

**READINGTON TOWNSHIP
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017

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

**READINGTON TOWNSHIP
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

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www.readington.k12.nj.us

William DeFabiis, Ed.D., *Interim Superintendent*

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Jason M. Bohm, CPA, *Business Administrator/Board Secretary*

jbohm@readington.k12.nj.us

P.O. Box 807 • 52 Readington Road • Whitehouse Station, NJ 08889 • (908)-534-2195 • (908) 349-3042 fax

November 28, 2017

Honorable President and
Members of the Board of Education
Readington Township Public Schools
P.O. Box 807
Whitehouse Station, New Jersey 08889

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements, management's discussion and analysis 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." 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, is included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

Readington Township Public School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board. All funds and account groups of the District are included in this report. The Readington 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 pre-K through 8. These include regular, as well as special education (pre-school through 8th grade) handicapped youngsters. The District completed the 2016-2017 fiscal year with an in-district enrollment of 1620 students, which is 4.4% students below the previous year's enrollment. The following chart details the changes in the student

enrollment of the District for the past ten fiscal years. These figures do not include those students sent out of district for special education placements.

Fiscal Year	Enrollment in District	% Change
2007-2008	2191	-2.2%
2008-2009	2164	-1.2%
2009-2010	2105	-2.7%
2010-2011	2040	-3.1%
2011-2012	1963	-3.8%
2012-2013	1867	-4.9%
2013-2014	1778	-4.8%
2014-2015	1752	-1.5%
2015-2016	1695	-3.2%
2016-2017	1620	-4.4%

2. ECONOMIC CONDITION AND OUTLOOK:

The District has seen decreasing enrollments in prior years which may have been accelerated with the decline in the housing market and overall state of the economy. The district is still experiencing declining enrollments as confirmed by the latest demographic projections completed in 2015.

The District's enrollment projections were developed by an independent demographer. All schools currently have sufficient capacity to house the District's students.

3. MAJOR INITIATIVES:

The attainment of proficiency in state standards continues to be a primary focus of the District. Student achievement is consistently rated above state and county average performance, with achievement in Algebra II and English/Language Arts being especially strong. Several of the surrounding districts have visited Readington Township Schools to observe literacy instruction, Data Walls, and discuss best practices with teachers.

With the 3rd testing year of PARCC completed, the district is in the unique position of having had very successful testing cycles. Technology availability and bandwidth has been exemplary. Student achievement results have been strong and compare favorably with peer districts.

Strategic Planning Goals established in the Fall of 2016 guide the district's leadership in setting annual ambitious objectives for student achievement, fiscal responsibility, and teacher leadership. District initiatives for 2016-17 have included:

- Expand academic and extra-curricular opportunities for students and provide staff with the professional training to support this work.
- Promote a healthy and caring school environment for students and staff members.
- Build a strong community in and among our schools and township.
- Enrich character education and service learning opportunities for our students.

In addition to furthering the already-rich instructional environment in Readington's classrooms, funding has been set aside for facility improvements. Student restrooms at the two primary elementary schools will be renovated this summer and a future redesign of the Readington Middle School Media Center entrance is planned.

4. INTERNAL ACCOUNTING CONTROLS:

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

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

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

5. BUDGETARY CONTROLS:

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

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

6. ACCOUNTING SYSTEM AND REPORTS:

The District's accounting records reflect generally accepted principles, as promulgated by the Governmental Accounting Standards Board (G.A.S.B.). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1.

7. FINANCIAL INFORMATION AT FISCAL YEAR-END:

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

8. DEBT ADMINISTRATION:

In October of 1996, the District passed a \$12,000,000 bond referendum for construction of a new intermediate school, Holland Brook School. The project was eligible for state funding through a grant from the SCC/SDA. Additionally, the referendum included Americans with Disabilities Act (A.D.A.) improvements. The total cost of the referendum was \$12,800,000, with the additional \$800,000 funded on the interest earnings received on the investment of the \$12,000,000. The bonds were partially refinanced in 2004. As of June 30, 2017, \$6,320,000 remained in principal to be paid, with the final payment to be made on January 1, 2027.

In 2002, the District passed a \$27,790,000 bond referendum for renovations and construction at Readington Middle School, Holland Brook School, Three Bridges School, and Whitehouse School. This project also qualified for state funding through an SCC/SDA grant. There was a partial refunding of the 2002 Bond Series in December of 2006 of \$10,000,000, and another partial refunding of \$5,415,000 in November, 2010, with an additional partial refunding in 2017 of the December 2006 Bond Series originally in aggregate of \$10,000,000. As of June 30, 2017, \$10,585,000 remained in principal to be paid, with the final payment to be made on July 15, 2026.

In 2016 the district passed a \$1,780,000 bond referendum approving the use of Capital Reserve to fund notes for paving at Holland Brook and Readington Middle school and step replacements at the Three Bridges and Readington Middle schools. As of June 30, 2017, \$990,000 remained in principal on the first series to be paid on July 15, 2017. The remaining principal on the second series is \$790,000, to be paid on July 15, 2017.

9. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 1. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

The District utilizes Investors Bank as its main depository for district funds. The Business Administrator utilizes the investment vehicles available through Investors Bank. This program meets the G.U.D.P.A. requirements. Most of the district's funds are invested in interest bearing accounts, allowing the district to maximize interest and maintain the liquidity needed to meet its obligations.

10. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability and comprehensive collision, hazard and theft insurance on property and contents and fidelity bonds through its membership in the School Alliance Insurance Fund.

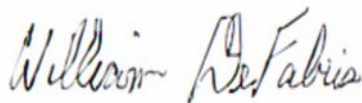
11. OTHER INFORMATION:

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki & Company, CPA's, PC were selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular Letter 15-08. The auditor's report on the general purpose financial statements combining individual fund statements and schedules is included in the financial section of the report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

12. ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Readington 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 dedicated services of our financial and accounting staff.

Respectfully submitted,

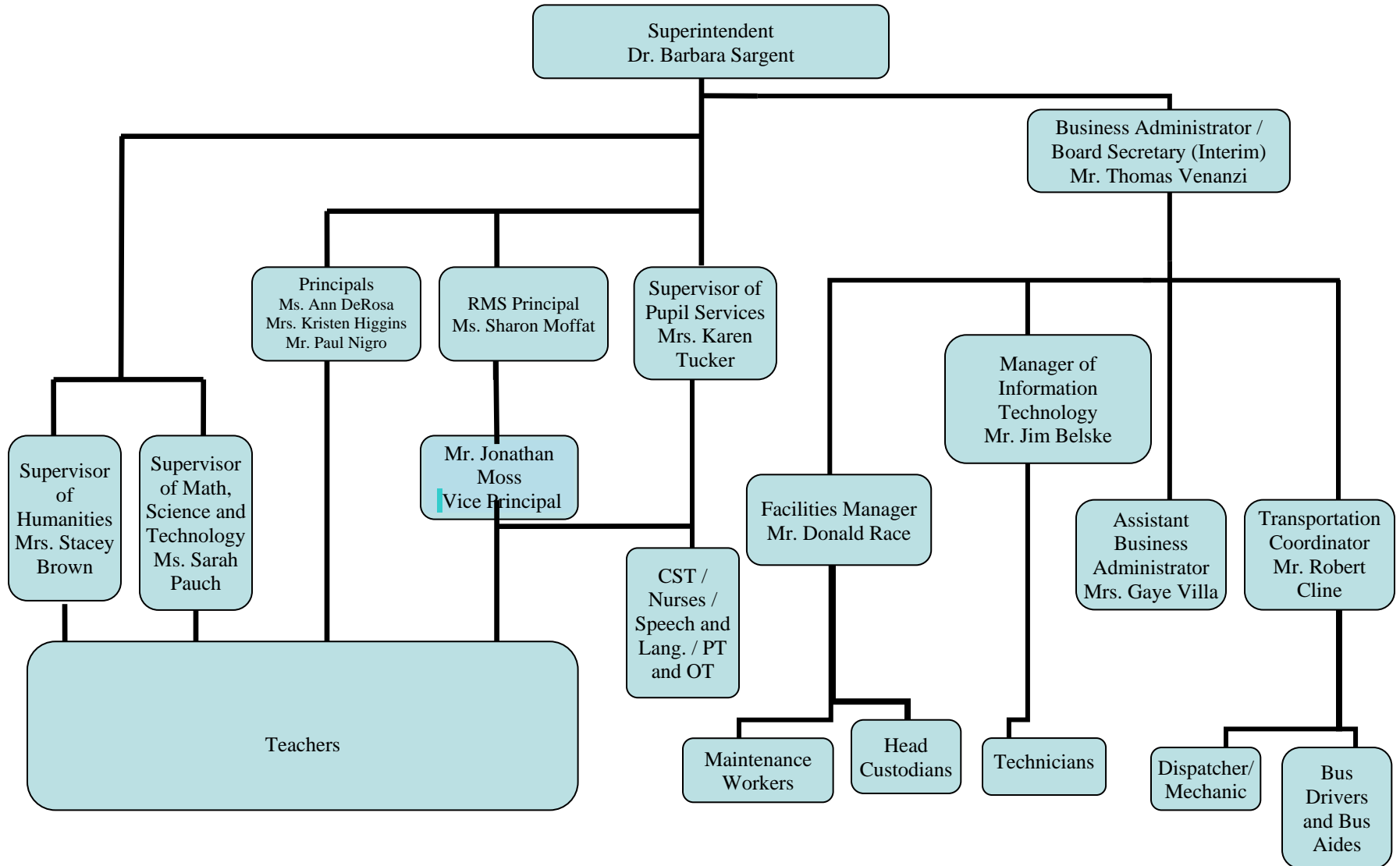


William DeFabiis, Ed.D.
Interim Superintendent



Jason M. Bohm, CPA
School Business Administrator/Board Secretary

Readington Township Public Schools
Organizational Chart 2016 - 2017



**READINGTON TOWNSHIP BOARD OF EDUCATION
READINGTON TOWNSHIP, NEW JERSEY**

**Roster of Officials
June 30, 2017**

MEMBERS OF THE BOARD OF EDUCATION

		TERM EXPIRES
Laura Simon	President	2020
Anna Shinn	Vice President	2019
Christopher Allen		2018
Wayne Doran		2018
Ray Egbert		2018
Melissa Szanto		2019
Eric Zwerling		2019
Cheryl Filler		2020
Thomas Wallace		2020

OTHER OFFICIALS

Dr. Barbara Sargent	Superintendent of Schools
Thomas Venanzi	Board Secretary/Business Administrator (Interim)

READINGTON TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors

AUDIT FIRM

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

SOLICITOR

Fogarty & Hara
16-00 Route 208 South
Fair Lawn, New Jersey 07410

OFFICIAL DEPOSITORY

Investors Bank
3563 US Highway 22 North
Whitehouse Station, NJ 08899

ARCHITECT

SSP Architectural Group
148 West End Avenue
Somerville, NJ 08876



Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Readington Township School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Readington Township School District, (the District) in the County of Hunterdon, the State of New Jersey, 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 do to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of the District's proportionate share of net pension liability, and schedule of the District's pension contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and schedule of state awards required by New Jersey Department of the Treasury OMB 15-08 is also not a required part of the basic financial statements.


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

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

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

Other Reporting Required by Government Auditing Standards

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

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

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

November 28, 2017
Flemington, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The Readington Township School District's (the "District") management's discussion and analysis is designed to provide an overview of the District's financial activities for the year ended June 30, 2017, identify changes in the District's financial position, identify any material deviations from the financial plan (the approved budget), and identify individual fund issues or concerns.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- In total, net position increased \$368,380 which represents a 1.84 percent increase from fiscal year 2016.
- General revenues accounted for \$42,905,739, in revenue or 96.84 percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,400,598 or 3.16 percent to total revenues of \$44,306,337.
- Total assets of governmental activities increased by \$453,967 as cash and cash equivalents decreased by \$143,259, receivables decreased by \$139,652 and capital assets increased by \$736,878.
- The School District had \$43,946,058 in expenses; only \$1,400,598 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues (primarily property taxes) of \$42,905,739 were adequate to provide for these programs.
- Among major funds, the General fund had \$32,568,320 in revenues and \$32,092,375 in expenditures. After accounting for other financing sources of \$493,772, the General fund's balance increased \$969,717 from fiscal year 2016. This increase was anticipated by the District and was the result of effective cost-cutting measures implemented by the District and revenues received in excess of anticipated amounts.

Using this Generally Accepted Accounting Principles 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 Readington 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.

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

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 Readington Township School District, the General fund is by far the most significant fund.

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 fiscal year 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. No financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

The School District's activities are reported in Governmental funds, which focus on how much 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.

READINGTON TOWNSHIP SCHOOL DISTRICT
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2017
Unaudited

The School District as a Whole

Table 1 provides a summary of the District's net position at June 30, 2017 with comparison to June 30, 2016.

Table 1
Net Position

	6/30/17	6/30/16	Variance	
			Dollars	%
Current & Other Assets	\$ 8,886,062	\$ 9,111,938	\$ (225,876)	(2.48)
Capital Assets	42,005,825	41,269,686	736,139	1.78
Total Assets	<u>50,891,887</u>	<u>50,381,624</u>	<u>510,263</u>	1.01
Deferred Pension Activity	4,383,469	2,348,851	2,034,618	86.62
Deferred Amount on	184,284	20,620	163,664	793.71
Total Deferred Outflow of Resources	<u>4,567,753</u>	<u>2,369,471</u>	<u>2,198,282</u>	92.78
Long-Term Liabilities	34,289,993	32,021,654	2,268,339	7.08
Other Liabilities	399,631	537,118	(137,487)	(25.60)
Total Liabilities	<u>34,689,624</u>	<u>32,558,772</u>	<u>2,130,852</u>	6.54
Deferred Pension Activity	382,613	173,300	209,313	120.78
Total Deferred Inflow of Resources	<u>382,613</u>	<u>173,300</u>	<u>209,313</u>	120.78
Net Position				
Net Investment in				
Capital Assets	23,463,318	21,900,793	1,562,525	7.13
Restricted	6,039,014	5,308,140	730,874	13.77
Unrestricted	<u>(9,114,929)</u>	<u>(7,189,910)</u>	<u>(1,925,019)</u>	(26.77)
Total Net Position	<u>\$ 20,387,403</u>	<u>\$ 20,019,023</u>	<u>\$ 368,380</u>	1.84

Total assets increased by \$510,263. Cash and cash equivalents decreased by \$92,914, receivables decreased by \$133,682, capital assets increased by \$736,139, and other assets increased by \$720. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the School District decreased by \$1,925,019. This decrease and the negative balance in general is the result of the reporting of the State's net pension liability. The negative balance in unrestricted net assets is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions, which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

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Table 2 provides a summary of the District's changes in net position in fiscal year ending June 30, 2017 with comparisons to June 30, 2016.

Table 2
Changes in Net Position

	6/30/17	6/30/16	Variance	
			Dollars	%
Revenues				
Program Revenues				
Charges for Services	\$ 738,303	\$ 686,943	\$ 51,360	7.48
Operating Grants	652,150	552,584	99,566	18.02
Capital Grants	10,145	64,689	(54,544)	(84.32)
General Revenues				
Property Taxes	29,016,549	28,680,635	335,914	1.17
Unrestricted Grants	13,619,702	10,549,409	3,070,293	29.10
Other	269,488	189,069	80,419	42.53
Total Revenues	<u>44,306,337</u>	<u>40,723,329</u>	<u>3,583,008</u>	<u>8.80</u>
Program Expenses				
Instruction				
Regular	17,497,506	15,532,061	1,965,445	12.65
Special	6,409,507	5,797,724	611,752	10.55
Other	2,179,322	1,836,166	343,156	18.69
Support Services				
Tuition	602,237	583,148	19,089	3.27
Student & Instructional Staff	7,304,973	6,695,902	609,071	9.10
General & Business Administration	1,983,103	1,792,644	190,459	10.62
School Administration	2,354,438	2,101,185	253,265	12.05
Maintenance	2,623,557	2,505,463	118,094	4.71
Transportation	1,851,479	1,571,941	279,538	17.78
Food Service	475,181	488,618	(13,437)	(2.75)
Summer Programs	15,676	17,509	(1,833)	(10.47)
Interest on Long-Term Debt	649,110	802,887	(153,777)	(19.15)
Total Expenses	<u>43,946,058</u>	<u>39,725,248</u>	<u>4,220,810</u>	<u>10.63</u>
Increases (Decreases) Before				
Special Items	<u>360,279</u>	<u>998,081</u>	<u>(637,802)</u>	<u>(63.90)</u>
Special Items				
Gain (Loss) on Disposal of Assets	<u>8,101</u>	<u>26,035</u>	<u>(17,934)</u>	<u>(68.88)</u>
Total Special Items	<u>8,101</u>	<u>26,035</u>	<u>(17,934)</u>	
Increase (Decrease) in Net Position	<u>\$ 368,380</u>	<u>\$ 1,024,116</u>	<u>\$ (655,736)</u>	<u>(64.03)</u>

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Governmental Activities

The Readington Township Board of Education has their annual election in November, thereby requiring voter budget approval only if the tax levy exceeds state mandated cap. Property taxes made up for 66.29 percent of revenues for governmental activities for the Readington Township School District for fiscal year 2017.

The dependence upon tax revenues is apparent. The community, as a whole, is the primary support for the Readington Township School District. Instruction comprises 60.0 percent of District expenses. Support services expenses make up 38.5 percent of the expenses, and interest expense comprises 1.5 percent of the expenses.

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

Table 3 provides a summary of the School District's cost of governmental services in fiscal year ending June 30, 2017 with comparisons to June 30, 2016.

Table 3
Cost of Governmental Services

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/16</u>
Instruction	\$26,086,304	\$23,165,951	\$25,910,240	\$22,983,063
Support Services				
Tuition	602,237	583,148	264,619	275,801
Student & Instructional Staff	7,304,973	6,695,902	7,081,221	6,619,988
General & Business	1,983,013	1,792,644	1,982,435	1,668,602
School Administration	2,354,438	2,101,185	2,353,790	2,097,000
Plant Operations & Maintenance	2,623,557	2,505,463	2,570,381	2,453,277
Pupil Transportation	1,851,479	1,571,941	1,772,825	1,560,060
Interest on Long-Term Debt	649,110	802,887	649,110	802,887
 Total Expenses	 <u>\$43,455,201</u>	 <u>\$39,219,121</u>	 <u>\$42,584,621</u>	 <u>\$38,460,678</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student. Pupil and instructional staff costs include the activities involved with assisting staff with content and the 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 facility 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 prescribed by state law. Interest on long-term debt involves the transactions associated with the payment of interest and other related charges to debt of the School District.

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The School District's Funds

School District's major funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$35,243,733 and expenditures of \$36,419,151 and other financing sources of \$904,986. The net positive change in fund balance for the year was most significant in the General fund, an increase of \$969,717. This can be attributed in large part to effective cost-cutting measures initiated by the District.

General Fund Budgetary 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 year 2017, 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 and provide flexibility for program management. For the General fund, budgeted revenues were \$28,799,274, which was \$186,310 above original budgeted estimates of \$28,612,964. This difference was due primarily to realized miscellaneous revenues and state aid in excess of original budgets. The General fund revenues and other financing sources of the School District were more than expenditures and other financing uses by \$971,003.

Capital Assets

At the end of fiscal year 2017, the District had \$42,005,825 invested in land, buildings, furniture, equipment, and vehicles.

Table 4 provides a summary of the School District's capital assets net of depreciation at June 30, 2017 with comparisons to June 30, 2016.

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

	6/30/17	6/30/16	Variance	
			Dollars	%
Land	\$ 412,362	\$ 412,362	\$ -	0.00
Construction in Progress	1,692,136	339,544	1,352,592	398.36
Land Improvements	458,145	526,185	(68,040)	(12.93)
Buildings & Improvements	38,163,955	38,995,615	(831,660)	(2.13)
Machinery & Equipment	813,016	566,360	246,656	43.55
Vehicles	466,211	429,620	36,591	8.52
Total	\$ 42,005,825	\$ 41,269,686	\$ 736,139	1.78

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Capital additions were more than depreciation expense and asset disposals in the current fiscal year by \$736,139. Additions to capital assets resulted primarily from the completion of district-wide upgrades to the wireless network system and the continuation of parking lot paving and exterior steps construction projects. The District also purchased 22 new whiteboards, a new 54-passenger bus and a new 24-passenger vehicle.

At June 30, 2017, the School District had \$34,289,993 in long-term liabilities. At June 30, 2016, the School District's overall legal debt limit was \$93,436,605 and the legal borrowing margin was \$74,751,605.

Table 5 provides a summary of the District's outstanding long-term liabilities at June 30, 2017 with comparisons to June 30, 2016.

Table 5
Long-Term Liabilities at Year-end

	6/30/17	6/30/16	Variance	
			Dollars	%
2006 General Obligation Refunding Bonds	\$ 35,000	\$ 9,555,000	\$(9,520,000)	(99.63)
2010 General Obligation Refunding Bonds	2,055,000	2,905,000	(850,000)	(29.26)
2013 General Obligation Refunding Bonds	6,320,000	6,845,000	(525,000)	(7.67)
2016 General Obligation Bonds	1,780,000	990,000	790,000	79.80
2017 General Obligation Refunding Bonds	8,495,000	-	8,495,000	*
Net Pension Liability	13,525,652	10,778,661	2,746,991	25.49
Unamortized Bond Premium	1,563,783	388,317	1,175,466	302.71
Compensated Absences	515,558	559,676	(44,118)	(7.88)
	<u>\$ 34,289,993</u>	<u>\$ 32,021,654</u>	<u>\$ 2,268,339</u>	7.08

* = Undefined

Economic Factors and Next Year's Budgets and Rates

The District continues its need to rely upon local taxes as its main source of funding. Therefore, especially in consideration of current economic conditions, the Board of Education has proactively sought to control budget expenses to minimize the impact on the local tax levy. Cost savings measures employed include reductions in staffing levels to reflect declining enrollments, expansion of shared services, employing transportation and sustainability practices in all aspects of school operations. The District concluded its Five Year Strategic Plan developed in 2013-14 and is formulating its budget to implement action plans developed as a result of a new Strategic Plan developed during the 2016-17 school year

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The Board of Education developed a budget that was under the state mandated 2% tax levy cap yet still included continued enhancement of literacy instruction and facilities improvements throughout the District. The District continues to diligently pursue and maintain the fine balance between retaining quality teachers in a competitive teaching market, addressing the needs of students in a 21st Century School and meeting changes to the states core curriculum standards. The District achieved this while facing continued declining enrollment and compliance with state and federal educational requirements along with increasing mandates and regulations promulgated by the State Legislature and State Department of Education.

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 any questions about this report or need additional information, contact the School Business Administrator/Board Secretary at Readington Township Board of Education, P.O. Box 807, 52 Readington Road, Whitehouse Station, New Jersey 08889.

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.

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

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,069,906	\$ 214,096	\$ 2,284,002
Receivables, net	757,693	5,970	763,663
Inventory	-	8,680	8,680
Restricted assets			
Capital reserve account - cash	5,253,712	-	5,253,712
Maintenance reserve account - cash	367,179	-	367,179
Emergency reserve account - cash	208,826	-	208,826
Capital assets, net			
Land and construction in progress	2,104,498	-	2,104,498
Other capital assets, net of depreciation	39,872,098	29,229	39,901,327
Total assets	<u>50,633,912</u>	<u>257,975</u>	<u>50,891,887</u>
Deferred outflows of resources			
Deferred amount on pension activity	4,383,469	-	4,383,469
Deferred amount on refunding bond issue	184,284	-	184,284
Total deferred outflows of resources	<u>4,567,753</u>	<u>-</u>	<u>4,567,753</u>
Liabilities			
Accounts payable	64,850	23,632	88,482
Accrued interest	202,031	-	202,031
Unearned revenue	76,233	32,885	109,118
Long-term liabilities			
Due within one year	3,642,885	-	3,642,885
Due beyond one year	30,647,108	-	30,647,108
Total liabilities	<u>34,633,107</u>	<u>56,517</u>	<u>34,689,624</u>
Deferred inflows of resources			
Deferred amount on pension liability	382,613	-	382,613
Net position			
Net investment in capital assets	23,434,089	29,229	23,463,318
Restricted for			
Capital projects	198,429	-	198,429
Capital reserve fund	5,253,712	-	5,253,712
Maintenance reserve fund	367,179	-	367,179
Emergency reserve fund	208,826	-	208,826
Debt service fund	10,868	-	10,868
Unrestricted	<u>(9,287,158)</u>	<u>172,229</u>	<u>(9,114,929)</u>
Total net position	<u>\$ 20,185,945</u>	<u>\$ 201,458</u>	<u>\$ 20,387,403</u>

See accompanying notes to financial statements.

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

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 8,736,686	\$ 8,760,820	\$ 54,865	\$ 37,442	\$ 4,587	\$ (17,400,612)	\$ -	\$ (17,400,612)
Special education	3,212,225	3,197,251	15,109	39,402	1,692	(6,353,273)	-	(6,353,273)
Other special instruction	847,140	886,211	-	22,378	446	(1,710,527)	-	(1,710,527)
Other instruction	274,128	171,843	-	-	143	(445,828)	-	(445,828)
Support services								
Tuition	602,237	-	-	337,618	-	(264,619)	-	(264,619)
Students & instruction related services	3,849,457	3,455,516	121,044	100,745	1,963	(7,081,221)	-	(7,081,221)
General & business administration services	1,244,068	739,035	-	-	668	(1,982,435)	-	(1,982,435)
School administration services	1,229,933	1,124,505	-	-	648	(2,353,790)	-	(2,353,790)
Plant operations & maintenance	2,260,466	363,091	53,176	-	-	(2,570,381)	-	(2,570,381)
Pupil transportation	1,436,948	414,531	78,654	-	-	(1,772,825)	-	(1,772,825)
Interest on long-term debt	649,110	-	-	-	-	(649,110)	-	(649,110)
Total governmental activities	<u>24,342,398</u>	<u>19,112,803</u>	<u>322,848</u>	<u>537,585</u>	<u>10,147</u>	<u>(42,584,621)</u>	<u>-</u>	<u>(42,584,621)</u>
Business-type activities								
Food service	475,181	-	401,220	114,565	-	-	40,604	40,604
Summer programs	15,676	-	14,235	-	-	-	(1,441)	(1,441)
Total business-type activities	<u>490,857</u>	<u>-</u>	<u>415,455</u>	<u>114,565</u>	<u>-</u>	<u>-</u>	<u>39,163</u>	<u>39,163</u>
Total primary government	<u>\$ 24,833,255</u>	<u>\$ 19,112,803</u>	<u>\$ 738,303</u>	<u>\$ 652,150</u>	<u>\$ 10,147</u>	<u>(42,584,621)</u>	<u>39,163</u>	<u>(42,545,458)</u>
			General revenues, special items & transfers					
						26,906,853	-	26,906,853
						2,109,696	-	2,109,696
						13,619,700	-	13,619,700
						48,130	451	48,581
						219,980	927	220,907
						8,101	-	8,101
						<u>42,912,460</u>	<u>1,378</u>	<u>42,913,838</u>
						327,839	40,541	368,380
						19,858,106	160,917	20,019,023
						<u>\$ 20,185,945</u>	<u>\$ 201,458</u>	<u>\$ 20,387,403</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

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

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 2,059,038	\$ -	\$ -	\$ 10,868	\$ 2,069,906
Due from other funds	161,007	-	-	-	161,007
Receivables from other governments					
State	232,125	-	474,193	-	706,318
Federal		16,834	-	-	16,834
Local	961	-	-	-	961
Other accounts receivable	8,580	5,000	-	-	13,580
Restricted cash & equivalents	5,829,717	-	-	-	5,829,717
Total assets	\$ 8,291,428	\$ 21,834	\$ 474,193	\$ 10,868	\$ 8,798,323
Liabilities and fund balances					
Liabilities					
Accounts payable	\$ 62,066	\$ 2,784	\$ -	\$ -	\$ 64,850
Due to other funds	-	7,736	133,271	-	141,007
Unearned revenues	64,919	11,314	-	-	76,233
Total liabilities	126,985	21,834	133,271	-	282,090

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus	\$ 889,993	\$ -	\$ -	\$ -	\$ 889,993
Excess surplus - designated for subsequent year's expenditures	847,265	-	-	-	847,265
Capital reserve account	5,253,712	-	-	-	5,253,712
Maintenance reserve account	367,179	-	-	-	367,179
Emergency reserve account	208,826	-	-	-	208,826
Capital projects	-	-	340,922	-	340,922
Committed fund balance					
Year-end encumbrances	60,613	-	-	-	60,613
Assigned fund balance					
Debt service fund balance	-	-	-	10,868	10,868
Unassigned fund balance	536,855	-	-	-	536,855
Total fund balances	<u>8,164,443</u>	<u>-</u>	<u>340,922</u>	<u>10,868</u>	<u>8,516,233</u>
Total liabilities and fund balances	<u>\$ 8,291,428</u>	<u>\$ 21,834</u>	<u>\$ 474,193</u>	<u>\$ 10,868</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$64,569,333 and the accumulated depreciation is \$22,592,737.	41,976,596
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	4,000,856
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.	(34,289,993)
For refunding bond issues, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter. The original deferred outflow is \$194,439 and the accumulated amortization is \$10,155.	184,284
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(202,031)</u>
Total net position of governmental activities	<u>\$ 20,185,945</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 26,906,853	\$ -	\$ -	\$ 2,109,696	\$ 29,016,549
Tuition fees	69,974	-	-	-	69,974
Transportation fees	4,410	-	-	-	4,410
Interest on investments	48,130	-	-	-	48,130
Local contributions	-	20,978	-	-	20,978
Miscellaneous	163,941	-	-	10,868	174,809
Total	<u>27,193,308</u>	<u>20,978</u>	<u>-</u>	<u>2,120,564</u>	<u>29,334,850</u>
State sources	5,374,972	-	10,147	7,117	5,392,236
Federal sources	40	516,607	-	-	516,647
Total revenues	<u>32,568,320</u>	<u>537,585</u>	<u>10,147</u>	<u>2,127,681</u>	<u>35,243,733</u>
Expenditures					
Current					
Instructional					
Regular instruction	8,667,280	37,442	-	-	8,704,722
Special education instruction	3,197,239	13,108	-	-	3,210,347
Other special instruction	824,762	22,378	-	-	847,140
Other instruction	272,258	-	-	-	272,258
Support service & undistributed costs					
Tuition	264,619	337,618	-	-	602,237
Student & instruction related services	3,624,785	100,643	-	-	3,725,428
General & business administrative services	1,160,636	-	106,885	-	1,267,521
School administrative services	1,229,833	-	-	-	1,229,833
Plant operations & maintenance	2,224,999	-	-	-	2,224,999
Pupil transportation	1,249,673	-	-	-	1,249,673
Unallocated benefits	8,756,820	102	-	-	8,756,922

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (continued)					
Capital outlay	\$ 551,660	\$ 26,294	\$ 1,554,213	\$ -	\$ 2,132,167
Debt service					
Principal	-	-	-	1,410,000	1,410,000
Interest & other charges	67,811	-	-	718,093	785,904
Total expenditures	<u>32,092,375</u>	<u>537,585</u>	<u>1,661,098</u>	<u>2,128,093</u>	<u>36,419,151</u>
Excess (deficiency) of revenues over (under) expenditures	<u>475,945</u>	<u>-</u>	<u>(1,650,951)</u>	<u>(412)</u>	<u>(1,175,418)</u>
Other financing sources (uses)					
Proceeds from disposition of capital assets	8,101	-	-	-	8,101
Transfers in	496,951	-	-	11,280	508,231
Transfers out	(11,280)	-	(496,951)	-	(508,231)
Premium on refunding bond issue	-	-	1,276,745	-	1,276,745
Proceeds from bond issues	-	-	9,285,000	-	9,285,000
Payment to refunding bond agent	-	-	(9,664,860)	-	(9,664,860)
Total other financing sources (uses)	<u>493,772</u>	<u>-</u>	<u>399,934</u>	<u>11,280</u>	<u>904,986</u>
Net change in fund balance	969,717	-	(1,251,017)	10,868	(270,432)
Fund balances, July 1	<u>7,194,726</u>	<u>-</u>	<u>1,591,939</u>	<u>-</u>	<u>8,786,665</u>
Fund balances, June 30	<u>\$ 8,164,443</u>	<u>\$ -</u>	<u>\$ 340,922</u>	<u>\$ 10,868</u>	<u>\$ 8,516,233</u>

See accompanying notes to financial statements.

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

Total net changes in fund balances - governmental fund (from B-2) \$ (270,432)

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

Capital outlays are reported in governmental funds as expenditures

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

Capital outlays	\$ 2,132,167	
Depreciation expense	<u>(1,395,289)</u>	736,878

Governmental funds report bond proceeds as financing sources whereas issuing debt increases long-term liabilities in the government-wide statements:

Proceeds from refunding bond issue	(790,000)	
Proceeds from regular bond issue	<u>(8,495,000)</u>	(9,285,000)

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

Debt principal payments	1,410,000	
Payment to refunding bond agent	<u>9,664,860</u>	11,074,860

Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

Proceeds from bond premium	(1,276,745)	
Amortization of bond premium	<u>89,052</u>	(1,187,693)

See accompanying notes to financial statements.

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

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	\$ (921,686)
In the Statement of Activities, deferred outflows for refunding bond costs are amortized to current year expenses over the amortization	(3,969)
In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	140,763
In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>44,118</u>
Change in net position of governmental activities	<u><u>\$ 327,839</u></u>

See accompanying notes to financial statements.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 198,063	\$ 11,318	\$ 4,715	\$ 214,096
Receivables from other governments				
State	329	-	-	329
Federal	5,641	-	-	5,641
Inventory	8,680	-	-	8,680
Total current assets	<u>212,713</u>	<u>11,318</u>	<u>4,715</u>	<u>228,746</u>
Noncurrent assets				
Capital assets	155,361	-	-	155,361
Less: accumulated depreciation	126,132	-	-	126,132
Total noncurrent assets	<u>29,229</u>	<u>-</u>	<u>-</u>	<u>29,229</u>
Total assets	<u>241,942</u>	<u>11,318</u>	<u>4,715</u>	<u>257,975</u>
LIABILITIES				
Current liabilities				
Accounts payable	22,156	-	1,476	23,632
Unearned revenues	24,028	6,140	2,717	32,885
Total liabilities	<u>46,184</u>	<u>6,140</u>	<u>4,193</u>	<u>56,517</u>
NET POSITION				
Net investment in capital assets	29,229	-	-	29,229
Unrestricted	166,529	5,178	522	172,229
Total net position	<u>\$ 195,758</u>	<u>\$ 5,178</u>	<u>\$ 522</u>	<u>\$ 201,458</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Operating revenues				
Charges for services				
Daily sales - reimbursable programs	\$ 242,578	\$ -	\$ -	\$ 242,578
Daily sales - non-reimbursable programs	158,642	-	-	158,642
Summer program fees	-	10,627	3,608	14,235
Total operating revenues	<u>401,220</u>	<u>10,627</u>	<u>3,608</u>	<u>415,455</u>
Operating expenses				
Cost of sales - reimbursable programs	166,174	-	-	166,174
Cost of sales - non-reimbursable programs	54,232	-	-	54,232
Salaries	149,405	10,655	3,360	163,420
Employee benefits	30,655	799	196	31,650
Purchased property services	10,670	-	-	10,670
Insurance	2,727	-	-	2,727
Management fee	11,008	-	-	11,008
Other purchased services	7,601	-	-	7,601
General supplies	3,281	666	-	3,947
Commodity food costs	34,661	-	-	34,661
Depreciation	4,767	-	-	4,767
Total operating expenses	<u>475,181</u>	<u>12,120</u>	<u>3,556</u>	<u>490,857</u>
Operating income (loss)	<u>(73,961)</u>	<u>(1,493)</u>	<u>52</u>	<u>(75,402)</u>
Non-operating revenues (expenses)				
State sources				
State school lunch program	4,287	-	-	4,287
Federal sources				
National school lunch program				
Cash assistance	75,617	-	-	75,617
Non cash assistance (commodities)	34,661	-	-	34,661
Miscellaneous	927	-	-	927
Interest earned on investments	451	-	-	451
Total non-operating revenues (expenses)	<u>115,943</u>	<u>-</u>	<u>-</u>	<u>115,943</u>
Change in net position	41,982	(1,493)	52	40,541
Net position, beginning	<u>153,776</u>	<u>6,671</u>	<u>470</u>	<u>160,917</u>
Net position, ending	<u>\$ 195,758</u>	<u>\$ 5,178</u>	<u>\$ 522</u>	<u>\$ 201,458</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Cash flows from operating activities				
Receipts from customers (net)	\$ 399,111	\$ 6,450	\$ 3,315	\$ 408,876
Payments to employees	(5,388)	(10,655)	(3,360)	(19,403)
Payments for employee benefits	(412)	(799)	-	(1,211)
Payments to Food Service Management Co.	(394,584)	-	-	(394,584)
Payments to vendors (net)	(13,951)	(666)	-	(14,617)
Net cash provided by (used for) operating activities	<u>(15,224)</u>	<u>(5,670)</u>	<u>(45)</u>	<u>(20,939)</u>
Cash flows from non-capital financing activities				
State sources	4,284	-	-	4,284
Federal sources	75,363	-	-	75,363
General fund interfund activity	(5,713)	-	-	(5,713)
Miscellaneous	451	-	-	451
Net cash provided by (used for) noncapital financing activities	<u>74,385</u>	<u>-</u>	<u>-</u>	<u>74,385</u>
Cash flows from capital financing activities				
Acquisition of equipment	(4,028)	-	-	(4,028)
Net cash used for capital financing activities	<u>(4,028)</u>	<u>-</u>	<u>-</u>	<u>(4,028)</u>
Cash flows from investing activities				
Interest earned on investments	927	-	-	927
Net cash provided by (used for) investing activities	<u>927</u>	<u>-</u>	<u>-</u>	<u>927</u>
Net increase (decrease) in cash and cash equivalents	56,060	(5,670)	(45)	50,345
Cash and cash equivalents, beginning	142,003	16,988	4,760	163,751
Cash and cash equivalents, ending	<u>\$ 198,063</u>	<u>\$ 11,318</u>	<u>\$ 4,715</u>	<u>\$ 214,096</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (73,961)	\$ (1,493)	\$ 52	\$ (75,402)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	4,767	-	-	4,767
Federal food donation program	34,661	-	-	34,661
(Increase) decrease in inventory	(720)	-	-	(720)
Increase (decrease) in accounts payable	22,156	-	196	22,352
Increase (decrease) in unearned revenues	(2,127)	(4,177)	(293)	(6,597)
Net cash provided by (used for) operating activities	<u>\$ (15,224)</u>	<u>\$ (5,670)</u>	<u>\$ (45)</u>	<u>\$ (20,939)</u>

See accompanying notes to financial statements.

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

	Private Purpose Scholarship Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 10,702	\$ 61,978	\$ 315,451
Total assets	<u>\$ 10,702</u>	<u>\$ 61,978</u>	<u>\$ 315,451</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ 20,000
Due to students groups	-	61,978	-
Payroll deductions and withholdings	-	-	295,451
Total liabilities	<u>-</u>	<u>\$ 61,978</u>	<u>\$ 315,451</u>
NET POSITION			
Reserve for scholarship funds	<u>\$ 10,702</u>		

See accompanying notes to financial statements.

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

	Private Purpose Scholarship Fund
Additions	
Contributions - other	\$ 1,118
Total additions	1,118
Deductions	
Scholarships awarded	2,816
Change in net position	(1,698)
Net position, beginning of the year	12,400
Net position, end of the year	\$ 10,702

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II District located in the County of Hunterdon, State of New Jersey. As a Type II District, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2017 of 1,620 students.

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

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

The District reports the following major Governmental Funds:

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

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

Additionally, the District reports the following fund types:

Proprietary Fund types

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

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

The District's Enterprise Fund is comprised of the Food Service Fund, Summer Enrichment Fund and Summer Sport Camps Fund.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

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

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

Fiduciary Fund types

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

Private Purpose Scholarship Fund - This fund is used to account for scholarship accounts donated to the District to be utilized for scholarship awards to qualifying students.

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

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

D. Budgets/budgetary control

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

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

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

E. Encumbrances

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

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

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

F. Tuition receivable

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

G. Tuition payable

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

H. Short-term interfund receivable/payables

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

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

J. Capital assets

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

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

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

Assets	Years
Buildings	50
Building improvements & portable classroom	20 - 50
Land improvements	20
Furniture	20
Musical instruments	10
Athletic equipment	10
Maintenance equipment	15
Audio visual equipment	10
Office equipment	5 - 10
Computer equipment	5 - 10
Vehicles	8

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences

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

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

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

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

L. Unearned revenue

Unearned revenue in the General Fund and Special Revenue Fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue Fund. Unearned revenue in the Enterprise Fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service Fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified into the following three components:

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

O. Fund balances - governmental funds

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

O. Fund balances - governmental funds (continued)

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

P. Comparative data/reclassifications

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

Q. Allocation of indirect expenses

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

R. Deferred outflows and inflows of resources

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 2 - Tax assessments and property taxes

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

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

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and investments

Cash, cash equivalents and investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash and cash equivalents regardless of the date of maturity. As of June 30, 2017, the District had no investments.

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and investments (continued)

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

As of June 30, 2017, the District's bank balances of \$8,869,015 were exposed to custodial credit risk as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 250,000
Collateralized with securities held by pledging financial institutions	8,619,015
Total	<u>\$ 8,869,015</u>

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

Cash		<u>\$ 8,501,850</u>
	<u>Ref.</u>	
Unrestricted cash		
Governmental Funds, Balance Sheet	B-1	\$ 2,069,906
Enterprise Funds, Statement of Net Position	B-4	214,096
Fiduciary Funds, Statement of Net Position	B-7	388,131
Restricted cash		
Governmental Funds, Balance Sheet	B-1	<u>5,829,717</u>
Total cash		<u>\$ 8,501,850</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 412,362	\$ -	\$ -	\$ 412,362
Construction in progress	<u>359,544</u>	<u>1,608,842</u>	<u>256,250</u>	<u>1,692,136</u>
Total	<u>751,906</u>	<u>1,608,842</u>	<u>256,250</u>	<u>2,104,498</u>
Capital assets, being depreciated				
Land improvements	2,060,694	-	-	2,060,694
Building & improvements	54,702,930	269,590	-	54,972,520
Vehicles	2,335,216	358,647	11,600	3,047,795
Furniture & equipment	<u>2,700,748</u>	<u>151,338</u>	<u>102,728</u>	<u>2,383,826</u>
Total	<u>61,799,588</u>	<u>779,575</u>	<u>114,328</u>	<u>62,464,835</u>
Accumulated depreciation				
Land improvements	1,534,509	68,039	-	1,602,549
Building & improvements	15,707,315	1,101,250	-	16,808,565
Vehicles	1,905,596	111,252	11,600	2,264,008
Furniture & equipment	<u>2,164,356</u>	<u>114,748</u>	<u>102,728</u>	<u>1,917,615</u>
Total	<u>21,311,776</u>	<u>1,395,289</u>	<u>114,328</u>	<u>22,592,737</u>
Total capital assets, being depreciated, net	<u>40,487,812</u>	<u>(615,714)</u>	<u>-</u>	<u>39,872,098</u>
Transfer	<u>-</u>	<u>(256,250)</u>	<u>(256,250)</u>	<u>-</u>
Governmental activities capital assets, net	<u>\$ 41,239,718</u>	<u>\$ 736,878</u>	<u>\$ -</u>	<u>\$ 41,976,596</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture and equipment	\$ 151,333	\$ 4,028	\$ -	\$ 155,361
Less: accumulated depreciation	<u>121,365</u>	<u>4,767</u>	<u>-</u>	<u>126,132</u>
Business type activities capital assets, net	<u>\$ 29,968</u>	<u>\$ (739)</u>	<u>\$ -</u>	<u>\$ 29,229</u>

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

Instruction	
Regular	\$ 582,072
Special education	204,761
Other special instruction	53,536
Co-curricular activities	19,076
Support services	
Student & instruction	238,419
General & business administration	80,401
School administration	77,821
Plant & maintenance	26,172
Transportation	113,031
Total depreciation expense, governmental activities	<u>\$ 1,395,289</u>

Note 5 - Long-term debt

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 20,295,000	\$ 9,285,000	\$ 10,895,000	\$ 18,685,000	\$ 3,375,000
Unamortized bond premium	388,317	1,276,745	101,279	1,563,783	214,060
PERS net pension liability	10,778,661	2,746,991	-	13,525,652	-
Compensated absences payable	<u>559,676</u>	<u>33,687</u>	<u>77,805</u>	<u>515,558</u>	<u>53,825</u>
Total governmental activities long-term liabilities	<u>\$ 32,021,654</u>	<u>\$ 13,342,423</u>	<u>\$ 11,074,084</u>	<u>\$ 34,289,993</u>	<u>\$ 3,642,885</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

Payments on the general obligation bonds are made in the Debt Service Fund from property taxes and State aid. The compensated absences liability is paid in the current expenditures budget of the District's General Fund and the other long-term debts are amortized over a determined period.

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,375,000	\$ 539,973	\$ 3,914,973
2019	1,495,000	595,463	2,090,463
2020	1,470,000	540,375	2,010,375
2021	1,565,000	484,037	2,049,037
2022	1,620,000	426,788	2,046,788
2023 - 2027	9,160,000	1,087,137	10,247,137
Total	<u>\$ 18,685,000</u>	<u>\$ 3,673,773</u>	<u>\$ 22,358,773</u>

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

\$7,905,000 - 2013 refunding school bonds, interest at 3.00% to 4.00%, due in annual installments beginning January 1, 2014 to January 1, 2027.	\$ 6,320,000
\$5,415,000 - 2010 refunding school bonds, interest at 1.625% to 54.00%, due in annual installments beginning January 15, 2011 to July 15, 2019.	2,055,000
\$10,000,000 - 2006 refunding school bonds, interest at 2.00% to 4.00%, due in annual installments beginning July 15, 2012 to July 15, 2017.	35,000
\$990,000 - 2016 general obligation school bonds, interest at 1.40%, due in an annual installment on July 15, 2017.	990,000
\$8,495,000 - 2016 refunding school bonds, interest at 2.00% to 5.00%, due in annual installments beginning July 15, 2018 to July 15, 2026.	8,495,000
\$790,000 - 2016 general obligation school bonds, interest at 1.50%, due in an annual installment on July 15, 2017.	790,000
Totals	<u>\$ 18,685,000</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

The general obligation bonded debt of the District is limited by State law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2017 is \$93,436,605. General obligation debt at June 30, 2017 is \$18,685,000, resulting in a legal debt margin of \$74,751,605.

Advance Refunding of School Bond Series 2006

On May 23, 2017, the District issued \$8,495,000 in general obligation bonds with an average coupon rate of 4.69% and a net interest cost rate of 2.20% to advance refund \$9,485,000 of outstanding 2006 series bonds with an average coupon rate of 4.00%. The net proceeds of \$9,664,860 (issue amount of \$8,495,000, plus the bond premium of \$1,276,745, and less \$106,885 in underwriting fees, insurance and excess issue proceeds) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 2006 series bonds. As a result, the portion of the 2006 series bonds to be refunded are considered defeased and both the trust account cash and investment balance asset and the liability for those bonds has been removed from the financial statements. The advance refunding of outstanding callable 2006 series bonds generated \$1,022,808 in gross debt service savings and an economic gain (difference between the present values of the old and new debt service payments plus excess issue funds) of \$924,798

Operating Leases

At June 30, 2017, the District had operating lease agreements in effect for copy machines and a mail machine. The present value of the future minimum rental payments under the operating lease agreements are as follows:

Fiscal Year Ending June 30,

2018	\$	50,484
2019		49,800
2020		49,800
2021		49,800
2022		49,800
Total minimum lease payments	\$	<u>249,684</u>

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans

Description of systems

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

A. Public employees' retirement systems (PERS)

Plan description

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

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

The following represents the membership tiers for PERS:

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Plan description (continued)

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

Allocation methodology and reconciliation to financial statements

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2016 are based on the ratio of each employer's contributions to the group for the State fiscal year ended June 30, 2016. In accordance with Generally Accepted Accounting Principles, measurement for PERS pension in the District's financial statements is based upon the most recent available information which is for the State fiscal year ended June 30, 2016.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the State fiscal year ended June 30, 2017. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the Schedule of Pension Amounts by Employer may result in immaterial differences.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Contributions

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

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

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

Collective net pension liability and actuarial information

Components of net pension liability

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

		<u>2016</u>
Total pension liability	\$	22,594,273
Plan fiduciary net position		<u>9,068,621</u>
Net pension liability	\$	<u>13,525,652</u>
Plan fiduciary net position as a percentage of the total pension liability		40.14%

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Components of net pension liability (continued)

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

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

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

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

Long-term expected rate of return

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
A. Public employees' retirement systems (PERS) (continued)
Long-term expected rate of return (continued)

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

Discount rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016, based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the rate in the most recent State fiscal year. State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plans 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.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

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

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

<u>District's Proportionate Share of the Net Pension Liability</u>	<u>2016</u>
At current discount rate (3.98%)	\$ 13,525,652
At a 1% lower rate (2.98%)	16,574,108
At a 1% higher rate (4.98%)	11,008,887

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 251,536	\$ -
Changes of assumptions	2,801,793	-
Net difference between projected and actual earnings on pension plan investments	515,745	-
Changes in proportion and differences between District contributions and proportionate share of contributions	408,684	382,613
District contributions subsequent to the measurement date	405,711	-
Total	<u><u>\$ 4,383,469</u></u>	<u><u>\$ 382,613</u></u>

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e., for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) of \$405,711 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018.

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Deferred outflows of resources				
Changes of assumptions and differences between expected and actual experience	\$ 1,345,511	\$ 2,432,537	\$ 724,719	\$ 3,053,329
Difference between projected and actual earnings on pension plan investments	(164,827)	759,398	78,826	515,745
Net of deferred outflows	<u>\$ 1,180,684</u>	<u>\$ 3,191,935</u>	<u>\$ 803,545</u>	<u>\$ 3,569,074</u>

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

State Fiscal Year Ending June 30

2017	\$ 803,545
2018	803,545
2019	930,933
2020	782,120
2021	248,931
Total	<u>\$ 3,569,074</u>

Pension expense

For the fiscal year ended June 30, 2017, the District recognized net pension expense of \$1,327,397, which represents the District's proportionate share of allocable plan pension expense of \$1,291,323, plus the net amortization of deferred amounts from changes in proportion of \$28,951, and plus other adjustments to the net pension liability of \$7,123. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2016 are as follows:

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Pension expense (continued)

Service cost	\$	441,416
Interest on total pension liability		963,772
Member contributions		(228,787)
Administrative expense		7,302
Expected investment return net of investment expense		(694,485)
Pension expense related to specific liabilities of individual employers		(1,440)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		660,041
Amortization of expected versus actual experience		64,678
Amortization of projected versus actual investment earnings on pension plan investments		78,826
Pension expense	<u>\$</u>	<u>1,291,323</u>

B. Teachers' pension and annuity fund (TPAF)

Plan description

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)
B. Teachers' pension and annuity fund (TPAF)
Plan description (continued)

The following represents the membership Tiers for TPAF:

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

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

Contributions

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the Notes to the Financial Statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer. During the State fiscal year ending June 30, 2016, the State of New Jersey contributed \$1,109,921 to the TPAF for normal pension benefits on behalf of the District.

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

Components of net pension liability

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

	2016
State's proportionate share of net pension liability	\$ 109,635,356
District's proportionate share of net pension liability	-
Employer pension expense and related revenue	8,237,571
Non-employer contribution	1,109,921
Allocable proportionate percentage	.1393675082%

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Components of net pension liability (continued)

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

Service cost	\$ 3,252,234
Interest on total pension liability	5,125,790
Member contributions	(1,056,709)
Administrative expense	19,100
Expected investment return net of investment expense	(2,624,170)
Pension expense related to specific liabilities of individual employers	(338)
Recognition of deferred inflows/outflows of resources	
Amortization of economic /demographic gains or losses	34,477
Amortization of assumption changes or inputs	3,224,730
Amortization of investment gains or losses	262,457
Pension expense	\$ 8,237,571

Collective net pension liability and actuarial information

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

	2016
Total pension liability	\$ 141,151,431
Plan fiduciary net position	31,516,075
Net pension liability	\$ 109,635,356

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Collective net pension liability and actuarial information (continued)

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

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

Long-term expected rate of return

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

B. Teachers' pension and annuity fund (TPAF) (continued)

Discount rate

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

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

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

<u>District's proportionate share of the net pension liability</u>	<u>2016</u>
At current discount rate (3.22%)	\$ 109,635,356
At a 1% lower rate (2.22%)	130,929,115
At a 1% higher rate (4.22%)	92,246,253

C. Defined contribution retirement program

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

C. Defined contribution retirement program (continued)

Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. The District's contribution to the DCRP for fiscal year 2017 was \$5,094.

D. Other pension plan information

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$1,253,650 to the TPAF for post-retirement medical benefits, \$52,608 for noncontributory insurance premiums, \$3,272 for long-term disability insurance and \$1,451,963 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$1,008,839 during the fiscal year ended June 30, 2017 for the employer's share of Social Security Contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

Note 7 - Post-retirement benefits

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

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

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

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

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

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

Note 8 - Deferred compensation

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

- AXA Equitable Life Insurance Company
- FTJ Fundchoice Inc.
- Lincoln Financial Group
- Lincoln Investment Planning
- National Life Group
- Oppenheimer Shareholders Services
- Security Benefit
- Siracusa Benefits Programs

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 9 - Interfund receivable and payables

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

Fund	Receivable Fund	Payable Fund
General Fund	\$ 161,007	\$ -
Special Revenue Fund	-	7,736
Capital Projects fund	-	133,271
Payroll Agency Fund	-	20,000
Total	\$ 161,007	\$ 161,007

The balance due from the Special Revenue Fund to the General Fund of \$7,736 represents a loan from the General Fund due to cash flow issues related to the delayed receipt of grant revenues. The balance due from the Capital Projects Fund to the General Fund of \$133,271 represents a loan from the General Fund due to cash flow issues related to the delayed receipt of SDA aid revenues. The balance due from the Payroll Agency Fund to the General Fund of \$20,000 represents canceled balances in the flexible spending account not yet transferred at year-end.

All of the interfund balances are expected to be liquidated within one year.

The District transferred \$11,280 from the General Fund to the Debt Service Fund representing funding in the current year debt service budget for a capital reserve withdrawal. The District also transferred \$496,951 from the Capital Projects Fund to the General Fund representing unexpended project balances due back to the capital reserve fund.

Note 10 - Inventory

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

Food	\$ 5,669
Supplies	3,011
Total	\$ 8,680

Note 11 - Contingent liabilities

Litigation

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 11 - Contingent liabilities (continued)

Grantor agencies

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

Note 12 - Risk management

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

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

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the "Contributory Method." Under this plan, the District is required to remit the entire employee deduction of unemployment compensation to the State. Any claims for unemployment are paid for by the State from those funds.

Note 13 - Legal reserve accounts

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

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

Districts are allowed as per N.J.S.A. 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board Resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$1,000,000 to their Capital Reserve Account by Board Resolution in June 2017.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 13 - Legal reserve accounts (continued)

The following schedule is a summarization of the legal reserve accounts for the current fiscal year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 4,067,390	\$ 1,000,000	\$ 20,887	\$ 546,713	\$ 381,278	\$5,253,712
Emergency	207,739	-	1,087	-	-	208,826
Maintenance	367,179	-	-	-	-	367,179
Total	<u>\$ 4,642,308</u>	<u>\$ 1,000,000</u>	<u>\$ 21,974</u>	<u>\$ 546,713</u>	<u>\$ 381,278</u>	<u>\$5,829,717</u>

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects exceeded the amount in capital reserve.

Note 14 - Fund balances - budgetary basis

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

	2017
Restricted	
Excess surplus - represents amount in excess of allowable percentage. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ 889,993
Excess surplus - Designated for subsequent year's expenditures - represents amount in excess of allowable percentage appropriated in the succeeding year's budget to reduce tax requirements.	847,265
Capital Reserve Account - Represents funds restricted to capital projects in the Districts long range facilities plan.	5,253,712
Maintenance Reserve Account - Represents funds restricted for required maintenance of school facilities.	367,179
Emergency reserve-represents funds accumulated to finance unanticipated General Fund expenditures required for a thorough and efficient education	208,826
Committed	
Year-end encumbrance - Represents fund balance assigned for purchase orders that have been issued but goods or services were not received as of June 30,	60,613
Unassigned	
Undesignated - Represents fund balance which has not been restricted or designated.	667,802
Total fund balance	\$ 8,295,390

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 15 - Calculation of excess surplus

In accordance with N.J.S.A. 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund, 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 \$889,993.

Note 16 - Subsequent events

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

Note 17 - Recent accounting pronouncements not yet effective

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

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

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

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2017 of \$9,287,158 on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 19 - Solar power purchase agreement (PPA)

The District entered into a Solar Power Purchase Agreement with Ameresco (the Developer) on September 23, 2016, and Amendment No. 1 on May 26, 2017. Under the terms of the 15-year contract, the District is leasing the solar equipment from Ameresco for the rights to receive the energy savings over the 15-year period through a reduced dollar per kWh. Commercial operation shall commence on February 19, 2018 or prior. Further, the District shall receive \$126,250 in project development costs and \$10,000 in landscaping. The District has the option to buy the equipment at end of the 15 years or have it removed. Any default of the agreement by the District would result in a buyer termination payment to the Developer ranging from approximately \$4.9 million in year 1 to approximately \$69,000 in year 15.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 26,906,853	\$ -	\$ 26,906,853	\$ 26,906,853	\$ -
Tuition from individuals	50,099	-	50,099	54,865	4,766
Tuition from other LEAs within the state	15,701	-	15,701	15,109	(592)
Transportation fees from individuals	4,750	-	4,750	4,410	(340)
Rents and royalties	45,000	-	45,000	43,881	(1,119)
Unrestricted miscellaneous revenues	69,668	-	69,668	147,303	77,635
Interest earned on capital reserve funds	-	-	-	20,887	20,887
Total	27,092,071	-	27,092,071	27,193,308	101,237
State sources					
Categorical transportation aid	180,177	-	180,177	180,177	-
Extraordinary aid	80,000	-	80,000	169,386	89,386
Categorical special education aid	1,116,747	-	1,116,747	1,116,747	-
Categorical security aid	69,578	-	69,578	69,578	-
Adjustment aid	9,488	-	9,488	9,488	-
PARCC readiness aid	16,410	-	16,410	16,410	-
Per pupil growth aid	16,410	-	16,410	16,410	-
Professional learning community aid	15,980	-	15,980	15,980	-
Other state aids	-	-	-	11,750	11,750
TPAF pension (on-behalf)	-	-	-	1,504,571	1,504,571
TPAF Social Security (reimbursed)	-	-	-	1,008,839	1,008,839
TPAF post retirement benefits (on-behalf)	-	-	-	1,253,650	1,253,650
TPAF long-term disability insurance (on-behalf)	-	-	-	3,272	3,272
Total	1,504,790	-	1,504,790	5,376,258	3,871,468
Federal sources					
Medicaid reimbursement	16,103	-	16,103	-	(16,103)
ARRA/SEMI revenue	-	-	-	40	40
Total	16,103	-	16,103	40	(16,063)
Total revenues	\$ 28,612,964	\$ -	\$ 28,612,964	\$ 32,569,606	\$ 3,956,642
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ -	\$ 61,495	\$ 61,495	\$ 61,495	\$ -
Kindergarten	560,822	(17,947)	542,875	540,868	2,007
Grades 1-5	4,105,993	12,588	4,118,581	4,013,627	104,954
Grades 6-8	3,391,571	(3,749)	3,387,822	3,298,367	89,455
Home instruction					
Salaries of teacher	16,000	7,083	23,083	20,483	2,600
Purchased professional - educational services	10,000	(1,783)	8,217	3,085	5,132
Other purchased services	250	375	625	597	28

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (continued)					
Regular programs - undistributed instruction					
Other salaries for instruction	\$ 79,927	\$ 57,601	\$ 137,528	\$ 127,346	\$ 10,182
Purchased professional - educational services	1,700	(400)	1,300	1,280	20
Other purchased services	71,694	(1,868)	69,826	59,259	10,567
General supplies	534,576	11,354	545,930	480,704	65,226
Textbooks	68,947	(9,290)	59,657	59,541	116
Other objects	1,475	300	1,775	628	1,147
Total	8,842,955	115,759	8,958,714	8,667,280	291,434
Special education					
Learning and/or language disabilities					
Salaries of teachers	137,388	(9,101)	128,287	127,931	356
Other salaries for instruction	48,260	19,918	68,178	67,127	1,051
Other purchased services	5,920	-	5,920	1,326	4,594
General supplies	5,100	-	5,100	3,845	1,255
Total	196,668	10,817	207,485	200,229	7,256
Resource room/resource center					
Salaries of teachers	2,090,652	173,042	2,263,694	2,238,537	25,157
Other salaries for instruction	476,602	31,959	508,561	508,232	329
General supplies	25,900	1,818	27,718	27,710	8
Textbooks	650	-	650	-	650
Total	2,593,804	206,819	2,800,623	2,774,479	26,144
Autism					
Salaries of teachers	63,505	3,260	66,765	66,450	315
Other salaries for instruction	63,927	(40,960)	22,967	21,895	1,072
General supplies	500	-	500	499	1
Total	127,932	(37,700)	90,232	88,844	1,388
Preschool disabilities - part-time					
Salaries of teachers	126,447	(97,957)	28,490	25,992	2,498
Other salaries for instruction	90,283	(68,571)	21,712	19,878	1,834
General supplies	950	-	950	698	252
Total	217,680	(166,528)	51,152	46,568	4,584
Preschool disabilities - full-time					
Salaries of teachers	74,713	10,508	85,221	84,960	261
General supplies	1,800	654	2,454	2,159	295
Total	76,513	11,162	87,675	87,119	556
Total special education	3,212,597	24,570	3,237,167	3,197,239	39,928
Basic skills/remedial					
Salaries of teachers	667,124	90,379	757,503	748,526	8,977
General supplies	3,833	(304)	3,529	2,001	1,528
Total	670,957	90,075	761,032	750,527	10,505
Bilingual education - instruction					
Salaries of teachers	71,190	-	71,190	71,190	-
Other purchased services	1,900	-	1,900	898	1,002
General supplies	2,150	-	2,150	2,147	3
Total	75,240	-	75,240	74,235	1,005

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (continued)					
School-sponsored co/extra curricular activities-instruction					
Salaries	\$ 107,793	\$ 12,000	\$ 119,793	\$ 95,348	\$ 24,445
Purchased services	2,500	-	2,500	1,328	1,172
Supplies and materials	6,820	(2,693)	4,127	2,311	1,816
Other objects	100	-	100	-	100
Total	117,213	9,307	126,520	98,987	27,533
School-sponsored athletics - instruction					
Salaries	150,800	7,000	157,800	147,035	10,765
Purchased services	20,054	(1,800)	18,254	16,269	1,985
Supplies and materials	7,597	1,800	9,397	9,397	-
Other objects	1,550	-	1,550	570	980
Total	180,001	7,000	187,001	173,271	13,730
Total instruction regular	\$ 13,098,963	\$ 246,711	\$ 13,345,674	\$ 12,961,539	\$ 384,135
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to priv. school for the disabled within state	\$ 555,449	\$ (23,626)	\$ 531,823	\$ 264,619	\$ 267,204
Total	555,449	(23,626)	531,823	264,619	267,204
Undistributed expenditures - health services					
Salaries	301,765	(12,174)	289,591	279,655	9,936
Purchased professional and technical services	4,371	-	4,371	4,135	236
Other purchased services	1,800	(100)	1,700	1,109	591
Supplies and materials	14,850	-	14,850	11,932	2,918
Other objects	500	-	500	340	160
Total	323,286	(12,274)	311,012	297,171	13,841
Undistributed expenditures - speech, ot, pt & related services					
Salaries	501,234	1	501,235	501,139	96
Purchased professional - educational services	123,860	1,900	125,760	102,626	23,134
Supplies and materials	3,500	-	3,500	3,468	32
Other objects	-	150	150	150	-
Total	628,594	2,051	630,645	607,383	23,262
Undistributed expend - other supp. service stds. - extra service					
Salaries	531,254	(134,055)	397,199	384,773	12,426
Purchased professional - educational services	6,500	-	6,500	2,640	3,860
Total	537,754	(134,055)	403,699	387,413	16,286
Undistributed expenditures - guidance					
Salaries of other professional staff	499,594	-	499,594	499,594	-
Salaries of secretarial and clerical assistants	17,494	(17,494)	-	-	-
Other salaries	1,500	-	1,500	-	1,500
Purchased professional - educational services	1,000	23,626	24,626	-	24,626
Other purchased services	1,400	-	1,400	1,091	309
Supplies and materials	11,975	(3,460)	8,515	5,265	3,250
Total	532,963	2,672	535,635	505,950	29,685

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (continued)					
Undistributed expenditures - child study teams					
Salaries of other professional staff	\$ 658,120	\$ 13,063	\$ 671,183	\$ 671,183	\$ -
Salaries of secretarial and clerical assistants	140,539	1,276	141,815	141,815	-
Other salaries	3,000	-	3,000	1,470	1,530
Other purchased professional & technical services	100,000	-	100,000	37,347	62,653
Other purchased services	3,250	(275)	2,975	1,617	1,358
Miscellaneous purchased service	30,226	-	30,226	27,341	2,885
Supplies and materials	19,550	(2,522)	17,028	16,805	223
Total	<u>954,685</u>	<u>11,542</u>	<u>966,227</u>	<u>897,578</u>	<u>68,649</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	211,215	(15,920)	195,295	190,473	4,822
Salaries of other professional staff	5,940	2,360	8,300	7,815	485
Salaries of secretarial & clerical assistants	27,332	-	27,332	27,331	1
Other purchased services	6,590	-	6,590	6,018	572
Supplies and materials	3,501	300	3,801	3,791	10
Other objects	14,055	(1,300)	12,755	12,754	1
Total	<u>268,633</u>	<u>(14,560)</u>	<u>254,073</u>	<u>248,182</u>	<u>5,891</u>
Undistributed expenditures - educ. media service/sch. library					
Salaries	395,485	(3,763)	391,722	386,984	4,738
Salaries of technology coordinators	49,573	1	49,574	49,573	1
Purchased professional and technical services	7,500	(1,481)	6,019	499	5,520
Other purchased services	111,319	-	111,319	107,938	3,381
Supplies and materials	17,593	-	17,593	17,200	393
Other objects	50	-	50	-	50
Total	<u>581,520</u>	<u>(5,243)</u>	<u>576,277</u>	<u>562,194</u>	<u>14,083</u>
Undistributed expenditures - instructional staff training services					
Salaries of other professional staff	75,110	1,000	76,110	72,564	3,546
Salaries of secretarial & clerical assistants	27,332	-	27,332	27,332	-
Other purchased services	23,750	(710)	23,040	17,707	5,333
Supplies and materials	1,100	234	1,334	1,311	23
Total	<u>127,292</u>	<u>524</u>	<u>127,816</u>	<u>118,914</u>	<u>8,902</u>
Undistributed expend. - support service - general admin.					
Salaries	242,515	(24,456)	218,059	216,865	1,194
Unused vacation payment to terminated/retired staff	-	22,057	22,057	22,057	-
Legal services	89,826	(32,277)	57,549	57,548	1
Audit fees	27,500	27,500	55,000	37,500	17,500
Architectural/engineering services	3,000	(1,492)	1,508	-	1,508
Other purchased professional services	14,250	1,492	15,742	15,741	1
Purchased technical services	3,000	(2,824)	176	-	176
Communications/telephone	135,074	(940)	134,134	112,033	22,101
BOE other purchased services	5,700	-	5,700	4,389	1,311
Misc. purchase services	69,750	-	69,750	64,438	5,312
General supplies	11,186	-	11,186	10,820	366
BOE in-house training/meeting supplies	900	-	900	298	602
Miscellaneous expenditures	3,000	-	3,000	2,050	950
BOE membership dues and fees	17,500	-	17,500	17,418	82
Total	<u>623,201</u>	<u>(10,940)</u>	<u>612,261</u>	<u>561,157</u>	<u>51,104</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (continued)					
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	\$ 753,531	\$ 3	\$ 753,534	\$ 753,531	\$ 3
Salaries of secretarial and clerical assistants	374,727	21,839	396,566	396,283	283
Other purchased services	56,810	295	57,105	53,063	4,042
Supplies and materials	26,275	29	26,304	21,691	4,613
Other objects	10,295	(3,485)	6,810	5,265	1,545
Total	<u>1,221,638</u>	<u>18,681</u>	<u>1,240,319</u>	<u>1,229,833</u>	<u>10,486</u>
Undistributed expenditures - central services					
Salaries	431,099	57,783	488,882	488,384	498
Unused vacation payment to terminated/retired staff	-	1,878	1,878	1,878	-
Purchased professional services	500	351	851	850	1
Purchased technical services	17,300	(38)	17,262	17,262	-
Miscellaneous purchased services	6,996	(1,295)	5,701	5,288	413
Supplies and materials	5,823	(2,313)	3,510	3,510	-
Other objects	2,625	(5)	2,620	2,361	259
Total	<u>464,343</u>	<u>56,361</u>	<u>520,704</u>	<u>519,533</u>	<u>1,171</u>
Undistributed expenditures - admin. info. technology					
Salaries	76,789	(5,716)	71,073	69,170	1,903
Purchased technical services	5,900	4,410	10,310	10,310	-
Other purchased services	3,500	(3,000)	500	466	34
Other objects	1,200	-	1,200	-	1,200
Total	<u>87,389</u>	<u>(4,306)</u>	<u>83,083</u>	<u>79,946</u>	<u>3,137</u>
Undistributed expend. - required maint. for school facilities					
Salaries	337,142	(20,200)	316,942	289,454	27,488
Cleaning, repair, and maintenance services	115,000	(1,592)	113,408	89,713	23,695
Lead testing of drinking water	-	8,500	8,500	-	8,500
General supplies	60,974	6,000	66,974	56,838	10,136
Total	<u>513,116</u>	<u>(7,292)</u>	<u>505,824</u>	<u>436,005</u>	<u>69,819</u>
Undistributed expenditures - custodial services					
Salaries	214,854	32,926	247,780	232,861	14,919
Purchased professional and technical services	53,750	-	53,750	31,962	21,788
Cleaning, repair, and maintenance service	682,104	-	682,104	670,297	11,807
Other purchased property services	28,500	-	28,500	28,499	1
Insurance	81,648	(1,028)	80,620	65,142	15,478
Miscellaneous purchased services	4,400	1,160	5,560	5,005	555
General supplies	175,701	(26,895)	148,806	70,563	78,243
Energy (natural gas)	250,000	-	250,000	145,130	104,870
Energy (electricity)	456,000	-	456,000	433,221	22,779
Other objects	3,000	-	3,000	2,944	56
Total	<u>1,949,957</u>	<u>6,163</u>	<u>1,956,120</u>	<u>1,685,624</u>	<u>270,496</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (continued)					
Undistributed expenditures - care and upkeep of grounds					
Salaries	\$ 81,495	\$ (23,000)	\$ 58,495	\$ 38,791	\$ 19,704
Purchased professional and technical services	-	9,038	9,038	998	8,040
Cleaning, repair, and maintenance service	28,538	(5,988)	22,550	12,129	10,421
General supplies	25,000	-	25,000	16,890	8,110
Total	<u>135,033</u>	<u>(19,950)</u>	<u>115,083</u>	<u>68,808</u>	<u>46,275</u>
Undistributed expenditures - security					
Purchased professional and technical services	44,608	156	44,764	34,562	10,202
Total	<u>44,608</u>	<u>156</u>	<u>44,764</u>	<u>34,562</u>	<u>10,202</u>
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	14,952	4,500	19,452	16,770	2,682
Salaries for pupil trans (between home & school) - regul	473,571	(1,500)	472,071	454,791	17,280
Salaries for pupil trans (btw. home & school) - spec. edu	178,038	(14,157)	163,881	146,856	17,025
Salaries for pupil trans (other than between home & schc	33,202	-	33,202	19,361	13,841
Management fee - esc & ctsa trans. program	8,000	-	8,000	5,049	2,951
Other purchased professional and technical service	90,653	481	91,134	91,104	30
Cleaning, repair, & maint. services	30,180	(7,000)	23,180	10,456	12,724
Contract services (between home & school) - vendors	-	110,637	110,637	88,328	22,309
Contr. service (other than between home & school) - ven	-	10,579	10,579	10,545	34
Contr. service (between home & school) - joint agreemer	57,393	88,710	146,103	142,659	3,444
Contract service (spec. educ. stds.) - joint agreements	-	25,641	25,641	25,641	-
Contract service (spl. ed. students) - ESCs & CTSAs	146,215	(50,641)	95,574	94,101	1,473
Miscellaneous purchased services - transportation	46,542	-	46,542	42,961	3,581
General supplies	2,500	-	2,500	1,092	1,408
Transportation supplies	209,694	(78,000)	131,694	99,959	31,735
Other objects	200	-	200	-	200
Total	<u>1,291,140</u>	<u>89,250</u>	<u>1,380,390</u>	<u>1,249,673</u>	<u>130,717</u>
Unallocated benefits - employee benefits					
Social Security contributions	362,208	-	362,208	361,802	406
Other retirement contributions - PERS	426,317	(10,000)	416,317	413,561	2,756
Other retirement contributions - regular	15,000	-	15,000	5,094	9,906
Unemployment compensation	77,000	-	77,000	72,568	4,432
Workmen's compensation	218,600	872	219,472	218,471	1,001
Health benefits	3,920,008	1	3,920,009	3,638,743	281,266
Tuition reimbursement	112,636	-	112,636	63,065	49,571
Other employee benefits	183,825	-	183,825	164,844	18,981
Unused sick payment to terminated/retired staff	45,000	10,000	55,000	48,340	6,660
Total	<u>5,360,594</u>	<u>873</u>	<u>5,361,467</u>	<u>4,986,488</u>	<u>374,979</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (continued)					
On-behalf TPAF pension contribution	\$ -	\$ -	\$ -	\$ 1,504,571	\$ (1,504,571)
On-behalf TPAF post retirement medical benefits	-	-	-	1,253,650	(1,253,650)
Reimbursed TPAF Social Security contribution	-	-	-	1,008,839	(1,008,839)
On-behalf TPAF long term disability insurance	-	-	-	3,272	(3,272)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,770,332</u>	<u>(3,770,332)</u>
Total undistributed expenditures	<u>\$ 16,201,195</u>	<u>\$ (43,973)</u>	<u>\$ 16,157,222</u>	<u>\$ 18,511,365</u>	<u>\$ (2,354,143)</u>
Total current	<u>\$ 29,300,158</u>	<u>\$ 202,738</u>	<u>\$ 29,502,896</u>	<u>\$ 31,472,904</u>	<u>\$ (1,970,008)</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ 84,000	\$ 3,800	\$ 87,800	\$ 84,722	\$ 3,078
Undistributed expenditures - central services	-	2,514	2,514	2,395	119
Undistributed expenditures - custodial services	10,361	4,778	15,139	15,139	-
Undistributed expenditures student transportation	-	2,001	2,001	2,001	-
School buses - regular	188,726	(36,401)	152,325	94,726	57,599
School buses - special	56,612	-	56,612	56,612	-
Total equipment	<u>339,699</u>	<u>(23,308)</u>	<u>316,391</u>	<u>255,595</u>	<u>60,796</u>
Facilities acquisition and construction service					
Architectural/engineering services	-	78,989	78,989	54,629	24,360
Construction services	291,198	(189)	291,009	241,436	49,573
Assessment for debt service on SDA funding	67,811	-	67,811	67,811	-
Total facilities acquisition and construction service	<u>359,009</u>	<u>78,800</u>	<u>437,809</u>	<u>363,876</u>	<u>73,933</u>
Total capital outlay	<u>\$ 698,708</u>	<u>\$ 55,492</u>	<u>\$ 754,200</u>	<u>\$ 619,471</u>	<u>\$ 134,729</u>
Total expenditures	<u>\$ 29,998,866</u>	<u>\$ 258,230</u>	<u>\$ 30,257,096</u>	<u>\$ 32,092,375</u>	<u>\$ (1,835,279)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (1,385,902)</u>	<u>\$ (258,230)</u>	<u>\$ (1,644,132)</u>	<u>\$ 477,231</u>	<u>\$ 2,121,363</u>
Other financing sources (uses)					
Operating transfer in					
Transfers from other funds	-	-	-	496,951	496,951
Capital reserve - transfer to debt service	(11,280)	-	(11,280)	(11,280)	-
Proceeds from sale of fixed assets	-	-	-	8,101	8,101
Total other financing sources (uses)	<u>(11,280)</u>	<u>-</u>	<u>(11,280)</u>	<u>493,772</u>	<u>505,052</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(1,397,182)	(258,230)	(1,655,412)	971,003	2,626,415
Fund balances, July 1	7,324,387	-	7,324,387	7,324,387	-
Fund balances, June 30	<u>\$ 5,927,205</u>	<u>\$ (258,230)</u>	<u>\$ 5,668,975</u>	<u>\$ 8,295,390</u>	<u>\$ 2,626,415</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (250,268)	\$ -	\$ (250,268)	\$ (250,268)	\$ -
Increase in capital reserve	-	1,546,713	1,546,713	1,546,713	-
Interest deposit to capital reserve	4,668	-	4,668	20,887	16,219
Withdrawal from capital reserve	(302,478)	(78,800)	(381,278)	(381,278)	-
Interest earned on emergency reserve	-	-	-	1,087	1,087
Budgeted fund balance	(849,104)	(1,726,143)	(2,575,247)	33,862	2,609,109
Total	\$ (1,397,182)	\$ (258,230)	\$ (1,655,412)	\$ 971,003	\$ 2,626,415
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 847,265	
Excess surplus - current year				889,993	
Capital reserve				5,253,712	
Emergency reserve				208,826	
Maintenance reserve				367,179	
Committed fund balance					
Year-end encumbrances				60,613	
Unassigned fund balance				<u>667,802</u>	
Fund balance per budgetary basis				8,295,390	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(130,947)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 8,164,443</u>	

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 32,292	\$ -	\$ 32,292	\$ 25,937	\$ (6,355)
Federal sources	552,447	-	552,447	511,887	(40,560)
Total revenues	\$ 584,739	\$ -	\$ 584,739	\$ 537,824	\$ (46,915)
Expenditures					
Instruction					
Purchased professional & technical services	\$ 7,500	\$ -	\$ 7,500	\$ 7,500	\$ -
Other purchased services	364,425	-	364,425	339,730	24,695
General supplies	75,787	2,378	78,165	68,275	9,890
Totals	447,712	2,378	450,090	415,505	34,585
Support services					
Salaries	538	-	538	538	-
Employee benefits	102	-	102	102	-
Purchased professional & technical services	42,339	(2,538)	39,801	31,845	7,956
Other purchased services	57,707	(1,700)	56,007	52,339	3,668
Supplies & materials	8,941	2,260	11,201	11,201	-
Miscellaneous expenditures	400	(400)	-	-	-
Total	110,027	(2,378)	107,649	96,025	11,624
Facility acquisition and construction services					
Instructional equipment	27,000	-	27,000	26,294	706
Total expenditures	\$ 584,739	\$ -	\$ 584,739	\$ 537,824	\$ 46,915

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Required Supplementary Information
Budget-to-GAAP Reconciliation

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 32,569,606	\$ 537,824
Difference - budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances prior year	-	4,720
Outstanding encumbrances current year	-	(4,959)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	129,661	-
State aid receivable current year	(130,947)	-
Total revenues (GAAP basis)	<u>\$ 32,568,320</u>	<u>\$ 537,585</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 32,092,375	\$ 537,824
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances prior year	-	4,720
Outstanding encumbrances current year	-	(4,959)
Total expenditures (GAAP basis)	<u>\$ 32,092,375</u>	<u>\$ 537,585</u>

See independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION - PART III

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.0456683389%	0.0480161369%	0.0457782148%	0.0445193222%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$13,525,652	\$10,778,661	\$8,570,934	\$8,508,527	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	3,113,569	3,084,486	3,191,173	3,026,223	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	434.41%	349.45%	268.58%	281.16%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	40.14%	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A

N/A - information is not available

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Schedule of District Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 405,711	\$ 412,810	\$ 377,389	\$ 335,444	\$ 343,867	\$ 459,728	\$ 430,105	\$ 329,262	\$ 275,006	\$ 218,570
Contributions in relation to the contractually required contribution	<u>(405,711)</u>	<u>(412,810)</u>	<u>(377,389)</u>	<u>(335,444)</u>	<u>(343,867)</u>	<u>(459,728)</u>	<u>(430,105)</u>	<u>(329,262)</u>	<u>(275,006)</u>	<u>(218,570)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 3,055,998	\$ 3,113,569	\$ 3,084,486	\$ 3,191,173	\$ 3,026,223	\$ 2,901,557	\$ 3,030,474	\$ 4,099,330	\$ 3,854,541	\$ 3,550,207
Contributions as a percentage of covered employee payroll	13.28%	13.26%	12.24%	10.51%	11.36%	15.84%	14.19%	8.03%	7.13%	6.16%

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	109,635,356	89,215,568	73,924,434	73,638,734	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 109,635,356	\$ 89,215,568	\$ 73,924,434	\$ 73,638,734	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 13,800,976	\$ 13,835,859	\$ 13,993,415	\$ 13,904,799	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	0.00%	22.33%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A

N/A - information is not available

See independent auditors' report.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$1,504,571	\$1,115,830	\$763,132	\$585,126	\$941,487	\$451,476	\$44,175	\$48,019	\$45,656	\$1,041,392
Contributions in relation to the contractually required contribution	(1,504,571)	(1,115,830)	(763,132)	(585,126)	(941,487)	(451,476)	(44,175)	(48,019)	(45,656)	(1,041,392)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$13,980,596	\$13,800,976	\$13,835,859	\$13,993,415	\$13,904,799	\$13,563,963	\$14,039,057	\$14,103,692	\$14,135,062	\$13,524,841
Contributions as a percentage of covered employee payroll	10.76%	8.09%	5.52%	4.18%	6.77%	3.33%	0.31%	0.34%	0.32%	7.70%

See independent auditors' report.

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

Note 1 - Special funding situation - TPAF

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

Note 2 - Changes in assumptions - TPAF

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

Note 3 - Changes in assumptions - PERS

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

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

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

	NCLB Title IA	NCLB Title IIA	NCLB Title III	IDEA Basic	IDEA Preschool	Local Grants	Total
Revenues							
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,937	\$ 25,937
Federal sources	61,885	22,257	17,418	398,451	11,876	-	511,887
Total revenues	<u>\$ 61,885</u>	<u>\$ 22,257</u>	<u>\$ 17,418</u>	<u>\$ 398,451</u>	<u>\$ 11,876</u>	<u>\$ 25,937</u>	<u>\$ 537,824</u>
Expenditures							
Instruction							
Purchased professional & technical services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,500	\$ 7,500
Other purchased services	-	-	-	337,618	-	2,112	339,730
General supplies	22,378	-	17,104	12,785	323	15,685	68,275
Total	<u>22,378</u>	<u>-</u>	<u>17,104</u>	<u>350,403</u>	<u>323</u>	<u>25,297</u>	<u>415,505</u>
Support services							
Salaries	-	-	-	-	-	538	538
Employee benefits	-	-	-	-	-	102	102
Purchased professional & technical services	-	6,056	314	25,475	-	-	31,845
Other purchased services	39,507	5,000	-	7,832	-	-	52,339
Supplies & materials	-	11,201	-	-	-	-	11,201
Total	<u>39,507</u>	<u>22,257</u>	<u>314</u>	<u>33,307</u>	<u>-</u>	<u>640</u>	<u>96,025</u>
Facilities acquisition & construction services							
Instructional equipment	-	-	-	14,741	11,553	-	26,294
Total expenditures	<u>\$ 61,885</u>	<u>\$ 22,257</u>	<u>\$ 17,418</u>	<u>\$ 398,451</u>	<u>\$ 11,876</u>	<u>\$ 25,937</u>	<u>\$ 537,824</u>

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

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

Description	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriation 06/30/17
			Prior Years	Current Year	
Security surveillance upgrades at all four schools	06/03/14	\$ 404,662	\$ 223,769	\$ 32,481	\$ 148,412
Window replacement at Readington Middle School	06/03/14	330,792	263,869	66,923	-
Roof replacement at Three Bridges and Whitehouse Elementary Schools	06/03/14	1,082,249	987,176	-	95,073
Paving reconstruction at Holland Brook Elementary School	03/22/16	990,000	63,893	851,902	74,205
Paving & stair reconstruction at Readington Middle School	06/14/16	670,000	42,014	577,554	50,432
Stair reconstruction at Three Bridges Elementary School	06/14/16	120,000	9,868	92,276	17,856
		<u>\$ 3,597,703</u>	<u>\$ 1,590,589</u>	<u>\$ 1,621,136</u>	<u>\$ 385,978</u>

See independent auditors' report.

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

Revenues and other financing sources	
Local sources - bond proceeds	\$ 790,000
State sources - SDA aid	(106,959)
Total revenues	<u>683,041</u>
 Expenditures and other financing uses	
Other costs	26,192
Purchased professional & technical services	31,866
Construction services	30,970
Land improvements	1,465,185
Transfer to capital reserve fund	496,951
Total expenditures	<u>2,051,164</u>
 Excess (deficiency) of revenues over (under) expenditures	(1,368,123)
 Fund balance - beginning	<u>1,754,101</u>
 Fund balance - ending	<u>\$ 385,978</u>
 <u>Reconciliation of Fund Balance Difference for GAAP Purposes</u>	
Fund balance - budgetary basis (schedule F-2)	\$ 385,978
 Receivables from other governments - state	
GAAP basis (schedule B-1)	474,193
Budgetary basis (schedule K-4)	<u>(519,249)</u>
 Fund balance - GAAP basis (schedule B-1)	<u>\$ 340,922</u>
 <u>Reconciliation of Financial Assistance Difference for GAAP Purposes</u>	
State financial assistance - budgetary basis (schedule F-2)	\$ (106,959)
 Adjustment to GAAP basis	<u>117,106</u>
 State financial assistance - GAAP basis (schedule B-2)	<u>\$ 10,147</u>

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
HVAC Upgrades at Three Bridges Elementary, Whitehouse
Elementary and Readington Middle Schools
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve fund	\$ 639,000	\$ -	\$ 639,000	\$ 639,000
State sources - SDA grant	144,618	-	144,618	144,618
Total revenues	<u>783,618</u>	<u>-</u>	<u>783,618</u>	<u>783,618</u>
Expenditures and other financing uses				
Purchased professional & technical services	66,461	-	66,461	66,461
Construction services	287,129	-	287,129	287,129
Transfer to capital reserve fund	-	430,028	430,028	430,028
Total expenditures	<u>353,590</u>	<u>430,028</u>	<u>783,618</u>	<u>783,618</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 430,028</u>	<u>\$ (430,028)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-050-09-1001
Project number	4350-060-09-1003
Project number	4350-070-09-1004
Grant date	4/30/2009
Bonds authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 1,065,000
Reduction in authorized cost	\$ (281,382)
Revised authorized cost	\$ 783,618
Percentage completion	100%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Security Surveillance Upgrades
at All Four Schools
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve fund	\$ 280,662	\$ -	\$ 280,662	\$ 280,662
State sources - SDA grant	124,000	-	124,000	124,000
Total revenues	<u>404,662</u>	<u>-</u>	<u>404,662</u>	<u>404,662</u>
Expenditures and other financing uses				
Legal services	-	-	-	24,974
Purchased professional & technical services	23,683	1,511	25,194	25,194
Construction services	200,086	30,970	231,056	354,494
Total expenditures	<u>223,769</u>	<u>32,481</u>	<u>256,250</u>	<u>404,662</u>
Excess (deficiency) of revenues over (under) Expenditures	<u>\$ 180,893</u>	<u>\$ (32,481)</u>	<u>\$ 148,412</u>	<u>\$ -</u>
<u>Additional Project Information</u>				
Project number	350-030-14-1005			
Project number	350-050-14-1006			
Project number	350-060-14-1007			
Project number	350-070-14-1008			
Grant date	6/3/2014			
Bonds authorization date	N/A			
Bonds authorized	N/A			
Bonds issued	N/A			
Original authorized cost	\$ 310,000			
Increase in authorized cost	\$ 94,662			
Revised authorized cost	\$ 404,662			
Percentage completion	63%			

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Phase of Window Replacement Project
at Readington Middle School
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve fund	\$ 225,000	\$ -	\$ 225,000	\$ 225,000
State sources - SDA grant	150,000	(44,208)	105,792	105,792
Total revenues	<u>375,000</u>	<u>(44,208)</u>	<u>330,792</u>	<u>330,792</u>
Expenditures and other financing uses				
Legal services	1,106	-	1,106	1,106
Purchased professional & technical services	23,763	-	23,763	23,763
Construction services	239,000	-	239,000	239,000
Transfer to capital reserve fund	-	66,923	66,923	66,923
Total expenditures	<u>263,869</u>	<u>66,923</u>	<u>330,792</u>	<u>330,792</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 111,131</u>	<u>\$ (111,131)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-050-13-3002
Grant date	6/3/2014
Bonds authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 375,000
Reduction in authorized cost	\$ (44,208)
Revised authorized cost	\$ 330,792
Percentage completion	100%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Roof Replacement at Three Bridges and Whitehouse
Elementary Schools
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - transfer from capital reserve fund	\$ 687,000	\$ -	\$ 687,000	\$ 687,000
State sources - SDA grant	458,000	(62,751)	395,249	395,249
Total revenues	<u>1,145,000</u>	<u>(62,751)</u>	<u>1,082,249</u>	<u>1,082,249</u>
Expenditures and other financing uses				
Legal services	1,326	-	1,326	14,530
Purchased professional & technical services	76,736	-	76,736	89,870
Construction services	909,114	-	909,114	977,849
Total expenditures	<u>987,176</u>	<u>-</u>	<u>987,176</u>	<u>1,082,249</u>
Excess (deficiency) of revenues over (under) Expenditures	<u>\$ 157,824</u>	<u>\$ (62,751)</u>	<u>\$ 95,073</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-060-13-3003
Project number	4350-070-13-3004
Grant date	6/3/2014
Bonds authorization date	N/A
Bonds authorized	N/A
Bonds issued	N/A
Original authorized cost	\$ 1,145,000
Reduction in authorized cost	\$ (62,751)
Revised authorized cost	\$ 1,082,249
Percentage completion	91%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Paving Reconstruction at Holland Brook Elementary School
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - proceeds from bond issue	\$ 990,000	\$ -	\$ 990,000	\$ 990,000
Total revenues	<u>990,000</u>	<u>-</u>	<u>990,000</u>	<u>990,000</u>
Expenditures and other financing uses				
Other costs	14,088	14,668	28,756	28,756
Purchased professional & technical services	49,805	16,560	66,365	86,145
Land improvements	-	820,674	820,674	875,099
Total expenditures	<u>63,893</u>	<u>851,902</u>	<u>915,795</u>	<u>990,000</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 926,107</u>	<u>\$ (851,902)</u>	<u>\$ 74,205</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-030-16-1000
Grant date	N/A
Bonds authorization date	3/22/2016
Bonds authorized	\$ 990,000
Bonds issued	\$ 990,000
Original authorized cost	\$ 990,000
Reduction in authorized cost	\$ -
Revised authorized cost	\$ 990,000
Percentage completion	93%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Paving & Stair Reconstruction at Readington Middle School
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - proceeds from bond issue	\$ -	\$ 670,000	\$ 670,000	\$ 670,000
Total revenues	<u>-</u>	<u>670,000</u>	<u>670,000</u>	<u>670,000</u>
Expenditures and other financing uses				
Other costs	9,289	9,953	19,242	19,242
Purchased professional & technical services	32,725	10,110	42,835	55,000
Land improvements	-	557,491	557,491	595,758
Total expenditures	<u>42,014</u>	<u>577,554</u>	<u>619,568</u>	<u>670,000</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ (42,014)</u>	<u>\$ 92,446</u>	<u>\$ 50,432</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-050-16-1000
Grant date	N/A
Bonds authorization date	6/14/2016
Bonds authorized	\$ 670,000
Bonds issued	\$ -
Original authorized cost	\$ 670,000
Reduction in authorized cost	\$ -
Revised authorized cost	\$ 670,000
Percentage completion	92%

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status -
Budgetary Basis
Stair Reconstruction at Three Bridges Elementary School
For the Fiscal Year Ended June 30, 2017

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - proceeds from bond issue	\$ -	\$ 120,000	\$ 120,000	\$ 120,000
Total revenues	<u>-</u>	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Expenditures and other financing uses				
Other costs	1,250	1,571	2,821	5,000
Purchased professional & technical services	8,618	3,685	12,303	20,000
Land improvements	-	87,020	87,020	95,000
Total expenditures	<u>9,868</u>	<u>92,276</u>	<u>102,144</u>	<u>120,000</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ (9,868)</u>	<u>\$ 27,724</u>	<u>\$ 17,856</u>	<u>\$ -</u>

Additional Project Information

Project number	4350-060-16-1000
Grant date	N/A
Bonds authorization date	6/14/2016
Bonds authorized	\$ 120,000
Bonds issued	\$ -
Original authorized cost	\$ 120,000
Reduction in authorized cost	\$ -
Revised authorized cost	\$ 120,000
Percentage completion	85%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Fund Net Position
June 30, 2017

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 198,063	\$ 11,318	\$ 4,715	\$ 214,096
Receivables from other governments				
State	329	-	-	329
Federal	5,641	-	-	5,641
Inventory	8,680	-	-	8,680
Total current assets	<u>212,713</u>	<u>11,318</u>	<u>4,715</u>	<u>228,746</u>
Noncurrent assets				
Capital assets	155,361	-	-	155,361
Less: accumulated depreciation	126,132	-	-	126,132
Total noncurrent assets	<u>29,229</u>	<u>-</u>	<u>-</u>	<u>29,229</u>
Total assets	<u>241,942</u>	<u>11,318</u>	<u>4,715</u>	<u>257,975</u>
LIABILITIES				
Current liabilities				
Accounts payable	22,156	-	1,476	23,632
Unearned revenues	24,028	6,140	2,717	32,885
Total liabilities	<u>46,184</u>	<u>6,140</u>	<u>4,193</u>	<u>56,517</u>
NET POSITION				
Net investment in capital assets	29,229	-	-	29,229
Unrestricted	166,529	5,178	522	172,229
Total net position	<u>\$ 195,758</u>	<u>\$ 5,178</u>	<u>\$ 522</u>	<u>\$ 201,458</u>

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
June 30, 2017

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Operating revenues				
Charges for services				
Daily sales - reimbursable programs	\$ 242,578	\$ -	\$ -	\$ 242,578
Daily sales - non-reimbursable programs	158,642	-	-	158,642
Summer program fees	-	10,627	3,608	14,235
Total operating revenues	<u>401,220</u>	<u>10,627</u>	<u>3,608</u>	<u>415,455</u>
Operating expenses				
Cost of sales - reimbursable programs	166,174	-	-	166,174
Cost of sales - non-reimbursable programs	54,232	-	-	54,232
Salaries	149,405	10,655	3,360	163,420
Employee benefits	30,655	799	196	31,650
Purchased property services	10,670	-	-	10,670
Insurance	2,727	-	-	2,727
Management fee	11,008	-	-	11,008
Other purchased services	7,601	-	-	7,601
General supplies	3,281	666	-	3,947
Commodity food costs	34,661	-	-	34,661
Depreciation	4,767	-	-	4,767
Total operating expenses	<u>475,181</u>	<u>12,120</u>	<u>3,556</u>	<u>490,857</u>
Operating income (loss)	<u>(73,961)</u>	<u>(1,493)</u>	<u>52</u>	<u>(75,402)</u>
Non-operating revenues (expenses)				
State sources				
State school lunch program	4,287	-	-	4,287
Federal sources				
National school lunch program				
Cash assistance	75,617	-	-	75,617
Non cash assistance (commodities)	34,661	-	-	34,661
Interest earned on investments	927	-	-	927
Miscellaneous	451	-	-	451
Total non-operating revenues (expenses)	<u>115,943</u>	<u>-</u>	<u>-</u>	<u>115,943</u>
Change in net position	41,982	(1,493)	52	40,541
Net position, beginning	<u>153,776</u>	<u>6,671</u>	<u>470</u>	<u>160,917</u>
Net position, ending	<u>\$ 195,758</u>	<u>\$ 5,178</u>	<u>\$ 522</u>	<u>\$ 201,458</u>

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Enterprise Fund
Combining Statement of Cash Flows
June 30, 2017

	Food Service Fund	Summer Enrichment Fund	Summer Sports Camps Fund	Total
Cash flows from operating activities				
Receipts from customers (net)	\$ 399,111	\$ 6,450	\$ 3,315	\$ 408,876
Payments to employees	(5,388)	(10,655)	(3,360)	(19,403)
Payments for employee benefits	(412)	(799)	-	(1,211)
Payments to Food Service Management Co.	(394,584)	-	-	(394,584)
Payments to vendors (net)	(13,951)	(666)	-	(14,617)
Net cash provided by (used for) operating activities	<u>(15,224)</u>	<u>(5,670)</u>	<u>(45)</u>	<u>(20,939)</u>
Cash flows from non-capital financing activities				
State sources	4,284	-	-	4,284
Federal sources	75,363	-	-	75,363
General fund interfund activity	(5,713)	-	-	(5,713)
Miscellaneous	451	-	-	451
Net cash provided by (used for) noncapital financing activities	<u>74,385</u>	<u>-</u>	<u>-</u>	<u>74,385</u>
Cash flows from capital financing activities				
Acquisition of equipment	(4,028)	-	-	(4,028)
Net cash used for capital financing activities	<u>(4,028)</u>	<u>-</u>	<u>-</u>	<u>(4,028)</u>
Cash flows from investing activities				
Interest earned on investments	927	-	-	927
Net cash provided by (used for) investing activities	<u>927</u>	<u>-</u>	<u>-</u>	<u>927</u>
Net increase (decrease) in cash and cash equivalents	56,060	(5,670)	(45)	50,345
Cash and cash equivalents, beginning	<u>142,003</u>	<u>16,988</u>	<u>4,760</u>	<u>163,751</u>
Cash and cash equivalents, ending	<u>\$ 198,063</u>	<u>\$ 11,318</u>	<u>\$ 4,715</u>	<u>\$ 214,096</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	\$ (73,961)	\$ (1,493)	\$ 52	\$ (75,402)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	4,767	-	-	4,767
Federal food donation program	34,661	-	-	34,661
(Increase) decrease in inventory	(720)	-	-	(720)
Increase (decrease) in accounts payable	22,156	-	196	22,352
Increase (decrease) in unearned revenues	(2,127)	(4,177)	(293)	(6,597)
Net cash provided by (used for) operating activities	<u>\$ (15,224)</u>	<u>\$ (5,670)</u>	<u>\$ (45)</u>	<u>\$ (20,939)</u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

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

READINGTON TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Combining Statement of Net Position
June 30, 2017

	Private Purpose Scholarship Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 10,702	\$ 61,978	\$ 315,451	\$ 388,131
Total assets	<u>\$ 10,702</u>	<u>\$ 61,978</u>	<u>\$ 315,451</u>	<u>\$ 388,131</u>
Liabilities				
Due to other funds	\$ -	\$ -	\$ 20,000	\$ 20,000
Due to students groups	-	61,978	-	61,978
Payroll deductions & withholdings	-	-	295,451	295,451
Total liabilities	<u>-</u>	<u>61,978</u>	<u>315,451</u>	<u>377,429</u>
Net position				
Reserve for scholarship funds	<u>\$ 10,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,702</u>

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2017

	Private Purpose Scholarship Fund
Additions	
Scholarship contributions	\$ 1,118
Total additions	1,118
Deductions	
Scholarships awarded	2,816
Change in net position	(1,698)
Net position - beginning of the year	12,400
Net position - end of the year	\$ 10,702

See independent auditors' report.

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

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 59,604	\$ 142,097	\$ 139,723	\$ 61,978
Total assets	\$ 59,604	\$ 142,097	\$ 139,723	\$ 61,978
Liabilities				
Due to student groups				
Holland Brook School	\$ 16,706	\$ 39,512	\$ 45,069	\$ 11,149
Readington Middle School	28,521	73,324	67,668	34,177
Three Bridges School	6,230	12,060	8,460	9,830
Whitehouse School	8,147	17,201	18,526	6,822
Total liabilities	\$ 59,604	\$ 142,097	\$ 139,723	\$ 61,978

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Fiduciary Fund
Payroll Agency Fund Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2017

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Assets				
Cash and cash equivalents	\$ 340,449	\$ 21,048,855	\$ 21,073,853	\$ 315,451
Total assets	\$ 340,449	\$ 21,048,855	\$ 21,073,853	\$ 315,451
Liabilities				
Due to other funds	\$ -	\$ 20,000	\$ -	\$ 20,000
Payroll deductions and withholdings	340,447	21,028,855	21,073,851	295,451
Accumulated Interest	2	-	2	-
Total liabilities	\$ 340,449	\$ 21,048,855	\$ 21,073,853	\$ 315,451

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

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

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/16	Issued	Retired	Balance 6/30/17
			Date	Amount					
Refunding school bonds of 2006	03/15/11	\$ 10,000,000	07/15/17	\$ 35,000	4.00%	\$ 9,555,000	\$ -	\$ 9,520,000	\$ 35,000
Refunding school bonds of 2010	11/24/10	5,415,000	07/15/17	535,000	4.00%	-	-	-	-
		-		350,000	4.50%	-	-	-	-
		-	07/15/18	775,000	4.00%	-	-	-	-
		-		160,000	5.00%	-	-	-	-
		-	07/15/19	235,000	3.50%	2,905,000	-	850,000	2,055,000
Refunding school bonds of 2013	10/09/13	7,905,000	01/01/18	540,000	3.63%	-	-	-	-
		-	01/01/19	560,000	3.87%	-	-	-	-
		-	01/01/20	580,000	4.00%	-	-	-	-
		-	01/01/21	605,000	3.00%	-	-	-	-
		-	01/01/22	625,000	3.00%	-	-	-	-
		-	01/01/23	640,000	3.00%	-	-	-	-
		-	01/01/24	660,000	3.13%	-	-	-	-
		-	01/01/25	685,000	3.25%	-	-	-	-
		-	01/01/26	700,000	3.38%	-	-	-	-
		-	01/01/27	725,000	3.50%	6,845,000	-	525,000	6,320,000

See independent auditor's report.

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

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/16	Issued	Retired	Balance 6/30/17
			Date	Amount					
General obligation bonds of 2016	03/22/16	\$ 990,000	07/15/17	\$ 990,000	1.40%	\$ 990,000	\$ -	\$ -	\$ 990,000
General obligation bonds of 2016	07/07/16	790,000	07/15/17	790,000	1.50%	-	790,000	-	790,000
Refunding school bonds of 2017	05/23/17	8,495,000	07/15/17	135,000	2.00%	-	-	-	-
		-	07/15/18	-	-	-	-	-	-
		-	07/15/19	655,000	3.00%	-	-	-	-
		-	07/15/20	960,000	4.00%	-	-	-	-
		-	07/15/21	995,000	4.00%	-	-	-	-
		-	07/15/22	1,045,000	4.00%	-	-	-	-
		-	07/15/23	1,095,000	5.00%	-	-	-	-
		-	07/15/24	1,155,000	5.00%	-	-	-	-
		-	07/15/25	1,225,000	5.00%	-	-	-	-
		-	07/15/26	1,230,000	5.00%	-	-	-	-
						\$ 20,295,000	\$ 9,285,000	\$ 10,895,000	\$ 18,685,000

Analysis of Amount Retired

Budget expenditures	\$ 1,410,000
Deferred outflow for refunding of 2006 bonds	9,485,000
Total amount retired	\$ 10,895,000

See independent auditor's report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources - debt service tax levy	\$ 2,109,696	\$ -	\$ 2,109,696	\$ 2,109,696	\$ -
State sources - debt service aid	7,117	-	7,117	7,117	-
Local sources - miscellaneous revenue	-	-	-	10,868	10,868
Total revenues	<u>2,116,813</u>	<u>-</u>	<u>2,116,813</u>	<u>2,127,681</u>	<u>10,868</u>
EXPENDITURES					
Regular debt service					
Redemption of bond principal	1,410,000	-	1,410,000	1,410,000	-
Interest on bonds	718,093	-	718,093	718,093	-
Total expenditures	<u>2,128,093</u>	<u>-</u>	<u>2,128,093</u>	<u>2,128,093</u>	<u>-</u>
Excess (deficiency) of revenues					
Over (under) expenditures	(11,280)	-	(11,280)	(412)	10,868
Other financing sources					
Transfer in from capital reserve	11,280	-	11,280	11,280	-
Excess (deficiency) of revenues & other financing sources over (under) expenditures	-	-	-	10,868	10,868
Fund balance, July 1	-	-	-	-	-
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,868</u>	<u>\$ 10,868</u>
Recapitulation of excess (deficiency) of revenue Over (under) expenditures					
Budgeted fund balance	<u>\$ (11,280)</u>	<u>\$ -</u>	<u>\$ (11,280)</u>	<u>\$ (412)</u>	<u>\$ 10,868</u>

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Government activities										
Net investment in capital assets	\$ 15,381,288	\$ 18,148,935	\$ 18,354,636	\$ 19,168,645	\$ 18,823,939	\$ 18,900,825	\$ 19,567,989	\$ 21,148,418	\$ 21,870,825	\$ 23,434,089
Restricted	4,321,509	2,879,577	3,630,236	3,279,636	4,509,014	5,271,205	4,940,642	4,899,507	5,308,140	6,039,014
Unrestricted	1,126,691	1,415,899	965,065	725,876	1,123,822	784,125	(7,028,548)	(7,173,776)	(7,320,859)	(9,287,158)
Total governmental activities	<u>\$ 20,829,488</u>	<u>\$ 22,444,411</u>	<u>\$ 22,949,937</u>	<u>\$ 23,174,157</u>	<u>\$ 24,456,775</u>	<u>\$ 24,956,155</u>	<u>\$ 17,480,083</u>	<u>\$ 18,874,149</u>	<u>\$ 19,858,106</u>	<u>\$ 20,185,945</u>
Business-type activities										
Net investment in capital assets	\$ 23,378	\$ 29,764	\$ 37,872	\$ 30,263	\$ 43,297	\$ 45,550	\$ 39,990	\$ 34,979	\$ 29,968	\$ 29,229
Unrestricted	263,393	284,554	252,121	284,185	253,785	200,899	117,147	85,779	130,949	172,229
Total business-type activities	<u>\$ 286,771</u>	<u>\$ 314,318</u>	<u>\$ 289,993</u>	<u>\$ 314,448</u>	<u>\$ 297,082</u>	<u>\$ 246,449</u>	<u>\$ 157,137</u>	<u>\$ 120,758</u>	<u>\$ 160,917</u>	<u>\$ 201,458</u>
District-wide										
Net investment in capital assets	\$ 15,404,666	\$ 18,178,699	\$ 18,392,508	\$ 19,198,908	\$ 18,867,236	\$ 18,946,375	\$ 19,607,979	\$ 21,183,397	\$ 21,900,793	\$ 23,463,318
Restricted	4,584,902	3,164,131	3,882,357	3,563,821	4,762,799	5,472,104	5,057,789	4,985,286	5,439,089	6,211,243
Unrestricted	1,126,691	1,415,899	965,065	725,876	1,123,822	784,125	(7,028,548)	(7,173,776)	(7,320,859)	(9,287,158)
Total district-wide	<u>\$ 21,116,259</u>	<u>\$ 22,758,729</u>	<u>\$ 23,239,930</u>	<u>\$ 23,488,605</u>	<u>\$ 24,753,857</u>	<u>\$ 25,202,604</u>	<u>\$ 17,637,220</u>	<u>\$ 18,994,907</u>	<u>\$ 20,019,023</u>	<u>\$ 20,387,403</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 13,510,602	\$ 13,190,998	\$ 13,370,985	\$ 12,978,633	\$ 12,797,258	\$ 13,434,484	\$ 12,639,720	\$ 14,792,796	\$ 15,532,061	\$ 17,497,506
Special education	3,834,363	3,869,467	3,990,987	4,256,991	4,357,246	4,600,346	4,492,434	5,374,421	5,797,724	6,409,476
Other special education	822,782	1,068,158	1,138,559	1,218,113	1,233,805	1,160,214	1,178,118	1,354,506	1,410,624	1,733,351
Other instruction	243,486	300,984	288,351	307,976	367,467	369,819	384,880	381,331	425,542	445,971
Support services										
Tuition	794,673	533,058	553,980	724,867	495,464	614,482	708,273	787,923	583,148	602,237
Student & instruction related services	4,629,712	4,817,680	5,135,703	4,595,912	4,841,487	5,015,386	5,129,190	6,189,717	6,695,902	7,304,973
General & business administrative services	1,709,839	1,690,800	1,731,386	1,714,006	1,786,567	1,351,217	1,647,645	1,621,382	1,792,644	1,983,103
School administration	1,611,821	1,544,345	1,694,551	1,635,008	1,654,804	1,725,208	1,690,141	1,964,952	2,101,185	2,354,438
Plant operations & maintenance	3,045,023	3,134,763	3,201,640	2,492,943	2,360,481	2,450,613	2,556,242	2,413,523	2,505,463	2,623,557
Pupil transportation	2,364,779	2,413,981	2,163,025	2,124,628	1,947,401	2,035,908	2,054,985	1,714,418	1,571,941	1,851,479
Special schools	-	-	16,072	-	-	-	-	-	-	-
Transfer to Charter schools	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	1,233,751	1,222,922	1,147,982	1,062,815	1,047,243	1,014,502	809,984	842,475	802,887	649,110
Total governmental activities expenses	<u>33,800,831</u>	<u>33,787,156</u>	<u>34,433,221</u>	<u>33,111,892</u>	<u>32,889,223</u>	<u>33,772,179</u>	<u>33,291,612</u>	<u>37,437,444</u>	<u>39,219,121</u>	<u>43,455,201</u>
Business-type activities										
Food service	652,762	661,060	686,536	649,107	657,727	613,691	583,311	567,851	488,618	475,181
Summer program	35,590	30,352	24,341	21,617	27,067	29,760	23,962	20,901	17,509	15,676
Total business-type activities	<u>688,352</u>	<u>691,412</u>	<u>710,877</u>	<u>670,724</u>	<u>684,794</u>	<u>643,451</u>	<u>607,273</u>	<u>588,752</u>	<u>506,127</u>	<u>490,857</u>
Total district expenses	<u>\$ 34,489,183</u>	<u>\$ 34,478,568</u>	<u>\$ 35,144,098</u>	<u>\$ 33,782,616</u>	<u>\$ 33,574,017</u>	<u>\$ 34,415,630</u>	<u>\$ 33,898,885</u>	<u>\$ 38,026,196</u>	<u>\$ 39,725,248</u>	<u>\$ 43,946,058</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program revenues										
Governmental activities										
Charges for services										
Regular instruction	\$ 13,983	\$ 13,782	\$ 23,050	\$ 21,257	\$ 30,187	\$ 22,832	\$ 54,359	\$ 76,222	\$ 51,592	\$ 54,865
Special education instruction	-	-	-	-	22,418	50,263	99,573	43,193	16,841	15,109
Student & instruction related services	398	157	474	40	-	-	-	-	-	-
General & business administrative services	41	4,656	2,851	50,000	50,000	30,000	116,750	117,918	120,276	121,044
Plant operations & maintenance	57,963	52,317	56,113	52,756	48,598	63,965	76,285	54,191	52,186	53,176
Pupil transportation	23,775	28,920	33,197	5,985	21,028	25,160	4,285	31,794	11,881	78,654
Operating grants & contributions	802,395	544,617	703,907	681,329	500,139	535,302	507,168	564,735	440,978	537,585
Capital grants & contributions	-	230,036	263,681	265,594	43,716	-	32,530	477,251	64,689	10,147
Total governmental activities program revenues	<u>898,555</u>	<u>874,485</u>	<u>1,083,273</u>	<u>1,076,961</u>	<u>716,086</u>	<u>727,522</u>	<u>890,950</u>	<u>1,365,304</u>	<u>758,443</u>	<u>870,580</u>
Business-type activities										
Charges for services										
Food service	568,271	581,848	555,039	563,547	527,490	461,034	397,259	418,003	411,684	401,220
Summer program	40,042	33,350	24,650	21,220	23,935	27,618	21,225	20,350	22,483	14,235
Operating grants & contributions	99,913	96,710	105,648	109,288	113,827	103,253	98,764	113,326	111,606	114,565
Total business-type activities program revenues	<u>708,226</u>	<u>711,908</u>	<u>685,337</u>	<u>694,055</u>	<u>665,252</u>	<u>591,905</u>	<u>517,248</u>	<u>551,679</u>	<u>545,773</u>	<u>530,020</u>
Total district-program revenues	<u>\$ 1,606,781</u>	<u>\$ 1,586,393</u>	<u>\$ 1,768,610</u>	<u>\$ 1,771,016</u>	<u>\$ 1,381,338</u>	<u>\$ 1,319,427</u>	<u>\$ 1,408,198</u>	<u>\$ 1,916,983</u>	<u>\$ 1,304,216</u>	<u>\$ 1,400,600</u>
Net (expense) revenues										
Governmental activities	\$ (32,902,276)	\$ (32,912,671)	\$ (33,349,948)	\$ (32,034,931)	\$ (32,173,137)	\$ (33,044,657)	\$ (32,400,662)	\$ (36,072,140)	\$ (38,460,678)	\$ (42,584,621)
Business-type activities	19,874	20,496	(25,540)	23,331	(19,542)	(51,546)	(90,025)	(37,073)	39,646	39,163
Total district-wide net expenses	<u>\$ (32,882,402)</u>	<u>\$ (32,892,175)</u>	<u>\$ (33,375,488)</u>	<u>\$ (32,011,600)</u>	<u>\$ (32,192,679)</u>	<u>\$ (33,096,203)</u>	<u>\$ (32,490,687)</u>	<u>\$ (36,109,213)</u>	<u>\$ (38,421,032)</u>	<u>\$ (42,545,458)</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 27,023,340	\$ 28,085,596	\$ 27,038,539	\$ 27,703,081	\$ 27,426,050	\$ 26,586,701	\$ 26,582,012	\$ 26,582,012	\$ 26,643,599	\$ 26,906,853
Taxes levied for debt service	2,000,212	2,103,521	2,118,903	1,889,894	2,183,349	2,194,238	2,182,408	2,098,623	2,037,036	2,109,696
Unrestricted grants & contributions	5,092,380	4,219,457	4,617,847	2,995,051	3,660,562	4,560,512	4,157,942	8,644,779	10,549,409	13,619,700
Investment earnings	258,834	86,279	28,904	25,829	51,050	30,540	31,822	30,984	33,091	48,130
Miscellaneous income	72,558	26,253	30,116	89,905	117,490	144,537	136,924	109,808	155,465	219,980
Special item - proceeds from insurance claim	-	-	-	-	-	25,448	-	-	-	-
Special item - payment to refunding bond agent	-	-	-	(444,609)	-	-	-	-	-	-
Special item - gain (loss) on disposition of assets	(1,878)	6,488	21,165	-	17,254	2,061	6,565	-	26,035	8,101
Total governmental activities	<u>34,445,446</u>	<u>34,527,594</u>	<u>33,855,474</u>	<u>32,259,151</u>	<u>33,455,755</u>	<u>33,544,037</u>	<u>33,097,673</u>	<u>37,466,206</u>	<u>39,444,635</u>	<u>42,912,460</u>
Business-type activities										
Investment earnings	2,503	2,384	1,102	1,045	2,176	913	707	527	513	451
Miscellaneous income	-	4,667	113	79	-	-	6	167	-	927
Total business-type activities	<u>2,503</u>	<u>7,051</u>	<u>1,215</u>	<u>1,124</u>	<u>2,176</u>	<u>913</u>	<u>713</u>	<u>694</u>	<u>513</u>	<u>1,378</u>
Total district-wide	<u>\$ 34,447,949</u>	<u>\$ 34,534,645</u>	<u>\$ 33,856,689</u>	<u>\$ 32,260,275</u>	<u>\$ 33,457,931</u>	<u>\$ 33,544,950</u>	<u>\$ 33,098,386</u>	<u>\$ 37,466,900</u>	<u>\$ 39,445,148</u>	<u>\$ 42,913,838</u>
Change in net position										
Governmental activities	\$ 1,543,170	\$ 1,614,923	\$ 505,526	\$ 224,220	\$ 1,282,618	\$ 499,380	\$ 697,011	\$ 1,394,066	\$ 983,957	\$ 327,839
Business-type activities	22,377	27,547	(24,325)	24,455	(17,366)	(50,633)	(89,312)	(36,379)	40,159	40,541
Total district	<u>\$ 1,565,547</u>	<u>\$ 1,642,470</u>	<u>\$ 481,201</u>	<u>\$ 248,675</u>	<u>\$ 1,265,252</u>	<u>\$ 448,747</u>	<u>\$ 607,699</u>	<u>\$ 1,357,687</u>	<u>\$ 1,024,116</u>	<u>\$ 368,380</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund										
Restricted	\$ 3,939,640	\$ 3,591,973	\$ 2,227,303	\$ 2,996,728	\$ 4,934,839	\$ 5,786,207	\$ 4,404,201	\$ 5,225,677	\$ 6,338,677	\$ 7,566,975
Committed	909,062	1,059,129	536,084	267,295	638,927	372,039	499,975	182,693	250,268	60,613
Assigned	-	-	-	-	315,774	36,715	56,696	-	-	-
Unassigned	583,882	517,129	464,788	647,356	445,833	446,835	582,415	606,312	605,781	536,855
Total general fund	<u>\$ 5,432,584</u>	<u>\$ 5,168,572</u>	<u>\$ 3,228,175</u>	<u>\$ 3,911,379</u>	<u>\$ 6,334,373</u>	<u>\$ 6,641,796</u>	<u>\$ 5,543,287</u>	<u>\$ 6,014,682</u>	<u>\$ 7,194,726</u>	<u>\$ 8,164,443</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 1,331,766	\$ 436,505	\$ 2,628,165	\$ 1,585,938	\$ 901,465	\$ 867,665	\$ 1,920,494	\$ 1,204,618	\$ 1,591,939	\$ 340,922
Assigned, reported in										
Debt service fund	8,580	41	455	2,508	15,296	13,264	75,779	75,758	-	10,868
Total all other governmental funds	<u>\$ 1,340,346</u>	<u>\$ 436,546</u>	<u>\$ 2,628,620</u>	<u>\$ 1,588,446</u>	<u>\$ 916,761</u>	<u>\$ 880,929</u>	<u>\$ 1,996,273</u>	<u>\$ 1,280,376</u>	<u>\$ 1,591,939</u>	<u>\$ 351,790</u>

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 29,023,552	\$ 30,189,117	\$ 29,157,442	\$ 29,592,975	\$ 29,609,399	\$ 28,780,939	\$ 28,764,420	\$ 28,680,635	\$ 28,680,635	\$ 29,016,549
Tuition charges	8,921	13,650	23,050	21,104	52,605	70,290	153,932	119,415	68,433	69,974
Transportation fees	23,327	28,920	32,058	2,340	3,240	3,976	2,740	30,651	5,300	4,410
Interest earnings	258,834	86,279	28,904	25,829	51,050	30,540	31,822	30,984	33,091	48,130
Miscellaneous	70,373	89,887	110,723	107,123	105,781	143,231	128,390	127,875	135,272	195,787
State sources	5,101,579	4,222,290	4,618,592	2,996,620	3,596,796	4,562,436	4,157,942	4,666,750	5,101,995	5,382,089
State sources - capital projects	-	230,036	263,681	265,594	43,716	-	32,530	477,251	64,689	10,147
Federal sources	778,437	519,609	667,274	666,366	550,742	519,018	506,572	515,143	430,168	516,647
Total revenues	35,265,023	35,379,788	34,901,724	33,677,951	34,013,329	34,110,430	33,778,348	34,648,704	34,519,583	35,243,733
Expenditures										
Instruction										
Regular instruction	9,619,521	9,717,006	9,473,762	9,197,202	8,923,049	9,248,836	8,865,777	8,561,728	8,409,875	8,667,280
Special education instr.	2,552,239	2,752,680	2,753,078	2,837,376	2,935,415	3,077,130	3,060,710	3,149,810	3,184,856	3,197,239
Other special instruction	572,837	752,258	799,152	836,210	834,278	757,010	771,403	728,214	731,952	824,762
School sponsored/other instructional	187,533	229,070	210,693	219,503	257,875	262,570	275,295	265,499	279,355	272,258
Support services										
Tuition	388,057	112,998	22,972	342,118	186,502	205,805	347,447	435,836	275,801	264,619
Student & inst. related services	3,259,066	3,520,906	3,655,341	3,253,594	3,390,964	3,451,729	3,566,545	3,682,757	3,736,526	3,624,785
General administration	688,095	679,115	644,047	681,554	610,822	537,283	587,730	538,087	584,315	561,157
School admin. services	1,130,523	1,181,275	1,208,303	1,142,257	1,173,417	1,217,813	1,169,356	1,179,916	1,214,701	1,229,833
Central services	458,036	472,596	456,892	447,153	454,006	418,120	432,803	439,609	433,996	519,533
Administrative information technology	179,676	184,359	192,899	141,994	63,445	30,307	72,272	70,358	74,915	79,946
Plant operations & maintenance	2,688,078	2,748,294	2,750,409	2,208,103	2,071,894	2,178,294	2,300,029	2,133,662	2,171,537	2,224,999
Pupil transportation	1,908,135	1,927,922	1,941,299	1,901,384	1,716,881	1,818,183	1,867,199	1,252,666	1,094,538	1,249,673
Employee benefits	4,010,776	4,269,281	4,892,720	4,601,797	4,474,216	4,452,886	4,429,031	5,055,633	4,923,510	4,986,488
On-behalf TPAF pension & Social Security contrib.	2,814,709	2,001,933	2,024,497	2,053,485	2,394,144	3,081,345	2,571,355	2,975,277	3,477,161	3,770,332
Capital outlay	1,365,238	487,562	320,360	80,839	18,521	288,060	661,251	493,343	522,825	551,660
Special schools	-	-	16,072	-	-	-	-	-	-	-

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenditures (cont'd)										
Special revenue funds	\$ 802,395	\$ 544,617	\$ 703,907	\$ 681,329	\$ 500,139	\$ 535,302	\$ 507,168	\$ 564,735	\$ 440,978	\$ 537,585
Capital projects	335,390	2,853,297	436,021	1,211,976	37,037	33,800	176,406	1,193,127	319,761	1,658,181
Debt service										
Principal	901,130	916,977	3,326,837	1,163,763	1,164,737	1,230,786	1,331,887	1,315,000	1,370,000	1,410,000
Interest & other charges	1,238,126	1,203,254	1,215,112	1,107,132	1,071,932	1,041,089	873,119	857,949	817,774	785,904
Total expenditures	<u>35,099,560</u>	<u>36,555,400</u>	<u>37,044,373</u>	<u>34,108,769</u>	<u>32,279,274</u>	<u>33,866,348</u>	<u>33,866,783</u>	<u>34,893,206</u>	<u>34,064,376</u>	<u>36,416,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>165,463</u>	<u>(1,175,612)</u>	<u>(2,142,649)</u>	<u>(430,818)</u>	<u>1,734,055</u>	<u>244,082</u>	<u>(88,435)</u>	<u>(244,502)</u>	<u>455,207</u>	<u>(1,172,501)</u>
Other financing sources (uses)										
Proceeds from bond issue & refunding bond issue	-	-	-	5,415,000	-	-	7,905,000	-	990,000	9,285,000
Premium on bond issue	-	-	-	458,457	-	-	279,024	-	-	1,276,745
Temporary notes financed in debt service fund	-	-	2,364,000	-	-	-	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	(5,799,609)	-	-	(8,085,319)	-	-	(9,667,777)
Proceeds from disposition of capital assets	54,000	7,800	30,326	-	17,254	2,061	6,565	-	46,400	8,101
Proceeds from disposition of supplies	46,031	-	-	-	-	-	-	-	-	-
Insurance claim proceeds for flooding damage	-	-	-	-	-	25,448	-	-	-	-
Total other financing sources (uses)	<u>100,031</u>	<u>7,800</u>	<u>2,394,326</u>	<u>73,848</u>	<u>17,254</u>	<u>27,509</u>	<u>105,270</u>	<u>-</u>	<u>1,036,400</u>	<u>902,069</u>
Net change in fund balances	<u>\$ 265,494</u>	<u>\$ (1,167,812)</u>	<u>\$ 251,677</u>	<u>\$ (356,970)</u>	<u>\$ 1,751,309</u>	<u>\$ 271,591</u>	<u>\$ 16,835</u>	<u>\$ (244,502)</u>	<u>\$ 1,491,607</u>	<u>\$ (270,432)</u>
Debt service as a percentage of non-capital expenditures	6.84%	6.82%	14.31%	7.43%	7.46%	7.26%	7.15%	7.00%	7.05%	6.86%

Source: District Records

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

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Interest income	\$ 250,932	\$ 85,644	\$ 28,449	\$ 25,708	\$ 51,050	\$ 25,829	\$ 31,822	\$ 30,984	\$ 33,091	\$ 48,129
Tuition	8,921	13,650	23,050	21,104	52,605	21,104	153,932	119,415	68,434	69,974
Transportation fees	23,327	28,920	32,058	2,340	3,240	2,340	2,740	30,651	5,300	4,410
Building use rental income	40,351	47,948	53,224	46,821	39,495	48,701	51,842	43,863	44,585	43,881
Prior year refunds	11,102	11,305	149	765	7,875	2,738	14,616	-	-	4,246
Bid spec fees	-	4,600	2,800	-	-	-	-	-	-	-
Insurance claims	-	-	338	-	-	-	-	-	-	-
Insurance refunds/rebates	-	-	15,037	-	-	-	-	-	-	-
Recycling proceeds	-	-	1,225	-	-	-	-	-	-	-
Sale of surplus supplies	-	-	-	-	-	4,873	-	247	6,052	480
Donations	-	3,136	-	-	-	26,000	-	-	-	-
Prior year outstanding checks canceled	3,578	300	562	3,112	35	19	57	-	-	-
Prior year accounts payable canceled	-	-	690	-	-	-	-	-	-	-
E-Rate telephone rebates	-	-	-	43,026	42,498	46,520	43,878	33,948	73,240	91,870
Miscellaneous										
Account balances canceled	-	68	-	-	215	-	-	-	-	20,000
Refunds	255	135	-	-	2,500	-	-	-	360	-
Other	328	220	810	5	-	-	7,857	25	224	3,465
Annual totals	\$ 338,794	\$ 195,926	\$ 158,392	\$ 142,881	\$ 199,513	\$ 178,124	\$ 306,744	\$ 259,133	\$ 231,286	\$ 286,455

Source: District Records

See independent auditors' report.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Vacant land	\$ 34,914,260	\$ 33,696,200	\$ 34,795,800	\$ 27,970,300	\$ 25,304,300	\$ 35,670,602	\$ 36,540,300	\$ 35,541,000	\$ 31,194,600	\$ 26,021,500
Residential	2,151,444,900	2,154,643,100	2,172,275,700	2,075,417,700	2,024,958,200	1,989,936,800	2,007,826,300	2,023,142,400	2,036,191,100	2,058,524,200
Farm regular	138,461,600	141,413,100	140,856,600	136,828,300	137,991,300	133,364,572	128,271,821	126,445,100	123,306,100	125,242,400
Q farm	4,627,500	4,636,337	4,277,344	4,132,562	4,197,992	4,171,297	4,235,707	4,213,574	4,726,655	4,674,248
Commercial	452,457,800	454,458,300	434,530,900	436,529,600	435,330,900	432,721,600	429,259,800	366,926,100	342,902,000	342,292,300
Industrial	50,137,700	51,437,700	49,100,200	52,183,200	51,523,000	51,486,800	51,486,800	51,486,800	53,386,800	53,912,800
Apartment	1,281,400	1,281,400	1,193,900	1,193,900	1,111,400	1,368,100	1,368,100	1,368,100	1,368,100	1,367,100
Total assessed value	2,833,325,160	2,841,566,137	2,837,030,444	2,734,255,562	2,680,417,092	2,648,719,771	2,658,988,828	2,609,123,074	2,593,077,371	2,612,034,548
Public utilities (a)	4,927,162	4,171,952	4,581,241	6,296,043	4,845,327	4,355,257	4,447,256	257,705	257,705	257,705
Net valuation taxable	\$2,838,252,322	\$2,845,738,089	\$2,841,611,685	\$2,740,551,605	\$2,685,262,419	\$2,653,075,028	\$2,663,436,084	\$2,609,380,779	\$2,593,335,076	\$2,612,292,253
Estimated actual county equalized value	\$3,802,175,449	\$3,659,066,138	\$3,628,844,262	\$3,480,065,530	\$3,207,815,577	\$3,172,017,011	\$3,105,323,638	\$2,980,105,960	\$3,078,505,532	\$3,233,436,382
Percentage of net valuation to estimated actual equalized value	74.65%	77.77%	78.31%	78.75%	83.71%	83.64%	85.77%	87.56%	84.24%	80.79%
Total direct school tax rate (b)	\$ 1.04	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.09	\$ 1.09	\$ 1.08	\$ 1.10	\$ 1.11	\$ 1.12

Source: Municipal Tax Assessor

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

(a) Taxable value of machinery, implements and equipment of telephone and messenger system companies

(b) Tax rates are per \$100

See independent auditors' report.

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

Assessment Year	School District Direct Rate				Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6)			Municipality	County	
			Total Direct School Tax Rate					
2008	\$ 0.97	\$ 0.07	\$ 1.04	\$ 0.63	\$ 0.40	\$ 0.45	\$ 2.52	
2009	0.97	0.07	1.04	0.65	0.44	0.44	2.57	
2010	0.97	0.07	1.04	0.68	0.45	0.43	2.60	
2011	1.00	0.08	1.08	0.71	0.45	0.43	2.67	
2012	1.01	0.08	1.09	0.69	0.47	0.42	2.67	
2013	1.01	0.08	1.09	0.70	0.51	0.43	2.73	
2014	1.00	0.08	1.08	0.69	0.52	0.43	2.72	
2015	1.02	0.08	1.10	0.69	0.54	0.42	2.75	
2016	1.03	0.08	1.11	0.70	0.55	0.44	2.80	
2017	1.04	0.08	1.12	0.72	0.57	0.46	2.87	

Sources: Municipal Tax Collector

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

- (a) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.

See independent auditors' report.

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

	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Merck & Co	\$ 126,457,230	1	4.84%	\$ 228,709,404	1	8.06%
Federal Insurance Co	55,507,800	2	2.12%	63,285,000	2	2.23%
Lamington River Farms	12,303,270	3	0.47%	14,525,500	3	0.51%
Individual Property Owner #1	9,867,171	4	0.38%	-	-	-
Toll NJ I LLC	8,880,000	5	0.34%	-	-	-
Transcontinental Gas Pipeline	8,274,600	6	0.32%	8,334,400	4	0.29%
Whitehouse Mall	6,587,400	7	0.25%	6,587,400	6	0.23%
Somerville Associates	5,700,000	8	0.22%	5,700,000	7	0.20%
Salem Realty II LLC	5,539,700	9	0.21%	5,500,000	9	0.19%
Bishop & Bishop Land Partnership	5,539,700	10	0.21%	5,539,700	8	0.20%
Stanton Golf Properties	-	-	-	7,492,500	5	0.26%
Readington Farms Inc.	-	-	-	5,370,500	10	0.19%
	<u>\$ 244,656,871</u>		<u>9.37%</u>	<u>\$ 351,044,404</u>		<u>12.37%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

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

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2007	\$ 70,631,965	\$ 69,586,821	98.52%
2008	72,004,045	70,898,947	98.47%
2009	73,577,354	72,475,977	98.50%
2010	74,377,407	73,315,883	98.57%
2011	73,420,299	72,519,236	98.77%
2012	71,821,194	70,769,184	98.54%
2013	72,657,276	71,689,623	98.67%
2014	72,644,899	71,788,251	98.82%
2015	72,230,387	71,469,125	98.95%
2016	73,004,964	72,209,785	98.91%

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

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

See independent auditors' report.

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

Fiscal Year Ending June 30,	Governmental Activities				Business-Type Activities		Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 28,705,987	\$ -	\$ -	\$ -	\$ -	\$ 28,705,987	2.75%	\$ 1,781	
2009	27,789,010	-	-	2,364,000	-	30,153,010	2.53%	1,868	
2010	26,826,173	-	-	-	-	26,826,173	2.32%	1,659	
2011	25,722,410	-	-	-	-	25,722,410	2.24%	1,595	
2012	24,557,673	-	-	-	-	24,557,673	2.10%	1,530	
2013	23,326,887	-	-	-	-	23,326,887	1.93%	1,462	
2014	21,990,000	-	-	-	-	21,990,000	1.83%	1,379	
2015	20,675,000	-	-	-	-	20,675,000	1.66%	1,299	
2016	20,295,000	-	-	-	-	20,295,000	1.58%	1,275	
2017	18,685,000	-	-	-	-	18,685,000	N/A	1,177	

NOTES: (1) Details regarding the District's outstanding debt can be found in the notes to the financial statements.

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

See independent auditors' report.

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

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 28,705,987	\$ -	\$ 28,705,987	1.01%	\$ 1,781
2009	27,789,010	-	27,789,010	0.98%	1,722
2010	26,826,173	-	26,826,173	0.94%	1,659
2011	25,722,410	-	25,722,410	0.94%	1,595
2012	24,557,673	-	24,557,673	0.91%	1,530
2013	23,326,887	-	23,326,887	0.88%	1,462
2014	21,990,000	-	21,990,000	0.83%	1,379
2015	20,675,000	-	20,675,000	0.79%	1,299
2016	20,295,000	-	20,295,000	0.78%	1,275
2017	18,685,000	-	18,685,000	0.72%	1,177

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

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

See independent auditors' report.

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

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Governmental Unit			
Debt repaid with property taxes			
Municipality	\$ 54,763,556	100.00%	\$ 54,763,556
Regional High School	10,025,000	33.79%	3,387,945
County general obligation debt	75,793,752	14.77%	11,196,292
Subtotal, overlapping debt			69,347,792
School district direct debt			20,200,000
Total direct and overlapping debt			\$ 89,547,792

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

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

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

See independent auditors' report.

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

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized Valuation Basis
	2016 \$ 3,209,648,911
	2015 3,097,249,613
	2014 3,036,762,024
	\$ 9,343,660,548
Average equalized valuation of taxable property	\$ 3,114,553,516
Debt limit (3.0% of average equalization value)	\$ 93,436,605
Total net debt applicable to limit	18,685,000
Legal debt margin	\$ 74,751,605

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	\$ 100,736,283	\$ 95,592,158	\$ 93,296,350	\$ 92,221,774	\$ 93,436,605
Total net debt applicable	23,326,887	21,990,000	20,675,000	20,295,000	18,685,000
Legal debt margin	\$ 77,409,396	\$ 73,602,158	\$ 72,621,350	\$ 71,926,774	\$ 74,751,605
Total net debt applicable to the limit as a percentage of debt limit	23.16%	23.00%	22.16%	22.01%	20.00%

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	\$ 107,160,518	\$ 113,312,549	\$ 113,516,416	\$ 111,275,512	\$ 105,035,670
Total net debt applicable	31,748,115	30,849,138	27,504,301	26,400,538	24,557,673
Legal debt margin	\$ 75,412,403	\$ 82,463,411	\$ 86,012,115	\$ 84,874,974	\$ 80,477,997
Total net debt applicable to the limit as a percentage of debt limit	29.63%	27.22%	24.23%	23.73%	23.38%

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

(a) Limit Set by NJSA 18A:24-19

See independent auditors' report.

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

Fiscal Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2008	16,141	\$ 1,189,510,995	\$ 73,695	3.3%
2009	16,169	1,156,536,232	71,528	6.0%
2010	16,122	1,148,837,598	71,259	6.2%
2011	16,048	1,168,727,696	72,827	6.1%
2012	15,958	1,207,206,742	75,649	6.3%
2013	15,947	1,201,845,655	75,365	6.3%
2014	15,910	1,248,728,170	78,487	4.7%
2015	15,913	1,285,117,967	80,759	3.9%
2016	15,875	N/A	N/A	3.7%
2017	N/A	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

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

2017

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

2008

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

See independent auditors' report.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function/Program										
Instruction										
Regular	158.6	134.5	135.4	129.7	129.3	127.9	126.4	117.7	109.0	122.5
Special education	64.4	56.8	63.2	58.8	50.4	66.5	76.5	66.1	55.0	60.0
Other special education	9.0	13.0	13.0	11.5	24.8	12.6	11.5	10.5	10.5	11.5
Support services										
Student and instruction related services	38.3	48.4	50.0	41.0	46.0	44.8	43.8	60.3	55.8	49.0
General administration	2.4	2.5	2.5	2.1	2.1	2.1	2.0	2.0	2.0	2.0
School administration services	18.0	17.0	18.0	15.5	15.5	15.5	15.5	16.0	15.0	16.0
Other administration services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Central services	7.0	7.0	7.0	6.7	6.7	6.0	6.0	6.0	6.0	6.0
Administrative information technology	2.0	2.0	2.0	2.0	1.0	1.0	1.0	1.5	1.0	1.0
Plant operations and maintenance	28.0	31.0	28.0	13.0	12.6	13.3	13.3	15.0	11.5	11.0
Pupil transportation	25.0	25.0	23.5	19.5	18.6	19.4	19.4	21.0	21.0	19.0
Total	<u>353.7</u>	<u>338.2</u>	<u>343.6</u>	<u>300.8</u>	<u>308.0</u>	<u>310.1</u>	<u>316.4</u>	<u>317.1</u>	<u>287.8</u>	<u>299.0</u>

Source: District Personnel Records

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	2,208	\$ 31,259,676	\$ 14,157	6.05%	250	1 to 8.83	2,254.7	2,170.1	0.76%	96.25%
2009	2,164	31,094,310	14,369	1.49%	230	1 to 9.41	2,033.1	1,969.4	-9.83%	96.87%
2010	2,097	31,746,043	15,139	5.36%	214	1 to 9.80	2,089.4	2,004.1	2.77%	95.92%
2011	2,040	30,545,059	14,973	-1.09%	209	1 to 9.76	2,030.5	1,953.2	-2.82%	96.19%
2012	1,955	29,987,047	15,339	2.44%	206	1 to 9.49	1,959.1	1,880.5	-3.52%	95.99%
2013	1,875	31,272,613	16,679	8.74%	200	1 to 9.38	1,844.1	1,762.6	-5.87%	95.58%
2014	1,780	30,824,120	17,317	3.83%	195	1 to 9.13	1,777.9	1,706.0	-3.59%	95.96%
2015	1,752	31,033,787	17,713	2.29%	196	1 to 8.94	1,754.8	1,684.0	-1.30%	95.96%
2016	1,690	31,034,016	18,363	3.67%	195	1 to 8.66	1,689.5	1,622.8	-3.63%	96.05%
2017	1,620	32,010,489	19,760	7.60%	191	1 to 8.48	1,609.2	1,549.2	-4.54%	96.27%

Source: District Records

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

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary										
Whitehouse School (1916)										
Square feet	73,333	73,333	73,333	73,333	73,333	73,333	73,333	73,333	73,333	73,333
Capacity (students)	531	531	531	531	531	531	531	531	531	531
Enrollment	488	450	411	385	372	337	342	352	341	331
Three Bridges School (1950)										
Square feet	61,435	61,435	61,435	61,435	61,435	61,435	61,435	61,435	61,435	61,435
Capacity (students)	445	445	445	445	445	445	445	445	445	445
Enrollment	438	414	415	382	373	337	317	333	320	321
Holland Brook School (1999)										
Square feet	90,150	90,150	90,150	90,150	90,150	90,150	90,150	90,150	90,150	90,150
Capacity (students)	653	653	653	653	653	653	653	653	653	653
Enrollment	497	503	496	497	463	429	405	378	372	361
Middle										
Readington Middle School (1962)										
Square feet	121,536	121,536	121,536	121,536	121,536	121,536	121,536	121,536	121,536	121,536
Capacity (students)	832	832	832	832	832	832	832	832	832	832
Enrollment	764	771	743	763	742	748	709	688	641	607
Number of Schools at June 30, 2016										
Elementary = 3										
Middle = 1										

Source: District Facilities Office

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

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years

Undistributed Expenditures - Required Maintenance for School Facilities

Fiscal Year Ending	*School Facilities				Total
	Three Bridges School	Whitehouse School	Holland Brook School	Readington Middle School	
2008	\$ 142,786	\$ 136,058	\$ 143,337	\$ 185,722	\$ 607,903
2009	100,520	91,969	166,069	174,239	532,797
2010	108,313	112,045	204,589	206,633	631,580
2011	99,942	105,405	179,268	165,132	549,747
2012	115,270	100,249	142,749	177,767	536,035
2013	128,858	108,675	181,545	202,067	621,145
2014	146,587	100,587	124,561	188,397	560,132
2015	91,615	85,736	108,262	159,699	445,312
2016	90,478	90,458	127,052	177,695	485,683
2017	82,333	83,136	120,859	149,677	436,005
Total school facilities	<u>\$ 1,106,702</u>	<u>\$ 1,014,318</u>	<u>\$ 1,498,291</u>	<u>\$ 1,787,028</u>	<u>\$ 5,406,339</u>

* School Facilities as Defined Under EFCFA.
(NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District Records

See independent auditors' report.

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

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - School Alliance Insurance Fund		
Property - Blanket Building & Contents (Insurance Cooperative)	\$ 250,000,000	\$ 2,500
Comprehensive General Liability	5,000,000	-
Blanket Dishonesty Bond	500,000	1,000
Pollution Liability - School Alliance Insurance Fund Through ACE Insurance Company		
Claim Limit	1,000,000	10,000
School Board Legal Liability - School Alliance Insurance Fund Through National Union Fire Insurance Company of Pittsburgh PA		
Policy Limit	5,000,000	10,000
Worker's Compensation - School Alliance Insurance Fund		
Per Accident, Disease and Disease Limit	5,000,000	-
Excess Liability - School Alliance Insurance Fund		
Policy Limit	5,000,000	-
Public Employees' Faithful Performance - Hanover Insurance Company		
Business Administrator's Bond	250,000	-

Source: District Records

See independent auditors' report.



Certified Public Accountants, PC
www.bkc-cpa.com

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

Honorable President and
Members of the Board of Education
Readington Township School District
County of Hunterdon, New Jersey

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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


Readington Township School District's Response to Findings

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

Purpose of this Report

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

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


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

November 28, 2017
Flemington, New Jersey



Certified Public Accountants, PC
www.bkc-cpa.com

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

Honorable President and
Members of the Board of Education
Readington Township School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major State Program

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

Report on Internal Control over Compliance

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

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

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

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

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



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

November 28, 2017
Flemington, New Jersey

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

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant		Balance 06/30/16	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/	Balance June 30, 2017		
					Period From	To					Repayment of Prior Year Balance	Accounts Receivable	Unearned Revenue	Due to Grantor
U.S. Departments of Education and Health & Human Services														
General fund														
ARRA - Medical assistance program	93.778	1705NJ5MAP	ARRA-4350	\$ 40	04/01/09	12/31/10	\$ -	\$ -	\$ 40	\$ 40	\$ -	\$ -	\$ -	\$ -
Total general fund							-	-	40	40	-	-	-	-
U.S. Department of Education passed through State Department of Education														
Special revenue fund														
NCLB Title I A	84.010A	S010S150030	NCLB-435016	54,716	07/01/15	06/30/16	(9,471)	-	9,471	-	-	-	-	-
NCLB Title I A carry over	84.010A	S010S150030	NCLB-435016	54,716	07/01/16	06/30/17	-	-	8,207	8,207	-	-	-	-
NCLB Title I A	84.010A	S010S160030	NCLB-435017	53,678	07/01/16	06/30/17	-	-	53,123	53,678	-	(555)	-	-
NCLB Title II A	84.367A	S367A150029	NCLB-435016	24,556	07/01/15	06/30/16	(4,720)	-	4,720	-	-	-	-	-
NCLB Title II A carry over	84.367A	S367A150029	NCLB-435016	25,513	07/01/16	06/30/17	-	-	6,501	6,501	-	-	-	-
NCLB Title II A	84.367A	S367A160029	NCLB-435017	22,601	07/01/16	06/30/17	-	-	13,903	15,756	-	(1,853)	-	-
NCLB Title III immigrant	84.365A	S365A150030	NCLB-435013	6,152	09/01/12	08/31/13	(12)	-	-	-	12	-	-	-
NCLB Title III consortium	84.365A	S365A160030	NCLB-435017	19,478	07/01/16	06/30/17	-	-	15,727	17,418	-	(1,691)	-	-
Special education cluster														
IDEA Basic	84.027	H027A150100	IDEA-435016	399,449	07/01/15	06/30/16	(25,126)	-	25,126	-	-	-	-	-
IDEA Basic carry over	84.027	H027A150100	IDEA-435016	399,449	07/01/16	06/30/17	-	-	52,400	52,400	-	-	-	-
IDEA Basic	84.027	H027A160100	IDEA-435017	376,081	07/01/16	06/30/17	-	-	333,316	346,051	-	(12,735)	-	-
IDEA Preschool carry over	84.173	H173S150114	IDEA-435016	13,428	07/01/16	06/30/17	-	-	35	35	-	-	-	-
IDEA Preschool	84.173	H173S160114	IDEA-435017	13,466	07/01/16	06/30/17	-	-	11,841	11,841	-	-	-	-
Total special education cluster							(25,126)	-	422,718	410,327	-	(12,735)	-	-
Total special revenue fund							(39,329)	-	534,370	511,887	12	(16,834)	-	-
U.S. Department of Agriculture passed through State Department of Agriculture														
Enterprise fund														
Child nutrition cluster														
National school lunch program non-cash assistance (commodities)	10.555	1616NJ304N1099	N/A	32,378	07/01/15	06/30/16	2,940	-	-	2,940	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	171NJ304N1099	N/A	34,643	10/01/16	09/30/17	-	-	34,643	31,721	-	-	2,922	-
National school lunch program cash assistance	10.555	1616NJ304N1099	N/A	76,697	07/01/15	06/30/16	(5,387)	-	5,387	-	-	-	-	-
National school lunch program cash assistance	10.555	171NJ304N1099	N/A	75,617	10/01/16	09/30/17	-	-	69,976	75,617	-	(5,641)	-	-
Total enterprise fund							(2,447)	-	110,006	110,278	-	(5,641)	2,922	-
Total federal financial assistance							\$ (41,776)	\$ -	\$ 644,416	\$ 622,205	\$ 12	\$ (22,475)	\$ 2,922	\$ -

See independent auditors' report

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Repayment	Balance June 30, 2017			Memo	
			From	To	Unearned Rev. (Accts. Rec)	Due to Grantor			of Prior Year Balances	Accounts Receivable	Unearned Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special education categorical aid	17-495-034-5120-089	\$1,116,747	07/01/16	06/30/17	\$ -	\$ -	\$1,014,111	\$1,116,747	\$ -	\$ -	\$ -	\$ -	\$ 102,636	\$1,116,747
Security aid	17-495-034-5120-084	69,578	07/01/16	06/30/17	-	-	63,183	69,578	-	-	-	-	6,395	69,578
Transportation aid	17-495-034-5120-014	180,177	07/01/16	06/30/17	-	-	163,618	180,177	-	-	-	-	16,559	180,177
Adjustment aid	17-495-034-5120-085	9,488	07/01/16	06/30/17	-	-	8,616	9,488	-	-	-	-	872	9,488
PARCC readiness aid	17-495-034-5120-098	16,410	07/01/16	06/30/17	-	-	14,902	16,410	-	-	-	-	1,508	16,410
Per pupil growth aid	17-495-034-5120-097	16,410	07/01/16	06/30/17	-	-	14,902	16,410	-	-	-	-	1,508	16,410
Professional learning community aid	17-495-034-5120-101	15,980	07/01/16	06/30/17	-	-	14,511	15,980	-	-	-	-	1,469	15,980
Extraordinary special education costs aid	17-495-034-5120-044	169,386	07/01/16	06/30/17	-	-	-	169,386	-	(169,386)	-	-	-	169,386
Extraordinary special education costs aid	16-495-034-5120-044	208,558	07/01/15	06/30/16	(208,558)	-	208,558	-	-	-	-	-	-	208,558
Non-public transportation aid	17-495-034-5120-014	11,750	07/01/16	06/30/17	-	-	-	11,750	-	(11,750)	-	-	-	11,750
Non-public transportation aid	16-495-034-5120-014	870	07/01/15	06/30/16	(870)	-	870	-	-	-	-	-	-	870
On behalf TPAF pension contribution - post retirement medical	17-495-034-5094-001	1,253,650	07/01/16	06/30/17	-	-	1,253,650	1,253,650	-	-	-	-	-	1,253,650
On behalf TPAF pension contribution - non-contributory insurance	17-495-034-5094-004	52,608	07/01/16	06/30/17	-	-	52,608	52,608	-	-	-	-	-	52,608
On behalf TPAF pension contribution - teachers' pension & annuity fund	17-495-034-5094-002	1,451,963	07/01/16	06/30/17	-	-	1,451,963	1,451,963	-	-	-	-	-	1,451,963
On behalf TPAF pension contribution - long-term disability	17-495-034-5094-004	3,272	07/01/16	06/30/17	-	-	3,272	3,272	-	-	-	-	-	3,272
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	1,008,839	07/01/16	06/30/17	-	-	957,850	1,008,839	-	(50,989)	-	-	-	1,008,839
Reimbursed TPAF Social Security contribution	17-495-034-5094-003	1,000,672	07/01/15	06/30/16	(49,370)	-	49,370	-	-	-	-	-	-	1,000,672
Total general fund					(258,798)	-	5,271,984	5,376,258	-	(232,125)	-	-	130,947	6,586,358

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016		Cash Received	Budgetary Expenditure	Repayment	Balance June 30, 2017			Memo	
			From	To	of Prior Year Balances	Accounts Receivable			Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure		
Debt service fund														
Debt service aid - state support	17-495-034-5120-017	7,117	07/01/16	06/30/17	\$ -	\$ -	\$ 7,117	\$ 7,117	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,117
NJ School Development Authority														
Capital projects fund														
ROD IV-Security surveillance upgrades														
Readington Middle School	4350-050-14-1006	46,000	N/A	N/A	(46,000)	-	-	-	-	(46,000)	-	-	-	46,000
Three Bridges Elementary School	4350-060-14-1007	24,000	N/A	N/A	(24,000)	-	-	-	-	(24,000)	-	-	-	24,000
Whitehouse Elementary School	4350-070-14-1008	28,000	N/A	N/A	(28,000)	-	-	-	-	(28,000)	-	-	-	28,000
Holland Brook Elementary School	4350-030-14-1005	26,000	N/A	N/A	(26,000)	-	-	-	-	(26,000)	-	-	-	26,000
ROD IV-Roof replacement														
Whitehouse Elementary School	4350-070-13-3004	208,000	N/A	N/A	(208,000)	-	-	(28,498)	-	(179,502)	-	-	-	208,000
Three Bridges Elementary School	4350-060-13-3003	250,000	N/A	N/A	(250,000)	-	-	(34,253)	-	(215,747)	-	-	-	250,000
ROD IV-Phase 2 of window replacement at														
Readington Middle School	4350-050-13-3002	150,000	N/A	N/A	(150,000)	-	105,792	(44,208)	-	-	-	-	-	150,000
Total capital projects fund					(732,000)	-	105,792	(106,959)	-	(519,249)	-	-	-	732,000
State Department of Agriculture														
Enterprise fund														
State school lunch program	16-100-010-3350-023	4,498	07/01/15	06/30/16	(326)	-	326	-	-	-	-	-	-	4,498
State school lunch program	17-100-010-3350-023	4,287	07/01/16	06/30/17	-	-	3,958	4,287	-	(329)	-	-	-	4,287
Total enterprise fund					(326)	-	4,284	4,287	-	(329)	-	-	-	8,785
Total state financial assistance					\$ (991,124)	\$ -	\$5,389,177	5,280,703	\$ -	\$(751,703)	\$ -	\$ -	\$ 130,947	\$7,334,260
Less: On behalf TPAF Pension system contributions								(2,761,493)						
Total for state financial assistance - major program determination								\$2,519,210						

See independent auditors' report.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
June 30, 2017

Note 1 - General

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

Note 2 - Basis of accounting

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented 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 Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship to basic financial statements

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,286) for the General Fund, (\$239) for the Special Revenue Fund and \$117,106 for the Capital Project Fund. For a reconciliation of the budgetary basis to the modified accrual basis of accounting, see Exhibit C-3 for the General and Special Revenue Funds and Exhibit F-2 for the Capital Project Fund.

READINGTON TOWNSHIP SCHOOL DISTRICT
Notes to the Schedules of Expenditures of Federal Awards
and State Financial Assistance
June 30, 2017

Note 3 - Relationship to basic financial statements (continued)
 Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	Local	Federal	State	Total
General Fund	\$ -	\$ 40	\$ 5,374,972	\$ 5,375,012
Special Revenue Fund	20,978	516,607	-	537,585
Capital Project Fund	-	-	10,147	10,147
Debt Service Fund	-	-	7,117	7,117
Food Service Fund	-	110,278	4,287	114,565
	<u>\$ 20,978</u>	<u>\$ 626,925</u>	<u>\$ 5,396,523</u>	<u>\$ 6,044,426</u>

Note 4 - Relationship to federal and state financial reports
 Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5 - Other
 Revenues and expenditures reported under the USDA Commodities Program represent current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contribution represents the amount reimbursed by the State for the employer's share of Social Security Contributions for TPAF members for the year ended June 30, 2017.

Note 6 - Adjustment on schedule of expenditures of federal awards (K-3)
 The adjustment reported for NCLB Titles III Immigrant for fiscal year 2013 of \$12 is the cancelation of a prior year receivable.

Note 7 - Indirect costs
 The District has elected not to utilize the 10% de minimis indirect cost rate.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal Control Over Financial Reporting:

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

Noncompliance material to basic financial statements noted?

Yes No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

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

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

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

Yes No

Identification of Major Programs:

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

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

Did the auditee qualify as a low-risk auditee?

Yes No

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

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

State Awards

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

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

Internal Control Over Major Programs:

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

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

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

Identification of Major Programs:

<u>State Grant/Project Numbers</u>	<u>Name of State Program</u>
<u>17-495-034-5120-089</u>	<u>State Aid Public Cluster:</u>
<u>17-495-034-5120-078</u>	<u>Special Education Categorical Aid</u>
<u>17-495-034-5120-084</u>	<u>Adjustment Aid</u>
<u>17-495-034-5120-097</u>	<u>Security Aid</u>
<u>17-495-034-5120-098</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-101</u>	<u>PARCC Readiness aid</u>
	<u>Professional Learning Community Aid</u>

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

Section II - Financial Statement Findings

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

Finding 2017-001

Criteria

N.J.A.C 6A:23-16.12 and proper internal controls require the prompt deposit and proper supporting documentation of cash receipts.

Condition

The District had instances at the Holland Brook School where student activity receipts lacked supporting documentation and were not deposited timely.

Context

Our test of student activity receipts disclosed instances where receipts were not deposited promptly and lacked proper supporting documentation.

Cause

Unknown

Effect

The District did not comply with its own policy and N.J.A.C 6A:23-16.12 relating to prompt deposit of receipts. Also, the risk of misappropriation of funds is increased when proper supporting documentation is not maintained for receipts.

Recommendation

Student activity receipts for the Holland Brook School should be supported by proper supporting documentation and deposited in a timely manner.

Views of Responsible Officials and Planned Corrective Action (unaudited)

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

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

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

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

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

Status of Prior Year Findings

Financial Statement Findings

Finding # 2016-01

Condition

The District failed to complete their verification of payroll check distribution procedure within the required 3-year time frame.

Current Status

The condition has been corrected.