

**POHATCONG TOWNSHIP
SCHOOL DISTRICT**

**Pohatcong Township School District
Board of Education
Phillipsburg, Warren County
New Jersey**

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

Comprehensive Annual

Financial Report

of the

Pohatcong Township School District

Board of Education

Phillipsburg, New Jersey

For the Fiscal Year Ending June 30, 2017

Prepared by

Pohatcong Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

Pohatcong Township Board of Education

240 Route 519

Phillipsburg, NJ 08864

(908) 859-8155 Tel.

(908) 859-8067 Fax

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

Dear Board Members:

The comprehensive annual financial report of the Township of Pohatcong 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 list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's 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 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES: The Pohatcong Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report.

The Pohatcong 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 handicapped youngsters. The district completed the 2016-17 fiscal year with an enrollment of 297 students. The following details the changes in the student enrollment.

Fiscal Year	<u>Average Daily Enrollment</u>	
	Student Enrollment	Percentage Change
2016-17	297	-1.9
2015-16	303	-5.3
2014-15	320	-6.2
2013-14	341	-3.4
2012-13	353	-.57
2011-12	351	2.0
2010-11	344	-1.7
2009-10	350	-2.8
2008-09	360	-1.4
2007-08	365	-2.4
2006-07	374	2.2
2005-06	366	-2.9
2004-05	377	1.9
2003-04	370	-4.8
2002-03	388	0.2

TUITION PUPILS: Pohatcong Township School District sends our grade 9 to 12 students to Phillipsburg High School on a tuition basis. Approximately 122 students attended Phillipsburg High School while 26 students attended the Warren County Technical School District.

From the township, 10 children attended non-public and charter schools including Saints Phillip and James, Bethlehem Catholic, Immaculate Conception, Notre Dame High School and Moravian Academy. Currently the district sends approximately 13 children, ages three through twenty-one, for special educational instruction outside the Pohatcong Township School District as per the individual student's educational placement requirements.

PRESENT CONDITION AND OUTLOOK: The Pohatcong School will be entering its seventeenth year in 2016-17. The building is a modern, well equipped, facility with more than enough space to accommodate current enrollment. There are six classrooms that are not used on a daily basis. We have one room that is used for Occupational and Physical Therapy.

The Pohatcong School receives regular cleaning and maintenance of all building systems. Community groups and sports teams hold many activities and events on nights and weekends inside and outside of the building. Student activities and events at night cause heavy use of the facilities.

Large sections of Pohatcong Township are in the hands of developers. There continues to be a great deal of discussion concerning pending housing projects. The township Land Use Board is working to ensure that development progresses in a planned and orderly manner.

MAJOR INITIATIVES/PLANNING: In 2016-17, we continued to incorporate technology including Google Apps for Education into the daily instruction for all grades. We continued our

one-to-one ChromeBook initiative for students in grades 3-8 and assessed which technology would be obsolete in order to plan for replacement.

A yearlong comprehensive textbook review of several series was completed in the area of English Language Arts (ELA) and Mathematics. All applicable staff participated in the selection of Journeys for grades K-6 and Envision Math for grades 6-8.

Teachers in grades K-5 completed mapping of Science using Next Generation Science Standards to be implemented in 2017-2018.

Progress of students was monitored through ongoing standardized assessments within Mathematics and English Language Arts in order to further individualize instruction and also prepare students for PARCC. Mathematics and ELA series assessment material were used in addition LinkIT.

Our Response to Intervention Program and Basic Skills Program implemented Leveled Literacy Intervention for grades 1-4. In addition, programs were reviewed for grades 5 and 6 and Read 180 was selected.

We continued with Professional Learning Communities to coordinate integration of technology in all subjects, delivery of the NJ Learning Standards, and preparation for PARCC. In addition, teachers had professional development opportunities for personal needs and small group needs.

Pohatcong School District instilled character education into our students through lessons, discussion, speakers, assemblies, and programs. We focused on school wide programs with grade level specification and positive behavioral choices with our students.

After school clubs were increased in order to accommodate varying student interests and academic needs.

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. The final budget amount 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-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2017.

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.

ECONOMIC CONDITION: 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.

BUDGET INFORMATION SHEET - OVERALL COMMENTS: The Pohatcong Township School District's 2016-17 School Budget encompassed the educational programs for students from grades kindergarten through twelfth grade in regular education, and preschool through age twenty-one in special education. In addition, the district's budget included the operational expenses for the township school.

The 2016-17 budget was developed to stay within the "Maximum Permitted Net Budget" as defined by the State of New Jersey Department of Education. The 2016-17 budget needed to support the educational and operational costs of delivering a thorough and efficient education was developed using the allowable spending growth limitation adjustments in the area of non-remote transportation. Revenues to support the 2016-17 budget were principally derived from the local tax levy.

DEBT ADMINISTRATION: The district had debt service payments of interest and principal totaling \$988,992 for the 2016-17 school year. State aid for debt service was 16.5% of total cost.

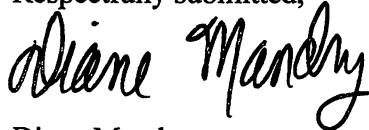
CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Cash, not immediately required for district payments, is invested in a Municipal Sweep account with PNC.

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. During 2015-16, the district participated in the New Jersey School Board Association Insurance Group. This is a joint insurance fund specializing in insurance for public education entities.

OTHER INFORMATION: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The Board selected the accounting firm of Ardito & Co. 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 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's 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 auditor's reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Pohatcong Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and diligent auditing services of the firm of Ardito & Co.

Respectfully submitted,



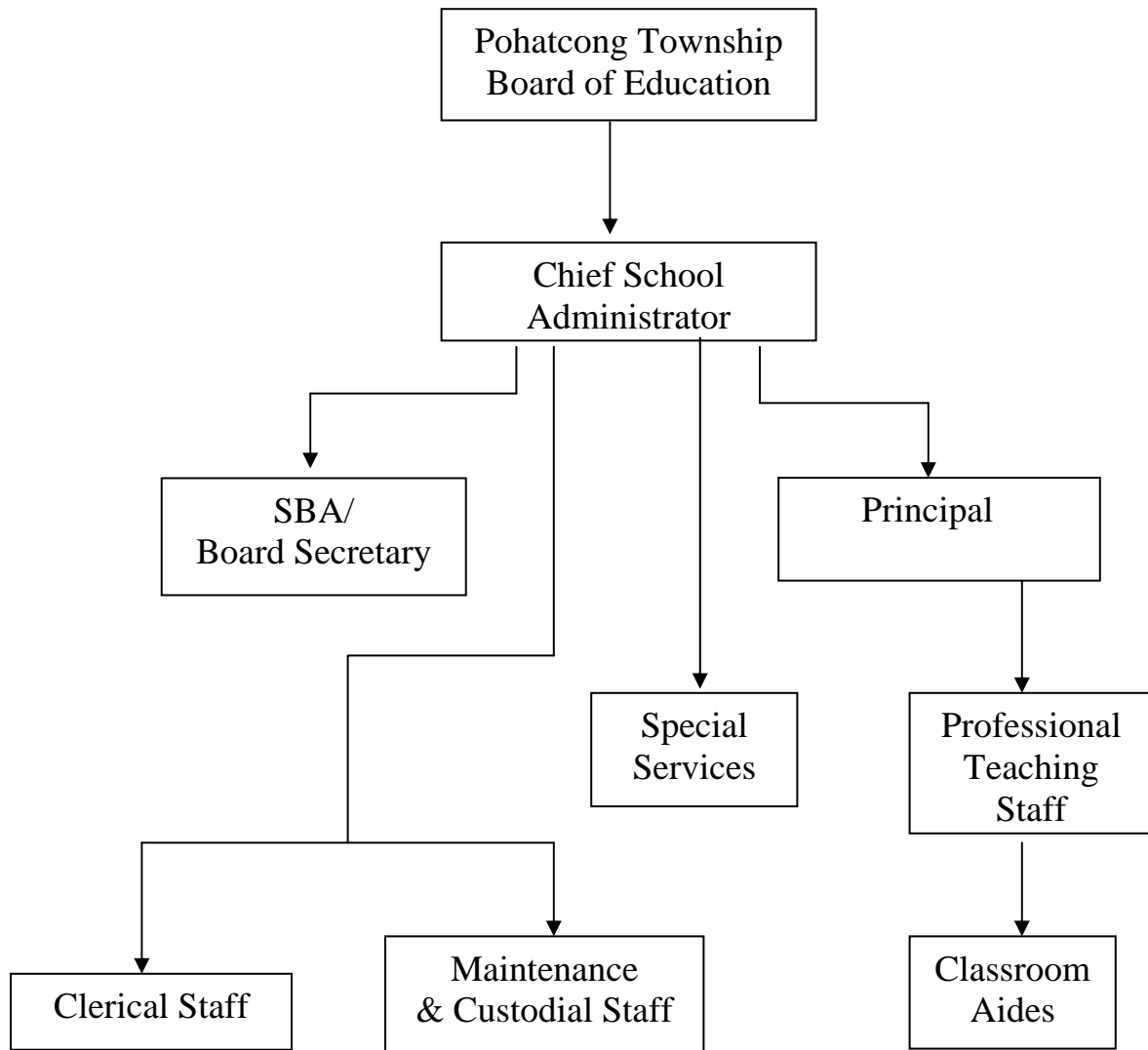
Diane Mandry
Chief School Administrator



Tim Mantz
Board Secretary/Business Administrator

Pohatcong Township Board of Education

Organization Chart 2016-17



**Pohatcong Township School District
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

June 30, 2017

Members of the Board of Education

Term Expires

Patricia Babcock, President	2018
Kristine Griesmeyer, Vice President	2017
Joseph Delesky	2018
Elizabeth Kern	2017
Renata Melvin	2019
Jamie Hudak	2019
Stephanie Snyder	2018
John Stillo	2019
Beverly Weihz	2018

Other Officials

Diane Mandry, Chief School Administrator

Tim Mantz, Board Secretary/School Business Administrator

Cindy L. Hanics, Treasurer

**Pohatcong Township School District
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ATTORNEY

Comegno Law Group P.C.
Tall Oaks Corp. Ctr. 11
Maple Shade, New Jersey 08052

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825

BOND COUNSEL

Wilentz, Goldman & Spitzer
Anthony J. Pannella Jr.
90 Woodbridge Center Drive
Woodbridge, NJ 08525

ARCHITECT

Focus Architecture, LLC
3 Tree Farm Road, Suite 200
Pennington, NJ 08534

OFFICIAL DEPOSITORIES

PNC Bank
331 3rd Avenue
Alpha, NJ 08865

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192
908-996-4711 Fax: 908-996-4688
e-mail: anthony@arditoandcompany.com

Anthony Ardito, CPA, RMA, CMFO, PSA
Douglas R. Williams, CPA, RMA, PSA

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Pohatcong Township School District
County of Warren
Phillipsburg, New Jersey 08865

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pohatcong Township School District Board of Education, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of 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.

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension trend information as identified 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 Pohatcong Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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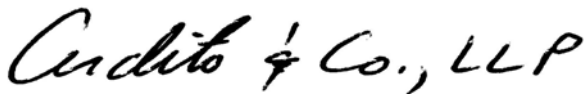
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are the responsibility of 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 fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are fairly stated in all material respects in relation to the basic financial statements as a whole.

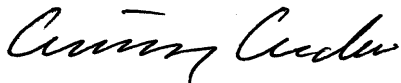
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated August 31, 2017, on our consideration of the Pohatcong Township School District Board of Education'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 the 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.



ARDITO & CO., LLP
August 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position increased \$697,426 which represents a 167.2% increase from 2016.
- ◆ General revenues accounted for \$6,227,750 in revenue or 58.7% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,376,780 or 41.3% of total revenues of \$10,604,530.
- ◆ Total assets of governmental activities increased by \$159,373, as cash and cash equivalents increased by \$551,809, receivables increased by \$3,929, and capital assets decreased by \$395,995.
- ◆ The School District had \$9,907,104 in expenses; only \$4,376,780 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,227,750 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,871,346 in revenues and \$7,315,367 in expenditures. The General Fund's surplus balance increased \$555,979 over 2016, which compares to the budgeted decrease of \$364,657.

Using this Generally Accepted Accounting Principals Report (GAAP)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Pohatcong Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Pohatcong Township School District, the General Fund is by far the most significant fund.

POHATCONG TOWNSHIP 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 those assets. 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. Nonfinancial 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 is divided into two distinct kinds of activities:

- Governmental activities--All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-type Activity--This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 24. 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, and Capital Projects Fund.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

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.

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**

	<u>2017</u>	<u>2016</u>
Assets		
Current and Other Assets	\$ 2,206,207	\$ 1,650,839
Capital Assets	<u>6,948,289</u>	<u>7,344,284</u>
Total Assets	<u>9,154,496</u>	<u>8,995,123</u>
Deferred Outflows of Resources	<u>591,731</u>	<u>214,092</u>
Liabilities		
Long-Term Liabilities	7,731,335	7,863,567
Other Liabilities	<u>838,292</u>	<u>828,887</u>
Total Liabilities	<u>8,569,627</u>	<u>8,692,454</u>
Deferred Inflows of Resources	<u>61,930</u>	<u>99,517</u>
Net Position		
Invested in Capital Assets, Net of Debt	373,289	134,284
Restricted	1,869,722	1,443,723
Unrestricted	<u>(1,128,341)</u>	<u>(1,160,763)</u>
Total Net Position	<u>\$ 1,114,670</u>	<u>\$ 417,244</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Total assets of governmental activities increased by \$159,373, as cash and cash equivalents increased by \$551,809, receivables increased by \$3,929, and capital assets decreased by \$395,995.

Cash increased due to underspending budgeted appropriations, and capital assets decreased entirely due to depreciation expense.

Table 2 shows the changes in Net Position from fiscal year 2016.

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 319,535	\$ 328,251
Operating Grants and Contributions	4,057,245	3,469,775
General Revenues:		
Property Taxes	6,086,114	6,064,155
Federal & State Aid on Capital Asset Projects	-	30,106
Investment Earnings	1,210	1,131
Other	<u>140,426</u>	<u>109,294</u>
Total Revenues	<u>10,604,530</u>	<u>10,002,712</u>
Program Expenses		
Instruction	4,625,842	4,045,751
Support Services:		
Tuition	1,727,071	2,368,961
Pupils and Instructional Staff	949,991	886,892
General Administration, School Administration, Business	745,245	712,164
Operations and Maintenance of Facilities	756,251	658,773
Pupil Transportation	390,263	366,238
Business-Type Activities	370,677	366,426
Interest and Fiscal Charges	<u>341,764</u>	<u>372,730</u>
Total Expenses	<u>9,907,104</u>	<u>9,777,935</u>
Increase in Net Position	<u>\$ 697,426</u>	<u>\$ 224,777</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 57.4% percent of revenues for governmental activities for the Pohatcong Township School District for the fiscal year 2017.

Instruction comprises 46.7% of district expenses. Support services expenses make up 46.1% of the expenses.

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

Table 3

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 4,625,842	\$ 2,621,027	\$4,045,751	\$2,493,248
Support Services:				
Tuition	1,727,071	1,034,970	2,368,961	1,556,346
Pupils and Instructional Staff	949,991	555,394	886,892	569,639
General Admin., School Admin., Business	745,245	446,598	712,164	467,874
Operation and Maintenance of Facilities	756,251	453,193	658,773	432,797
Pupil Transportation	390,263	233,870	366,238	240,609
Business-Type Activities	370,677	6,748	366,426	15,861
Interest and Fiscal Charges	341,764	178,524	372,730	203,535
Total Expenses	<u>\$ 9,907,104</u>	<u>\$ 5,530,324</u>	<u>\$ 9,777,935</u>	<u>\$ 5,979,909</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.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Business-type activities includes expenses related to activities provided by the School District which are designed to provide for students to participate in food service.

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

The dependence upon tax revenues is apparent. Over 56.7% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 59.6%. The community, as a whole, is the primary support for the Pohatcong Township School District.

The School District's Funds

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$9,032,644 and expenditures of \$8,476,666. The General Fund's surplus balance increased \$555,979 over 2016, which compares to the budgeted decrease of \$364,657.

General Fund Budgeting Highlights

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

During the course of the fiscal 2017 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting 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, excluding on-behalf payments, was \$7,195,346, \$26,409 under original budgeted estimates of \$7,221,755. This difference was due primarily to a decrease in decreased transportation revenues compared to budgeted amounts.

General fund revenues exceeded expenditures by \$555,258. Again this surplus compares to a budgeted deficit of \$364,657, which was due to the budgeted use of surplus needed to balance the 2017 budget. Cost savings in the areas of instruction, transportation, admin, and tuition.

Overall general fund balance (budget basis) was \$2,330,389, and amounts ear-marked and reserved for future purposes were \$2,063,967, creating a surplus in unreserved fund balance of \$266,422. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

Capital Assets

At the end of the fiscal year 2017, the School District had \$6,948,289 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

Table 4
Capital Assets (Net of Depreciation) at June 30,

	<u>2017</u>	<u>2016</u>
Land	\$ -	\$ -
Land Improvements	168,841	238,229
Buildings and Improvements	6,618,739	6,909,639
Machinery and Equipment	<u>160,709</u>	<u>193,900</u>
Totals	<u>\$ 6,948,289</u>	<u>\$ 7,341,768</u>

Overall capital assets decreased \$393,479 from fiscal year 2016 to fiscal year 2017. The decrease in capital assets was due to depreciation expense for the year.

Capital improvements of \$0 were purchased during fiscal year 2017.

Debt Administration

At June 30, 2017, the School District had \$6,599,577 as outstanding long term debt. Of this amount, \$24,577 is for compensated absences and \$6,575,000 is for bonds payable.

At June 30, 2017, the School District's overall legal debt margin was \$4,106,553 and the unvoted debt margin was the same.

POHATCONG TOWNSHIP SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

For the Future

The Pohatcong Township School District is in very good financial condition presently. A major concern is declining property valuations coupled with heavy reliance on local property taxes to fund the school's operations.

In conclusion, the Pohatcong Township School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge 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 Tim Mantz, School Business Administrator/Board Secretary at Pohatcong Township School District, 240 Route 519, Phillipsburg, NJ 08865.

Basic Financial Statements

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.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL BUSINESS-TYPE		TOTAL
	ACTIVITIES	ACTIVITIES	
ASSETS			
Cash and Cash Equivalents	\$ 1,654,569	\$ 17,883	\$ 1,672,452
Receivables, Net	29,565	1,913	31,478
Inventory		3,066	3,066
Restricted Assets:			
Capital Reserve Account - Cash	249,211		249,211
Emergency Reserve Account - Cash	250,000		250,000
Capital Assets, Net (Note 6):	6,948,289		6,948,289
Total Assets	9,131,634	22,862	9,154,496
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	591,731		591,731
LIABILITIES			
Accounts Payable	100		100
Unearned Revenue	26,289	1,751	28,040
Accrued Interest	155,152		155,152
Net Pension Liability (Note 8)	1,786,758		1,786,758
Noncurrent Liabilities (Note 7):			
Due Within One Year	655,000		655,000
Due Beyond One Year	5,944,577		5,944,577
Total Liabilities	8,567,876	1,751	8,569,627
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	61,930		61,930
NET POSITION			
Invested in Capital Assets, Net of Related Debt	373,289		373,289
Restricted for:			
Capital Reserve Account	249,211		249,211
Emergency Reserve Account	250,000		250,000
Other Purposes	1,370,511		1,370,511
Unrestricted	(1,149,452)	21,111	(1,128,341)
Total Net Position	\$ 1,093,559	\$ 21,111	\$ 1,114,670

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
Governmental Activities:							
Instruction:							
Regular	\$ 3,529,414		\$ 1,565,435		\$ (1,963,979)	\$ (1,963,979)	
Special Education	807,938		323,771		(484,167)	(484,167)	
Other Special Instruction	288,490		115,609		(172,881)	(172,881)	
Support Services:							
Tuition	1,727,071		692,101		(1,034,970)	(1,034,970)	
Student & Instruction Related Services	949,991		394,597		(555,394)	(555,394)	
School Administrative Services	199,711		80,031		(119,680)	(119,680)	
General and Business Admin. Services	545,534		218,616		(326,918)	(326,918)	
Plant Operations and Maintenance	756,251		303,058		(453,193)	(453,193)	
Pupil Transportation	390,263		156,393		(233,870)	(233,870)	
Interest on Long-Term Debt	341,764		163,240		(178,524)	(178,524)	
Unallocated Depreciation					-	-	
Total Governmental Activities	9,536,427	-	4,012,851		(5,523,576)	(5,523,576)	
Business-Type Activities:							
Food Service	113,177	62,035	44,394		\$ (6,748)	(6,748)	
Shared Services	257,500	257,500			-	-	
Total Business-Type Activities	370,677	319,535	44,394	-	-	(6,748)	
Total Primary Government	\$ 9,907,104	\$ 319,535	\$ 4,057,245		\$ (5,523,576)	\$ (6,748)	\$ (5,530,324)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					\$ 5,260,363	\$ 5,260,363	
Taxes Levied for Debt Service					825,751	825,751	
Investment Earnings					1,181	29	
Miscellaneous Income					140,426	140,426	
Total General Revenues, Special Items, Extraordinary Items and Transfers					6,227,721	29	
Change in Net Position					704,145	(6,719)	
Net Position—Beginning					389,414	27,830	
Net Position—Ending					\$ 1,093,559	\$ 21,111	\$ 1,114,670

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

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.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 2,101,914	\$ 21,759	\$ 30,106	\$ 1	\$ 2,153,780
Interfund Receivables	30,106	421			30,527
Other Receivables	548	1			549
Receivables from Other Governments	24,808	4,208			29,016
TOTAL ASSETS	\$ 2,157,376	\$ 26,389	\$ 30,106	\$ 1	\$ 2,213,872
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable		\$ 100			\$ 100
Interfund Payable	\$ 421		\$ 30,106		30,527
Reserve for Payment of Debt Service					
Deferred Revenue		26,289			26,289
Total Liabilities	421	26,389	30,106		56,916
Fund Balances:					
<u>Restricted for:</u>					
Capital Reserve Account	\$ 249,211				\$ 249,211
Emergency Reserve	250,000				250,000
Excess Surplus	775,819				775,819
Excess Surplus - Designated for Subsequent Year's Expenditures	579,980				579,980
<u>Assigned to:</u>					
Year-End Encumbrances	194,245				194,245
Designated for Subsequent Year's Expenditures	14,712				14,712
Debt Service Fund				\$ 1	1
<u>Unassigned:</u>					
General Fund	92,988				92,988
Total Fund Balances	2,156,955	-	-	1	2,156,956
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,157,376	\$ 26,389	\$ 30,106	\$ 1	\$ 2,213,872

Amounts reported for *governmental activities* in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$11,347,070 and the accumulated depreciation is \$4,398,781.	\$6,948,289
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)	591,731
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(61,930)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(1,786,758)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(155,152)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	<u>(6,599,577)</u>
Net Position of governmental activities	<u>\$ 1,093,559</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 5,260,363		\$ 825,751	\$ 6,086,114
Tuition	-			-
Interest on Capital Reserve	124			124
Miscellaneous	134,145	\$ 7,338		141,483
Total - Local Sources	5,394,632	7,338	825,751	6,227,721
State Sources	2,476,714		163,240	2,639,954
Federal Sources		164,969		164,969
Total Revenues	7,871,346	172,307	988,991	9,032,644
EXPENDITURES				
Current:				
Regular Instruction	2,036,506	158,407		2,194,913
Special Education Instruction	563,411			563,411
Other Special Instruction	201,177			201,177
Support services and undistributed costs:				
Tuition	1,727,071			1,727,071
Student and Instruction Related Services	613,158	13,900		627,058
School Administrative Services	127,463			127,463
Other Administrative Services	352,881			352,881
Plant Operations and Maintenance	476,215			476,215
Pupil Transportation	390,263			390,263
Unallocated Benefits	825,262			825,262
Transfer to Charter School	-			-
Debt Service:				
Principal			635,000	635,000
Interest and Other Charges			353,992	353,992
Capital Outlay	1,960			1,960
Total Expenditures	7,315,367	172,307	988,992	8,476,666
Excess (Deficiency) of Revenues Over Expenditures	555,979	-	(1)	555,978
OTHER FINANCING SOURCES (USES)				
Transfers - Capital Projects Fund	-			-
Total Other Financing Sources and Uses	-	-	-	-
Net Change in Fund Balances	555,979	-	(1)	555,978
Fund Balance—July 1	1,600,976	-	2	1,600,978
Fund Balance—June 30	\$ 2,156,955	-	\$ 1	\$ 2,156,956

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 555,978

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

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

Depreciation Expense	\$ (393,479)	
Capital Outlays	<u> -</u>	(393,479)

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (108,804)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities. 635,000

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. This is the amount by which the prior year's amount of interest accrual exceeds the current year's amount. 14,188

In the statement of activities, compensated absences is accrued regardless of when paid. In the governmental funds, compensated absences are reported when paid. This amount is the amount by which the current year's compensated absence payments exceed the current year's amount earned. 1,262

Change in Net Position of Governmental Activities \$ 704,145

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities - Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 17,883	\$ 17,883
Accounts Receivable	1,913	1,913
Inventories	3,066	3,066
Total Current Assets	<u>22,862</u>	<u>22,862</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	79,400	79,400
Less Accumulated Depreciation	(79,400)	(79,400)
Total Noncurrent Assets	<u> </u>	<u> </u>
Total Assets	<u>22,862</u>	<u>22,862</u>
LIABILITIES		
Current liabilities:		
Deferred Revenue	1,751	1,751
Total Current Liabilities	<u>1,751</u>	<u>1,751</u>
Total Liabilities	<u>1,751</u>	<u>1,751</u>
NET POSITION		
Invested in Capital Assets Net of Related Debt		
Unrestricted	21,111	21,111
Total Net Position	<u>\$ 21,111</u>	<u>\$ 21,111</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-5

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Business-type Activities - Enterprise Fund		
	Food Service	Shared Services	Total Enterprise
Operating Revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 58,031		\$ 58,031
Daily Sales - Non-Reimb. Programs	4,004		4,004
Miscellaneous		\$ 257,500	257,500
Interest Income	29		29
Total Operating Revenues	62,064	257,500	319,564
Operating Expenses:			
Cost of Sales - Reimbursable Programs	53,697		53,697
Cost of Sales - Non-reimbursable Programs	1,356		1,356
Salaries	24,938	257,500	282,438
Employee Benefits	6,235		6,235
Other Purchased Professional Services	7,133		7,133
Supplies	2,302		2,302
Miscellaneous	15,000		15,000
Depreciation	2,516		2,516
Total Operating Expenses	113,177	257,500	370,677
Operating Income (Loss)	(51,113)		(51,113)
Nonoperating Revenues (Expenses):			
State Sources:			
State School Lunch Program	1,065		1,065
Federal Sources:			
National School Lunch Program	34,803		34,803
Food Distribution Program	8,526		8,526
Total Nonoperating Revenues (Expenses)	44,394		44,394
Income (Loss)	(6,719)		(6,719)
Change in Net Position	(6,719)		(6,719)
Total Net Position—Beginning (As Restated)	27,830		27,830
Total Net Position—Ending	\$ 21,111	-	\$ 21,111

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds		
	<u>Food Service</u>	<u>Shared Services</u>	<u>Total Enterprise</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ 62,065	\$ 257,500	\$ 319,565
Payments to Employees	(24,938)	(257,500)	(282,438)
Payments for Employee Benefits	(6,235)		(6,235)
Payments to Suppliers	(71,521)		(71,521)
Net Cash Provided by (used for) Operating Activities	(40,629)	-	(40,629)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	1,056		1,056
Federal Sources	34,560		34,560
Net Cash Provided by (used for) Non-Capital Financing Activities	35,616	-	35,616
Net Increase (Decrease) in Cash and Cash Equivalents	(5,013)	-	(5,013)
Balances—Beginning of Year	22,896	-	22,896
Balances—End of Year	\$ 17,883	-	\$ 17,883
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:			
Operating Income (Loss)	\$ (51,113)	-	\$ (51,113)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	2,516		2,516
Federal Commodities	8,526		8,526
(Increase) Decrease in Accounts Receivable, Net			
(Increase) Decrease in Inventories	369		369
Increase (Decrease) in Accounts Payable	(927)		(927)
Total Adjustments	10,484		10,484
Net Cash Provided by (used for) Operating Activities	\$ (40,629)	-	\$ (40,629)

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

POHATCONG TOWNSHIP SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Exhibit B-7

June 30, 2017

ASSETS		Agency <u>Fund</u>
Cash and Cash Equivalents		\$ 135,769
	Total Assets	<u>135,769</u>
LIABILITIES		
Payroll Deductions and Withholding		\$ 98,924
Payable to Student Groups		<u>36,845</u>
	Total Liabilities	<u>\$ 135,769</u>
NET POSITION		

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

Notes to Financial Statements

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Pohatcong Township School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to 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 of the Board's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided the most significant change in financial reporting in over twenty years and implementation was phased-in (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments). The District was not required to implement the new model until the 2003-2004 school year.

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements did not effect net position balances as previously reported for the fiscal year ended June 30, 2015.

A. Reporting Entity:

The Pohatcong Township School District is a Type II district located in the County of Warren, 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 Pohatcong Township School District had an approximate enrollment at June 30, 2017, of 297 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:

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

The School District's basic financial statements consist of District-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Basis of Presentation

District-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. 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 activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the School District.

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

GOVERNMENTAL FUNDS (Continued)

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.

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

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.

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting (Continued):

Additionally, the District reports the following fund type:

Fiduciary Funds - The Fiduciary Funds are used to account for assets held by the District on behalf of others and include the Student Activities Fund and Payroll Agency Fund.

Measurement Focus - Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes 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 monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

All governmental and business-type activities and enterprise funds of the District follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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 for approval and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue funds. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by School Board resolution. In addition, transfers are also covered by changes in N.J.A.C. 6A:23A-2.3 that can require approval through the state department. All budget amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Appropriations, except remaining project appropriations, encumbrances and unexpended grant appropriations, lapse at the end of each fiscal year. The capital projects fund presents the remaining project appropriations compared to current year expenditures.

Formal budgetary integration into the accounting system is employed as a management control device during the fiscal 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.

D. Encumbrance Accounting:

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 deferred 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.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues.

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

Inventories:

Inventory purchases, 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.

Allowance for Uncollectible Accounts:

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

Capital Assets:

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. 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. The School District does not possess any infrastructure. The capitalization threshold used by school districts in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Buildings	50
Building Improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and Computer Equipment	5-10
Instructional Equipment	10
Grounds Equipment	15

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

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

The liability for compensated absences was accrued using the termination payment method, whereby the liability is calculated based on the amount of sick leave that is expected to become eligible for payment upon termination. The District estimates its accrued compensated absences liability based on the accumulated sick and vacation days at the balance sheet date by those employees who are currently eligible to receive termination payments. Salary related payments for the employer's share of social security and medicare taxes, as well as pension contributions, are included.

For the District-wide Statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, for the governmental funds, in the Fund Financial Statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and District-wide presentations.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

Accrued Liabilities and Long-Term Obligations:

All payables, accrued liabilities and long-term obligations are reported on the District-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Reserves:

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

Revenues—Exchange and Nonexchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense, that could not be attributed to a specific function, is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Management Estimates:

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

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

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

The Board has no policy regarding custodial risk for deposits.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2017, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

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

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$1,672,452	\$135,769	\$1,808,221
Checking Accounts-Emergency Reserve	250,000		250,000
Checking Accounts-Capital Reserve	249,211		249,211
	\$2,171,663	\$135,769	\$2,307,432

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$2,307,432 and the bank balance was \$2,421,989. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$2,171,989 was covered by collateral pool.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 3: RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants and aid. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial Statements	Government-Wide Financial Statements
State Aid	\$24,808	\$24,866
Federal Aid	4,208	6,063
Other Receivables	549	549
Gross Receivable	\$29,565	31,478
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$29,565	31,478

NOTE 4: INVENTORY

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

Food	\$ <u>3,066</u>
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The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1996, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

NOTE 5: DEFERRED BOND ISSUANCE COSTS

In governmental funds, debt issuance costs are recognized in the current period. For the District-wide financial statements, governmental activity debt issuance costs are amortized straight-line over the life of the specific bonds (18 to 20 years). The costs associated with the issued of the various bonds are immaterial and are not amortized on the District-wide financial statements.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 6: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 956,030			\$ 956,030
Buildings and Building Improvements	10,034,026			10,034,026
Machinery and Equipment	357,014			357,014
Total at Historical Cost	<u>11,347,070</u>	-	-	<u>11,347,070</u>
Less Accumulated Depreciation for:				
Land Improvements	(717,801)	\$ (69,388)		(787,189)
Building and Improvements	(3,124,387)	(290,900)		(3,415,287)
Equipment	(163,114)	(33,191)		(196,305)
Total Accumulated Depreciation	<u>(4,005,302)</u>	<u>(393,479)</u>		<u>(4,398,781)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>7,341,768</u>	<u>(393,479)</u>	-	<u>6,948,289</u>
Government Activity Capital Assets, Net	<u>\$ 7,341,768</u>	<u>\$ (393,479)</u>	<u>\$ -</u>	<u>\$ 6,948,289</u>

On January 11, 2001, the NJ State Department of Education announced that effective July 1, 2001, the capitalization threshold used by school districts in the State of New Jersey is increased to \$2,000. The previous threshold was \$500. Applying the higher capitalization threshold retroactively (removal of old assets from the General Fixed Assets Account Group) will be permitted by the State regulations in situations where (1) the assets have been fully depreciated, or (2) the assets have exceeded their useful lives. The retirement of machinery and equipment is due to the retroactive application of the higher threshold of equipment capitalization. That is, the District has removed from their records assets with a historical cost greater than \$500 but not greater than \$2,000 that were fully depreciated or had exceeded their useful lives.

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 267,566
Support - Students	35,413
General Administration	19,674
School Administration	11,804
Business Administration	7,870
Plant and Operations	<u>51,152</u>
Total	<u>\$ 393,479</u>

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

Changes in long-term obligations for the year ended June 30, 2017, are as follows:

	Balance <u>7/1/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/17</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$7,210,000		(\$635,000)	\$6,575,000	\$655,000
Other Liabilities:					
Retirement Obligations Payable	10,520		(1,520)	9,000	
Compensated Absences Payable	15,319	258		15,577	
Total	\$7,235,839	\$258	(\$636,520)	\$6,599,577	\$655,000

Compensated absences and capital leases have ben liquidated in the General Fund.

Interest paid on debt issued by the District is exempt from federal income taxes. Because of this, bond holders are willing to accept a lower interest rate than they would on taxable debt. The District temporarily reinvests the proceeds of such debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this as arbitrage.

Earnings in excess of the yield on the debt issue are rebated to the federal government based on requirements in the Internal Revenue Code. Arbitrage rebate payable represents amounts due to the Internal Revenue Service for interest earned on unspent bond proceeds that exceeds legally allowable returns.

Rebatable arbitrage liabilities related to District debt are not recorded in governmental funds. There is no recognition in the balance sheet or income statement until rebatable amounts are due and payable to the federal government. Thus, rebatable arbitrage liabilities related to governmental debt will be accrued as incurred at least annually (at fiscal year end) on the District-wide financial statements.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

For the year ended June 30, 2017, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			
	Issue Dates	Interest Rates	Date of Maturity	Balance 6/30/17
Bonds Payable	4/30/98	4.875%-5.25%	7/15/2026	\$ 6,575,000
Total Bonds				\$ 6,575,000

B. Debt Service Requirements:

Debt Service requirements on serial bonds payable at June 30, 2017, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 655,000	\$ 322,548	\$ 977,548
2019	650,000	290,333	940,333
2020	645,000	257,957	902,957
2021	640,000	225,192	865,192
2022	660,000	191,393	851,393
Thereafter	3,325,000	440,178	3,765,178
	\$ 6,575,000	\$ 1,727,601	\$ 8,302,601

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS

Description of Plans - All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pension and Benefits, PO Box 295, Trenton, New Jersey, 08625 or on the internet at <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, 100% of employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$19,824,089 as measured on June 30, 2016 and \$14,719,129 as measured on June 30, 2015.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,489,504 and revenue of \$1,489,504 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

Although the district does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the district. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$14,719,129	\$19,824,089
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.023288%	0.025200%

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

Inflation:	2.50%	
Salary Increases:		
Through 2021		Varies based on experience
Thereafter		Varies based on experience
Investment Rate of Return:	7.65%	

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

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

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (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 TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds - Equity Hedge	3.75%	4.72%
Hedge Funds - Distressed	3.75%	3.49%

Discount rate - 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 contribution rate in the most recent fiscal year. The State contributed 30% of the actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2029.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (Continued)

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2029 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate - Since the District has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey at <http://www.state.nj.us/treasury/pensions/annrprts.shtml>.

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Summary of Significant Accounting Policies - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

At June 30, 2017, the District reported a liability of \$1,786,758 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.00603% which was an increase of 0.00041% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$167,840. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (Continued)

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 33,228	-
Changes of assumptions	370,121	
Net difference between projected and actual earnings on pension plan investments	68,131	
Changes in proportion and differences between District contributions and proportionate share of contributions	66,446	\$ 61,930
District contributions subsequent to the measurement date	53,805	
Total	\$ 591,731	\$ 61,930

\$53,805 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) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	
2017	\$107,166
2018	107,166
2019	124,156
2020	104,309
2021	<u>33,199</u>
Total	<u>\$475,996</u>

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
District's portion of net pension liability	\$1,262,728	\$1,786,758
District's proportion %	0.00562513%	0.00603285%

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

Inflation:	3.08%
Salary Increases:	
Through 2026	1.65%-4.15% based on age
Therafter	2.65%-5.15% based on age
Investment Rate of Return:	7.65%

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (Continued)

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2013 Based on Projection Scale AA.

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.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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 Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US 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 I Absolute	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	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 contribution rate in the most recent fiscal year.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (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 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Municipality's proportionate share of the net pension liability to changes in the discount rate. The following presents the Municipality's proportionate share of the net pension liability measured as of June 30, 2016, calculated using the discount rate of 3.98%, as well as what the Municipality's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ 2,189,463	\$ 1,786,758	\$ 1,454,290

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>.

Defined Contribution Retirement Plan (DCRP) - The Defined Contribution Retirement Program (DCRP) was established as of July 1, 2007 under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 (N.J.S.A. 43:15C-1 et seq.). The DCRP is a cost-sharing multiple-employer defined contribution pension fund. The DCRP provides eligible members, and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting and benefit provisions are established by N. J.S.A. 43:15C-1 et. seq.

The contribution requirements of plan members are determined by state statute. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. The State Treasurer has the right under current law to make temporary reductions in member rates based on the existence of surplus plan assets in the retirement system; however statute also requires the return to the normal rate when such surplus pension assets no longer exist.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (Continued)

PERS and TPAF Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. 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.

Significant Legislation - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of ¼ of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

□ The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law. □ New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary. □ In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 8: PENSION PLANS (Continued)

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 (PERS) and N.J.S.A. 18:66 (TPAF) requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 6.5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The current TPAF rate is 6.5% and the PERS rate is 6.5% of covered payroll.

<u>Three-Year Trend Information for PERS</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2017	\$54,543	100%	-0-
6/30/2016	\$48,361	100%	-0-
6/30/2015	\$49,601	100%	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/2017	\$281,576	100%	-0-
6/30/2016	\$201,763	100%	-0-
6/30/2015	\$125,990	100%	-0-

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$515,765 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$159,514 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 9: POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 9: POST-RETIREMENT BENEFITS-(Continued)

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

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 does not provide any post-employment benefits other than pension.

NOTE 10: 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, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency. The plan administrators are as follows:

Syracusa - SBP Sun National
John Hancock Signature Services
Lincoln National Life

NOTE 11: COMPENSATED ABSENCES

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of retirement within the state pension plan, an employee is reimbursed for accumulated vacation and/or unused sick days. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial employment. The balance at June 30, 2017 is \$15,577.

In addition, full time teachers are granted retirement compensation according to their contract of \$200 per year of full time servicet if they retire with more than 25 years of service. The liability and the balance remaining at June 30, 2017, is \$9,000.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2017, no liability existed for compensated absences in the proprietary fund types.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 12: RISK MANAGEMENT

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

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

Joint Insurance Fund - The District participates in the School Alliance Insurance Fund (SAIF) comprised of state-wide boards of education. It was formed July 1, 1996 under the provisions of NJSA 18A:18B-1 et. seq. The group offers its member districts worker's compensation and employer's liability, automobile and equipment liability, general liability and property damage, school board legal liability, and boiler and machinery coverage.

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2017 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

ARBITRAGE REBATE

As part of a major school building program, bonded debt was issued in excess of limits that could require payment of arbitrage rebates as required under applicable provisions of the Internal Revenue Code. Arbitrage reporting and tracking is maintained by the District and estimated future value of such liability, if any, will be determined at completion of the capital project.

LITIGATION

The Board is not involved in claims and lawsuits incidental to its operations.

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$2,156,955 General Fund fund balance at June 30, 2017, \$1,355,799 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$579,980 of the total reserve for excess surplus is appropriated and included as anticipated revenue for the year ending June 30, 2018); \$250,000 is reserved in the Emergency Reserve Account; \$249,211 is reserved in the Capital Reserve Account; \$194,245 is reserved for encumbrances; \$14,712 is appropriated and included as anticipated revenue for the year ending June 30, 2018; and \$92,988 is unreserved and undesignated.

Debt Service Fund - The \$1 Debt Service fund balance at June 30, 2017 is anticipated to be included as anticipated revenue for subsequent fiscal years.

NOTE 15: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$775,819.

NOTE 16: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Pohatcong Township School District Board of Education by inclusion of \$1. on October 16, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23-2.13(g), the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning Balance, July 1, 2016	\$ 249,087
Interest Earnings	124
Ending Balance, June 30, 2017	<u>\$ 249,211</u>

POHATCONG TOWNSHIP
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

All interfunds have been liquidated and returned their respective funds as of June 30, 2017.

NOTE 18: TAX ABATEMENTS

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 5,260,363		\$ 5,260,363	\$ 5,260,363	
Transportation	45,000		45,000	-	\$ (45,000)
Interest on Capital Reserve	100		100	124	24
Miscellaneous	132,000		132,000	134,145	2,145
Total - Local Sources	5,437,463		5,437,463	5,394,632	(42,831)
State Sources:					
Equalization Aid	1,426,667		1,426,667	1,426,667	
Transportation Aid	40,863		40,863	40,863	
Special Education Aid	268,769		268,769	268,769	
Security Aid	34,353		34,353	34,353	
PARCC Readiness Aid	4,730		4,730	4,730	
Per Pupil Growth Aid	4,730		4,730	4,730	
Professional Learning Comm Aid	4,180		4,180	4,180	
Other State Aid				16,422	16,422
TPAF Pension (On-Behalf - Non-Budgeted)				281,062	281,062
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				234,189	234,189
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				514	514
TPAF Social Security (Reimbursed - Non-Budgeted)				159,514	159,514
Total State Sources	1,784,292		1,784,292	2,475,993	691,701
TOTAL REVENUES	7,221,755		7,221,755	7,870,625	648,870

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	156,635	113	156,748	156,748	
Grades 1-5 - Salaries of Teachers	817,461	29,887	847,348	830,633	16,715
Grades 6-8 - Salaries of Teachers	518,936	(30,000)	488,936	386,403	102,533
Regular Programs - Home Instruction:					
Salaries of Teachers	10,584		10,584	1,425	9,159
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	82,894	5,000	87,894	55,973	31,921
Purchased Professional-Educational Services	101,550		101,550	73,214	28,336
Other Purchased Services (400-500 series)	53,250	190	53,440	29,836	23,604
General Supplies	82,102	69,624	151,726	77,756	73,970
Textbooks	150,000	(55,000)	95,000	48,885	46,115
Other Objects	6,000		6,000	609	5,391
Employee Benefits	500,209	194	500,403	362,718	137,685
Tuition Reimbursement	10,000	2,306	12,306	12,306	
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,489,621	22,314	2,511,935	2,036,506	475,429
SPECIAL EDUCATION - INSTRUCTION					
Resource Room/Resource Center:					
Salaries of Teachers	332,330	55,270	387,600	387,600	
Other Salaries for Instruction	17,488	(5,208)	12,280	12,280	
General Supplies	2,500	(2,262)	238	238	
Textbooks	500	(500)			
Other Objects	500	(53)	447	447	
Employee Benefits	162,846		162,846	162,846	
Total Resource Room/Resource Center	516,164	47,247	563,411	563,411	
TOTAL SPECIAL EDUCATION - INSTRUCTION	516,164	47,247	563,411	563,411	

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	115,670	(45,000)	70,670	69,892	778
Other Salaries for Instruction	73,495	5,161	78,656	78,051	605
General Supplies	1,500	(575)	925	45	880
Employee Benefits	38,839		38,839	38,839	
Total Basic Skills/Remedial - Instruction	229,504	(40,414)	189,090	186,827	2,263
School Sponsored Co/Extra Curricular Activities-Instruction:					
Salaries	11,636	2,714	14,350	14,350	
General Supplies	800	(800)			
Total School Sponsored Co/Extra Curricular Activities-Instr.	12,436	1,914	14,350	14,350	
TOTAL INSTRUCTION	3,247,725	31,061	3,278,786	2,801,094	477,692
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State-Regular	1,363,629		1,363,629	1,363,629	
Tuition to Other LEAs Within the State-Special	308,168	(41,927)	266,241	159,037	107,204
Tuition to County Voc. School Dist. - Regular	127,450		127,450	127,450	
Tuition to CSSD & Regional Day Schools	57,068		57,068	50,098	6,970
Tuition to Private Schools for the Disabled-Within State	37,785	41,987	79,772	26,857	52,915
Total Instruction	1,894,100	60	1,894,160	1,727,071	167,089

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Health Services:					
Salaries	86,308	(1,010)	85,298	53,785	31,513
Employee Benefits	24,920		24,920	24,920	
Purchased Professional and Technical Services	4,400	(800)	3,600	3,500	100
Supplies and Materials	1,500	800	2,300	2,145	155
Other Objects	615	3,063	3,678	2,668	1,010
Total Health Services	117,743	2,053	119,796	87,018	32,778
Other Supp. Services Students-Related Services:					
Salaries	51,258	(49,863)	1,395		1,395
Purchased Professional - Educational Services	125,000	41,116	166,116	166,116	
Supplies and Materials	500		500		500
Total Other Supp. Services Students-Related Services	176,758	(8,747)	168,011	166,116	1,895
Other Supp. Services Students-Special:					
Salaries of Secretarial and Clerical Assistants	30,547	263	30,810	30,810	
Purchased Professional - Educational Services	191,000	(6,239)	184,761	171,848	12,913
Supplies and Materials	3,000	(1,500)	1,500	1,037	463
Other Objects	1,000	(553)	447		447
Total Other Supp. Services Students-Special	225,547	(8,029)	217,518	203,695	13,823

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Improvement of Instruction Services:					
Other Salaries	33,925	8,484	42,409	42,409	
Purchased Professional - Educational Services	2,000	(2,000)			
Supplies and Materials	1,000	(176)	824	824	
Total Improvement of Instruction Services	36,925	6,308	43,233	43,233	
Educational Media Services/School Library:					
Salaries	82,772	2,949	85,721	85,721	
Employee Benefits	24,920		24,920	24,920	
Purchased Professional and Technical Services	3,350		3,350	1,564	1,786
Supplies and Materials	4,000	(127)	3,873	38	3,835
Total Educational Media Services/School Library	115,042	2,822	117,864	112,243	5,621
Instructional Staff Training Services:					
Purchased Professional - Educational Services	1,000	4,300	5,300		5,300
Other Purchased Services (400-500 series)	16,000	(6,954)	9,046	853	8,193
Supplies and Materials	500	(500)			
Total Instructional Staff Training Services	17,500	(3,154)	14,346	853	13,493
Supp. Services - General Administration:					
Salaries	187,857	1,974	189,831	185,610	4,221
Employee Benefits	60,253		60,253	60,253	
Legal Services	20,000	1,412	21,412	7,162	14,250
Audit Fees	12,000		12,000	11,073	927
Other Purchased Professional Services	8,000		8,000	6,485	1,515
Communications/Telephone	18,750	(2,499)	16,251	9,822	6,429
BOE Other Purchased Services	5,000	(1,743)	3,257	1,107	2,150
Other Purchased Services (400-500)	18,807	(419)	18,388	17,927	461
General Supplies	2,700	611	3,311	1,695	1,616
BOE Membership Dues and Fees	8,000	2,238	10,238	10,238	
Total Supp. Services - General Administration	341,367	1,574	342,941	311,372	31,569

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	58,727		58,727	56,245	2,482
Salaries of Secretarial and Clerical Assistants	33,420	242	33,662	33,662	
Employee Benefits	35,333		35,333	35,333	
Other Purchased Services (400-500 series)	1,000		1,000	1,000	
Supplies and Materials	2,500	(242)	2,258	223	2,035
Other Objects	1,000		1,000	1,000	
Total Support Services - School Administration	131,980		131,980	127,463	4,517
Central Services:					
Salaries	16,386		16,386	16,386	
Employee Benefits	23,224		23,224	23,224	
Supplies and Materials	500		500	203	297
Other Objects	1,735		1,735	1,696	39
Total Central Services	41,845		41,845	41,509	336
Required Maintenance for School Facilities:					
Salaries	61,730	(3,297)	58,433	58,433	
Cleaning, Repair and Maintenance Services	78,050	35,689	113,739	68,048	45,691
General Supplies	8,750	2,735	11,485	3,210	8,275
Total Required Maintenance for School Facilities	148,530	35,127	183,657	129,691	53,966
Other Operations and Maintenance of Plant:					
Salaries	146,629	(10,874)	135,755	117,583	18,172
Employee Benefits	73,063		73,063	73,063	
Cleaning, Repair and Maintenance Services	35,000	4,405	39,405	30,274	9,131
Other Purchased Property Services	8,500		8,500	5,427	3,073
Insurance	40,000	(6,446)	33,554	30,898	2,656
Miscellaneous Purchased Services	2,000	4,644	6,644	6,644	
General Supplies	33,000	15,891	48,891	34,175	14,716
Energy (Natural Gas)	40,000		40,000	25,315	14,685
Energy (Electricity)	30,000		30,000	22,455	7,545
Gasoline	2,000		2,000	444	1,556
Other Objects	1,000		1,000	246	754
Total Other Operations and Maintenance of Plant	411,192	7,620	418,812	346,524	72,288

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Sal. For Pupil Transp. (Bet Home & Sch) - Reg.	12,867		12,867	12,766	101
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	8,840		8,840	5,304	3,536
Contracted Services (Between Home and School)-Vendors	310,000	15,939	325,939	238,658	87,281
Contracted Services (Other than Bet.Home & School)-Vendors	5,000	8,734	13,734	13,734	
Contracted Services (Between Home and School)-Joint Agrmts.	9,000	(1,465)	7,535		7,535
Contracted Services (Special Education Students)-Vendors	145,000	(20,939)	124,061	115,637	8,424
Contracted Services (Reg. Students)-ESCs & CTSA's	7,500	(2,269)	5,231	4,164	1,067
Total Student Transportation Services	498,207		498,207	390,263	107,944
UNALLOCATED BENEFITS					
Social Security Contributions	75,000		75,000	53,238	21,762
Other Retirement Contributions-Regular	60,000	(1,500)	58,500	54,543	3,957
Unemployment Compensation	12,500		12,500	11,580	920
Workmen's Compensation	27,991		27,991	25,636	2,355
Other Benefits	4,500	1,500	6,000	4,986	1,014
TOTAL UNALLOCATED BENEFITS	179,991		179,991	149,983	30,008

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
On-behalf TPAF pension Contrib. (non-budgeted)				281,062	(281,062)
On-behalf TPAF PRM Contrib. (non-budgeted)				234,189	(234,189)
On-behalf TPAF pension LTD Ins. (non-budgeted)				514	(514)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				159,514	(159,514)
TOTAL ON-BEHALF CONTRIBUTIONS				<u>675,279</u>	<u>(675,279)</u>
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	<u>179,991</u>		<u>179,991</u>	825,262	(645,271)
TOTAL UNDISTRIBUTED EXPENDITURES	<u>4,336,727</u>	<u>35,634</u>	<u>4,372,361</u>	<u>4,512,313</u>	<u>(139,952)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>7,584,452</u>	<u>66,695</u>	<u>7,651,147</u>	<u>7,313,407</u>	<u>337,740</u>
CAPITAL OUTLAY					
Facilities Acquisition and Construction:					
Assessment for Debt Service on SDA Funding	1,960		1,960	1,960	
Total Facilities Acquisition and Construction	<u>1,960</u>		<u>1,960</u>	<u>1,960</u>	
TOTAL CAPITAL OUTLAY	<u>1,960</u>		<u>1,960</u>	<u>1,960</u>	
TOTAL EXPENDITURES	<u>7,586,412</u>	<u>66,695</u>	<u>7,653,107</u>	<u>7,315,367</u>	<u>337,740</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(364,657)	(66,695)	(431,352)	555,258	986,610
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(364,657)	(66,695)	(431,352)	555,258	986,610
Fund Balance, July 1	1,775,131		1,775,131	1,775,131	
Fund Balance, June 30	\$ 1,410,474	\$ (66,695)	\$ 1,343,779	\$ 2,330,389	\$ 986,610
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 249,211	
Emergency Reserve				250,000	
Excess Surplus				775,819	
Excess Surplus - Designated for Subsequent Year's Expenditures				579,980	
Assigned to:					
Year-End Encumbrances				194,245	
Designated for Subsequent Year's Expenditures				14,712	
Unassigned:					
Unrestricted Fund Balance				<u>266,422</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				\$ 2,330,389	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>(173,434)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 2,156,955</u>	

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources	\$ 1,036	\$ 3,275	\$ 4,311	\$ 4,022	\$ (289)
Federal Sources	\$ 173,552	-	173,552	173,552	-
Total Revenues	174,588	3,275	177,863	177,574	(289)
EXPENDITURES:					
Instruction					
Other Salaries	43,316		43,316	43,316	
Tuition	87,651		87,651	87,651	
Supplies and Materials	30,364	3,275	33,639	33,350	289
Total Instruction	161,331	3,275	164,606	164,317	289
Support Services					
Purchased Prof. Educ. Serv.	13,257		13,257	13,257	
Total Support Services	13,257		13,257	13,257	
Total Expenditures	\$ 174,588	\$ 3,275	\$ 177,863	\$ 177,574	\$ 289
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE**

For the Fiscal Year Ended June 30, 2017

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,870,625	\$ 177,574
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	19,498
Current Year	N/A	(24,765)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	174,155	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(173,434)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,871,346</u>	<u>\$ 172,307</u>
 Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 7,315,367	\$ 177,574
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	19,498
Current Year	N/A	(24,765)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>N/A</u>	<u>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 7,315,367</u>	<u>\$ 172,307</u>

**Pohatcong Township School District
Required Supplementary Information - Part III
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ***

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<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>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 19,824,089</u>	<u>\$ 14,719,129</u>	<u>\$ 13,310,080</u>	<u>\$ 12,654,847</u>						
Total	<u>\$ 19,824,089</u>	<u>\$ 14,719,129</u>	<u>\$ 13,310,080</u>	<u>\$ 12,654,847</u>						
District's covered employee payroll	\$ 2,325,762	\$ 2,537,795	\$ 2,573,394	\$ 2,421,056						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the district (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the district.

Exhibit L-1

Public Employees' Retirement System (PERS)

	<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>
District's proportion of the net pension liability (asset)	0.006032853%	0.005625126%	0.005887294%	0.006172430%						
District's proportionate share of the net pension liability (asset)	<u>\$ 1,786,758</u>	<u>\$ 1,262,728</u>	<u>\$ 1,102,262</u>	<u>\$ 1,179,674</u>						
District's covered employee payroll	\$ 339,981	\$ 662,752	\$ 646,149	\$ 689,440						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	525.55%	190.53%	170.59%	171.11%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	40.14%	47.92%	52.08%	48.72%						

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

**Pohatcong Township School District
 Required Supplementary Information - Part III
 Schedule of District Contributions
 Last Ten Fiscal Years ***

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<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 **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 2,325,762	\$ 2,537,795	\$ 2,573,394	\$ 2,421,056						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

** Note: TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. The district (employer) does not contribute to the plan.

Public Employees' Retirement System (PERS)

	<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	\$ 53,805	\$ 48,361	\$ 49,601	\$ 46,508						
Contributions in relation to the contractually required contribution	<u>(53,805)</u>	<u>(48,361)</u>	<u>(49,601)</u>	<u>(46,508)</u>						
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered employee payroll	\$ 339,981	\$ 662,752	\$ 646,149	\$ 689,440						
Contributions as a percentage of covered-employee payroll	15.83%	7.30%	7.68%	6.75%						

* - Until a full ten year trend is compiled, information will be presented for those years for which information is available.

POHATCONG SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

OTHER SUPPLEMENTARY INFORMATION

<p style="text-align: center;">SPECIAL REVENUE FUND DETAIL STATEMENTS</p>
--

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2017

	Title I	Title II Part A	IDEA Basic	IDEA Preschool	REAP	Local	Totals
REVENUES							
Local Sources						\$ 4,022	\$ 4,022
Federal Sources	\$ 49,515	\$ 13,257	\$ 84,991	\$ 2,660	\$ 23,129		173,552
TOTAL REVENUES	49,515	13,257	84,991	2,660	23,129	4,022	177,574
EXPENDITURES:							
Instruction:							
Other Salaries	43,316						43,316
Tuition			84,991	2,660			87,651
Supplies and Materials	6,199				23,129	4,022	33,350
Total Instruction	49,515	-	84,991	2,660	23,129	4,022	164,317
Support Services:							
Purchased Prof. Educ. Serv.		13,257					13,257
Total Support Services	-	13,257	-	-	-	-	13,257
TOTAL EXPENDITURES	\$ 49,515	\$ 13,257	\$ 84,991	\$ 2,660	\$ 23,129	\$ 4,022	\$ 177,574
Total Outflows	\$ 49,515	\$ 13,257	\$ 84,991	\$ 2,660	\$ 23,129	\$ 4,022	\$ 177,574
Excess (Deficiency) of Revenues Over (Under) Expenditures							

**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.

N/A

<p style="text-align: center;">PROPRIETARY FUND DETAIL STATEMENTS</p>
--

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.

Food Services Fund - This fund provides for the operation of food services in all schools within the school district.

Shared Services Fund - This fund provides for the expense and related reimbursement of the shared School Business Administrator with Alpha Borough School District.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

<p style="text-align: center;">FIDUCIARY FUND DETAIL STATEMENTS</p>
--

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments and/or other funds.

Student Activity Fund - This agency fund is used to account for student funds held at the schools.

Payroll Fund - This agency fund is used to account for the payroll transactions of the school district.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
ASSETS:			
Cash and Cash Equivalents	<u>\$36,845</u>	<u>\$98,924</u>	<u>\$135,769</u>
TOTAL ASSETS	<u>\$36,845</u>	<u>\$98,924</u>	<u>\$135,769</u>
LIABILITIES:			
Liabilities:			
Payroll Deductions & Withholdings		\$98,924	\$98,924
Payable to Student Groups	<u>\$36,845</u>		<u>36,845</u>
Total Liabilities	<u>\$36,845</u>	<u>\$98,924</u>	<u>\$135,769</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$36,845</u>	<u>\$98,924</u>	<u>\$135,769</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2016</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2017</u>
Pohatcong Elementary School	\$ 36,667	\$ 34,238	\$ 34,060	\$ 36,845
TOTALS	\$ 36,667	\$ 34,238	\$ 34,060	\$ 36,845

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
PAYROLL AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>BALANCE</u> <u>July 1, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 97,257	\$ 3,421,344	\$ 3,419,677	\$ 98,924
Total Assets	<u>\$ 97,257</u>	<u>\$ 3,421,344</u>	<u>\$ 3,419,677</u>	<u>\$ 98,924</u>
LIABILITIES:				
Payroll Deductions & Withholdings		\$ 1,560,144	\$ 1,560,144	-
Accrued Salaries & Wages		1,765,335	1,765,335	-
Summer Pay Plan	\$ 87,000	93,036	94,198	\$ 85,838
Imprest Balance	10,257	2,829		13,086
Total Liabilities	<u>\$ 97,257</u>	<u>\$ 3,421,344</u>	<u>\$ 3,419,677</u>	<u>\$ 98,924</u>

LONG-TERM DEBT SCHEDULES

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS
AS OF ENDED JUNE 30, 2017**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2016</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2017</u>
			<u>DATE</u>	<u>AMOUNT</u>				
Construction of School	4/30/98	\$ 9,690,000	7/15/2017	\$ 655,000	4.875%	\$ 7,210,000	\$ 635,000	\$ 6,575,000
			7/15/2018	650,000	5.000%			
			7/15/2019	645,000	5.000%			
			7/15/2020	640,000	5.200%			
			7/15/2021	660,000	5.200%			
			7/15/2022	660,000	5.200%			
			7/15/2023	655,000	5.250%			
			7/15/2024	650,000	5.250%			
			7/15/2025	670,000	5.250%			
			7/15/2026	690,000	5.250%			
Total								<u>\$ 7,210,000</u> <u>\$ 635,000</u> <u>\$ 6,575,000</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 825,751		\$ 825,751	\$ 825,751	
	825,751	-	825,751	825,751	
State Sources:					
Debt Service Aid Type II	163,240		163,240	163,240	
Total - State Sources	163,240		163,240	163,240	
TOTAL REVENUES	\$ 988,991	-	\$ 988,991	\$ 988,991	
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 353,992		\$ 353,992	\$ 353,992	
Redemption of Principal	635,000		635,000	635,000	
Total Regular Debt Service	988,992		988,992	988,992	
TOTAL EXPENDITURES	\$ 988,992		\$ 988,992	\$ 988,992	
Fund Balance, July 1	\$ 2		\$ 2	\$ 2	
Fund Balance, June 30	\$ 1		\$ 1	\$ 1	
Recapitulation of Excess (Deficiency) of <u>Revenues Over (Under) Expenditures</u> Budgeted Fund Balance					

Pohatcong Township School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	88-93
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	94-97
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	98-101
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	102-103
Operating Information (J-16 thru J-20) 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.	104-108

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.

**Pohatcong Township School District
Net Position by Component,
Last Ten Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	<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>
Governmental activities										
Invested in capital assets, net of related debt	\$ (3,899,011)	\$ (3,654,936)	\$ (2,956,995)	\$ (2,594,840)	\$ (2,209,270)	\$ (1,846,659)	\$ (838,393)	\$ (139,423)	\$ 131,768	\$ 373,289
Restricted	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063	1,350,985	1,440,213	1,244,547	1,443,723	1,869,722
Unrestricted	(203,363)	(137,778)	391,502	274,442	227,923	1,173,510	533,545	(981,004)	(1,186,077)	(1,149,452)
Total governmental activities net position	<u>\$ (2,901,871)</u>	<u>\$ (2,162,811)</u>	<u>\$ (1,181,175)</u>	<u>\$ (542,621)</u>	<u>\$ 145,716</u>	<u>\$ 677,836</u>	<u>\$ 1,135,365</u>	<u>\$ 124,120</u>	<u>\$ 389,414</u>	<u>\$ 1,093,559</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 24,163	\$ 19,770	\$ 28,876	\$ 24,483	\$ 20,090	\$ 15,696	\$ 11,303	\$ 6,910	\$ 2,516	\$ -
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	25,562	30,149	27,062	30,467	31,339	33,333	33,744	36,767	25,314	\$ 21,111
Total business-type activities net position	<u>\$ 49,725</u>	<u>\$ 49,919</u>	<u>\$ 55,938</u>	<u>\$ 54,950</u>	<u>\$ 51,429</u>	<u>\$ 49,029</u>	<u>\$ 45,047</u>	<u>\$ 43,677</u>	<u>\$ 27,830</u>	<u>\$ 21,111</u>
District-wide										
Invested in capital assets, net of related debt	\$ (3,874,848)	\$ (3,635,166)	\$ (2,928,119)	\$ (2,570,357)	\$ (2,189,180)	\$ (1,830,963)	\$ (827,090)	\$ (132,513)	\$ 134,284	\$ 373,289
Restricted	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063	1,350,985	1,440,213	1,244,547	1,443,723	1,869,722
Unrestricted	(177,801)	(107,629)	418,564	304,909	259,262	1,206,843	567,289	(944,237)	(1,160,763)	(1,128,341)
Total district net position	<u>\$ (2,852,146)</u>	<u>\$ (2,112,892)</u>	<u>\$ (1,125,237)</u>	<u>\$ (487,671)</u>	<u>\$ 197,145</u>	<u>\$ 726,865</u>	<u>\$ 1,180,412</u>	<u>\$ 167,797</u>	<u>\$ 417,244</u>	<u>\$ 1,114,670</u>

Source: CAFR Schedule A-1

Pohatcong Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2008		2009		2010		2011		Fiscal Year Ending June 30,		2014		2015		2016		2017	
Expenses																		
Governmental activities																		
Instruction																		
Regular	\$ 2,628,409	\$ 2,414,801	\$ 2,677,124	\$ 2,493,506	\$ 2,573,524	\$ 2,620,573	\$ 2,778,779	\$ 3,167,825	\$ 3,109,857	\$ 3,529,414								
Special education	497,823	492,481	500,441	473,969	486,865	620,141	654,161	689,124	710,171	807,938								
Other special education	385,859	379,648	433,238	354,226	257,199	296,472	211,359	205,417	225,723	288,490								
Support Services:																		
Tuition	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375	1,709,734	1,708,489	2,179,468	2,368,961	1,727,071								
Student & instruction related services	574,591	612,602	651,159	701,315	684,140	756,050	717,447	804,688	886,892	949,991								
General administrative services	448,775	415,177	400,373	394,905	417,900	442,818	414,267	425,495	534,754	545,534								
School administrative services	198,800	187,239	192,890	181,576	162,038	174,168	186,344	199,555	177,410	199,711								
Plant operations and maintenance	669,612	660,038	635,426	631,347	632,184	658,986	806,735	773,411	658,773	756,251								
Pupil transportation	385,228	439,086	357,050	337,236	364,951	305,367	284,568	327,908	366,238	390,263								
Other Support Services																		
Interest on long-term debt	612,844	587,595	525,936	498,740	476,770	463,618	434,660	403,913	372,730	341,764								
Total governmental activities expenses	<u>7,665,714</u>	<u>7,443,756</u>	<u>7,497,276</u>	<u>7,236,382</u>	<u>7,599,946</u>	<u>8,047,927</u>	<u>8,196,809</u>	<u>9,176,804</u>	<u>9,411,509</u>	<u>9,536,427</u>								
Business-type activities:																		
Food service	85,064	83,812	82,219	93,260	100,941	94,513	102,893	99,236	108,926	113,177								
Total business-type activities expense	<u>85,064</u>	<u>83,812</u>	<u>82,219</u>	<u>93,260</u>	<u>100,941</u>	<u>94,513</u>	<u>102,893</u>	<u>99,236</u>	<u>108,926</u>	<u>113,177</u>								
Total district expenses	<u>\$ 7,750,778</u>	<u>\$ 7,527,568</u>	<u>\$ 7,579,495</u>	<u>\$ 7,329,642</u>	<u>\$ 7,700,887</u>	<u>\$ 8,142,440</u>	<u>\$ 8,299,702</u>	<u>\$ 9,276,040</u>	<u>\$ 9,520,435</u>	<u>\$ 9,649,604</u>								
Program Revenues																		
Governmental activities:																		
Charges for services:																		
Transportation	30,936	31,831	34,054	37,541	41,461	-	-	-	15,980	-								
Operating grants and contributions	2,728,848	2,500,469	2,315,773	2,290,166	2,412,372	2,624,302	2,572,350	3,226,835	3,431,481	4,012,851								
Capital grants and contributions			380,338	(199,478)	-	-	-	-	-	-								
Total governmental activities program revenues	<u>2,759,784</u>	<u>2,532,300</u>	<u>2,730,165</u>	<u>2,128,229</u>	<u>2,453,833</u>	<u>2,624,302</u>	<u>2,572,350</u>	<u>3,226,835</u>	<u>3,447,461</u>	<u>4,012,851</u>								
Business-type activities:																		
Charges for services																		
Food service	47,271	48,634	46,500	52,002	53,498	51,323	52,758	51,940	54,771	62,035								
Operating grants and contributions	30,937	34,973	41,627	40,223	43,900	40,775	42,922	44,304	38,294	44,394								
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-								
Total business-type activities program revenues	<u>78,208</u>	<u>83,607</u>	<u>88,127</u>	<u>92,225</u>	<u>97,398</u>	<u>92,098</u>	<u>95,680</u>	<u>96,244</u>	<u>93,065</u>	<u>106,429</u>								
Total district program revenues	<u>\$ 2,837,992</u>	<u>\$ 2,615,907</u>	<u>\$ 2,818,292</u>	<u>\$ 2,220,454</u>	<u>\$ 2,551,231</u>	<u>\$ 2,716,400</u>	<u>\$ 2,668,030</u>	<u>\$ 3,323,079</u>	<u>\$ 3,540,526</u>	<u>\$ 4,119,280</u>								
Net (Expense)/Revenue																		
Governmental activities	\$ (4,905,930)	\$ (4,911,456)	\$ (4,767,111)	\$ (5,108,153)	\$ (5,146,113)	\$ (5,423,625)	\$ (5,624,459)	\$ (5,949,969)	\$ (5,964,048)	\$ (5,523,576)								
Business-type activities	(6,856)	(205)	5,908	(1,035)	(3,543)	(2,415)	(7,213)	(2,992)	(15,861)	(6,748)								
Total district-wide net expense	<u>\$ (4,912,786)</u>	<u>\$ (4,911,661)</u>	<u>\$ (4,761,203)</u>	<u>\$ (5,109,188)</u>	<u>\$ (5,149,656)</u>	<u>\$ (5,426,040)</u>	<u>\$ (5,631,672)</u>	<u>\$ (5,952,961)</u>	<u>\$ (5,979,909)</u>	<u>\$ (5,530,324)</u>								

Continued

Pohatcong Township School District
Changes in Net Position, Last Ten Fiscal Years
(accrual basis of accounting)

Exhibit J-2

	2008		2009		2010		2011		Fiscal Year Ending June 30,		2012		2013		2014		2015		2016		2017		
General Revenues and Other Changes in Net Position																							
Governmental activities:																							
Property taxes levied for general purposes, net	\$ 4,700,242	\$ 4,764,372	\$ 4,859,947	\$ 4,859,287	\$ 4,956,473	\$ 5,055,602	\$ 5,156,714	\$ 5,156,714	\$ 5,208,281	\$ 5,260,363													
Taxes levied for debt service	687,338	633,394	656,561	873,733	854,009	862,756	881,917	877,582	855,874	825,751													
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	30,106	-													
Investment earnings	53,829	32,353	10,276	4,162	2,543	2,067	1,362	1,055	1,117	1,181													
Miscellaneous income	148,793	220,497	221,963	9,525	21,425	35,310	41,995	34,488	109,294	140,426													
Transfers	-	-	-	-	-	-	-	-	-	-													
Total governmental activities	<u>5,590,202</u>	<u>5,650,616</u>	<u>5,748,747</u>	<u>5,746,707</u>	<u>5,834,450</u>	<u>5,955,735</u>	<u>6,081,988</u>	<u>6,069,839</u>	<u>6,204,672</u>	<u>6,227,721</u>													
Business-type activities:																							
Investment earnings	444	399	111	47	22	15	3,231	1,622	14	29													
Total business-type activities	<u>444</u>	<u>399</u>	<u>111</u>	<u>47</u>	<u>22</u>	<u>15</u>	<u>3,231</u>	<u>1,622</u>	<u>14</u>	<u>29</u>													
Total district-wide	<u>\$ 5,590,646</u>	<u>\$ 5,651,015</u>	<u>\$ 5,748,858</u>	<u>\$ 5,746,754</u>	<u>\$ 5,834,472</u>	<u>\$ 5,955,750</u>	<u>\$ 6,085,219</u>	<u>\$ 6,071,461</u>	<u>\$ 6,204,686</u>	<u>\$ 6,227,750</u>													
Change in Net Position																							
Governmental activities	\$ 684,272	\$ 739,160	\$ 981,636	\$ 638,554	\$ 688,337	\$ 532,110	\$ 457,529	\$ 119,870	\$ 240,624	\$ 704,145													
Business-type activities	(6,412)	194	6,019	(988)	(3,521)	(2,400)	(3,982)	(1,370)	(15,847)	(6,719)													
Total district	<u>\$ 677,860</u>	<u>\$ 739,354</u>	<u>\$ 987,655</u>	<u>\$ 637,566</u>	<u>\$ 684,816</u>	<u>\$ 529,710</u>	<u>\$ 453,547</u>	<u>\$ 118,500</u>	<u>\$ 224,777</u>	<u>\$ 697,426</u>													

Source: CAFR Schedule A-2

**Pohatcong Township School District
Fund Balances, Governmental Funds,
Last Ten Fiscal Years**
(modified accrual basis of accounting)

Exhibit J-3

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,282,956	\$ 1,740,619	\$ 1,550,259	\$ 2,018,610	\$ 2,340,262	\$ 2,517,786	\$ 1,943,371	\$ 1,346,743	\$ 1,510,418	\$ 2,063,967
Unreserved	171,692	78,933	(38,054)	100,360	94,879	81,780	84,271	83,470	90,558	92,988
Total general fund	<u>\$ 1,454,648</u>	<u>\$ 1,819,552</u>	<u>\$ 1,512,205</u>	<u>\$ 2,118,970</u>	<u>\$ 2,435,141</u>	<u>\$ 2,599,566</u>	<u>\$ 2,027,642</u>	<u>\$ 1,430,213</u>	<u>\$ 1,600,976</u>	<u>\$ 2,156,955</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	\$ (406)	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	530,566	\$ 174,408	\$ 174,408	\$ 174,408	\$ 174,408	\$ 174,408	-	-
Debt service fund	-	-	28,156	28,156	1	2	3	3	\$ 2	\$ 1
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ (406)</u>	<u>\$ -</u>	<u>558,722</u>	<u>\$ 202,564</u>	<u>\$ 174,409</u>	<u>\$ 174,410</u>	<u>\$ 174,411</u>	<u>\$ 174,411</u>	<u>\$ 2</u>	<u>\$ 1</u>

Source: CAFR Schedule B-1

**Pohatcong Township School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<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>
Revenues										
Tax levy	\$ 5,387,580	\$ 5,397,766	\$ 5,516,508	\$ 5,733,020	\$ 5,810,482	\$ 5,918,358	\$ 6,038,631	\$ 6,034,296	\$ 6,064,155	\$ 6,086,114
Transportation Charges	30,936	31,831	34,054	37,541	41,461	-	-	13,445	15,980	-
Miscellaneous	202,622	252,850	232,239	13,687	23,968	37,377	43,357	22,098	110,411	141,607
State sources	2,555,253	2,325,533	2,193,259	1,885,582	2,182,994	2,452,276	2,409,105	2,459,249	2,602,353	2,639,954
Federal sources	173,595	174,836	502,852	205,106	229,378	172,026	163,245	177,369	161,751	164,969
Total revenue	8,349,986	8,182,816	8,478,912	7,874,936	8,288,283	8,580,037	8,654,338	8,706,457	8,954,650	9,032,644
Expenditures										
Instruction										
Regular Instruction	2,108,053	2,168,085	2,295,880	2,073,276	2,120,733	2,068,380	2,255,238	2,257,902	2,114,486	2,194,913
Special education instruction	430,561	449,051	458,526	426,184	438,322	540,937	583,646	552,086	543,539	563,411
Other special instruction	333,725	346,168	396,952	318,514	231,555	258,611	188,576	164,568	172,760	201,177
Other instruction							-	-	-	-
Support Services:										
Tuition	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375	1,709,734	1,708,489	2,179,468	2,368,961	1,727,071
Student & instruction related services	476,865	538,487	575,947	605,862	589,341	630,915	609,453	607,240	643,382	627,058
School Administrative services	165,243	164,030	169,843	149,521	137,020	142,398	149,225	139,078	123,979	127,463
General administrative services	372,513	362,937	350,760	341,343	355,555	364,033	352,579	328,406	381,737	352,881
Plant operations and maintenance	550,118	572,809	552,342	531,949	530,750	533,543	597,092	557,231	453,049	476,215
Pupil transportation	385,228	439,086	357,050	337,236	364,951	305,367	284,568	327,908	366,238	390,263
Unallocated employee benefits	717,913	430,573	459,874	485,216	477,438	661,318	601,477	646,842	763,135	825,262
Other Support Services										
Charter Schools	12,213	24,646	-	42,148	42,413	49,901	20,398	10,284	-	-
Capital outlay	10,995	32,320	452,650	102,625	111,257	117,164	819,260	481,804	1,960	1,960
Debt service:										
Principal	385,000	435,000	490,000	535,000	570,000	565,000	610,000	635,000	640,000	635,000
Interest and other charges	623,095	599,225	544,074	505,893	486,557	468,310	446,260	416,069	385,070	353,992
Total expenditures	7,835,295	7,817,506	8,227,537	7,624,329	8,000,267	8,415,611	9,226,261	9,303,886	8,958,296	8,476,666
Excess (Deficiency) of revenues over (under) expenditures	514,691	365,310	251,375	250,607	288,016	164,426	(571,923)	(597,429)	(3,646)	555,978
Other Financing Sources (uses)										
Capital Leases										
Proceeds of Refunding Bonds										
Payment to Refunded Bond Escrow										
Transfers in	-	-	570,508	134,560					204,514	-
Transfers out	-	-	(570,508)	(134,560)					(204,514)	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ 514,691	\$ 365,310	\$ 251,375	\$ 250,607	\$ 288,016	\$ 164,426	\$ (571,923)	\$ (597,429)	\$ (3,646)	\$ 555,978
Debt service as a percentage of noncapital expenditures	12.9%	13.3%	13.3%	13.8%	13.4%	12.5%	12.6%	11.9%	11.4%	11.7%

Source: CAFR Schedule B-2

POHATCONG TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>SREC</u> <u>Revenue</u>	<u>Tuition</u>	<u>Settlements</u>	<u>Classroom</u> <u>Rental</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 47,732				\$ 17,669	\$ 6,124	\$ 71,525
2009	21,168				17,952	2,545	41,665
2010	10,276				17,018	5,545	32,839
2011	4,161				8,198	884	13,243
2012	2,543				13,663	6,542	22,748
2013	2,067				10,930	24,380	37,377
2014	1,362				8,198	33,797	43,357
2015	1,055		\$ 13,445	\$ 15,000	5,465	578	35,543
2016	1,117	\$ 80,000	15,980		16,395	5,561	119,053
2017	1,181	120,000			10,930	2,158	134,269

SOURCE: District Records

**Pohatcong Township School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30.</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$6,702,800	\$203,357,900	\$27,282,400	\$2,566,920	\$91,385,400	\$5,636,800	\$399,300	\$366,515,167	\$28,535,500	\$648,147	\$337,979,667	\$1.593	\$460,802,224
2009	6,272,800	204,453,600	27,250,300	2,548,200	91,432,000	5,636,800	399,300	368,508,867	29,871,600	644,267	338,637,267	1.594	493,766,772
2010	4,514,700	205,278,700	28,111,200	2,533,800	99,136,600	5,452,300	399,300	376,103,380	29,937,300	739,480	346,166,080	1.650	472,460,083
2011	4,879,750	205,392,500	28,120,800	2,532,075	99,903,400	5,427,300	399,300	376,245,961	28,833,500	757,336	347,412,461	1.672	447,666,861
2012	4,432,600	205,114,700	28,232,200	2,530,225	100,816,000	5,427,300	399,300	376,450,589	28,857,500	640,764	347,593,089	1.719	415,658,275
2013	4,279,800	203,759,800	28,720,800	2,570,795	98,698,100	5,276,700	399,300	371,787,845	27,444,900	637,650	344,342,945	1.673	396,514,904
2014	4,876,820	220,378,690	26,285,900	2,522,250	100,336,700	5,355,300	448,700	388,178,959	27,243,600	730,999	360,935,359	1.731	379,426,238
2015	4,427,585	207,531,300	29,171,200	2,499,565	98,463,400	5,375,600	420,600	376,382,883	27,773,100	720,533	348,609,783	1.735	368,077,066
2016	4,568,085	207,285,720	29,489,150	2,441,835	99,383,400	5,375,600	420,600	377,315,083	27,705,600	645,093	349,609,483	1.729	368,557,450
2017	4,786,335	207,819,020	28,187,050	2,460,200	102,223,000	5,375,600	420,600	380,009,198	28,092,300	645,093	351,916,898	1.729	353,829,086

Source: District records Tax list summary & 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 ordered by the County Board of Taxation

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

b Tax rates are per \$100

**Pohatcong Township School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Pohatcong Township School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt		Township	Warren County	
		Service ^b	Total Direct			
2008	\$1.393	\$0.203	\$1.596	\$0.859	\$0.835	\$3.290
2009	\$1.406	\$0.187	\$1.593	\$0.970	\$0.887	\$3.450
2010	\$1.404	\$0.190	\$1.594	\$1.000	\$0.829	\$3.423
2011	\$1.399	\$0.251	\$1.650	\$1.056	\$0.790	\$3.496
2012	\$1.426	\$0.246	\$1.672	\$1.114	\$0.761	\$3.547
2013	\$1.468	\$0.251	\$1.719	\$1.115	\$0.778	\$3.612
2014	\$1.673	\$0.000	\$1.673	\$1.066	\$0.750	\$3.489
2015	\$1.479	\$0.252	\$1.731	\$1.123	\$0.814	\$3.668
2016	\$1.490	\$0.245	\$1.735	\$1.165	\$0.737	\$3.637
2017	\$1.494	\$0.235	\$1.729	\$1.208	\$0.760	\$3.697

Source: District Records and Municipal Tax Collector

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the prebudget year net budget increased by the cost of living or 2.5%, 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.

**Pohatcong Township School District
Principal Property Tax Payers
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Crown America	\$ 39,860,400	1	11.79%	\$ 32,447,000	1	14.53%
National Realty Dev. Co. (Pohatcong Plaza)	31,984,300	2	9.46%			2.57%
Pohatcong Associates	4,318,850	3	1.28%	4,084,700	3	1.83%
Baer Associates	3,255,800	4	0.96%	3,361,300	4	1.51%
Columbia Gas Transmission Corp.	2,262,100	5	0.67%	1,838,100	5	0.82%
R & F Phillipsburg, LLC	1,641,300	6	0.49%	1,138,500	6	0.51%
Peter Kassis	1,468,500	7	0.43%			
Durling Realty, LLC	1,266,200	8	0.37%	554,200	7	0.25%
Peter P. Dennis Inc.	847,200	9	0.25%	754,700	8	0.34%
Quagmeyer Two LLC	705,000	10	0.21%			
Rodman & Vince Ryan				590,440	9	0.26%
Alba Vino Vineyards				440,400	10	0.20%
Total	\$ 87,609,650		25.91%	\$ 45,209,340		22.82%

Source: District CAFR & Municipal Tax Assessor

**Pohatcong Township School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 5,387,580	\$ 5,387,580	100.00%	-
2009	\$ 5,397,766	\$ 5,397,766	100.00%	-
2010	\$ 5,516,508	\$ 5,516,508	100.00%	-
2011	\$ 5,733,020	\$ 5,733,020	100.00%	-
2012	\$ 5,810,482	\$ 5,810,482	100.00%	-
2013	\$ 5,918,358	\$ 5,918,358	100.00%	-
2014	\$ 6,038,631	\$ 6,038,631	100.00%	-
2015	\$ 6,034,296	\$ 6,034,296	100.00%	-
2016	\$ 6,064,155	\$ 6,064,155	100.00%	-
2017	\$ 6,086,114	\$ 6,086,114	100.00%	-

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

Note:

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 is the amount voted upon or certified prior to the end of the school year.

**Pohatcong Township School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 11,675,000	-0-	-0-	-0-	-0-	\$ 11,675,000	8.21%	\$3,503.90	
2009	\$ 11,240,000	-0-	-0-	-0-	-0-	\$ 11,240,000	7.84%	\$3,386.56	
2010	\$ 10,765,000	-0-	-0-	-0-	-0-	\$ 10,765,000	7.19%	\$3,229.82	
2011	\$ 10,230,000	-0-	-0-	-0-	-0-	\$ 10,230,000	6.70%	\$3,091.57	
2012	\$ 9,660,000	-0-	-0-	-0-	-0-	\$ 9,660,000	6.33%	\$2,943.33	
2013	\$ 9,095,000	-0-	-0-	-0-	-0-	\$ 9,095,000	5.75%	\$2,795.02	
2014	\$ 8,485,000	-0-	-0-	-0-	-0-	\$ 8,485,000	5.37%	\$2,610.77	
2015	\$ 7,850,000	-0-	-0-	-0-	-0-	\$ 7,850,000	4.98%	\$2,421.34	
2016	\$ 7,210,000	-0-	-0-	-0-	-0-	\$ 7,210,000	4.57%	\$2,223.94	
2017	\$ 6,575,000	-0-	-0-	-0-	-0-	\$ 6,575,000	4.00%	\$2,034.34	

Source: District CAFR Schedules I-1, I-2

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

- a** See Exhibit NJ 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

**Pohatcong Township School District
 Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 11,675,000	-0-	\$ 11,675,000	3.45%	\$ 3,504
2009	\$ 11,240,000	-0-	\$ 11,240,000	3.32%	\$ 3,387
2010	\$ 10,765,000	-0-	\$ 10,765,000	3.11%	\$ 3,230
2011	\$ 10,230,000	-0-	\$ 10,230,000	2.94%	\$ 3,092
2012	\$ 9,660,000	-0-	\$ 9,660,000	2.78%	\$ 2,943
2013	\$ 9,095,000	-0-	\$ 9,095,000	2.64%	\$ 2,795
2014	\$ 8,485,000	-0-	\$ 8,485,000	2.35%	\$ 2,611
2015	\$ 7,850,000	-0-	\$ 7,850,000	2.25%	\$ 2,421
2016	\$ 7,210,000	-0-	\$ 7,210,000	2.06%	\$ 2,224
2017	\$ 6,575,000	-0-	\$ 6,575,000	1.87%	\$ 2,034

Note: 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 NJ J-14.

* Current data unavailable

**Pohatcong Township School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2017**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Pohatcong Township	\$ 3,778,189	100.000%	\$ 3,778,189
Other debt Warren County	3,435,000	3.312%	<u>113,756</u>
Subtotal, overlapping debt			3,891,945
Pohatcong Township School District Direct Debt			<u>6,575,000</u>
Total direct and overlapping debt			<u><u>\$ 10,466,945</u></u>

Sources: Constituent Townships Finance Officers, Warren County Finance Office and Utility Authorities

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 district. 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.

**Pohatcong Township School District
Legal Debt Margin Information,
Last Ten Fiscal Years**

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2014 \$ 365,199,717
	2015 349,278,741
	2016 353,676,807
	[A] <u>\$ 1,068,155,265</u>
Average equalized valuation of taxable property	[A/3] \$ 356,051,755
Debt limit (3 % of average equalization value)	[B] 10,681,553
Net bonded school debt	[C] <u>6,575,000</u>
Legal debt margin	[B-C] <u>\$ 4,106,553</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$13,565,363	\$14,091,536	\$13,923,109	\$13,150,663	\$12,535,185	\$11,880,364	\$11,540,452	\$11,215,007	\$10,931,228	\$10,681,553
Total net debt applicable to limit	<u>11,675,000</u>	<u>11,240,000</u>	<u>10,765,000</u>	<u>10,230,000</u>	<u>9,660,000</u>	<u>9,095,000</u>	<u>8,485,000</u>	<u>7,850,000</u>	<u>7,210,000</u>	<u>6,575,000</u>
Legal debt margin	<u>\$1,890,363</u>	<u>\$2,851,536</u>	<u>\$3,158,109</u>	<u>\$2,920,663</u>	<u>\$2,875,185</u>	<u>\$2,785,364</u>	<u>\$3,055,452</u>	<u>\$3,365,007</u>	<u>\$3,721,228</u>	<u>\$4,106,553</u>
Total net debt applicable to the limit as a percentage of debt limit	86.06%	79.76%	77.32%	77.79%	77.06%	76.55%	73.52%	70.00%	65.96%	61.55%

Source: Abstract of Ratables and District Records CAFR Schedule J-7

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

**Pohatcong Township School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

Year	Population ^a	Personal Income (thousands of dollars) ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2008	3,341	\$146,526,237	\$43,857 R	3.4%
2009	3,332	\$142,253,076	\$42,693 R	4.6%
2010	3,319	\$143,337,653	\$43,187 R	8.2%
2011	3,333	\$149,708,361	\$44,917 R	8.4%
2012	3,309	\$152,783,148	\$46,172 R	7.8%
2013	3,282	\$152,596,590	\$46,495 R	8.1%
2014	3,254	\$158,290,830	\$48,645 R	5.4%
2015	3,250	\$158,096,250	\$50,902 R	4.4%
2016	3,242	\$157,707,090	\$50,902 *	4.1%
2017	3,232	\$164,515,264	\$50,902 *	*

Source:

^a Combined Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by NJ Dept of Labor

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

P =Projected

* Current figure unavailable

**Pohatcong Township School District
Principal Employers,
Current Year and Nine Years Ago**

Exhibit J-15

<u>Employer</u>	<u>2017</u>			<u>2008</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
		N/A			N/A	
	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

Source:
Information not available at municipal or county level

**Pohatcong Township School District
Full-time Equivalent District Employees by Function/Program,
Last Ten Fiscal Years**

Exhibit J-16

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	21	21	22.6	23.5	24.2	24.2	24.2	22.2	23.2	23.0
Special education	7	8	7.6	6.0	6.0	6.0	6.0	6.0	7.0	5.0
Support Services:										
Student & instruction related services	13	13	13.0	13.0	12.4	12.4	12.1	11.9	8.6	5.5
General administrative services	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administrative services	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central services	1	1	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	3	3	3.0	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Total	49	50	51	51	51.1	51.1	50.8	48.6	47.3	42.0

Source: District Personnel Records

Pohatcong Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2008	370	\$6,816,205	\$18,422	3.91%	49.00	7.6:1		365.0	365.0	-2.41%	100.00%
2009	361	6,750,961	18,701	1.51%	50.00	7.2:1		360.0	344.0	-1.37%	95.56%
2010	349	6,740,813	19,315	3.28%	51.20	6.8:1		350.0	331.0	-2.78%	94.57%
2011	347	6,480,811	18,677	-3.30%	51.00	6.8:1		344.4	329.6	-1.60%	95.70%
2012	352	6,832,453	19,410	3.93%	51.00	6.9:1		351.3	335.9	2.00%	95.62%
2013	353	7,265,137	20,581	6.03%	51.10	6.9:1		348.8	331.4	-0.71%	95.01%
2014	341	7,350,741	21,556	4.74%	51.00	6.7:1		339.0	324.0	-2.81%	95.58%
2015	321	7,771,013	24,209	12.30%	50.00	6.4:1		319.0	305.0	-5.90%	95.61%
2016	305	7,931,266	26,004	7.42%	47.30	6.4:1		302.1	288.2	-5.30%	95.40%
2017	297	7,485,714	25,204	-3.08%	42.00	7.1:1		295.5	279.9	-2.20%	94.74%

Sources: District records, ASSA and Schedules J-4.

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**Pohatcong Township School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>
<u>District Building</u>										
<u>Elementary</u>										
Pohatcong Elementary (1999)										
Square Feet	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074
Capacity (students)	731	731	731	731	731	731	731	731	731	731
Enrollment	370	361	349	347	352	353	341	321	305	297

Number of Schools at June 30, 2017 **Source:** District Facilities Office
 Elementary = 1

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

Pohatcong Township School District

**GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
Last Ten Fiscal Years Ending June 30, 2017**

Exhibit J-19

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

<u>School Facilities</u>	<u>Project #</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Pohatcong Township School	040	\$ 107,493	\$ 109,866	\$ 144,297	\$ 142,474	\$ 169,834	\$ 173,089	\$ 169,434	\$ 172,734	\$ 133,888	\$ 129,691	\$ 1,452,800
Grand Total		\$ 107,493	\$ 109,866	\$ 144,297	\$ 142,474	\$ 169,834	\$ 173,089	\$ 169,434	\$ 172,734	\$ 133,888	\$ 129,691	\$ 1,452,800

POHATCONG TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
June 30, 2017
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - NJSIG		
Property-Blanket Building and Contents (fund limit)	\$ 450,000,000	\$ 5,000
Accounts Receivable	250,000	1,000
Builder's Risk	5,000,000	1,000
Fine Arts	1,000,000	1,000
LIABILITY - NJSBAIG		
Comprehensive General Liability	11,000,000	None
Automobile Liability	11,000,000	None
Employee Benefit Liability	11,000,000	None
SCHOOL BOARD LEGAL LIABILITY - NJSBAIG		
Limit of Liability	11,000,000	5,000
CRIME - SAIF		
Blanket Employee Dishonesty	400,000	None
Forgery	50,000	None
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-Selective Insurance Company		
Treasurer	175,000	
ENVIRONMENTAL SERVICE - NJSIG		
Pollution Liability	1,000,000	None

SOURCE: District Records

Single Audit Section



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Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA

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

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Pohatcong Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Pohatcong Township School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

-Continued-

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and for New Jersey Department of Education use, 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* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ardito & Co., LLP

ARDITO & CO., LLP
August 31, 2017

Cynthia Corder

Licensed Public School Accountant No.2369



ARDITO & Co., LLP

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Anthony Ardito, CPA, RMA, CMFO, PSA
 Douglas R. Williams, CPA, RMA, PSA

Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB Circular 15-08

Independent Auditor's Report

Honorable President and
 Members of the Board of Education
 Pohatcong Township School District
 County of Warren
 Phillipsburg, New Jersey 08865

Report on Compliance for Each Major State Program

We have audited the Pohatcong Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 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. The Pohatcong Township School District Board of Education'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 the requirements of 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey 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.

-Continued-

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 Pohatcong Township School District Board of Education 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 year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Pohatcong Township School District Board of Education 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 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 Pohatcong Township School District Board of Education'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 New Jersey OMB Circular 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2017

Cummary Corder

Licensed Public School Accountant No.2369

Pohatcong Township School District

K-4

Schedule of Expenditures of State Financial Assistance
for the Fiscal Year Ended June 30, 2017

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2016	WALKOVER/ CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAY. OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2017			MEMO			
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
STATE DEPARTMENT OF EDUCATION																
General Fund:																
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 1,426,667			\$ 1,426,667	\$ (1,426,667)							* \$ 138,673	\$ 1,426,667	
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	40,863			40,863	(40,863)							* 3,972	40,863	
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	268,769			268,769	(268,769)							* 26,124	268,769	
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	34,353			34,353	(34,353)							* 3,339	34,353	
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	4,730			4,730	(4,730)							* 460	4,730	
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	4,730			4,730	(4,730)							* 460	4,730	
Professional Learning Comm Aid	17-495-034-5120-101	7/1/16-6/30/17	4,180			4,180	(4,180)							* 406	4,180	
Extra-ordinary Aid	16-495-034-5120-044	7/1/15-6/30/16	14,539	\$ (14,539)		14,539								*		
Extra-ordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	15,578				(15,578)			\$ (15,578)				*	15,578	
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16	174	(174)		174								*		
Non-Public Transportation Aid	17-100-034-5120-068	7/1/16-6/30/17	844				(844)			(844)				*	844	
On Behalf TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	281,062			281,062	(281,062)							*	281,062	
On Behalf TPAF Pension PMR	17-495-034-5094-001	7/1/16-6/30/17	234,189			234,189	(234,189)							*	234,189	
On Behalf TPAF Pension LTD Ins	17-495-034-5094-004	7/1/16-6/30/17	514			514	(514)							*	514	
Reimbursed TPAF Soc. Secur. Contrib.	17-495-034-5094-003	7/1/16-6/30/17	159,514	(8,177)		159,305	(159,514)			(8,386)				*	159,514	
Total General Fund				(22,890)		2,474,075	(2,475,993)			(24,808)				*	173,434	2,475,993
Debt Service Fund:																
Debt Service Aid Type 2	17-100-034-5120-125	7/1/16-6/30/17	163,240			163,240	(163,240)							*	163,240	
Enterprise Fund:																
Nat. School Lunch Prog. (State Share)	16-100-010-3350-023	7/1/15-6/30/16		(49)		49								*		
Nat. School Lunch Prog. (State Share)	17-100-010-3350-023	7/1/16-6/30/17	1,065			1,007	(1,065)			(58)				*	1,065	
Total Enterprise Fund				(49)		1,056	(1,065)			(58)				*	1,065	
TOTAL STATE FINANCIAL ASSISTANCE				\$ (22,939)		\$ 2,638,371	\$ (2,640,298)			\$ (24,866)				*	\$ 173,434	\$ 2,640,298
						Less: On-behalf TPAF Pension Amounts										
														Total State Expenditures Subject to Major Program Determination		
														\$ (2,124,533)		

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 1. GENERAL

The accompanying schedule of expenditures of state financial assistance includes federal and state award activity of the Board of Education, Pohatcong Township School District. The Board of Education is defined in Note 1 to the Board's basic financial statements. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditure of state financial assistance.

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on 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. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferral 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 special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$721 for the general fund and (\$5,267) for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE
 JUNE 30, 2017

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 2,476,714	\$ 2,476,714
Special Revenue Fund	\$ 164,969	-	164,969
Debt Service Fund		163,240	163,240
Food Service Fund	<u>43,329</u>	<u>1,065</u>	<u>44,394</u>
Total Financial Assistance	<u>\$ 208,298</u>	<u>\$ 2,641,019</u>	<u>\$ 2,849,317</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1) Material weakness(es) identified? ___ Yes __x__ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes __x__ None

Reported

Noncompliance material to financial statements noted? ___ Yes __x__ No

Federal Awards

N/A

Internal control over major programs:

1) Material weakness(es) identified? ___ Yes ___ No

2) Were significant deficiencies identified that were not considered to be material weaknesses? ___ Yes ___ None

Type of auditor's report issued on compliance for major programs: N/A

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of ? ___ Yes ___ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>FEIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
N/A		

Dollar threshold used to distinguish between Type A and Type B programs: N/A

Auditee qualified as low-risk auditee? ___ yes ___ no

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Financial Assistance Section

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? x yes no

Internal Control over major programs:

1) Material weakness(es) identified? yes x no

2) Were significant deficiencies identified that were not considered to be material weaknesses? yes x none

Type of auditor's report on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular letter 15-08 as applicable? yes x no

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

17-495-034-5120-078

Equilization Aid

17-495-034-5120-089

Special Education Aid

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section II-Financial Statement Findings

N/A

There were no matters of noncompliance or reportable conditions noted, that are required to be reported in accordance with *Government Auditing Standards*.

Section III - State Financial Assistance Findings and Questioned Costs

N/A

This section identifies audit findings required to be reported by NJOMB Circular Letter 15-08, as applicable. There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 15-08.

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

N/A

In accordance with *government auditing standards* , our procedures included a review of all prior year recommendations. There were no prior year findings.