u>	<u>\$ 1,565</u>	<u>\$ 246,557</u>

See independent auditors' report.

## **CAPITAL PROJECTS FUND**

### **DETAIL STATEMENTS**

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

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

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/17
			Prior Years	Current Year	
Central Middle School upgrades to HVAC system	03/11/14	\$ 870,607	\$ 851,163	\$ 19,444	\$ -
Gillette Elementary School upgrades to HVAC system	03/11/14	451,259	436,507	14,752	-
Millington Elementary School upgrades to HVAC system	03/11/14	670,534	651,026	19,508	-
Millington Elementary School partial roof replacement	03/11/14	1,281,412	979,473	-	301,939
		<u>\$ 3,273,812</u>	<u>\$ 2,918,169</u>	<u>\$ 53,704</u>	<u>\$ 301,939</u>

See independent auditors' report.

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

Revenues and other financing sources		
Local sources - transfer from capital reserve	\$	-
Total revenues		-
<hr/>		
Expenditures		
Construction services		53,704
Total expenditures		53,704
<hr/>		
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		(53,704)
Fund balance - beginning of year		355,643
<hr/>		
Fund balance - ending of year	\$	301,939
<hr/> <hr/>		

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Central Middle School Upgrades to HVAC System**  
**For the Fiscal Year Ended June 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ 516,000	\$ 10,367	\$ 526,367	\$ 526,367
State source - school development authority grant	344,240	-	344,240	344,240
Total revenues	<u>860,240</u>	<u>10,367</u>	<u>870,607</u>	<u>870,607</u>
Expenditures and other financing uses				
Purchased professional services	84,012	-	84,012	84,012
Construction services	767,151	19,444	786,595	786,595
Total expenditures	<u>851,163</u>	<u>19,444</u>	<u>870,607</u>	<u>870,607</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 9,077</u>	<u>\$ (9,077)</u>	<u>\$ -</u>	<u>\$ -</u>

**Additional Project Information**

Project number	4000-060-14-1001
Grant date	06/18/14
Bond authorization date	03/11/14
Bonds authorized	\$ 516,360
Bonds issued	\$ 526,367
Original authorized cost	\$ 860,600
Additional authorized cost	\$ 10,007
Revised authorized cost	\$ 870,607
Percentage completion	100.0%

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Gillette Elementary School Upgrades to HVAC System**  
**For the Fiscal Year Ended June 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ 261,000	\$ 14,752	\$ 275,752	\$ 275,752
State source - school development authority grant	174,000	-	174,000	174,000
Transfer in from capital reserve	1,507	-	1,507	1,507
Total revenues	<u>436,507</u>	<u>14,752</u>	<u>451,259</u>	<u>451,259</u>
Expenditures and other financing uses				
Purchased professional services	50,162	-	50,162	50,162
Construction services	386,345	14,752	401,097	401,097
Total expenditures	<u>436,507</u>	<u>14,752</u>	<u>451,259</u>	<u>451,259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Additional Project Information**

Project number	4000-060-14-1002
Grant date	06/18/14
Bond authorization date	03/11/14
Bonds authorized	\$ 261,000
Bonds issued	\$ 275,752
Original authorized cost	\$ 435,000
Additional authorized cost	\$ 16,259
Revised authorized cost	\$ 451,259
Percentage completion	100.00%

See independent auditors' report.



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Millington Elementary School Upgrades to HVAC System**  
**For the Fiscal Year Ended June 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ 395,600	\$ 10,962	\$ 406,562	\$ 406,562
State source - school development authority grant	263,972	-	263,972	263,972
Total revenues	<u>659,572</u>	<u>10,962</u>	<u>670,534</u>	<u>670,534</u>
Expenditures and other financing uses				
Purchased professional services	66,362	-	66,362	66,362
Construction services	584,664	19,508	604,172	604,172
Total expenditures	<u>651,026</u>	<u>19,508</u>	<u>670,534</u>	<u>670,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 8,546</u>	<u>\$ (8,546)</u>	<u>\$ -</u>	<u>\$ -</u>

**Additional Project Information**

Project number	4000-060-14-1003
Grant date	06/18/14
Bond authorization date	03/11/14
Bonds authorized	\$ 406,562
Bonds issued	\$ 406,562
Original authorized cost	\$ 659,930
Additional authorized cost	\$ 10,604
Revised authorized cost	\$ 670,534
Percentage completion	100.00%

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Capital Projects Fund**  
**Schedule of Project Revenues, Expenditures, Project Balance and Project Status**  
**Budgetary Basis**  
**Millington Elementary School Partial Roof Replacement**  
**For the Fiscal Year Ended June 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ 291,400	\$ (36,081)	\$ 255,319	\$ 255,319
State source - school development authority grant	527,600	-	527,600	527,600
Transfer in from capital reserve	498,493	-	498,493	498,493
Total revenues	<u>1,317,493</u>	<u>(36,081)</u>	<u>1,281,412</u>	<u>1,281,412</u>
Expenditures and other financing uses				
Purchased professional services	12,687	-	12,687	12,687
Construction services	966,786	-	966,786	966,786
Transfer to other funds	-	-	-	301,939
Total expenditures	<u>979,473</u>	<u>-</u>	<u>979,473</u>	<u>1,281,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 338,020</u>	<u>\$ (36,081)</u>	<u>\$ 301,939</u>	<u>\$ -</u>

**Additional Project Information**

Project number	4000-060-14-1004
Grant date	06/18/14
Bond authorization date	03/11/14
Bonds authorized	\$ 291,400
Bonds issued	\$ 291,400
Original authorized cost	\$ 1,319,000
Additional authorized cost	\$ (37,588)
Revised authorized cost	\$ 1,281,412
Percentage completion	76.44%

See independent auditors' report.

## **PROPRIETARY FUND**

### **DETAIL STATEMENTS**

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Milk Service Enterprise Fund**  
**Statement of Net Position**  
**For the Fiscal Year Ended June 30, 2017**

Assets	
Current assets	
Cash and cash equivalents	\$ 6,294
Receivables from other governments	
Federal	478
Due from other funds	<u>5,193</u>
Total current assets	<u>11,965</u>
Noncurrent assets	
Capital assets	3,906
Less: accumulated depreciation	<u>3,906</u>
Total noncurrent assets	<u>-</u>
Total assets	<u>11,965</u>
Net position	
Unrestricted	<u>11,965</u>
Total net position	<u><u>\$ 11,965</u></u>

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Milk Service Enterprise Fund**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

Operating revenues	
Charges for services	
Daily sales - reimbursable programs	\$ 9,999
Total operating revenues	<u>9,999</u>
Operating expenses	
Cost of sales - reimbursable programs	9,550
Salaries	5,000
Supplies and materials	26,540
Miscellaneous	893
Total operating expenses	<u>41,983</u>
Operating income (loss)	<u>(31,984)</u>
Non-operating revenues (expenses)	
Federal sources	
Special milk program	5,879
Interest earned on investments	7
Total non-operating revenues (expenses)	<u>5,886</u>
Change in net position	(26,098)
Net position, beginning	<u>38,063</u>
Net position, ending	<u><u>\$ 11,965</u></u>

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Milk Service Enterprise Fund**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

Cash flows from operating activities	
Receipts from customers	\$ 9,999
Payments to vendors (net)	(41,891)
Net cash provided by operating activities	<u>(31,892)</u>
 Cash flows from noncapital financing activities	
Federal sources	(6,904)
Net interfund receivable	36,903
Net cash provided by (used for) non capital financing activities	<u>29,999</u>
 Cash flows from investing activities	
Interest on investments	<u>7</u>
 Net increase in cash and cash equivalents	(1,886)
 Cash and cash equivalents, July 1	<u>8,180</u>
 Cash and cash equivalents, June 30	<u>\$ 6,294</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (31,984)
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) decrease in accounts receivable	893
Increase (decrease) in accounts payable	<u>(801)</u>
 Net cash provided by (used for) operating activities	<u>\$ (31,892)</u>

See independent auditors' report.

## **FIDUCIARY FUND**

### **DETAIL STATEMENTS**

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

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Combining Schedule of Net Position**  
**June 30, 2017**

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 124,319	\$ 50,015	\$ 91,146	\$ 265,480
Due from other funds	65,995	-	-	65,995
<b>Total assets</b>	<b><u>\$ 190,314</u></b>	<b><u>\$ 50,015</u></b>	<b><u>\$ 91,146</u></b>	<b><u>\$ 331,475</u></b>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ 72,054	\$ 72,054
Due to students groups	-	50,015	-	50,015
Payroll deductions & withholdings	-	-	19,092	19,092
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>50,015</u></b>	<b><u>91,146</u></b>	<b><u>141,161</u></b>
<b>Net position</b>				
Held in trust for unemployment claims & other purposes	<b><u>\$ 190,314</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 190,314</u></b>

See independent auditors' report.



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Fiduciary Funds**  
**Schedule of Changes in Fiduciary Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	Unemployment Compensation Fund
Additions	
Contributions	
Employee withholdings	\$ 14,504
Investment earnings - interest	67
Total additions	14,571
 Deductions	
Unemployment claims	17,195
 Change in net position	(2,624)
 Net position, beginning of the year	192,938
 Net position, end of the year	\$ 190,314

See independent auditors' report.

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

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17
<b>Assets</b>				
Cash and cash equivalents	\$ 59,738	\$ 109,539	\$ 119,262	\$ 50,015
<b>Total assets</b>	<b>\$ 59,738</b>	<b>\$ 109,539</b>	<b>\$ 119,262</b>	<b>\$ 50,015</b>
<b>Liabilities</b>				
Due to student groups				
Gillette School	\$ 2,842	\$ 4,200	\$ 3,930	\$ 3,112
Millington School	9,701	14,366	16,676	7,391
Central School	46,439	90,973	98,552	38,860
Longo Scholarship	756	-	104	652
<b>Total liabilities</b>	<b>\$ 59,738</b>	<b>\$ 109,539</b>	<b>\$ 119,262</b>	<b>\$ 50,015</b>

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

	Balance 06/30/16	Additions	Deletions	Balance 06/30/17
<b>Assets</b>				
Cash and cash equivalents	\$ 137,497	\$ 12,149,209	\$ 12,195,560	\$ 91,146
<b>Total assets</b>	<b>\$ 137,497</b>	<b>\$ 12,149,209</b>	<b>\$ 12,195,560</b>	<b>\$ 91,146</b>
<b>Liabilities</b>				
Due to other funds				
Payroll deductions and withholdings	\$ 51,490	\$ 20,564	\$ -	\$ 72,054
Net payroll	69,481	7,080,518	7,147,448	2,551
	16,526	5,048,127	5,048,112	16,541
<b>Total liabilities</b>	<b>\$ 137,497</b>	<b>\$ 12,149,209</b>	<b>\$ 12,195,560</b>	<b>\$ 91,146</b>

See independent auditors' report.

## **LONG-TERM DEBT SCHEDULES**

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

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

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2016	Issued	Retired	Balance 6/30/2017
			Date	Amount					
Refunding school bonds of 2012	03/16/12	\$ 9,880,000	01/15/18	\$ 580,000	3.00%	\$ 9,200,000	\$ -	\$ 565,000	\$ 8,635,000
			01/15/19	600,000	4.00%	-	-	-	-
			01/15/20	620,000	-	-	-	-	-
			01/15/21	645,000	-	-	-	-	-
			01/15/22	675,000	-	-	-	-	-
			01/15/23	700,000	-	-	-	-	-
			01/15/24	725,000	-	-	-	-	-
			01/15/25	755,000	-	-	-	-	-
			01/15/26	790,000	-	-	-	-	-
			01/15/27	815,000	-	-	-	-	-
			01/15/28	850,000	-	-	-	-	-
			01/15/29	880,000	-	-	-	-	-
School bonds of 2014	07/18/14	\$ 1,464,000	01/15/18	155,000	2.25%	1,339,000	-	150,000	1,189,000
			01/15/19	160,000	-	-	-	-	-
			01/15/20	165,000	-	-	-	-	-
			01/15/21	170,000	-	-	-	-	-
			01/15/22	175,000	-	-	-	-	-
			01/15/23	180,000	2.50%	-	-	-	-
			01/15/24	184,000	-	-	-	-	-
					\$ 10,539,000	\$ -	\$ 715,000	\$ 9,824,000	

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 1,099,590	\$ -	\$ 1,099,590	\$ 1,099,590	\$ -
Total revenues	<u>1,099,590</u>	<u>-</u>	<u>1,099,590</u>	<u>1,099,590</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	715,000	-	715,000	715,000	-
Interest	385,588	-	385,588	385,588	-
Total expenditures	<u>1,100,588</u>	<u>-</u>	<u>1,100,588</u>	<u>1,100,588</u>	<u>-</u>
Excess (deficiency) of revenues Over (under) expenditures	(998)	-	(998)	(998)	-
Fund balance, July 1	<u>998</u>	<u>-</u>	<u>998</u>	<u>998</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.

## **Statistical Section**

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Statistical Section J Series**

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

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Government activities</b>										
Net investment in capital assets	\$ 19,192,514	\$ 19,445,750	\$ 19,756,921	\$ 20,077,110	\$ 20,049,872	\$ 20,881,684	\$ 22,285,634	\$ 21,681,875	\$ 23,496,715	\$ 23,902,254
Restricted	118,474	96,611	74,582	909,154	1,351,525	1,515,827	1,514,987	3,795,434	2,199,654	2,294,952
Unrestricted	(700,680)	(633,888)	36,864	124,544	222,266	210,364	(1,349,281)	(2,276,858)	(2,023,635)	(3,117,357)
Total governmental activities	<u>\$ 18,610,308</u>	<u>\$ 18,908,473</u>	<u>\$ 19,868,367</u>	<u>\$ 21,110,808</u>	<u>\$ 21,623,663</u>	<u>\$ 22,607,875</u>	<u>\$ 22,451,340</u>	<u>\$ 23,200,451</u>	<u>\$ 23,672,734</u>	<u>\$ 23,079,849</u>
<b>Business-type activities</b>										
Unrestricted	\$ 16,499	\$ 25,427	\$ 31,351	\$ 11,045	\$ 21,499	\$ 23,641	\$ 33,336	\$ 40,622	\$ 38,063	\$ 11,965
Total business-type activities	<u>\$ 16,499</u>	<u>\$ 25,427</u>	<u>\$ 31,351</u>	<u>\$ 11,045</u>	<u>\$ 21,499</u>	<u>\$ 23,641</u>	<u>\$ 33,336</u>	<u>\$ 40,622</u>	<u>\$ 38,063</u>	<u>\$ 11,965</u>
<b>District-wide</b>										
Net investment in capital assets	\$ 19,192,514	\$ 19,445,750	\$ 19,756,921	\$ 20,077,110	\$ 20,049,872	\$ 20,881,684	\$ 22,285,634	\$ 21,681,875	\$ 23,496,715	\$ 23,902,254
Restricted	118,474	96,611	74,582	909,154	1,351,525	1,515,827	1,514,987	3,795,434	2,199,654	2,294,952
Unrestricted	(684,181)	(608,461)	68,215	135,589	243,765	234,005	(1,315,945)	(2,236,236)	(1,985,572)	(3,105,392)
Total district-wide	<u>\$ 18,626,807</u>	<u>\$ 18,933,900</u>	<u>\$ 19,899,718</u>	<u>\$ 21,121,853</u>	<u>\$ 21,645,162</u>	<u>\$ 22,631,516</u>	<u>\$ 22,484,676</u>	<u>\$ 23,241,073</u>	<u>\$ 23,710,797</u>	<u>\$ 23,091,814</u>

See independent auditors' report.



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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 5,871,643	\$ 5,620,816	\$ 5,603,517	\$ 5,852,056	\$ 6,141,698	\$ 6,294,323	\$ 6,033,482	\$ 7,648,481	\$ 7,499,034	\$ 8,606,961
Special education	2,373,644	2,621,360	2,494,046	2,481,953	2,563,200	2,621,952	2,566,332	2,875,287	3,567,004	3,771,860
Other instruction	56,521	75,330	21,811	25,502	19,579	14,067	47,017	-	38,359	49,075
Support services										
Tuition	513,412	502,813	804,488	645,210	662,714	517,792	373,716	451,199	603,911	549,914
Student & instruction related services	2,436,315	2,465,804	2,531,533	2,561,944	2,930,424	3,097,528	3,167,895	3,422,924	3,266,554	4,786,166
General & business administrative services	926,270	999,666	1,006,656	863,363	1,086,748	853,858	899,858	916,395	1,302,615	1,287,909
School administration	823,156	727,558	764,940	767,969	836,833	776,974	841,903	865,078	1,217,675	1,399,585
Plant operations & maintenance	1,578,975	1,665,687	1,387,920	1,352,905	1,440,633	1,439,681	1,472,539	1,513,949	1,530,921	1,745,474
Pupil transportation	973,865	876,499	1,071,804	943,042	906,443	880,259	725,505	776,862	808,295	881,120
Transfer to charter school	-	-	-	-	-	38,307	55,637	58,986	27,683	71,967
Interest on long-term debt	716,315	676,639	635,426	637,769	502,399	477,568	451,154	443,059	422,579	403,199
Total governmental activities expenses	<u>16,270,116</u>	<u>16,232,172</u>	<u>16,322,141</u>	<u>16,131,713</u>	<u>17,090,671</u>	<u>17,012,309</u>	<u>16,635,038</u>	<u>18,972,220</u>	<u>20,284,630</u>	<u>23,553,230</u>
Business-type activities										
Milk service fund	27,609	24,557	24,114	51,609	18,229	21,968	14,103	15,239	22,443	41,983
Total business-type activities	<u>27,609</u>	<u>24,557</u>	<u>24,114</u>	<u>51,609</u>	<u>18,229</u>	<u>21,968</u>	<u>14,103</u>	<u>15,239</u>	<u>22,443</u>	<u>41,983</u>
Total district expenses	<u>\$ 16,297,725</u>	<u>\$ 16,256,729</u>	<u>\$ 16,346,255</u>	<u>\$ 16,183,322</u>	<u>\$ 17,108,900</u>	<u>\$ 17,034,277</u>	<u>\$ 16,649,141</u>	<u>\$ 18,987,459</u>	<u>\$ 20,307,073</u>	<u>\$ 23,595,213</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Governmental activities										
Charges for services	\$ 21,800	\$ 22,750	\$ 62,850	\$ 340,272	\$ 283,327	\$ 284,780	\$ 177,193	\$ 167,115	\$ 106,595	\$ 107,630
Operating grants & contributions	397,079	402,258	475,695	491,581	341,490	344,643	318,106	298,591	298,315	241,757
Capital grants & contributions	-	-	-	-	-	-	1,309,812	-	-	-
Total governmental activities program revenues	<u>418,879</u>	<u>425,008</u>	<u>538,545</u>	<u>831,853</u>	<u>624,817</u>	<u>629,423</u>	<u>1,805,111</u>	<u>465,706</u>	<u>404,910</u>	<u>349,387</u>
Business-type activities										
Charges for services										
Milk service	24,100	27,877	25,768	21,751	18,563	15,899	15,520	13,829	12,293	9,999
Operating grants & contributions	7,579	5,599	4,208	9,514	10,112	8,204	8,266	8,685	7,580	5,879
Total business-type activities program revenues	<u>31,679</u>	<u>33,476</u>	<u>29,976</u>	<u>31,265</u>	<u>28,675</u>	<u>24,103</u>	<u>23,786</u>	<u>22,514</u>	<u>19,873</u>	<u>15,878</u>
Total district-program revenues	<u>\$ 450,558</u>	<u>\$ 458,484</u>	<u>\$ 568,521</u>	<u>\$ 863,118</u>	<u>\$ 653,492</u>	<u>\$ 653,526</u>	<u>\$ 1,828,897</u>	<u>\$ 488,220</u>	<u>\$ 424,783</u>	<u>\$ 365,265</u>
Net (expense) revenues										
Governmental activities	\$ (15,851,237)	\$ (15,807,164)	\$ (15,783,596)	\$ (15,299,860)	\$ (16,465,854)	\$ (16,382,886)	\$ (14,829,927)	\$ (18,506,514)	\$ (19,879,720)	\$ (23,203,843)
Business-type activities	4,070	8,919	5,862	(20,344)	10,446	2,135	9,683	7,275	(2,570)	(26,105)
Total district-wide net expenses	<u>\$ (15,847,167)</u>	<u>\$ (15,798,245)</u>	<u>\$ (15,777,734)</u>	<u>\$ (15,320,204)</u>	<u>\$ (16,455,408)</u>	<u>\$ (16,380,751)</u>	<u>\$ (14,820,244)</u>	<u>\$ (18,499,239)</u>	<u>\$ (19,882,290)</u>	<u>\$ (23,229,948)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 11,885,513	\$ 12,649,048	\$ 13,021,091	\$ 13,607,499	\$ 13,873,821	\$ 13,841,574	\$ 14,105,638	\$ 14,206,695	\$ 14,363,661	\$ 14,649,675
Taxes levied for debt service	1,543,631	1,519,719	1,519,564	1,445,963	1,179,668	1,244,143	1,211,892	921,150	1,090,819	1,099,590
Unrestricted grants & contributions	2,334,149	1,897,379	2,052,300	1,411,610	1,802,687	2,204,491	2,013,937	4,079,433	4,820,457	6,745,684
Capital grants - unallocated										
Investment earnings	32,672	13,861	5,683	3,322	3,539	2,864	2,197	2,227	2,025	-
Contribution - equipment acquisition	-	-	3,548	3,365	-	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	3,648	-	300	-	-	-
Special item - insurance claim proceeds for storm damage	-	-	-	-	-	24,376	85,328	-	-	-
Transfers	-	-	-	-	-	-	(50,000)	-	-	-
Miscellaneous income	28,107	25,322	141,304	70,542	115,346	49,650	64,432	46,120	75,041	116,009
Total governmental activities	<u>15,824,072</u>	<u>16,105,329</u>	<u>16,743,490</u>	<u>16,542,301</u>	<u>16,978,709</u>	<u>17,367,098</u>	<u>17,433,724</u>	<u>19,255,625</u>	<u>20,352,003</u>	<u>22,610,958</u>
Business - type activities										
Investment earnings	20	9	62	38	8	7	12	11	11	7
Total business-type activities	<u>20</u>	<u>9</u>	<u>62</u>	<u>38</u>	<u>8</u>	<u>7</u>	<u>12</u>	<u>11</u>	<u>11</u>	<u>7</u>
Total district-wide	<u>\$ 15,824,092</u>	<u>\$ 16,105,338</u>	<u>\$ 16,743,552</u>	<u>\$ 16,542,339</u>	<u>\$ 16,978,717</u>	<u>\$ 17,367,105</u>	<u>\$ 17,433,736</u>	<u>\$ 19,255,636</u>	<u>\$ 20,352,014</u>	<u>\$ 22,610,965</u>
Change in net position										
Governmental activities	\$ (27,165)	\$ 298,165	\$ 959,894	\$ 1,242,441	\$ 512,855	\$ 984,212	\$ 2,603,797	\$ 749,111	\$ 472,283	\$ (592,885)
Business-type activities	4,090	8,928	5,924	(20,306)	10,454	2,142	9,695	7,286	(2,559)	(26,098)
Total district	<u>\$ (23,075)</u>	<u>\$ 307,093</u>	<u>\$ 965,818</u>	<u>\$ 1,222,135</u>	<u>\$ 523,309</u>	<u>\$ 986,354</u>	<u>\$ 2,613,492</u>	<u>\$ 756,397</u>	<u>\$ 469,724</u>	<u>\$ (618,983)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 74,182	\$ 74,382	\$ 74,582	\$ 1,009,154	\$ 1,685,320	\$ 2,061,504	\$ 2,001,935	\$ 2,384,266	\$ 2,398,577	\$ 2,560,694
Committed	16,385	54,715	179,981	184,219	191,599	72,892	116,301	209,792	429,087	145,377
Assigned	-	-	157,526	115,165	137,703	-	-	-	-	-
Unassigned	380	(12,521)	315,488	417,246	400,328	414,508	410,155	391,407	351,443	491,039
Total general fund	<u>\$ 90,947</u>	<u>\$ 116,576</u>	<u>\$ 727,577</u>	<u>\$ 1,725,784</u>	<u>\$ 2,414,950</u>	<u>\$ 2,548,904</u>	<u>\$ 2,528,391</u>	<u>\$ 2,985,465</u>	<u>\$ 3,179,107</u>	<u>\$ 3,197,110</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 44,292	\$ 22,229	\$ -	\$ -	\$ -	\$ -	\$ 166,192	\$ 1,976,741	\$ 355,643	\$ 301,939
Assigned, reported in										
Debt service fund	-	-	-	-	2,206	48,008	-	998	998	-
Total all other governmental funds	<u>\$ 44,292</u>	<u>\$ 22,229</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,206</u>	<u>\$ 48,008</u>	<u>\$ 166,192</u>	<u>\$ 1,977,739</u>	<u>\$ 356,641</u>	<u>\$ 301,939</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues</b>										
Tax levy	\$ 13,429,144	\$ 14,168,767	\$ 14,540,655	\$ 15,053,462	\$ 15,053,489	\$ 15,085,717	\$ 15,317,530	\$ 15,127,845	\$ 15,454,480	\$ 15,749,265
Tuition charges	21,800	22,750	62,850	246,890	202,359	205,543	51,596	88,884	40,601	42,750
Interest earnings	32,672	13,861	5,683	3,322	3,539	2,864	2,197	2,227	2,025	1,840
Miscellaneous	43,182	63,432	151,307	170,289	206,474	132,733	151,401	124,351	141,038	179,049
State sources	2,432,081	1,985,802	2,128,239	1,487,561	1,848,135	2,275,509	2,073,590	2,203,144	2,450,018	2,766,072
State sources - capital grants	-	-	-	-	-	-	1,309,812	-	-	-
Federal sources	284,072	275,725	389,753	412,630	296,042	269,779	244,615	249,041	249,383	240,192
<b>Total revenues</b>	<b>16,242,951</b>	<b>16,530,337</b>	<b>17,278,487</b>	<b>17,374,154</b>	<b>17,610,038</b>	<b>17,972,145</b>	<b>19,150,741</b>	<b>17,795,492</b>	<b>18,337,545</b>	<b>18,979,168</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular instruction	3,935,898	3,886,787	3,953,875	4,347,113	4,389,470	4,324,883	4,206,186	4,473,077	4,619,096	4,480,458
Special education instruction	1,444,542	1,571,683	1,567,063	1,613,971	1,523,796	1,536,818	1,470,375	1,519,534	1,389,625	1,456,020
Other special instruction	148,525	203,559	136,867	146,722	203,969	208,972	211,538	212,585	244,369	269,665
Other instruction	10,129	9,445	19,706	23,879	18,382	13,213	47,017	-	38,359	29,209
<b>Support services</b>										
Tuition	283,056	271,061	485,306	326,658	449,861	296,756	179,561	244,357	391,202	350,099
Student & inst related services	1,565,034	1,654,544	1,720,019	1,743,821	1,962,768	2,098,959	2,137,306	2,177,813	2,138,681	2,178,400
General administration	371,069	412,069	387,214	305,728	286,071	261,847	268,558	289,326	357,429	357,324
School administration services	573,981	517,346	546,945	548,036	588,744	548,876	558,934	559,572	559,914	578,403
Central services	229,824	247,979	270,506	245,817	275,714	258,082	271,710	264,361	274,180	275,740
Administrative information technology	85,583	98,635	97,370	93,064	94,537	92,597	94,449	97,338	100,258	103,780
Plant operations & maintenance	1,347,038	1,437,282	1,381,948	1,342,867	1,429,414	1,426,991	1,453,580	1,499,746	1,500,569	1,690,661
Pupil transportation	973,865	876,499	1,071,804	943,042	906,443	880,259	725,505	776,862	808,295	881,120
Employee benefits	2,209,429	2,434,613	1,894,984	1,792,310	2,018,835	2,196,343	2,260,719	2,274,104	2,387,933	2,563,167
On-behalf TPAF pension & Social Security contribution	1,359,975	932,871	934,801	935,645	1,116,788	1,414,443	1,223,084	1,363,588	1,651,428	1,877,594
Transfer to charter schools	-	-	-	-	-	38,307	55,637	58,986	27,683	71,967
Capital outlay	10,203	28,358	42,383	108,856	8,539	613,553	670,182	273,247	134,505	423,030
Capital projects	334,289	22,063	22,229	-	-	-	556,346	740,725	1,719,160	53,704
Special revenue funds	397,079	402,258	475,695	491,581	341,490	344,643	318,106	298,591	298,315	241,757
<b>Debt service</b>										
Principal	820,000	835,000	875,000	843,000	610,000	790,000	825,000	525,000	670,000	715,000
Interest & other charges	723,631	684,719	644,564	642,666	593,845	441,522	468,081	429,331	454,000	418,769
<b>Total expenditures</b>	<b>16,823,150</b>	<b>16,526,771</b>	<b>16,528,279</b>	<b>16,494,776</b>	<b>16,818,666</b>	<b>17,787,064</b>	<b>18,001,874</b>	<b>18,078,143</b>	<b>19,765,001</b>	<b>19,015,867</b>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Excess (deficiency) of revenues over (under) expenditures	\$ (580,199)	\$ 3,566	\$ 750,208	\$ 879,378	\$ 791,372	\$ 185,081	\$ 1,148,867	\$ (282,651)	\$ (1,427,456)	\$ (36,699)
Other financing sources (uses)										
Capital leases (non-budgeted)	-	-	-	180,900	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	750	-	-	-
Proceeds from bond issue	-	-	-	-	-	-	-	1,464,000	-	-
Special item-insurance claim recovery for storm damage	-	-	-	-	-	24,376	85,328	-	-	-
Transfers in (out)	-	-	(161,436)	(62,071)	(100,000)	(29,701)	(50,000)	-	-	-
Total other financing sources (uses)	-	-	(161,436)	118,829	(100,000)	(5,325)	36,078	1,464,000	-	-
Net change in fund balances	<u>\$ (580,199)</u>	<u>\$ 3,566</u>	<u>\$ 588,772</u>	<u>\$ 998,207</u>	<u>\$ 691,372</u>	<u>\$ 179,756</u>	<u>\$ 1,184,945</u>	<u>\$ 1,181,349</u>	<u>\$ (1,427,456)</u>	<u>\$ (36,699)</u>
Debt service as a percentage of non-capital expenditures	10.34%	10.16%	10.17%	9.97%	7.71%	7.73%	8.35%	5.92%	6.70%	6.51%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 22,862	\$ 13,861	\$ 4,934	\$ 3,322	\$ 3,539	\$ 2,864	\$ 2,197	\$ 2,227	\$ 2,025	\$ 1,840
Tuition	21,800	22,750	62,850	246,890	202,359	205,543	51,596	88,884	39,851	42,750
Old outstanding checks canceled	208	-	-	128	-	473	4,078	-	-	-
Prior year refunds	5,924	354	3,056	-	-	-	-	-	4,278	-
Miscellaneous	140	(463)	1,418	1,154	1,114	1,245	691	109	461	562
Insurance rebates	-	-	-	-	-	-	9,732	-	-	-
Facility use fees	16,000	16,925	17,000	25,600	26,706	26,400	26,075	24,045	24,275	27,600
Prior year accounts payable canceled	-	7,250	-	27,836	78,870	2,379	295	1,134	-	-
Sale of assets	90	-	-	-	10,160	883	-	300	556	-
E-rate reimbursements	-	-	7,278	-	-	-	-	-	23,375	65,869
Morris Union jointure rebate	-	-	14,292	14,659	14,043	13,885	-	7,598	7,515	-
Morris Essex jointure rebate	-	-	23,977	25,957	21,327	30,785	33,371	36,095	39,506	47,738
Transportation fees	-	-	74,283	67,782	54,262	52,837	53,483	48,186	41,719	37,280
Fund 20 adjustment	-	-	-	-	(2,214)	-	3,430	-	-	-
Close out of old bank accounts	-	-	-	314	-	-	-	-	-	-
Donations	1,510	1,246	-	3,859	-	-	6,408	-	100	-
Watchung related services	4,235	-	-	-	-	-	-	-	-	-
BASF grant	-	-	-	-	-	-	-	5,000	-	-
Excess pay to play fees	-	-	-	-	-	-	-	884	-	-
<b>Annual totals</b>	<b>\$ 72,769</b>	<b>\$ 61,923</b>	<b>\$ 209,088</b>	<b>\$ 417,501</b>	<b>\$ 410,166</b>	<b>\$ 337,294</b>	<b>\$ 191,356</b>	<b>\$ 214,462</b>	<b>\$ 183,661</b>	<b>\$ 223,639</b>

Source: District Records

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Assessed Value and Actual Value of Taxable Property**  
**Last Ten Fiscal Years**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 19,116,300	\$ 19,258,300	\$ 20,585,700	\$ 19,059,600	\$ 17,735,400	\$ 16,751,400	\$ 16,714,900	\$ 12,534,800	\$ 13,971,900	\$ 14,201,100
Residential	1,129,463,700	1,133,936,400	1,137,120,400	1,139,562,700	1,127,011,200	1,115,697,400	1,111,286,000	1,109,792,400	1,433,093,900	1,446,332,700
Farm	3,110,700	3,110,700	2,836,200	2,284,800	3,149,300	4,161,400	3,781,600	4,162,100	4,679,500	-
Commercial	103,967,400	103,887,300	103,892,800	104,055,800	103,707,100	102,227,500	102,470,400	105,033,300	132,529,400	135,721,400
Industrial	16,541,200	16,541,200	16,541,200	16,541,200	16,541,200	16,445,900	16,304,600	16,175,000	18,072,600	18,666,200
Apartment	6,691,600	6,691,600	6,668,200	6,268,200	6,268,200	6,268,200	6,268,200	6,268,200	8,606,400	9,181,900
<b>Total assessed value</b>	<b>1,278,890,900</b>	<b>1,283,425,500</b>	<b>1,287,644,500</b>	<b>1,287,772,300</b>	<b>1,274,412,400</b>	<b>1,261,551,800</b>	<b>1,256,825,700</b>	<b>1,253,965,800</b>	<b>1,610,953,700</b>	<b>1,624,103,300</b>
Public utilities (a)	3,971,011	4,268,514	4,454,525	4,509,141	4,714,115	3,796,526	3,141,460	3,141,460	4,068,200	4,065,433
<b>Net valuation taxable</b>	<b>\$ 1,282,861,911</b>	<b>\$ 1,287,694,014</b>	<b>\$ 1,292,099,025</b>	<b>\$ 1,292,281,441</b>	<b>\$ 1,279,126,515</b>	<b>\$ 1,265,348,326</b>	<b>\$ 1,259,967,160</b>	<b>\$ 1,257,107,260</b>	<b>\$ 1,615,021,900</b>	<b>\$ 1,628,168,733</b>
Estimated actual county equalized value	\$ 1,882,961,854	\$ 1,890,331,788	\$ 1,786,661,445	\$ 1,788,624,832	\$ 1,691,966,290	\$ 1,618,882,929	\$ 1,601,178,244	\$ 1,661,302,048	\$ 1,777,875,275	\$ 1,741,293,675
Percentage of net valuation to estimated actual equalized value	68.13%	68.12%	72.32%	72.25%	75.60%	78.16%	78.69%	75.67%	90.84%	93.50%
<b>Total direct school tax rate (b)</b>	<b>\$ 1.06</b>	<b>\$ 1.11</b>	<b>\$ 1.14</b>	<b>\$ 1.18</b>	<b>\$ 1.18</b>	<b>\$ 1.25</b>	<b>\$ 1.16</b>	<b>\$ 1.22</b>	<b>\$ 0.97</b>	<b>\$ 0.98</b>

Source: Municipal Tax Assessor

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

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

\* Revalued/Reassessed

See independent auditors' report.



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

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	
	2008	\$ 0.95	\$ 0.11		\$ 1.06	\$ 0.46	
2009	0.99	0.12	1.11	0.49	0.72	0.34	2.66
2010	1.04	0.11	1.15	0.52	0.73	0.33	2.73
2011	1.09	0.09	1.18	0.56	0.75	0.33	2.82
2012	1.09	0.09	1.18	0.59	0.76	0.33	2.86
2013	1.15	0.10	1.25	0.60	0.79	0.32	2.96
2014	1.09	0.07	1.16	0.59	0.79	0.33	2.87
2015	1.13	0.09	1.22	0.57	0.81	0.33	2.93
2016	* 0.90	0.07	0.97	0.46	0.64	0.28	2.35
2017	0.91	0.07	0.98	0.47	0.64	0.28	2.37

Sources: Municipal Tax Collector

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

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

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

\* Revalued/Reassessed

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Principal Property Taxpayers,**  
**Current Year and Nine Years Ago**

	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Valley & Plainfield Associates	\$ 27,699,100	1	1.70%	\$ 21,204,400	1	1.65%
Stirling Center Associates	13,238,200	2	0.81%	9,907,400	2	0.77%
Stirling Manor	5,621,600	3	0.35%	4,000,000	4	0.31%
Bell Atlantic/Verizon	4,065,433	4	0.25%	4,732,100	3	0.37%
TIFA, LTD	4,052,400	5	0.25%	3,030,500	7	0.24%
Transcontinental Gas Pipeline	4,041,700	6	0.25%	3,807,200	5	0.30%
Parthenon c/o Walgreens	3,530,500	7	0.22%	-	-	-
M & M Realty Management Limited	3,251,700	8	0.20%	-	-	-
Millington Savings Bank	2,969,000	9	0.18%	2,215,500	9	0.17%
Jilrydan, Inc	2,590,700	10	0.16%	2,197,400	10	0.17%
RHK/AK Stamping	-	-	-	3,791,900	6	0.30%
Dagwood Properties	-	-	-	2,246,900	8	0.18%
	<u>\$ 71,060,333</u>		<u>4.36%</u>	<u>\$ 57,133,300</u>		<u>4.45%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Property Tax Levies and Collections**  
**Last Ten Years**

<u>Year Ending December 31,</u>	<u>Taxes Levied for the Year</u>	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 32,034,064	\$ 31,610,106	98.68%
2008	32,958,966	32,373,176	98.22%
2009	34,337,430	33,768,528	98.34%
2010	35,268,163	34,542,605	97.94%
2011	36,404,873	35,630,937	97.87%
2012	36,645,996	35,801,001	97.69%
2013	37,485,028	36,745,945	98.03%
2014	36,253,210	35,435,477	97.74%
2015	36,939,472	36,088,406	97.70%
2016	37,931,567	36,974,155	97.48%

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

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

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 15,032,000	\$ -	\$ -	\$ -	\$ -	\$ 15,032,000	2.44%	\$ 1,759	
2009	14,197,000	-	-	-	-	14,197,000	2.21%	1,649	
2010	13,322,000	-	-	-	-	13,322,000	2.19%	1,543	
2011	12,479,000	-	60,417	-	-	12,539,417	1.98%	1,438	
2012	11,885,000	-	60,417	-	-	11,945,417	1.79%	1,363	
2013	11,095,000	-	-	-	-	11,095,000	1.61%	1,265	
2014	10,270,000	-	-	-	-	10,270,000	1.48%	1,168	
2015	11,209,000	-	-	-	-	11,209,000	1.54%	1,276	
2016	10,539,000	-	-	-	-	10,539,000	1.39%	1,202	
2017	9,824,000	-	-	-	-	9,824,000	N/A	1,124	

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

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

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Ratios of Net General Bonded Debt Outstanding**  
**Last Ten Fiscal Years**

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2008	\$ 15,032,000	\$ -	\$ 15,032,000	1.17%	\$ 1,759
2009	14,197,000	-	14,197,000	1.10%	1,649
2010	13,322,000	-	13,322,000	1.03%	1,543
2011	12,479,000	-	12,479,000	0.97%	1,438
2012	11,885,000	-	11,885,000	0.93%	1,363
2013	11,095,000	-	11,095,000	0.88%	1,265
2014	10,270,000	-	10,270,000	0.82%	1,168
2015	11,209,000	-	11,209,000	0.89%	1,276
2016	10,539,000	-	10,539,000	0.65%	1,202
2017	9,824,000	-	9,824,000	0.60%	1,124

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

- (a) See Exhibit NJ J-6 for property tax data.
- (b) Population data can be found in Exhibit J-21.

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Direct and Overlapping Governmental Activities Debt**  
**As of December 31, 2016**

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 15,484,909	100.00%	\$ 15,484,909
Regional High School	38,112,397	21.60%	8,232,779
County general obligation debt	221,180,986	1.89%	<u>4,176,246</u>
Subtotal, overlapping debt			27,893,934
School district direct debt			<u>9,824,000</u>
Total direct and overlapping debt			<u><u>\$ 37,717,934</u></u>

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

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

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

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis	
	2016	\$ 1,738,001,618
	2015	1,769,139,108
	2014	1,660,929,959
		\$ 5,168,070,685
Average equalized valuation of taxable property		\$ 1,722,690,228
Debt limit (3.0% of average equalization value)	(a)	\$ 51,680,707
Total net debt applicable to limit		9,824,000
Legal debt margin		\$ 41,856,707

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 51,171,706	\$ 49,381,557	\$ 48,956,831	\$ 50,332,611	\$ 51,680,707
Total net debt applicable	11,095,000	11,734,718	11,209,718	10,539,000	9,824,000
Legal debt margin	\$ 40,076,706	\$ 37,646,839	\$ 37,747,113	\$ 39,793,611	\$ 41,856,707
Total net debt applicable to the limit as a percentage of debt limit	21.68%	23.76%	22.90%	20.94%	19.01%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 52,977,184	\$ 55,398,558	\$ 55,701,047	\$ 54,824,044	\$ 53,083,981
Total net debt applicable	15,204,838	14,369,838	13,322,000	12,479,000	11,885,000
Legal debt margin	\$ 37,772,346	\$ 41,028,720	\$ 42,379,047	\$ 42,345,044	\$ 41,198,981
Total net debt applicable to the limit as a percentage of debt limit	28.70%	25.94%	23.92%	22.76%	22.39%

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

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

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	8,610	\$ 642,615,960	\$ 74,636	3.70%
2009	8,636	608,976,176	70,516	6.30%
2010	8,719	634,568,820	72,780	6.40%
2011	8,763	667,688,022	76,194	6.20%
2012	8,773	690,373,689	78,693	6.40%
2013	8,790	695,236,260	79,094	6.80%
2014	8,783	727,320,230	82,810	4.40%
2015	8,771	759,410,722	86,582	3.90%
2016	8,744	N/A	N/A	3.60%
2017	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.



**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Principal Employers**  
**Current Year and Nine Years Ago**

2017

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

2008

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

See independent auditors' report.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function/program										
Instruction										
Regular	80.30	68.20	64.90	67.00	67.00	61.75	62.10	63.90	63.05	59.70
Special education	15.70	27.20	24.50	26.00	24.80	26.40	28.00	27.60	29.20	36.97
Support services										
Administration	5.00	5.00	5.00	5.00	5.00	6.00	6.00	6.00	6.00	4.92
Secretarial	5.80	8.00	8.40	8.40	8.40	8.30	8.20	8.50	8.50	8.50
Plant operations & maintenance	13.00	13.00	*	*	*	*	*	*	*	*
Other support services	11.80	10.50	13.00	16.50	16.00	16.00	17.20	15.30	16.85	14.00
Total	<u>131.60</u>	<u>131.90</u>	<u>115.80</u>	<u>122.90</u>	<u>121.20</u>	<u>118.45</u>	<u>121.50</u>	<u>121.30</u>	<u>123.60</u>	<u>124.09</u>

Source: District Personnel Records

\* Privatized 7/1/2009

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Operating Statistics**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures (a)</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff ( b)</u>	<u>Teacher Ratio</u>	<u>Average Daily Enrollment (ADE) ( c)</u>	<u>Average Daily Attendance (ADA) ( c)</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2008	1,050.9	\$ 14,935,027	\$ 14,212	3.48%	101.0	1 to 10.41	1,050.9	1,008.4	-1.97%	95.96%
2009	1,018.4	14,956,631	14,686	3.34%	116.7	1 to 10.32	1,018.4	980.9	-3.09%	96.32%
2010	1,021.4	15,106,288	14,790	0.70%	103.0	1 to 9.92	1,021.4	984.5	0.29%	96.39%
2011	939.7	14,962,325	15,922	7.66%	97.0	1 to 9.50	939.7	904.9	-8.00%	96.30%
2012	920.9	15,706,282	17,055	7.12%	97.2	1 to 9.47	920.9	887.1	-2.00%	96.33%
2013	869.1	15,941,989	18,343	7.55%	100.0	1 to 8.69	869.1	835.8	-5.62%	96.17%
2014	850.7	15,482,265	18,199	-0.78%	97.0	1 to 8.77	850.7	818.0	-2.12%	96.16%
2015	831.5	16,109,840	19,374	6.46%	91.5	1 to 9.08	831.5	801.6	-2.26%	96.40%
2016	821.6	16,787,336	20,432	5.46%	92.3	1 to 8.90	821.6	792.1	-1.19%	96.41%
2017	846.0	17,405,364	20,574	0.69%	96.7	1 to 8.75	832.9	795.3	1.38%	95.49%

Source: District Records

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

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**School Building Information**  
**Last Ten Fiscal Years**

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gillette School (1935)										
Square feet	38,234	38,234	38,234	38,234	38,234	38,234	38,234	38,234	38,234	38,234
Capacity (students)	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Enrollment	218.0	196.0	198.0	173.0	170.0	154.0	157.0	185.0	202.0	216.0
Millington School (1935)										
Square feet	72,128	72,128	72,128	72,128	72,128	72,128	72,128	72,128	72,128	72,128
Capacity (students)	604.0	604.0	604.0	604.0	604.0	604.0	604.0	604.0	604.0	604.0
Enrollment	472.0	461.0	444.0	399.0	359.0	368.0	347.0	333.0	322.0	360.0
Central School (1935)										
Square feet	74,757	74,757	74,757	74,757	74,757	74,757	74,757	74,757	74,757	74,757
Capacity (students)	464.0	464.0	464.0	464.0	464.0	464.0	464.0	464.0	464.0	464.0
Enrollment	375.0	369.0	379.0	352.0	327.0	326.0	342.0	313.0	297.0	270.0
Number of Schools at June 30, 2017										
Elementary	2									
Middle	1									

Source: District Facilities Office

N/A = Not Available

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

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Required Maintenance Expenditures by School Facility**  
**Last Ten Fiscal Years**

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2008	\$ 281,786	\$ 281,786
2009	328,632	328,632
2010	171,259	171,259
2011	180,716	180,716
2012	306,453	306,453
2013	270,943	270,943
2014	203,694	203,694
2015	221,618	221,618
2016	218,847	218,847
2017	306,938	306,938
Total school facilities	<u>\$ 2,490,886</u>	<u>\$ 2,490,886</u>

\* School Facilities as Defined Under EFCFA.  
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Insurance Schedule**  
**June 30, 2017**  
**(Unaudited)**

	Coverage	Deductible
School Commercial Package - Morris Essex Insurance Group		
Property - Blanket Building & Contents	\$ 34,605,176	\$ 5,000
Systems Breakdown	50,000,000	5,000
Commercial General Liability	2,000,000	
Crime - Blanket Employee Dishonesty	500,000	5,000
Excess Umbrella - Morris Essex Insurance Group		
Policy limit	10,000,000	10,000
School Board Legal Liability - Morris Essex Insurance Group		
Policy limit	1,000,000	10,000
SBLL and Employment Practices Liability		15,000
Business Auto - Morris Essex Insurance Group		
Policy limit	1,000,000	1,000
Worker's Compensation - Morris Essex Insurance Group		
Per Accident Per Employee	5,000,000	-
Per Disease Per Employee	5,000,000	-
Disease Policy Limit	5,000,000	-
Public Employees' Faithful Performance - Selective Insurance		
Business Administrator's Bond	250,000	-
Group Aggregate	4,000,000	-
1st Party	1,000,000	-
3rd Party	2,000,000	-

Source: District Records

See independent auditors' report.



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

Honorable President and  
Members of the Board of Education  
Long Hill Township School District  
County of Morris, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Long Hill Township School District, County of Morris, the State of New Jersey, (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 5, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency as findings number 2017-001 to 2017-004.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as finding number 2017-001 to 2017-004.


### **Response to Findings**

Long Hill Township School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

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

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

December 5, 2017  
Flemington, New Jersey





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

Honorable President and  
Members of the Board of Education  
Long Hill Township School District  
County of Morris, New Jersey

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

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

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

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



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

December 5, 2017  
Flemington, New Jersey

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

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/16	Carryover Amount	Cash Received	Budgetary Expenditure	Adjust- ment	Repayment of Prior Year Balance	Balance June 30, 2017															
					From	To							Accounts Receivable	Deferred Revenue	Due to Grantor													
U.S. Department of Education passed through State Department of Education																												
Special revenue fund																												
NCLB Title I A	84.367A	S367A160029	NCLB-4000-17	\$ 22,859	07/01/16	06/30/17	\$ -	\$ -	\$ 19,859	\$ 21,859	\$ -	\$ -	\$ (2,000)	\$ -	\$ -													
NCLB Title II A	84.367A	S367A160029	NCLB-4000-17	18,593	07/01/16	06/30/17	-	-	18,443	18,368	-	-	-	75	-													
IDEA basic	84.027	H027A160100	IDEA-4000-17	207,317	07/01/16	06/30/17	-	-	193,496	193,496	-	-	-	-	-													
IDEA preschool	84.173	H173S160114	IDEA-4000-17	11,269	07/01/16	06/30/17	-	-	11,269	11,269	-	-	-	-	-													
Total special revenue fund							<u>-</u>	<u>-</u>	<u>243,067</u>	<u>244,992</u>	<u>-</u>	<u>-</u>	<u>(2,000)</u>	<u>75</u>	<u>-</u>													
U.S. Department of Agriculture passed through State Department of Agriculture																												
Enterprise fund																												
Child nutrition center																												
Special milk program for children	10.556	171NJ304N1099	N/A	\$ 5,879	10/01/16	09/30/17	-	-	5,401	5,879	-	-	(478)	-	-													
Special milk program for children	10.556	16161NJ304N1099	N/A	7,580	07/01/15	06/30/16	(1,503)	-	1,503	-	-	-	-	-	-													
Total enterprise fund							<u>(1,503)</u>	<u>-</u>	<u>6,904</u>	<u>5,879</u>	<u>-</u>	<u>-</u>	<u>(478)</u>	<u>-</u>	<u>-</u>													
Total federal financial assistance							<u>\$ (1,503)</u>	<u>\$ -</u>	<u>\$ 249,971</u>	<u>\$ 250,871</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,478)</u>	<u>\$ 75</u>	<u>\$ -</u>													

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Adjustment Repayments	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special education categorical aid	17-495-034-5120-089	\$ 537,876	07/01/16	06/30/17	\$ -	\$ -	\$ 489,953	\$ 537,876	\$ -	\$ -	\$ -	\$ -	\$ 47,923	\$ 537,876
Security aid	17-495-034-5120-084	13,945	07/01/16	06/30/17	-	-	12,703	13,945	-	-	-	-	1,242	13,945
Adjustment aid	17-495-034-5120-085	13,477	07/01/16	06/30/17	-	-	12,276	13,477	-	-	-	-	1,201	13,477
Transportation aid	17-495-034-5120-014	62,144	07/01/16	06/30/17	-	-	56,607	62,144	-	-	-	-	5,537	62,144
PARCC readiness aid	17-495-034-5120-098	8,150	07/01/16	06/30/17	-	-	7,424	8,150	-	-	-	-	726	8,150
Per pupil growth aid	17-495-034-5120-097	8,150	07/01/16	06/30/17	-	-	7,424	8,150	-	-	-	-	726	8,150
Professional learning community aid	17-495-034-5120-101	8,030	07/01/16	06/30/17	-	-	7,315	8,030	-	-	-	-	715	8,030
Host district aid	17-495-034-5120-102	1,026	07/01/16	06/30/17	-	-	935	1,026	-	-	-	-	91	1,026
Extraordinary aid	17-100-034-5120-044	212,938	07/01/16	06/30/17	-	-	-	212,938	-	(212,938)	-	-	-	212,938
Extraordinary aid	16-100-034-5120-044	97,553	07/01/15	06/30/16	(97,553)	-	97,553	-	-	-	-	-	-	97,553
Non-public transportation aid	17-495-034-5120-014	9,222	07/01/16	06/30/17	-	-	-	9,222	-	(9,222)	-	-	-	9,222
Non-public transportation aid	16-495-034-5120-014	9,744	07/01/15	06/30/16	(9,744)	-	9,744	-	-	-	-	-	-	9,744
Payment for institutionalized children- Unknown district of residence	17-495-034-5120-005	12,195	07/01/16	06/30/17	-	-	-	12,195	-	(12,195)	-	-	-	12,195
On behalf TPAF pension contribution - Teachers' pension & annuity fund	17-495-034-5094-002	733,373	07/01/16	06/30/17	-	-	733,373	733,373	-	-	-	-	-	733,373
On behalf TPAF pension contribution - Non-contributory insurance	17-495-034-5094-004	26,572	07/01/16	06/30/17	-	-	26,572	26,572	-	-	-	-	-	26,572
On behalf TPAF pension contribution - Post retirement medical	17-495-034-5094-001	633,206	07/01/16	06/30/17	-	-	633,206	633,206	-	-	-	-	-	633,206
On behalf TPAF pension contribution - Long-term disability insurance	17-495-034-5094-004	966	07/01/16	06/30/17	-	-	966	966	-	-	-	-	-	966
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	483,477	07/01/16	06/30/17	-	-	459,312	483,477	-	(24,165)	-	-	-	483,477
Total general fund					(107,297)	-	2,555,363	2,764,747	-	(258,520)	-	-	58,161	2,872,044
Special revenue fund														
Nonpublic security aid	16-100-034-5120-509	3,375	07/01/15	06/30/16	-	225	-	-	(225)	-	-	-	-	-
Nonpublic auxiliary aid - compensatory education	16-100-034-5120-067	3,384	07/01/15	06/30/16	-	930	-	-	(930)	-	-	-	-	-
Nonpublic handicapped aid - examination	16-100-034-5120-066	12,438	07/01/15	06/30/16	-	2,217	-	-	(2,217)	-	-	-	-	-
Nonpublic handicapped aid - supplemental	16-100-034-5120-066	6,683	07/01/15	06/30/16	-	4,901	-	-	(4,901)	-	-	-	-	-
Nonpublic handicapped aid - corrective speech	16-100-034-5120-066	16,721	07/01/15	06/30/16	-	9,113	-	-	(9,113)	-	-	-	-	-
Nonpublic textbook aid	17-100-034-5120-064	403	07/01/16	06/30/17	-	-	403	403	-	-	-	-	-	403
Nonpublic nursing services	17-100-034-5120-070	630	07/01/16	06/30/17	-	-	630	630	-	-	-	-	-	630
Nonpublic security aid	17-100-034-5120-509	350	07/01/16	06/30/17	-	-	350	350	-	-	-	-	-	350
Nonpublic technology initiative	17-100-034-5120-073	182	07/01/16	06/30/17	-	-	182	182	-	-	-	-	-	182
Total special revenue fund					-	17,386	1,565	1,565	(17,386)	-	-	-	-	1,565

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Adjust./ Repayment	Balance June 30, 2017			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
Capital projects fund														
New Jersey School Development Authority														
Central Middle School - HVAC upgrades	4000-030-14-1001	\$ 344,240	06/18/14	06/30/17	\$ (340,465)	\$ -	\$ -	\$ 3,775	\$ -	\$ (344,240)	\$ -	\$ -	\$ -	\$ 3,775
Gillette Elementary School - HVAC upgrades	4000-030-14-1002	174,000	06/18/14	06/30/17	(174,000)	-	-	-	-	(174,000)	-	-	-	-
Millington Elementary School - HVAC upgrades	4000-030-14-1003	263,972	06/18/14	06/30/17	(260,410)	-	-	3,562	-	(263,972)	-	-	-	3,562
Millington Elementary School - partial Roof replacement	4000-030-14-1004	527,600	06/18/14	06/30/17	(391,789)	-	-	46,367	(89,444)	(527,600)	-	-	-	46,367
Total capital projects fund					<u>(1,166,664)</u>	<u>-</u>	<u>-</u>	<u>53,704</u>	<u>(89,444)</u>	<u>(1,309,812)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,704</u>
Total state financial assistance					<u>\$ (1,273,961)</u>	<u>\$17,386</u>	<u>\$2,556,928</u>	<u>2,820,016</u>	<u>\$(106,830)</u>	<u>\$(1,568,332)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,161</u>	<u>\$ 2,927,313</u>
Less: On behalf TPAF Pension system contributions								<u>(1,394,117)</u>						
Total for State financial assistance - major program determination								<u>\$1,425,899</u>						

See independent auditors' report.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**June 30, 2017**

Note 1 - General

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

Note 2 - Basis of accounting

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

Note 3 - Relationship of financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$240 for the General Fund and \$4,800 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.

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

Note 3 - Relationship of financial statements (continued)

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

	Federal	State	Total
General Fund	\$ -	\$ 2,764,507	\$ 2,764,507
Special Revenue Fund	240,192	1,565	241,757
Food Service Fund	5,879	-	5,879
	\$ 246,071	\$ 2,766,072	\$ 3,012,143

Note 4 - Relationship to federal and state financial reports

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

Note 5 - Other

The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2017.



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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

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

Noncompliance material to basic financial statements noted?

Yes       No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

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

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

\_\_\_\_\_

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

Yes       No

Identification of Major Programs:

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

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

\_\_\_\_\_

Did the auditee qualify as a low-risk auditee?

Yes       No

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

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

State Grant/Project Numbers	Name of State Program
<i>17-495-034-5120-089</i>	<i>State Aid Public Cluster:</i>
<i>17-495-034-5120-078</i>	<i>Special Education Categorical Aid</i>
<i>17-495-034-5120-084</i>	<i>Equalization Aid</i>
<i>17-495-034-5120-085</i>	<i>Security Aid</i>
<i>17-495-034-5120-097</i>	<i>Adjustment Aid</i>
<i>17-495-034-5120-098</i>	<i>Per Pupil Growth Aid</i>
<i>17-495-034-5120-101</i>	<i>PARCC Readiness Aid</i>
	<i>Professional Learning Community Aid</i>
 <i>17-495-034-5094-003</i>	 <i>Reimbursed TPAF Social Security Contribution</i>

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

Section II - Financial Statement Findings

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

Finding 2017-001

Criteria

Purchase orders should be reviewed for proper classification as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be canceled or liquidated.

Condition

Purchase orders were not reviewed for proper classification at June 30 and orders were not liquidated or canceled within the suggested time frame of 60 to 90 days of year-end.

Context

During our review of open purchase orders and accounts payable items, it was determined that purchase orders were not reviewed for proper classification at June 30 and orders were not liquidated or canceled within the suggested time frame of 60 to 90 days of year-end.

Cause

Unknown

Effect

The District had encumbrances and accounts payables that should have been canceled or liquidated.

Recommendation

Purchase orders should be reviewed for proper classification as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be canceled or liquidated.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section II and III (continued)**  
**For the Fiscal Year Ended June 30, 2017**

Finding 2017-002

Criteria

Receipts of checks and cash should be deposited promptly to the bank, recorded timely, and classified correctly.

Condition

The District did not appear to deposit items promptly, record items timely, or classify all deposits accurately.

Context

An examination of deposits during the period under review indicated discrepancies with respect to timeliness of deposits. Cash receipt accounting entries and their classification were not timely and sometimes were not accurate.

Cause

Unknown

Effect

Deposits did not appear to be deposited timely, accounting entries were not recorded timely, and their classifications were sometimes not accurate.

Recommendation

Procedures should be implemented to ensure receipts of checks and cash are deposited promptly to the bank, recorded timely, and classified correctly.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section II and III (continued)**  
**For the Fiscal Year Ended June 30, 2017**

Finding 2017-003

Criteria

Accounting entries are to be made to accurately reflect state aid and accounts receivable balances.

Condition

Accounting entries were not made to accurately reflect state aid and accounts receivable balances.

Context

During our analysis, we determine accounting entries were not made or were not made correctly.

Cause

Unknown

Effect

Appropriate entries were not made which resulted in incorrect ending state aid and accounts receivable balances.

Recommendation

Appropriate accounting entries should be made to accurately reflect state aid and accounts receivable activity.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

**LONG HILL TOWNSHIP SCHOOL DISTRICT**  
**Schedule of Findings and Questioned Costs - Section II and III (continued)**  
**For the Fiscal Year Ended June 30, 2017**

Finding 2017-004

Criteria

Federal Grant funds are to be requested for reimbursement only for expenditures that have already occurred.

Condition

The District did not comply with procedures for reimbursement of Federal grant expenditure requirements.

Context

As part of our audit procedures it was noted Grant Funds were requested and received prior to expenditures.

Cause

Unknown

Effect

The District did not comply with procedures for reimbursement of Federal and other Grant expenditure requirements.

Recommendation

Procedures should be implemented to ensure that Federal Grant Funds are not reimbursed for more than or prior to expenditures.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

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

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

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

Status of Prior Year Findings

There were no prior year findings or questioned costs.