

Summit Public Schools
(A Component Unit of the City of Summit)
Summit, New Jersey



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



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

City of Summit

Summit Public Schools

Summit, New Jersey

For The Fiscal Year Ended June 30, 2017

Prepared by

Business Office

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INTRODUCTORY SECTION



SUMMIT PUBLIC SCHOOLS

Board of Education • 14 Beekman Terrace • Summit New Jersey 07901-1702 • 908-273-3025

Louis J. Pepe, RSBA, Assistant Superintendent

October 11, 2017

Honorable President and
Members of the Board of Education
City of Summit Public Schools
County of Union
Summit, NJ 07901

RE: ***Comprehensive Annual Financial Report - 2017***

Dear Board Members:

The comprehensive annual financial report of the City of Summit Board of Education for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds 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 basic financial statements and schedules, as well as the auditor's report thereon including the Management Discussion and Analysis. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act and the U.S. Uniform Guidance and the State Treasury Circular Letter 15-08 OMB, "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, are included in the single audit section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Summit Board of Education's MD&A can be found immediately following the report of the independent auditors.

(1) REPORTING ENTITY AND ITS SERVICES: The City of Summit School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report. The City of Summit 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-kindergarten through grade 12. These include regular, as well as special education for impaired and disabled students. The District completed the 2016-2017 fiscal year with an enrollment of 4,128 students, representing a decrease 0.96% decrease or 40 less students compared to the previous year's enrollment.

The increases and decreases in student enrollment over the past ten years continues to impact the Special Education needs placing an additional burden on the District's financial budget with 34 Out of District Placements, up 2 from last year. Programs remain in force to continue in-district experiences for special needs students. However, the overall cost of special education continues to grow in large part due to the private schools ability to increase tuition beyond the 2% CAP imposed on Public Schools and a significant increase in student needs.

The following details the changes in the student enrollment of the District over the last ten years.

Fiscal Year	Average Daily Enrollment	Present Change
2016/17	4,088.6	-0.93%
2015/16	4,116.2	1.24%
2014/15	4,062.1	-1.25%
2013/14	4,118.7	0.74%
2012/13	4,088.4	0.69%
2011/12	4,060.5	2.70%
2010/11	3,953.0	1.32%
2009/10	3,900.9	2.20%
2008/09	3,815.0	0.55%
2007/08	3,791.0	1.48%

(2) ECONOMIC CONDITION AND OUTLOOK: Summit, a Union County treasure, has over 21,000 residents comprised of an international group speaking 39 languages with a broad economic and ethnic cross-section, largely mirroring the makeup of the nation as a whole. This tree-dense suburban community is nestled in the hills of the Watchung Reservation with six square miles of broken hills at a 450-foot elevation. The City of Summit sits above Springfield, to the east of Millburn, and just northwest, Chatham joins Summit to pinch the broad valley of the Passaic River.

(2) ECONOMIC CONDITION AND OUTLOOK: (Continued)

The landscape has had a definite influence in the development of Summit. Summit Housing is available to all levels of income including subsidized housing for senior citizens, and low- and middle-income families. Summit is a family-oriented residential community with light industry. Many Summit settlers and current residents have attributed significantly to the world's business, industrial and government affairs. More importantly, their relentless dedication for volunteerism has made the Summit community a leader in civic mindedness.

The governing body has sought out experts on economics, communications, education, government administration, physical and mental health, recreation, social planning, transportation and safety, all adding to the great growth of Summit, then and now.

Major Transportation Hub

Rail and bus links to Newark and Manhattan, Routes 24 and 78 and the Garden State Parkway and Newark-Liberty International Airport, commuters find this thriving community a perfect place to settle. The Summit Train Station has the Mid-Town Direct train -a less than 30 minute ride - from Summit to Penn Station. The City of Summit has numerous parking garages and lots supplying ample parking for resident commuters and downtown employees.

Summit grows with the times - State-of-the Art Downtown

In 1925, way ahead of its time, Summit was the first city to bury utility wires underground. In 2000, the city's downtown business district underwent a complete utility infrastructure and beautification project. Upgrade of underground utility wiring, widening of sidewalks for pedestrian traffic, improved street and sidewalk lighting, festive space for markets and special events with street-lined trees and seasonal plantings. Summit recognizes the importance of the downtown business district to the overall quality of life in the community. The project cost over 4 million dollars with more than 50% funding acquired from state, county grants and zero-interest loans.

Summit's Downtown Business District is a tapestry of retail and commercial businesses with an abundance of specialty and gift shops, clothing stores, home furnishings, restaurants, bakeries, fine wine outlets, movie theatre and ample parking all within short walking distances.

Education is a priority for Summit

Each year, the graduating class of Summit High School, Summit, New Jersey, is profiled extensively, summarizing postsecondary plans, performance on national tests, college placements, employment plans and demographic information on the members of the class.

For the Class of 2017, several points are noteworthy:

- ↓ Students continue to achieve at historically high levels on Advanced Placement exams, with more students than ever before taking the exams and scoring at or above the three level.
- ↓ The number of students recognized as AP Scholars is also at a historically high level.
- ↓ College placements continued to be diverse with students accessing admission to many highly selective institutions.

(2) ECONOMIC CONDITION AND OUTLOOK: (Continued)

- ↓ The percent of students pursuing further education (94.3%).
- ↓ Two hundred eighty-three students are attending four-year institutions and twenty-nine are attending two-year institutions.
- ↓ The performance on SAT testing remained significantly above state and national levels.

Summit's public education system includes two state of the art Primary Center Facilities, Jefferson a \$7.9 million capital project, and Wilson an \$8.1 million capital project, both of which were opened to the community in the 2008-09 school year to accommodate increased enrollment growth. The District secured state funding for these two projects in the amount of \$3.98 million through the State of New Jersey in accordance with Section 5 of the Educational Facilities Construction and Financing Act, P.L. 2000, c. 72.

In addition, the district contains five elementary schools (Brayton, Franklin, Jefferson, Lincoln Hubbard and Washington) grades 1 – 5. Lawton C. Johnson Summit Middle School, which also received major alterations in the 2007-08 school year yielding six new classrooms, a new art room and the relocation of the vice principal's office for increased supervision throughout the building. This \$798,287 capital project was offset by \$319,315 of state funding through a successful application of the Board of Education.

The Board of Education and administration has successfully captured additional revenues for facility work, therefore reducing the city's capital debt obligations through a combined approach of acquiring targeted facility grants addressing health and safety needs while closing out old projects and reviewing prior debt service reporting on bonds and notes. The end result has been the acquisition of *thirty-nine* RODS Grants¹ totaling more than \$27M (*twenty-seven million dollars*) of eligible projects thus reducing the local share by 40% or \$10.8M beginning in 2009. The last round of State Grant Approvals comes amidst another \$17.5M of construction projects that the district successfully acquired debt service funding bringing the total of all construction to an impressive \$45M in the five year period.

Fiscal Year 2016 was marked by the successful completion of two major additions and renovations at the Franklin and Jefferson Elementary schools as well as completion of classroom renovations, new state of the art science labs and an award winning historic preservation/renovation of the auditorium at Lawton C. Johnson, Summit Middle School that came on line during the 2014/15 school year.

The Summit High School rounds out the complement of nine schools providing a top-rated education and state-of-the-art school facilities for Summit's children. In 2003, the newly renovated Summit High School was dedicated after a \$22.4 million capital expansion project. The project comprised of a new wing, library/media center, gymnasium, and the addition of academic courses, cultural arts, athletic and social club programs; all providing an enriched educational experience for all current and future Summit students.

¹ State of NJ Grant Program for School Facilities Projects for Regular Operating Districts: Level 1 school facilities projects address the most critical operational building needs, including health and safety issues, and program mandates.

(3) MAJOR INITIATIVES: High student achievement and a quality educational program remain the hallmarks of The Summit Public Schools. Educational, facilities, and funding decisions support these goals, and the Board of Education, the administrators, the teachers, and the staff demonstrate unwavering commitment to excellence in the District. In FY 2009 the district embarked on a number of facilities projects over a four year period to address major infrastructure needs through the State Regular Operating Districts (RODS) Grants securing over \$8.8 million dollars in State Grants. The 2011-12 year focused on major projects that supported expanded education learning opportunities in the fine and performing arts department with a million dollar renovation of the Summit High School auditorium. FY 2013 promoted continuance and expansion of this goal through a Board priority of development and implementation of a comprehensive five year facility plan that culminated in a \$17 million dollar Board of School Estimate approval for two new additions (Franklin ES & Jefferson ES) and major renovations at the LCJ Summit Middle school to include new science labs, promoting the concepts of STEM (see below) and renovations to the existing auditorium. Also included in the package were brick re-pointing at the middle school and a boiler replacement project at the Summit High school.

STEM education offers students one of the best opportunities to make sense of the world holistically, rather than in bits and pieces. STEM education removes the traditional barriers erected between the four disciplines, by integrating them into one cohesive teaching and learning paradigm.

(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 (GAAP). 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 assistance through The Every Student Succeeds Act (ESSA) formerly [No Child Left Behind (NCLB)] and Individuals with Disabilities Act (IDEA) grants, 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, as well as to determine that the District has complied with applicable laws and regulations.

(5) BUDGETARY CONTROLS:

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of School Estimate. Annual appropriated budgets are adopted for the general fund, the special revenues 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.

Budget Analysis Reports are reviewed to determine any anticipated deficits to any line item accounts. Transfers are approved at monthly meetings to ensure that these accounts are not over-expended.

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

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

(7) DEBT ADMINISTRATION: Summit is a Type I school district. All school debt is reflected in the city's budget.

(8) CASH MANAGEMENT: Bank balances are insured up to \$250,000 in the aggregate by the Federal Deposit Insurance Corporation for each bank. In addition, the State of New Jersey Unit Deposit Protection Act insures the remaining balance of funds on deposit in registered depositories.

The Summit Board of Education invests all surplus funds for appropriate periods of time as determined by the School Business Administrator.

The Summit Board of Education maintains an on line computerized accounting system to record all financial transactions. During the fiscal year, financial reports are prepared monthly and are distributed to the Board of Education Members. The reports detail the monthly transactions and detail the appropriation balances.

(9) RISK MANAGEMENT: The Board carries various forms of insurance, including, but not limited to, general liability, automobile liability and comprehensive/collision, property and theft insurance on all buildings and contents, and fidelity bonds.

In an effort to confirm competitive pricing and to insure that the Board's coverage's were the most comprehensive available, quotations were obtained from New Jersey School Boards Insurance Group and the School Alliance Insurance Fund (SAIF) for the following lines of coverage:

- Commercial Property
- Commercial General Liability
- Educators Legal Liability
- Commercial Auto
- Commercial Umbrella Excess
- Student Accident

After a thorough review it was determined that our current pricing was very competitive and the coverage's provided by Diploma Joint Insurance Fund and B. McCloskey were superior to the alternative. Consistent with the pooling concept, the Diploma Joint Insurance Fund program allows the Board to benefit from reduced risk in the Board's overall protection.

Additionally new lines of coverage were added at the direction of the School Business Administrator effective July 1, 2008 to provide additional protection:

- 1) Public Official Bond covering Mr. Louis J. Pepe, RSBA - \$150,000
- 2) Supplemental Workers Compensation Coverage to assist the Board in offsetting additional payroll expenses associated with injured employees covered by Public Law 18A.
- 3) Excess Catastrophe Liability \$50,000,000

(10) OTHER INFORMATION:

A) Independent Audit - State statues require an annual audit be conducted by an independent certified public accountant. The accounting firm of Lerch, Vinci & Higgins, LLP was re-appointed at the Annual Reorganization Meeting in this capacity. In addition to meeting the requirements of the Single Audit Act 1984 as amended by U.S. Uniform Guidance and State Treasury Circular Letter 15-08 OMB, the auditor's reports related specifically to the single audit are included in the single audit section of this report.

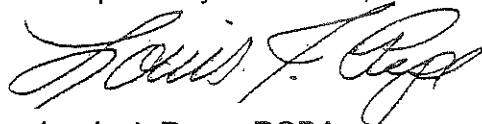
(11) AWARDS AND ACKNOWLEDGMENTS:

The Association of School Business Officials (ASBO) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Summit Public Schools for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the fifth straight year that the district has received this prestigious award. In order to be awarded a Certificate of Achievement, the district published an easily readable and efficiently organized CAFR. This report satisfied both (GAAP) Generally Accepted Accounting Principles and applicable legal requirements.

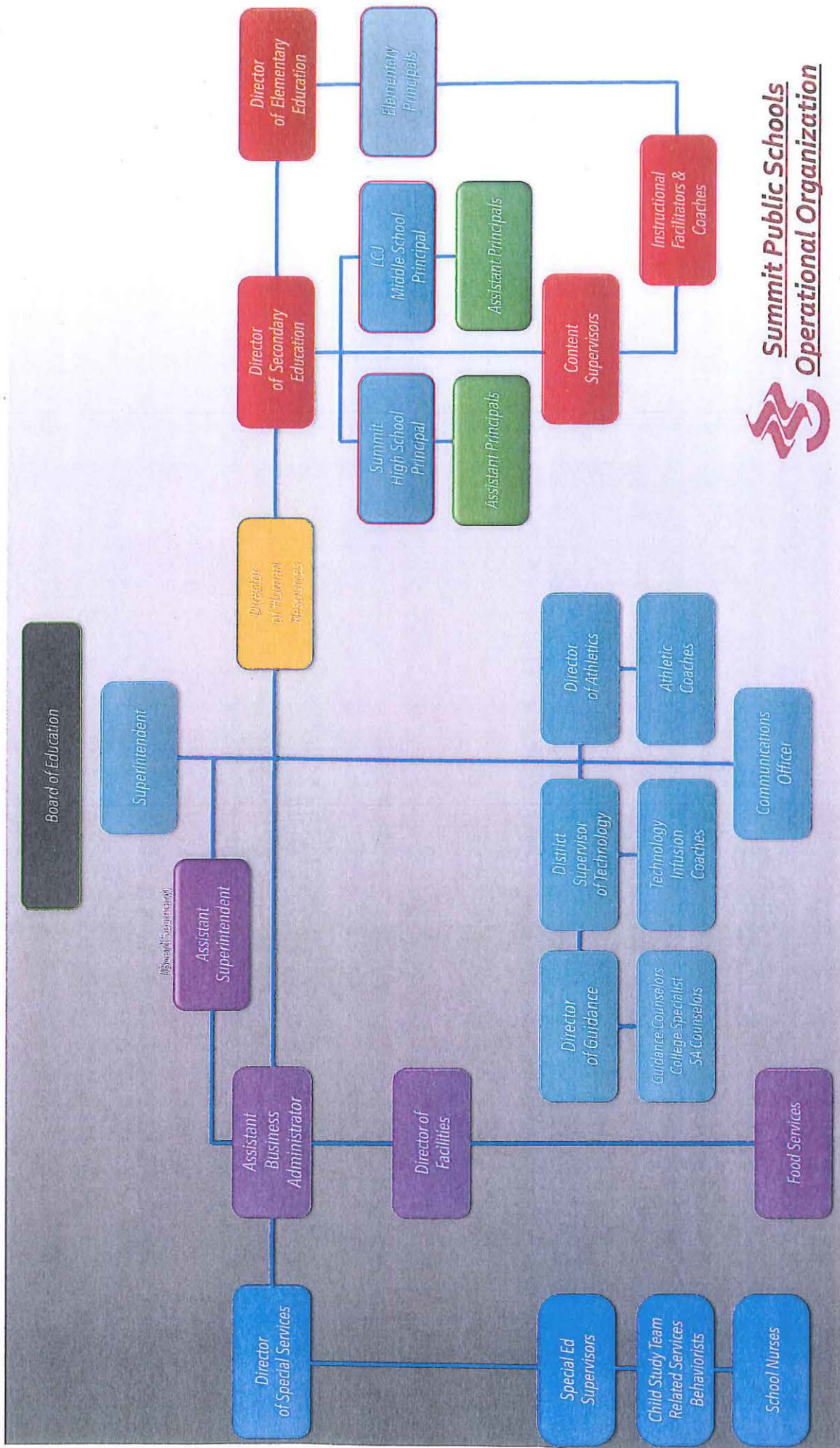
We express our appreciation to the Members of the Summit Board of Education who successfully balance funding realities of public education and the need to provide Summit's students with a world-class educational program of studies. Our appreciation is also extended to the administrative team who, also, are integral to the development and implementation of both the budget and the District's educational plan.

Together these groups of dedicated professionals contribute their full support to the development and maintenance of our financial operation.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Louis J. Pepe".

Louis J. Pepe, RSBA
Assistant Superintendent for Business/
Board Secretary





**BOARD OF EDUCATION
CITY OF SUMMIT
PUBLIC SCHOOL DISTRICT**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Mr. Rick Hanley, President	2018
Ms. Debra McCann, Vice President	2020
Mr. Christopher Bonner	2019
Ms. Debbie Chang	2018
Mr. David Dietze	2018
Ms. Donna Miller	2020
Ms. Vanessa Primack	2019

OTHER OFFICIALS

Mr. June Chang, Superintendent of Schools
Mr. Louis J. Pepe, RSBA, Assistant Superintendent/Board Secretary
Kathy L. Sarno, CPA, Assistant Business Administrator
Ms. Margaret Gerba, Treasurer of School Monies
Vito A. Gagliardi, Jr., Esq.



BOARD OF EDUCATION SUMMIT PUBLIC SCHOOL DISTRICT

ROSTER OF CONSULTANTS AND ADVISORS JUNE 30, 2017

Attorney

PORZIO, BROMBERG & NEWMAN
100 Southgate Parkway
Morristown, New Jersey 07962

Auditor

LERCH, VINCI & HIGGINS, LLP
17-17 Route 208
Fair Lawn, NJ 07410

Architect of Record

EI ASSOCIATES
8 Ridgedale Avenue
Cedar Knolls, NJ 07927

Official Depository

INVESTORS BANK
51 JFK Parkway
Short Hills, NJ 07078



**ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL**

**The Certificate of Excellence in Financial Reporting
is presented to**

City of Summit Public Schools

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE
Executive Director

FINANCIAL SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA, PSA

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
City of Summit Public Schools
Summit, 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 Summit Public Schools, a component unit of the City of Summit as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension information 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 Summit Public Schools' basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Summit Public Schools.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2017 on our consideration of the Summit Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Summit Public Schools' 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 Summit Public Schools' internal control over financial reporting and compliance.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 11, 2017

REQUIRED SUPPLEMENTARY INFORMATION – PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE CITY OF SUMMIT PUBLIC SCHOOLS

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2017

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- District-Wide - General revenues for governmental activities accounted for \$63,455,167 or 69 percent of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$27,693,804 or 30 percent of all total revenues. Charges for services accounted for \$1,129,474 or 1 percent of total revenues \$92,278,445.
- District-Wide - The governmental activities had \$95,716,336 in expenses; only \$28,823,278 of these expenses are offset by program specific charges for services, grants and contributions. General revenues (primarily taxes) of \$63,455,167 were adequate to provide for these programs.
- Fund Financials - Among governmental funds, the General Fund had \$75,221,392 in revenues and \$74,691,704 in expenditures. At the close of the fiscal year the General Fund's fund balance is \$6,682,715, an increase of \$529,688 from 2016.
- Fund Financials - At the end of June 30, 2017, the District's unassigned fund balance for the General Fund was \$944,299 a decrease from 2016 of \$13,098.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the district-wide financial statements, fund financial statements and notes to the basic financial statements.

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

Figure A-1 summarizes the major features of the Summit Public Schools' financial statements, including the portion of the Summit Public Schools' activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance and food service	Activities the district operates similar to private businesses
Required financial statements	Statements of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows
Accounting Basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset, deferred outflows/inflows of resources and liability information	All assets, deferred outflows of resources, deferred inflows of resources and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets, deferred outflows/inflows of resources and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

District-wide Statements

District-wide. The *District-wide financial statements* are designed to provide readers with a broad overview of the Summit Public Schools’ finances, in a manner similar to a private-sector business.

The *statement of Net Position* presents information on all of the Summit Public Schools’ assets, deferred outflows/inflows of resources and liabilities, with the difference reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. However, when assessing the overall health of the District, you need to consider additional non-financial factors, such as changes in the District’s property tax base and the condition of the school buildings and other facilities.

The *statement of activities* presents information showing how the government’s Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

District-wide Statements (Continued)

In the district-wide financial statements the District's activities are shown in two categories:

- *Governmental activities*- Most of the District's basic services are included here, such as regular and special education, transportation, maintenance and administration services. Property taxes and state aids finance most of these activities.
- *Business-type activities*- The District charges fees to customers to help it cover the costs of the District's Food Service Fund and Summer Flash Program.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The District uses other funds, established in accordance with the State of New Jersey Uniform Chart of Accounts, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

The District has three kinds of funds:

Governmental Funds. The District's basic services are included in the governmental funds, which generally focus on near-term inflows and outflows of spendable resources and the balances of spendable resources at year-end. Consequently, the governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide a reconciliation at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances to facilitate this comparison between governmental funds and governmental activities.

The District adopts an annual appropriated budget for the General Fund and Special Revenue Fund. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund.

Proprietary Funds. The District maintains one type of Proprietary Fund, an Enterprise Fund, which is used to report the activity of the Food Service Fund and the Summer Flash Program. Proprietary Funds provide the same type of information as the district-wide financial statements and is presented as business-type activities in the district-wide financial statements.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government, such as the Payroll Agency Fund, Unemployment Trust Fund, Scholarship Trust and the Student Activity Funds. Fiduciary Funds are *not* reflected in the district-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements.

DISTRICT-WIDE FINANCIAL ANALYSIS OF THE SUMMIT PUBLIC SCHOOLS AS A WHOLE

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Table A-1 provides a summary of the school district's Net Position for fiscal years 2017 and 2016.

Net Position. The District's combined Net Position for 2017 and 2016 were \$62,981,419 and \$66,325,331, respectively. (See Table A-1).

A significant portion of the District's Net Position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide regular and special education, transportation, maintenance and administration services. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
Statement of Net Position
As of June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets						
Current and Other Assets	\$ 10,799,100	\$ 12,893,204	\$ 937,898	\$ 802,974	\$ 11,736,998	\$ 13,696,178
Capital Assets	<u>77,587,661</u>	<u>79,075,844</u>	<u>422,196</u>	<u>431,646</u>	<u>78,009,857</u>	<u>79,507,490</u>
Total Assets	<u>88,386,761</u>	<u>91,969,048</u>	<u>1,360,094</u>	<u>1,234,620</u>	<u>89,746,855</u>	<u>93,203,668</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	<u>8,741,942</u>	<u>3,565,733</u>	<u>-</u>	<u>-</u>	<u>8,741,942</u>	<u>3,565,733</u>
Total Assets and Deferred Outflows of Resources	<u>97,128,703</u>	<u>95,534,781</u>	<u>1,360,094</u>	<u>1,234,620</u>	<u>98,488,797</u>	<u>96,769,401</u>
Liabilities						
Current Liabilities	3,502,725	6,126,517	294,174	261,507	3,796,899	6,388,024
Non-Current Liabilities	<u>31,708,913</u>	<u>23,691,024</u>	<u>-</u>	<u>-</u>	<u>31,708,913</u>	<u>23,691,024</u>
Total Liabilities	<u>35,211,638</u>	<u>29,817,541</u>	<u>294,174</u>	<u>261,507</u>	<u>35,505,812</u>	<u>30,079,048</u>
Deferred Inflows of Resources						
Deferred Amounts on Net Pension Liability	-	362,284	-	-	-	362,284
Deferred Commodities Revenue	<u>-</u>	<u>-</u>	<u>1,566</u>	<u>2,738</u>	<u>1,566</u>	<u>2,738</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>362,284</u>	<u>1,566</u>	<u>2,738</u>	<u>1,566</u>	<u>365,022</u>
Total Liabilities and Deferred Inflows of Resources	<u>35,211,638</u>	<u>30,179,825</u>	<u>295,740</u>	<u>264,245</u>	<u>35,507,378</u>	<u>30,444,070</u>
Net Position:						
Net Investment in capital assets	77,587,661	79,075,844	422,196	431,646	78,009,857	79,507,490
Restricted	3,531,095	3,206,598	-	-	3,531,095	3,206,598
Unrestricted	<u>(19,201,691)</u>	<u>(16,927,486)</u>	<u>642,158</u>	<u>538,729</u>	<u>(18,559,533)</u>	<u>(16,388,757)</u>
Total Net Position	<u>\$ 61,917,065</u>	<u>\$ 65,354,956</u>	<u>\$ 1,064,354</u>	<u>\$ 970,375</u>	<u>\$ 62,981,419</u>	<u>\$ 66,325,331</u>

Governmental activities. Governmental activities decreased the District's Net Position by \$3,437,891. Key elements of this increase are as follows:

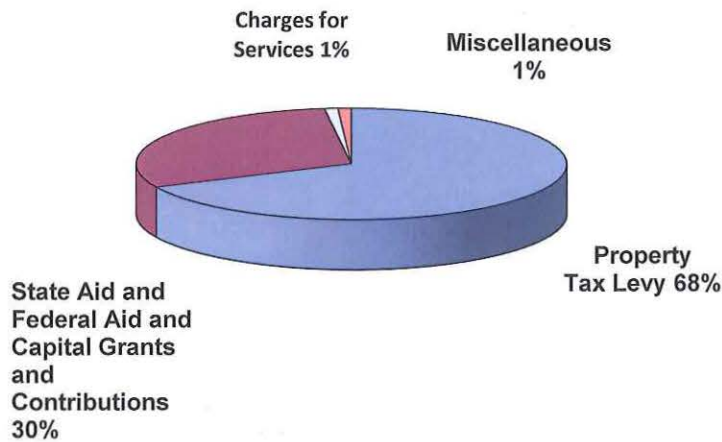
Table A-2
Changes in Net Position
For the Fiscal Years Ended June 30, 2017 and 2016

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program Revenues						
Charges for Services	\$ 1,129,474	\$ 1,149,840	\$ 1,697,050	\$ 1,622,766	\$ 2,826,524	\$ 2,772,606
Operating Grants and Contributions	27,494,986	21,729,577	429,897	401,461	27,924,883	22,131,038
Capital Grants and Contributions	198,818	3,476,015	-	-	198,818	3,476,015
General Revenues						
Property Taxes	62,968,889	61,764,695			62,968,889	61,764,695
Other General Revenues	486,278	488,243	-	-	486,278	488,243
Total Revenues	<u>92,278,445</u>	<u>88,608,370</u>	<u>2,126,947</u>	<u>2,024,227</u>	<u>94,405,392</u>	<u>90,632,597</u>
Expenses						
Instruction						
Regular	44,310,886	40,512,609			44,310,886	40,512,609
Special Education	14,804,687	13,344,736			14,804,687	13,344,736
Other Instruction	2,716,387	2,625,431			2,716,387	2,625,431
School Sponsored Activities and Athletics	2,674,707	2,370,065			2,674,707	2,370,065
Support Services						
Student and Instruction Related Serv.	9,046,759	7,538,884			9,046,759	7,538,884
Health Services	1,604,189	1,396,846			1,604,189	1,396,846
Educational Media/School Library	1,980,111	1,912,289			1,980,111	1,912,289
General Administrative Services	2,917,540	2,341,790			2,917,540	2,341,790
School Administrative Services	5,752,566	4,767,242			5,752,566	4,767,242
Plant Operations and Maintenance	7,197,792	6,939,247			7,197,792	6,939,247
Pupil Transportation	1,052,710	887,653			1,052,710	887,653
Central Services	1,622,981	1,595,472			1,622,981	1,595,472
Interest and Other Charges	35,021	35,021			35,021	35,021
Food Service			1,790,338	1,768,912	1,790,338	1,768,912
Summer Flash Program	-	-	242,630	246,620	242,630	246,620
Total Expenses	<u>95,716,336</u>	<u>86,267,285</u>	<u>2,032,968</u>	<u>2,015,532</u>	<u>97,749,304</u>	<u>88,282,817</u>
Increase/(Decrease) in Net Position	(3,437,891)	2,341,085	93,979	8,695	(3,343,912)	2,349,780
Net Position, Beginning of Year	<u>65,354,956</u>	<u>63,013,871</u>	<u>970,375</u>	<u>961,680</u>	<u>66,325,331</u>	<u>63,975,551</u>
Net Position - End of Year	<u>\$ 61,917,065</u>	<u>\$ 65,354,956</u>	<u>\$ 1,064,354</u>	<u>\$ 970,375</u>	<u>\$ 62,981,419</u>	<u>\$ 66,325,331</u>

Table A-2 shows the changes in Net Position for fiscal years ended June 30, 2017 and 2016.

Governmental activities. The District's total governmental revenues were \$92,278,445. The local share of the revenues, that included property taxes, interest, and miscellaneous revenue, amounted to \$63,455,167 or 69% of total revenues. Funding from state and federal sources and capital grants and contributions amounted to \$27,693,804 or 30%. Charges for services amounted to \$1,129,474 or 1 percent.

Table A-3 Revenues by Source- Governmental Activities
For Fiscal Year 2017



The District's governmental expenses are predominantly related to instruction and support services. Instruction totaled \$64,506,667 (67%), student support services totaled \$31,174,648 (33%) and interest and other charges total \$35,021.

Table A-4 Expenditures by Type- Governmental Activities
For Fiscal Year 2017

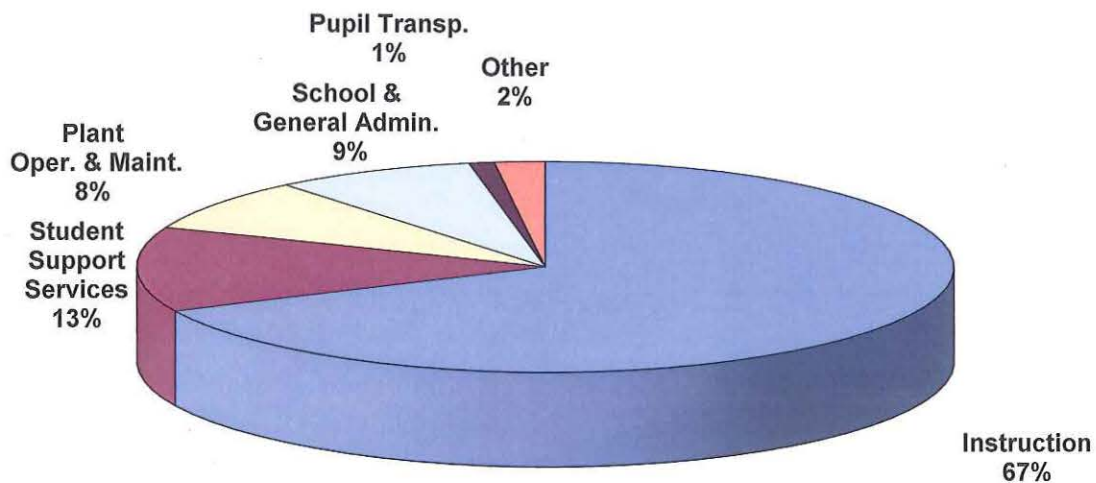


Table A-5 shows the net cost of governmental activities for fiscal years ended June 30, 2017 and 2016.

Table A-5
Total and Net Cost of Services for Governmental Activities
For the Fiscal Years Ended June 30, 2017 and 2016

<u>Functions/Programs</u>	<u>Total</u> <u>Cost of Services</u>		<u>Total</u> <u>Net Cost of Services</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Governmental Activities				
Instruction				
Regular	44,310,886	40,512,609	\$ 30,203,435	\$ 25,873,893
Special Education	14,804,687	13,344,736	8,776,751	8,131,319
Other Instruction	2,716,387	2,625,431	1,724,178	1,637,706
School Sponsored Activities and Athletics	2,674,707	2,370,065	1,853,439	1,753,565
Support Services				
Student and Instruction Related Svcs.	9,046,759	7,538,884	5,841,950	5,326,869
Health Services	1,604,189	1,396,846	1,162,214	1,070,609
Educational Media/School Library	1,980,111	1,912,289	1,406,969	1,419,498
General Administrative Services	2,917,540	2,341,790	2,064,114	1,846,497
School Administrative Services	5,752,566	4,767,242	4,069,841	3,497,960
Plant Operations and Maintenance	7,197,792	6,939,247	7,112,858	6,865,342
Pupil Transportation	1,052,710	887,653	1,019,297	858,102
Central Services	1,622,981	1,595,472	1,622,981	1,595,472
Interest and Other Charges	-	35,021	35,021	35,021
Total Governmental Activities	<u>\$ 95,716,336</u>	<u>\$86,267,285</u>	<u>\$ 66,893,048</u>	<u>\$ 59,911,853</u>

Business-Type Activities

The cost of Business-Type Activities for the fiscal year ended June 30, 2017 was \$2,032,968. These costs were funded by operating grants and charges for services (Detailed on Table A-2). The operations resulted in an increase in Net Position of \$93,979.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the District completed the year, its governmental funds reported a combined fund balance of \$7,296,375. In 2015-2016 the fund balance was \$6,766,687, an increase of \$529,688.

The District's Funds

All governmental funds (i.e., general fund, special revenue fund and capital projects fund) presented in the fund-based statements are accounted for using the modified accrual basis of accounting. Total revenues amounted to \$77,280,498 and expenditures were \$76,750,810.

General Fund

The following schedule presents a summary of the general fund revenues for the fiscal year ended June 30, 2017 and 2016.

Revenues

	Fiscal Years Ended		Amount of Increase (Decrease)	Percent Change
	<u>2017</u>	<u>2016</u>		
Local Sources	\$ 64,470,066	\$ 63,319,840	\$ 1,150,226	1.82%
State Sources	10,689,714	9,768,390	921,324	9.43%
Federal Sources	<u>61,612</u>	<u>48,245</u>	<u>13,367</u>	27.71%
 Total Revenues	 <u>\$ 75,221,392</u>	 <u>\$ 73,136,475</u>	 <u>\$ 2,084,917</u>	 2.85%

The following schedule represents a summary of general fund expenditures for the fiscal years ended June 30, 2017 and 2016.

Expenditures

	Fiscal Years Ended		Amount of Increase (Decrease)	Percent Change
	<u>2017</u>	<u>2016</u>		
Current				
Instruction	\$ 48,958,568	\$ 47,850,131	\$ 1,108,437	2.32%
Undistributed Expenditures	24,860,898	23,348,014	1,512,884	6.48%
Capital Outlay	837,217	1,317,720	(480,503)	-36.46%
Debt Service				
Interest and Other Charges	<u>35,021</u>	<u>35,021</u>	<u>-</u>	0.00%
 Total Expenditures	 <u>\$ 74,691,704</u>	 <u>\$ 72,550,886</u>	 <u>\$ 2,140,818</u>	 2.95%

Budgetary Highlights

The District's budget is prepared according to New Jersey law governing Type I schools and is based on generally accepted accounting principles on the basis of receipts, disbursements and encumbrances. The primary fund is the General Fund.

The Summit School District, like many surrounding districts in the Tri-County area continues to provide a comprehensive educational program amidst the continuous budgetary constraints from the State of New Jersey with regard to State Aid and the 2% CAP structure. The FY 2011 was marked by the elimination of State aid for "high wealth¹" district's such as Summit. This resulted in a loss of revenue of (\$2,587,433). This action had a significant impact on development of the 2010-11 school budget requiring budgetary cuts and further reductions in order to meet the CAP now at 2% on budgetary tax levy. Although there was a return of State Aid in the fiscal year 2012 totaling \$1,121,353 (after deductions of \$57,272 for State facilities – Special Ed.), it represents only 43% of the original state aid received by the district in FY 2010. The total adjusted aid for the 2017-18 budget received 3/02/17 was up slightly at \$1,780,880 or 68.8% of the FY2011 mark. On July 7, 2017 the district received notice from the 21st Legislative District by Senator Kean, Assemblyman Bramnick and Assemblywoman Munoz that Summit would be receiving an additional 9.7% or \$160,431 of state aid for the fiscal 2018 school year. As the increase in state aid was after the budget approval and tax levy assessment, the district designated the additional amount as 'legal reserve' for tax levy reduction in the 2018-2019 annual budget.

Despite the 'lost aid' (non-recovered since FY2011 amount) the district retained its competitive offering of programs through strategic initiatives designed to maximize operational efficiency and retain quality staff. The bulk of revenue funding resides with the local property taxpayers against the backdrop of increased State and Federal mandates such as Special Education programs and services, Facility requirements and Long Range Planning, and now new Safety and Security requirements.

In this climate along with limited funding and diminishing revenues, the district continues to rely on the taxpayers, civic groups, school partnerships and local area foundations in order to fund the tax levy established each year. As such, the Board of Education and Administration continues to explore cost saving initiatives designed to offset rising fixed costs associated with the general fund such as salaries, health insurance, tuition, transportation, energy costs, etc.

Major initiatives in the 2016-17 year included:

- Continued membership through various consortiums and shared services designed to promote cost savings in areas such as energy, transportation, and special education services. These activities include: ACES "Alliance for Competitive Energy Savings," the district continued as a member and once again entered into public bids for gas and electric, participating in joint transportation agreements and shared services with the MUJ "Morris Union Jointure" Commission – 29 Morris and Union County districts, and continued participation in the Union County Educational Services Commission. The district not only continues but has expanded our relationship with the Middlesex Educational Services Commission for custodial supplies bids along with capital equipment purchases and time and material on specific tasks. As this group has grown in participating providers on more state-wide bids the name has changed to Education Services of New Jersey. *We continue to utilize our expanded network of consortiums in FY 2017 which included use of national consortiums such as TCPN (The Cooperative Purchasing Network) allowing member agencies to purchase commodities and/or services, from any and all TCPN Official Contract Holders, under the same terms, conditions and price as stated in each awarded contract.*
 - *This led to significant savings in a major purchase of Cafeteria lounge tables and seating for the Summit HS concourse area in the amount of \$48,000.00 in FY 2013. This purchase was made possible through the profitability of our food service program managed by Pomptonian Food Service Company.*
 - *Current participants include state and local government entities as well as nonprofit organizations in all states, including:*

¹ The DOE uses DFG data to analyze the relationship between student achievement and the socioeconomic status of the communities in which they reside.

- *K-12 School Districts*
- *Charter Schools*
- *Cities/Municipalities*
- *Public Schools*
- *Churches*
- *Counties*
- *Charitable Organizations*
- *State Agencies*
- *Private Schools*
- *State Colleges and Universities*
- *Private Colleges and Universities*

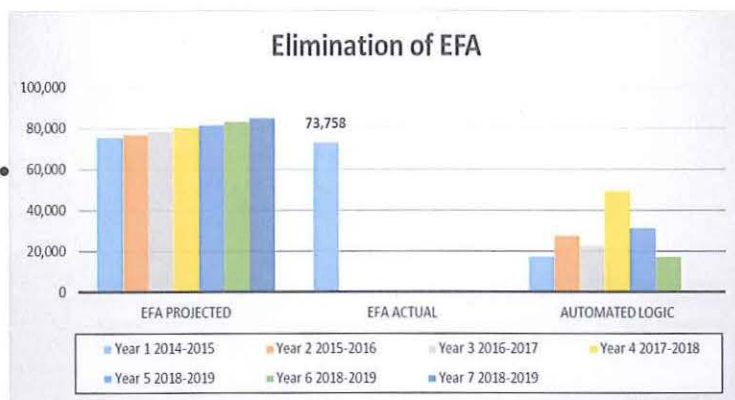
Additionally we continue to explore viable Federal purchasing options such as the GSA Advantage Government Services Administration purchasing related to Federal Bids.

- Continued work through shared services with the City of Summit receiving support for maintenance of athletic fields to include aeration/seeding/topdressing application at all school properties. Continued maintenance programs for sidewalks, paving and tree removal that refocused our efforts to the Summit High School and Brayton ES and Washington ES this past year. Ongoing dialogue designed to provide reciprocal services to the City of Summit through the school district's maintenance specialists such as electrician, black seals and other disciplines continues to benefit both the City and District. This continuing exploration has led to savings for the City through purchasing and pricing discounts and we are currently looking to expand the effort by purchasing custodial supplies for the city as well. Another such operational area savings through shared services has been the disposal of vehicles through the City's online auction program. *March 2011 marked the expansion of a new shared service program related to the district's vehicle maintenance fleet program by outsourcing all maintenance of vehicles through the City DPW garage complex in exchange for custodial services provided at Tatlock field house and Memorial Park which continues to be beneficial to all parties.* This initiative provided the opportunity to redeploy the mechanic to various maintenance related tasks and courier services throughout the district without the need to replace a vacated position.
- Technology remained a significant area of focus for student access resulting in purchase of imacs, ipads and technology upgrades in the amount of \$528,698. In furtherance of our goal of using technology to improve student achievement by providing students with current state of the art computer technology equipment and peripherals, this equipment was acquired through state contracted bid pricing via direct purchase consistent with the past five years. *This not only avoids interest payments; however, given the improved cash flow position, this strategy reduces future debt loads on subsequent year's budgets.* Additionally, this increased our ability to fund that commitment with the direct purchase of technology equipment in the classroom (\$334,658 – FY 2012), (\$490,944 – FY 2013), (\$609,473 – FY 2014), (\$370,081 – FY2015) and (\$501,674 – FY2016).
- Planned purchasing has been at the heart of all multi-year budget forecasts in every discipline to include technology. These initiatives have allowed the district to progress as follows in this area:
 - Chromebook Transition at all ES
 - Replace more devices with Chromebooks *2-to-1with a cost-savings for the district*
 - Increase iPad Initiative at the MS
 - Chromebook 1-to-1 at SHS over 4 years
- Facilities Operations and Maintenance Redesign – May of 2015 was marked in the Facilities area of operations by *a reorganizational shift from defined trade to interdisciplinary approach to maintenance* through the creation of three new General/HVAC Technician positions to meet the increased demands of (BAS) building automated systems and a new Maintenance Supervisor position. *The net effect of this realignment added 1 FTE (Full-Time Equivalent) position with total combined salaries for the department of \$413,495 (FY2016) compared to \$414,683 (FY2014).*

As we moved into the 2016-2017 school year, we continued the next leg of our building automation and control systems controls replacements at the Summit High School thus completing our goal of making our buildings smarter, more energy efficient, and more comfortable. *By working with trained technicians and engineers to design and manage our energy systems, we were able to break free of an outside management company saving approximately \$100,000 per year.*

This initiative has an overall estimated savings of approximately \$322,000 inclusive of the estimated \$169,000 investment in the BAS system controls and equipment over the next five years. At present we are working through Phase II & III of the conversion (\$35,000 Phase I - FY 2015) and (\$60,159 Phase II & III – FY2016). After year six (2018-2019) the savings remains permanent at approx. \$100,000 per year.

The Automated Logic BAS system is much more than simple building automation. It is a powerful web-based platform with software tools that helps us maintain comfort levels, while managing energy conservation measures, identify key operational problems and analyze the results. Best of all, this can all be done by our in-house personnel anytime/anywhere, through a variety of Internet devices, from desktop PCs to web-enabled cell phones. Had this project gone out to bid it would have been approx. \$400k due to licensed trades and compressed schedules. Life Expectancy of the previous controls was 10-12 years based on the technology of the time; however, the new system of controls we are installing have a life expectancy of 15 - 20 years.



Other Major Purchases in the area of Building & Grounds –

- **Gym Lighting Retrofit (LED)** - \$60,000 (Pay back analysis 4-5 years) w/ annual savings of \$12,000

Other Major Initiatives in Energy Management – Changing the way we procure electric –

- **Enernoc Electric Bid 2016** – In December of 2016 the Business Office embarked on a change in the way we procure electricity by breaking away from the

Alliance for Competitive Energy Savings (ACES), a New Jersey cooperative sponsored by the NJASBO (Association of Business Administrators), NJASA (Association of School Administrators) and NJSBA (School Boards Association) serving more than 400 districts. Realizing favorable conditions in the Energy Markets, the Board of Education approved the plan to go forward with a Multi-National company committed to providing utilities through a technology platform 'reverse auction' providing demand response and wholesale procurement solutions.

The results yielded a considerable reduction in the per kWh charge of .083 cents [ACES] to less than 7 cents or .0683 cents. Even after the ACES rebid in May of 2017, the Summit Public Schools proprietary bid through ENERNOC remains below the ACES per kWh.

<https://www.enernoc.com/about>

ACES (May 2017) Bid	0.072
ENERNOC Bid	0.06835
ACES (Dec 2016) Bid	0.0835
JCPL Tariff Rate	0.098

- **Vehicle Fleet Maintenance and Acquisition** – We continue to maintain a quality fleet of vehicles at the optimal level to ensure transport needs and application specific work that allows for the quality and reliability of our utility work vehicles in the area of custodial maintenance. Working within the budgetary constraints of competing interests and reduced CAPs, we have made a commitment to ensure against unnecessary vehicle maintenance and unplanned replacement. *By addressing aging inefficient vehicles over a planned purchase program we have moved the fleet both by efficiency through a reduction of seven vehicles² over four years and acquisition of fifteen vehicles during the same five year period.*

² Vehicles taken out of service based on review of need and disposed of through public auction; however, not replaced.

In 2015 we purchased a 2015 Ford F350 Mason Dump. In accordance with our replacement plan, the following vehicles still need to be replaced in the 2018-19 budget:

- ✦ 1999 Bus that had been taken out of service and converted to a maintenance vehicle

By standardizing the fleet through tight bid specifications designed to identify and select vehicles that met district needs for cost-effectiveness yet also provided the versatility to tackle the jobs associated with building and grounds we are able to save on State Contracting as well as parts and repairs. Likewise, the knowledge and familiarity of staff from vehicle to vehicle provides easy transition and training.

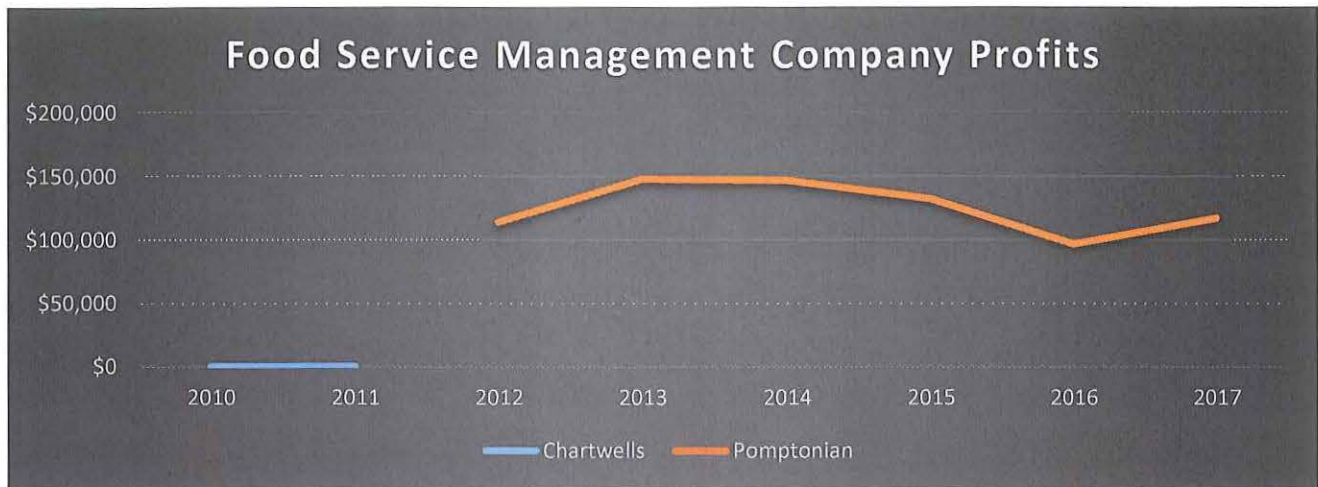
- Tax Shelter Annuity Plan Administration: 403(b), 457 and 403(b) ROTH – The district engaged the services of OMNI, the Nation’s Largest 403(b) and 457 Independent Plan Administrator at no cost to the district or impact on the employee(s) who elect to make contributions to a particular plan. This move insures compliance with all IRS rules and regulations (IRC 403(b) Tax-Sheltered Annuity Plans - Overview of the 403(b) Final Regulations). This initiative not only strengthened internal controls but expanded offerings to our employees through a well vetted preferred provider network in which the providers pay a participation fee direct to OMNI.
- Food Service – Pomptonian Food Service continues to achieve district food service goals of providing students with nutritional meals through appealing choices that meet or exceed NJ Department of Agriculture and The Nationals Schools Lunch Program standards. *As stated in previous MD&A statements, this FSMC (Food Service Management Company) has earned the district nutrition awards at every level to include 4 Bronze and 1 Silver Award Winning Elementary School Programs as ranked by the US Healthier Challenge. In 2016, the group was honored by the New Jersey Association of School Business Administrators Annual Conference with – “Partner of the Year!”*



NJASBO Associate Business Members Executive Committee award Pomptonian Food Service an honorable mention for the association’s Partner of the Year Award. Presented by our Assistant Superintendent, Louis Pepe, President of New Jersey Association of School Business Administrators

The 2016-2017 school year was the second year of the Block Scheduling single unit/period lunch offering for all 1,200 students. Fiscal 2016 proceeds from the successful operation were utilized to fund over \$54,000 worth of portable food service equipment procured through a district bid. The significance of this effort was the ability to fund the expansion without reducing the general fund resources.

The base year of 2009-10 for Pomptonian as FSMC generated \$125,865 profit through increased sales and participation. Despite a major shift in delivery of lunch for our High School students with the introduction of Block Scheduling resulting in a common lunch period, reduced sections and the addition of alternate eating areas; the group produced a profit once again over \$100k at \$ **117,214**. *This continues the trend of year end profit preceded by \$92,698, \$132,197, \$147,000, \$148,000 and \$114,200 respectively, affording the district the ability to purchase new ergonomic table with seating at all schools valued at over \$120,000 and providing a state of the art café style dining area at the Summit High School in the amount of \$54,658. Of note, the continuous gain was driven by an overall increase in student participation rates district wide over the past five years.*



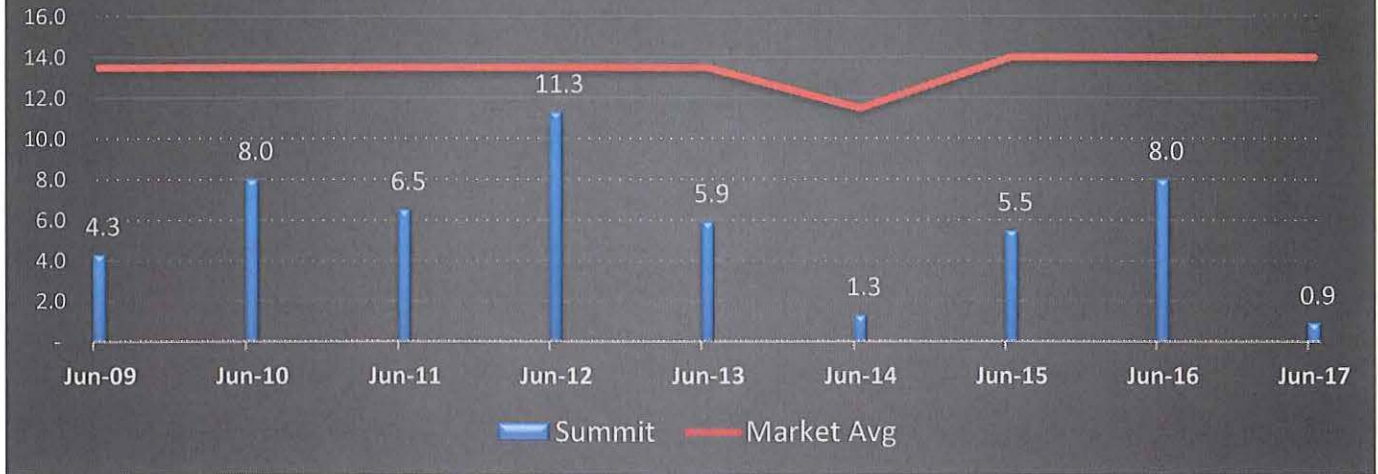
Food service- SHS Tables & portable equipment for block scheduling \$92,998

- Health Benefits - The 2016-2017 fiscal year ended with respect to the minimum premium policy between Summit Board of Education and CIGNA HealthCare as of June 30th, 2017 as follows:
 1. The amount of the June 30, 2017 balance in the bank accounts in the district's name held by Cigna was \$121,028.45.
 2. Note: because the Summit Board of Education cancelled all coverage effective July 1, 2017, we are unable to provide any claim lag information for claims paid after the termination date. Please see item 6 regarding the client's termination liability.
 3. The District's liability for claims that were filed but unpaid as of June 30th, 2017 is \$65,965.79.
 4. Composition of the bank accounts (types of underlying investments made on the district's behalf) is not applicable as this is a non-interest bearing, general account (no investments are made).
 5. Investment income earned during the year the District funds were held by the carrier is not applicable.
 6. The District's liability for at termination was \$1,536,675. This has been paid in full.

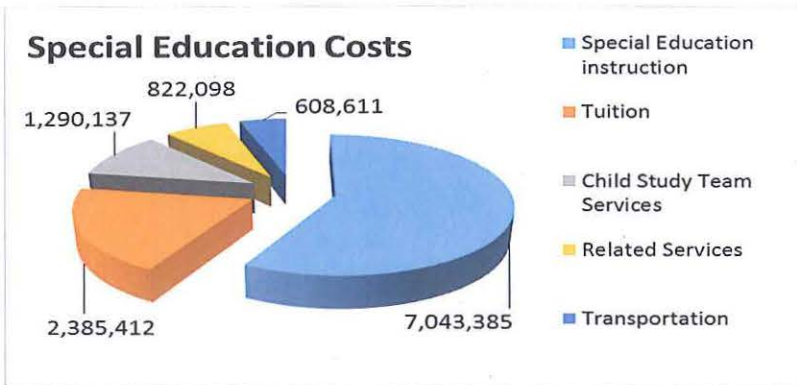
The Board of Education re-appointed Brown & Brown (**B&BSM**), as Broker of Record at its May 11, 2017 Regular Meeting.

Based on their thorough analysis and market plan option review, the District's renewal of 0.90% was achieved due to an aggressive offer from Aetna and as a result, all lines of coverage were changed effective July 1, 2017. This significant savings of over \$600,000.00 was a major factor in maintaining our existing programs and offerings for students and employees thus producing a 0.294% increase over prior year budget.

Summit Health Benefits renewals against the Market



- Special Education remains a significant expense against the total budget. Many mandated services and requirements such as OT/PT (Occupation and Physical Therapy), speech, resource room, evaluations, one-on-one aides and other related services continue to be in demand. The current year's budget expense resulted in appropriations of over **\$12 million** as follows:



One significant improvement in the delivery of instruction for special education students has been the expansion of in house programs allowing the continued return of out of district students with the formation of special needs programs that has also garnered additional revenue of \$217,054 against prior years \$289,325 (FY2016); \$355,727 (FY2015); \$173,874 (FY2014) and \$185,000 (FY2013) representing over \$1.2M in the past five years. This trend may decrease as other districts recognize the same opportunity.

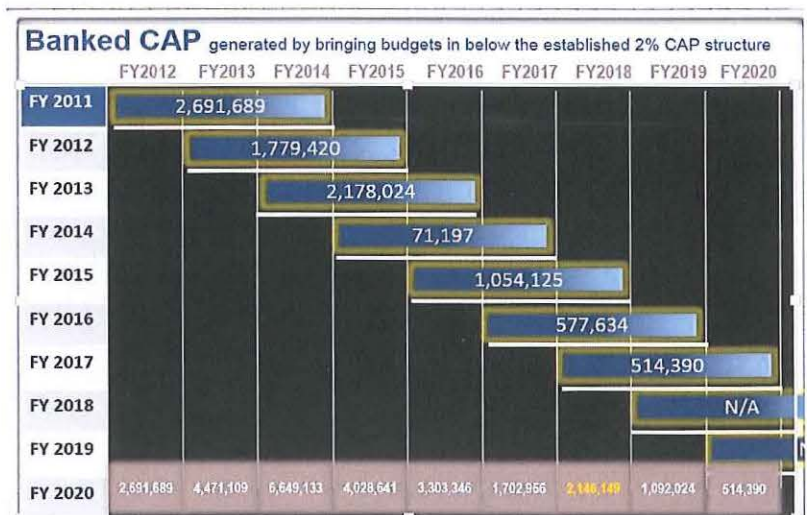
The District continues to explore capital improvement plans that would afford the necessary space to bring out of district special education students back in district to meet their needs in district at a significant cost savings in the area of tuition and transportation.

BANKED CAP

The Budget process in school districts is long and detailed spanning approximately eight months from the end of September to the middle of April for fiscal year budgets starting July 1st - June 30th.

While the process is arduous, the approach is systemic in gathering input and analysis from all levels of the organization in order to prepare a final compressed budget representative of those needs against a backdrop of tax levy needed to support this effort.

As established and defined by N.J.S.A. 18A:7F-39, the district is provided with a mechanism that allows additional taxing authority in construction of subsequent budgets.



The generation of Banked CAP was based on the ability of the district to deliver a final budget under the Tax Authorization in prior years. This demonstrates the fiscal responsiveness of the district and Board of Education. *The school district has however refrained from requesting or using even a portion of the "bank" as its establishment was created to provide emergent relief in subsequent years should the district face sever obstacles such as significant loss of revenues in preparing a budget within CAP in any given year.* As prescribed by the statute the ability to carry bank created in any given year has a shelf life of three years prior to expiration.

Capital Assets – The Summit Public Schools’ investment in capital assets for its governmental and business type activities as of June 30, 2017 and June 30, 2016 amounts to \$78,009,857 and \$79,507,490, respectively (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, machinery, equipment and vehicles.

Table A-6
Capital Assets as of June 30, 2017 and 2016
(Net of Depreciation)

	Governmental		Business-Type		2017	2016
	Activities		Activities			
	2017	2016	2017	2016	2017	2016
Land	\$ 1,758,661	\$ 1,758,661			\$ 1,758,661	\$ 1,758,661
Land Improvements	5,546,521	5,546,521			5,546,521	5,546,521
Buildings and Building Improvements	88,217,323	88,188,323			88,217,323	88,188,323
Machinery and Equipment	<u>9,641,372</u>	<u>9,071,694</u>	\$ 992,817	\$ 960,776	<u>10,634,189</u>	<u>10,032,470</u>
Total	105,163,877	104,565,199	992,817	960,776	106,156,694	105,525,975
Less: Accumulated Depreciation	<u>27,576,216</u>	<u>25,489,355</u>	<u>570,621</u>	<u>529,130</u>	<u>28,146,837</u>	<u>26,018,485</u>
Total	<u>\$ 77,587,661</u>	<u>\$ 79,075,844</u>	<u>\$ 422,196</u>	<u>\$ 431,646</u>	<u>\$ 78,009,857</u>	<u>\$ 79,507,490</u>

Additional information on Summit Public Schools’ capital assets can be found in the notes of this report.

Debt Administration. The City of Summit Public Schools is a Type I District pursuant to N.J.S.A. 18A:22-1. Bonds and notes to fund capital projects are approved by the Board of School Estimate. Such capital expenditures are general obligations of the City of Summit and are reported on the balance sheet of the City of Summit’s General Capital Fund.

As of June 30, 2017 and 2016, the District had outstanding long-term liabilities of \$31,708,913 and \$23,691,024, respectively, as stated in Table A-7.

Table A-7
Long-Term Debt
Outstanding Long-Term Liabilities
as of June 30, 2017 and 2016

	2017	2016
Compensated Absences Payable	\$ 1,461,214	\$ 1,158,216
Net Pension Liability	<u>30,247,699</u>	<u>22,532,808</u>
Total	<u>\$ 31,708,913</u>	<u>\$ 23,691,024</u>

Additional information on Summit Public Schools’ long-term debt can be found in the notes of this report.

For the Future

The District continues to enjoy a strong financial position. Everyone associated with the City of Summit Public School District is grateful for the continued community support of the schools. A major concern remains continued involvement in State control and direction regarding educational adequacy and funding.

With the establishment of the *Reserves* (NJSA Title 18A:7F-41 Supplementation of accounts) we have been able to guard against potential budgetary obstacles that may lay ahead resulting from the passage of S-1701 regarding permissible surplus. S-1701 required all districts to reduce surplus to the greater of 2% or \$100,000 in 2005-06. The law maintained a reduced surplus of 2% in the 2006-07 fiscal year. In planning budgets, school districts take into the account the possibility of unanticipated costs – ranging from utility increases to the mid-year relocation into the community of those special education students who receive high-cost private school services. For many school districts, these unanticipated costs could outstrip the surplus permitted under S-1701. Since school districts cannot operate at a deficit, the only choice available to meet federal and state requirements and fixed costs (such as special education and heat/utilities) would be to cut other areas, such as regular education programming or maintenance.

The law's surplus restriction runs contrary to sound financial principles, which have served as the basis for previous, long-standing state Department of Education policy. This restriction also undermines needed flexibility for long-term district planning. Until enactment of S-1701, statute permitted non-Abbott school districts to establish surplus accounts that ranged between 3% and 6%. Further, the New Jersey State Department of Education's previous policy and, more recently, administrative code required school districts to obtain state permission to budget surplus below the 3% minimum.

Inadequate reserves place school districts in a precarious financial position as they could find themselves ill prepared to deal with unanticipated expenditures that may lead to budgetary crisis. Furthermore; drawing down district surplus's through forced utilization of budgeted fund balance generates automatic revenue shortfalls in subsequent budgets, and drives the need to offset such shortfalls through increased tax levy.

Given these conditions, the Summit School District remains committed to financial excellence for many years. Its system for financial planning, budgeted, and internal financial controls is audited annually and it plans to continue to manage its finances in order to meet the many challenges ahead.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the Summit Board of Education's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to:

Mr. Louis J. Pepe, MBA, RSBA, QPA
Assistant Superintendent for Business/Board Secretary

At the:
City of Summit Board of Education,
Administrative Offices
14 Beekman Terrace
Summit, New Jersey 07901

BASIC FINANCIAL STATEMENTS

**SUMMIT PUBLIC SCHOOLS
STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 7,446,939	\$ 882,959	\$ 8,329,898
Receivables, net	3,352,161	26,093	3,378,254
Inventory		28,846	28,846
Capital Assets, net:			
Not Being Depreciated	1,758,661		1,758,661
Being Depreciated	<u>75,829,000</u>	<u>422,196</u>	<u>76,251,196</u>
 Total Assets	 <u>88,386,761</u>	 <u>1,360,094</u>	 <u>89,746,855</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>8,741,942</u>	<u>-</u>	<u>8,741,942</u>
Total Deferred Outflows of Resources	<u>8,741,942</u>	<u>-</u>	<u>8,741,942</u>
Total Assets and Deferred Outflows of Resources	<u>97,128,703</u>	<u>1,360,094</u>	<u>98,488,797</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	503,910	35,654	539,564
Payable to Other Governments	852,111		852,111
Unearned Revenue	2,146,704	258,520	2,405,224
Noncurrent Liabilities			
Due Within One Year	150,000		150,000
Due Beyond One Year	<u>31,558,913</u>	<u>-</u>	<u>31,558,913</u>
Total Liabilities	<u>35,211,638</u>	<u>294,174</u>	<u>35,505,812</u>
DEFERRED INFLOWS OF RESOURCES			
Unused Commodities	<u>-</u>	<u>1,566</u>	<u>1,566</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>1,566</u>	<u>1,566</u>
Total Liabilities and Deferred Inflows of Resources	<u>35,211,638</u>	<u>295,740</u>	<u>35,507,378</u>
NET POSITION			
Investment in Capital Assets	77,587,661	422,196	78,009,857
Restricted for:			
Capital Projects	2,631,095		2,631,095
Other Purposes	900,000		900,000
Unrestricted	<u>(19,201,691)</u>	<u>642,158</u>	<u>(18,559,533)</u>
Total Net Position	<u>\$ 61,917,065</u>	<u>\$ 1,064,354</u>	<u>\$ 62,981,419</u>

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

**SUMMIT PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 44,310,886	\$ 854,235	\$ 13,054,398	\$ 198,818	\$ (30,203,435)		\$ (30,203,435)
Special Education	14,804,687	275,239	5,752,697		(8,776,751)		(8,776,751)
Other Instruction	2,716,387		992,209		(1,724,178)		(1,724,178)
School Sponsored Activities and Athletics	2,674,707		821,268		(1,853,439)		(1,853,439)
Support Services:							
Student & Instruction Related Services	9,046,759		3,204,809		(5,841,950)		(5,841,950)
Health Services	1,604,189		441,975		(1,162,214)		(1,162,214)
Educational Media/School Library	1,980,111		573,142		(1,406,969)		(1,406,969)
General Administrative Services	2,917,540		853,426		(2,064,114)		(2,064,114)
School Administrative Services	5,752,566		1,682,715		(4,069,851)		(4,069,851)
Plant Operations and Maintenance	7,197,792		84,934		(7,112,858)		(7,112,858)
Pupil Transportation	1,052,710		33,413		(1,019,297)		(1,019,297)
Central Services	1,622,981				(1,622,981)		(1,622,981)
Interest and Other Charges	35,021	-	-	-	(35,021)	-	(35,021)
Total Governmental Activities	95,716,336	1,129,474	27,494,986	198,818	(66,893,058)	-	(66,893,058)
Business-Type Activities:							
Food Service	1,790,338	1,416,710	429,897			\$ 56,269	56,269
Summer Flash Program	242,630	280,340	-	-	-	37,710	37,710
Total Business-Type Activities	2,032,968	1,697,050	429,897	-	-	93,979	93,979
Total Primary Government	\$ 97,749,304	\$ 2,826,524	\$ 27,924,883	\$ 198,818	(66,893,058)	93,979	(66,799,079)
General Revenues:							
					62,968,889		62,968,889
					119,435		119,435
					371,703		371,703
					(4,860)		(4,860)
Total General Revenues and Other Items					63,455,167	-	63,455,167
Change in Net Position					(3,437,891)	93,979	(3,343,912)
Net Position—Beginning of Year					65,354,956	970,375	66,325,331
Net Position—End of Year					\$ 61,917,065	\$ 1,064,354	\$ 62,981,419

FUND FINANCIAL STATEMENTS

SUMMIT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 6,897,385	\$ 356,245	\$ 193,309	\$ 7,446,939
Receivables, Net				
Intergovernmental	121,370	319,025	2,510,572	2,950,967
Other	110,546	290,648		401,194
Due from Other Funds	<u>25,499</u>	<u>-</u>	<u>-</u>	<u>25,499</u>
Total Assets	<u>\$ 7,154,800</u>	<u>\$ 965,918</u>	<u>\$ 2,703,881</u>	<u>\$ 10,824,599</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable and Other Liabilities	\$ 392,732	\$ 111,178		\$ 503,910
Payable to Local Government			\$ 728,573	728,573
Payable to State Government		123,538		123,538
Due to Other Funds		25,499	-	25,499
Unearned Revenue	<u>79,353</u>	<u>705,703</u>	<u>1,361,648</u>	<u>2,146,704</u>
Total Liabilities	<u>472,085</u>	<u>965,918</u>	<u>2,090,221</u>	<u>3,528,224</u>
Fund Balances:				
Restricted:				
Excess Surplus, Designated for Subsequent Year's Expenditures	1,279,068			1,279,068
Excess Surplus	1,351,430			1,351,430
Capital Reserve	2,017,435			2,017,435
Emergency Reserve	4,914			4,914
Emergency Reserve, Designated for Subsequent Year's Expenditures	395,086			395,086
Maintenance Reserve	400,000			400,000
Maintenance Reserve, Designated for Subsequent Year's Expenditures	100,000			100,000
Capital Projects			613,660	613,660
Assigned:				
Year End Encumbrances	190,483			190,483
Unassigned:				
General Fund	<u>944,299</u>	<u>-</u>	<u>-</u>	<u>944,299</u>
Total Fund Balances	<u>6,682,715</u>	<u>-</u>	<u>613,660</u>	<u>7,296,375</u>
Total Liabilities and Fund Balances	<u>\$ 7,154,800</u>	<u>\$ 965,918</u>	<u>\$ 2,703,881</u>	

SUMMIT PUBLIC SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

Total Fund Balances (Exhibit B-1) \$ 7,296,375

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$105,163,877 and the accumulated depreciation is \$27,576,216. 77,587,661

Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.

Deferred Outflows of Resources	\$ 8,741,942	
Deferred Inflows of Resources	<u>-</u>	8,741,942

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Compensated Absences	(1,461,214)	
Net Pension Liability	<u>(30,247,699)</u>	<u>(31,708,913)</u>

Net position of governmental activities (Exhibit A-1) \$ 61,917,065

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local Sources:				
Local Tax Levy	\$ 62,968,889			\$ 62,968,889
Tuition	1,129,474			1,129,474
Miscellaneous	371,703	\$ 484,190	\$ -	855,893
Total - Local Sources	<u>64,470,066</u>	<u>484,190</u>	<u>-</u>	<u>64,954,256</u>
State Sources	10,689,714	232,209	-	10,921,923
Federal Sources	61,612	1,342,707	-	1,404,319
Total Revenues	<u>75,221,392</u>	<u>2,059,106</u>	<u>-</u>	<u>77,280,498</u>
EXPENDITURES				
Current:				
Regular Instruction	33,679,131	279,086		33,958,217
Special Education Instruction	11,420,074	416,356		11,836,430
Other Instruction	1,850,183	327,744		2,177,927
School Sponsored Activities and Athletics	2,009,180			2,009,180
Support Services				
Student & Instruction Related Services	6,290,950	837,102		7,128,052
Health Services	1,246,028			1,246,028
Educational Media/School Library	1,515,656			1,515,656
General Administrative Services	2,225,953			2,225,953
School Administrative Services	4,388,952			4,388,952
Plant Operations and Maintenance	6,700,787			6,700,787
Pupil Transportation	980,021			980,021
Central Services	1,512,551			1,512,551
Debt Service				
Interest and Other Charges	35,021			35,021
Capital Outlay	837,217	198,818	-	1,036,035
Total Expenditures	<u>74,691,704</u>	<u>2,059,106</u>	<u>-</u>	<u>76,750,810</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>529,688</u>	<u>-</u>	<u>-</u>	<u>529,688</u>
Net Change in Fund Balances	<u>529,688</u>	<u>-</u>	<u>-</u>	<u>529,688</u>
Fund Balance , Beginning of Year	6,153,027	-	613,660	6,766,687
Fund Balance, End of Year	<u>\$ 6,682,715</u>	<u>\$ -</u>	<u>\$ 613,660</u>	<u>\$ 7,296,375</u>

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

**SUMMIT PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Total net change in fund balances - governmental funds (Exhibit B-2) \$ 529,688

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement and allocated over their estimated useful lives as annual depreciation expense. This is the amount by which depreciation exceeds capital outlay.

Capital Outlay	\$ 1,036,035	
Depreciation Expense	<u>(2,519,358)</u>	(1,483,323)

The net effect of various miscellaneous transactions involving capital asset (i.e. sales, disposal, donations) is to increase net position. These transactions are not reported in the governmental fund financial statements.

Loss on Capital Assets		(4,860)
------------------------	--	---------

In the statement of activities, certain operating expenses - compensated absences and pension expense are measured by the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (paid):

Increase Compensated Absences	(302,998)	
Increase in Pension Expense	<u>(2,176,398)</u>	<u>(2,479,396)</u>

Change in net position of governmental activities (Exhibit A-2) \$ (3,437,891)

**SUMMIT PUBLIC SCHOOLS
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2017**

	Business-Type Activities Enterprise Fund <u>Food Services</u>	Business-Type Activities Enterprise Fund Summer Flash <u>Program</u>	Business-Type Activities Enterprise Fund <u>Totals</u>
ASSETS			
Current Assets			
Cash	\$ 404,608	\$ 478,351	\$ 882,959
Intergovernmental Receivable			
State	940		940
Federal	25,153		25,153
Inventories	28,846	-	28,846
	<u>459,547</u>	<u>478,351</u>	<u>937,898</u>
Total Current Assets			
Noncurrent Assets			
Equipment	992,817	-	992,817
Less: Accumulated Depreciation	(570,621)	-	(570,621)
	<u>422,196</u>	<u>-</u>	<u>422,196</u>
Total Noncurrent Assets			
Total Assets	<u>881,743</u>	<u>478,351</u>	<u>1,360,094</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	35,640	14	35,654
Unearned Revenue	-	258,520	258,520
	<u>35,640</u>	<u>258,534</u>	<u>294,174</u>
Total Current Liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unused Commodities	<u>1,566</u>	<u>-</u>	<u>1,566</u>
Total Deferred Inflows of Resources	<u>1,566</u>	<u>-</u>	<u>1,566</u>
NET POSITION			
Investment in Capital Assets	422,196		422,196
Unrestricted	<u>422,341</u>	<u>219,817</u>	<u>642,158</u>
Total Net Position	<u>\$ 844,537</u>	<u>\$ 219,817</u>	<u>\$ 1,064,354</u>

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

**SUMMIT PUBLIC SCHOOLS
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Fund <u>Food Services</u>	Business-Type Activities Enterprise Fund Summer Flash <u>Program</u>	Business-Type Activities Enterprise Fund <u>Totals</u>
OPERATING REVENUES			
Charges for Services			
Daily Sales - reimbursable programs	\$ 588,053		\$ 588,053
Daily Sales - non-reimbursable programs	772,072		772,072
Special Functions	56,585		56,585
Program Fees	-	\$ 280,340	280,340
	<u>1,416,710</u>	<u>280,340</u>	<u>1,697,050</u>
OPERATING EXPENSES			
Salaries and Employee Benefits	650,170	226,274	876,444
Cost of Sales - reimbursable	535,362		535,362
Cost of Sales - non-reimbursable	292,643		292,643
Other Purchased Services	170,788		170,788
Supplies and Materials	99,884	16,356	116,240
Depreciation	41,491	-	41,491
	<u>1,790,338</u>	<u>242,630</u>	<u>2,032,968</u>
Operating Income (Loss)	<u>(373,628)</u>	<u>37,710</u>	<u>(335,918)</u>
NONOPERATING REVENUES			
State Sources			
School Lunch Program	12,147		12,147
Federal Sources			
School Breakfast Program	22,270		22,270
National School Lunch Program	302,588		302,588
Food Distribution Program	92,892	-	92,892
	<u>429,897</u>	<u>-</u>	<u>429,897</u>
Change in Net Position	56,269	37,710	93,979
Total Net Position - Beginning of Year	<u>788,268</u>	<u>182,107</u>	<u>970,375</u>
Total Net Position - End of Year	<u>\$ 844,537</u>	<u>\$ 219,817</u>	<u>\$ 1,064,354</u>

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

**SUMMIT PUBLIC SCHOOLS
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Business-Type Activities Enterprise Fund <u>Food Services</u>	Business-Type Activities Enterprise Fund Summer Flash <u>Program</u>	Business-Type Activities Enterprise Fund <u>Totals</u>
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 1,416,710	\$ 298,895	\$ 1,715,605
Cash Payments for Employees' Salaries and Benefits	(650,170)	(226,274)	(876,444)
Cash Payments to Suppliers for Goods and Services	<u>(1,009,003)</u>	<u>(16,662)</u>	<u>(1,025,665)</u>
Net Cash Provided/(Used) by Operating Activities	<u>(242,463)</u>	<u>55,959</u>	<u>(186,504)</u>
Cash Flows from Noncapital Financing Activities			
Cash Received from State and Federal Subsidy Reimbursements	<u>335,731</u>	<u>-</u>	<u>335,731</u>
Net Cash Provided by Noncapital Financing Activities	<u>335,731</u>	<u>-</u>	<u>335,731</u>
Cash Flows from Capital Financing Activities			
Acquisition of Fixed Assets	<u>(22,566)</u>	<u>-</u>	<u>(22,566)</u>
Net Cash (Used) by Noncapital Financing Activities	<u>(22,566)</u>	<u>-</u>	<u>(22,566)</u>
Net Increase in Cash and Cash Equivalents	70,702	55,959	126,661
Cash and Cash Equivalents, Beginning of Year	<u>333,906</u>	<u>422,392</u>	<u>756,298</u>
Cash and Cash Equivalents, End of Year	<u>\$ 404,608</u>	<u>\$ 478,351</u>	<u>\$ 882,959</u>
Reconciliation of Operating Loss to Net Cash Provided/ (Used) by Operating Activities			
Operating Income (Loss)	<u>\$ (373,628)</u>	<u>\$ 37,710</u>	<u>\$ (335,918)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided/(Used) by Operating Activities			
Depreciation	41,491		41,491
Food Distribution Program - Non-Cash Assistance	92,892		92,892
Change in Assets and Liabilities			
Increase/(Decrease) in Accounts Payable	4,942	(306)	4,636
Increase/(Decrease) in Unearned Revenue	-	18,555	18,555
(Increase)/Decrease in Inventory	(6,988)		(6,988)
(Increase)/Decrease in Deferred Commodities Revenue	<u>(1,172)</u>	<u>-</u>	<u>(1,172)</u>
Total Adjustments	<u>131,165</u>	<u>18,249</u>	<u>149,414</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ (242,463)</u>	<u>\$ 55,959</u>	<u>\$ (186,504)</u>
Non-Cash Investing, Capital and Financial Activities			
Value Received - Food Distribution Program	<u>\$ 91,720</u>		

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

**SUMMIT PUBLIC SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	<u>Unemployment Trust Fund</u>	<u>Scholarship Trust Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 559,114	\$ 141,659	\$ 411,314
Due from Other Funds	<u>-</u>	<u>-</u>	<u>9,168</u>
Total Assets	<u>559,114</u>	<u>141,659</u>	<u>\$ 420,482</u>
LIABILITIES			
Payroll Deductions and Withholdings			\$ 33,778
Intergovernmental Payable	7,268		
Due to Other Funds	9,168		
Due to Student Groups	<u>-</u>	<u>-</u>	<u>386,704</u>
Total Liabilities	<u>16,436</u>	<u>-</u>	<u>\$ 420,482</u>
NET POSITION			
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 542,678</u>	<u>\$ 141,659</u>	

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

**SUMMIT PUBLIC SCHOOLS
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Unemployment Trust Fund</u>	<u>Scholarship Trust Fund</u>
ADDITIONS		
Contributions		
Employee	\$ 62,285	
Investment Earnings		
Donations		\$ 66,818
Interest	2,695	614
	<hr/>	<hr/>
Total Additions	64,980	67,432
DEDUCTIONS		
Unemployment Claims	23,180	
Other Expenses		24,271
Scholarship Payments	-	35,696
	<hr/>	<hr/>
Total Deductions	23,180	59,967
Change in Net Position	41,800	7,465
Net Position, Beginning of Year	<hr/> 500,878	<hr/> 134,194
Net Position, End of Year	<u>\$ 542,678</u>	<u>\$ 141,659</u>

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

NOTES TO THE FINANCIAL STATEMENTS

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Summit Public Schools (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of seven elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Summit Public Schools this includes general operations, food service, summer flash program and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is considered a component of the City of Summit.

B. New Accounting Standards

During fiscal year 2017, the District adopted the following GASB statements:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 77, *Tax Abatement Disclosures*. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14. *The Financial Reporting Entity, as amended*.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 84, *Fiduciary Activities*, will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement established criteria for identifying fiduciary activities of all state and local governments.
- GASB No. 85, *Omnibus 2017*, will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)).
- GASB No. 86, *Certain Debt Extinguishment Issues*, will be effective with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.
- GASB No. 87, *Leases*, will be effective with the fiscal year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *summer flash program fund* accounts for the activities of the District's summer program which provides cultural and athletic programs for students.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-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 with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are 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.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when 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 Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, tuition, unrestricted state aid, 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. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and Building Improvements	20-50
Machinery and Equipment	5-20

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial 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 future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of financial 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 period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has two types which arise only under the accrual basis of accounting that qualify for reporting in this category. The one item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. *Compensated Absences*

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. Proprietary Funds accrue accumulated sick leave and salary related payments in the period that they are earned. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. *Pensions*

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. *Long-Term Obligations*

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

Governmental Fund Statements (Continued)

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that was appropriated in the 2017/2018 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2017 audited excess surplus that is required to be appropriated in the 2018/2019 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

Emergency Reserve Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of emergency reserve fund balance appropriated in the adopted 2017/2018 District budget certified for taxes.

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Maintenance Reserve - Designated for Subsequent Year's Expenditures – This designation was created to dedicate the portion of maintenance reserve fund balance appropriated in the adopted 2017/2018 District budget certified for taxes

Capital Projects – Represents fund balance restricted specifically for capital acquisitions and improvements in the Capital Projects Fund.

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods 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, unrestricted state aid, investment earnings and miscellaneous revenues.

2. *Property Taxes*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual "in rem" tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. *Tuition Revenues and Expenditures*

Tuition Revenues - Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs are determined and certified by the State Department of Education.

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

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the food service enterprise fund and summer flash program enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education (“the Department”), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general and special revenue funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approved by the Board of School Estimates as a Type I District.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account 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. The Board approved several budget transfers during 2016/2017. Also, during 2016/2017 the Board increased the original budget by \$2,461,133 in both the General and Special Revenue Fund. The increase was funded by additional grant awards, the reappropriation of prior year general fund encumbrances and appropriation of capital reserve funds.

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described in the Notes to Required Supplementary Information (RSI). Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Excess Expenditures Over Appropriations

The following is a summary of expenditures in excess of available appropriations. The overexpended appropriations resulted in unfavorable variances.

	<u>Final Budget</u>		<u>Actual</u>		<u>Variance</u>
General Fund					
Basic Skills/Remedial Instruction					
Salaries of Teachers	\$ 555,287		\$ 567,764		\$ (12,477)

The above variances were caused by an audit adjustment and were offset with other available resources.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Capital Reserve

A capital reserve account was established by the District. The accumulation of funds will be used for capital outlay expenditures in subsequent fiscal years. The capital reserve is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016		\$ 1,792,938
Increased by:		
Unexpended Funds Appropriated in Capital Outlay 2016-2017 Budget	\$ 515,727	
Deposits Approved by Board Resolution	<u>500,000</u>	
Total Increases		<u>1,015,727</u>
Withdrawals:		
Approved in District Budget	729,220	
Approved by Board Resolution	<u>62,010</u>	
Total Withdrawals		<u>791,230</u>
Balance, June 30, 2017		<u>\$ 2,017,435</u>

D. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

D. Maintenance Reserve (Continued)

The activity of the maintenance reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	\$ 400,000
Increased by:	
Deposits Approved by Board Resolution	<u>250,000</u>
Decreased by:	
Approved in District Budget	<u>150,000</u>
Balance, June 30, 2017	<u>\$ 500,000</u>

The June 30, 2017 comprehensive maintenance plan indicated a maximum maintenance reserve amount of \$4,019,169. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

E. Emergency Reserve

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent or the withdrawal is included in the original budget certified for taxes to finance school security improvements to school facilities pursuant to 18A:7G-6(c)1. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

The activity of the emergency reserve for the fiscal year ended June 30, 2017 is as follows:

Balance, July 1, 2016	<u>\$ 400,000</u>
Balance, June 30, 2017	<u>\$ 400,000</u>

F. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2017 is \$2,630,498. Of this amount, \$1,279,068 was designated and appropriated in the 2017/2018 original budget certified for taxes and the remaining amount of \$1,351,430 will be appropriated in the 2018/2019 original budget certified for taxes.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. NCUSIF insures credit union accounts up to \$250,000 in the aggregate for each financial institution. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2017, the book value of the Board's deposits were \$9,441,985 and bank and brokerage firm balances of the Board's deposits amounted to \$10,783,470. The Board's deposits which are displayed on the various fund balance sheets as "cash" or "cash and cash equivalents" are categorized as:

Depository Account

Insured	<u>\$ 10,783,470</u>
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Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a policy for custodial credit risk. As of June 30, 2017 the Board's bank balance were not exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2017, the Board had no outstanding investments.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2017 for the district's individual major funds in the aggregate are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Food Service</u>	<u>Total</u>
Receivables:					
Accounts					
Intergovernmental					
Federal	\$ 3,671	\$ 317,373		\$ 25,153	\$ 346,197
State	117,699	1,652	\$ 1,137,451	940	1,257,742
Local			1,373,121		1,373,121
Other	<u>110,546</u>	<u>290,648</u>	<u>-</u>	<u>-</u>	<u>401,194</u>
Net Total Receivables	<u>\$ 231,916</u>	<u>\$ 609,673</u>	<u>\$ 2,510,572</u>	<u>\$ 26,093</u>	<u>\$ 3,378,254</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General Fund	
Preschool Tuition	\$ 79,353
Special Revenue Fund	
Unencumbered Grant Draw Downs	562,762
Grant Draw Downs Reserve for Encumbrances	142,941
Capital Projects Fund	
Unrealized Revenue on Type I Projects	<u>1,361,648</u>
Total Unearned Revenue for Governmental Funds	<u>\$ 2,146,704</u>

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	<u>Balance, July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance, June 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,758,661	-	-	\$ 1,758,661
Total capital assets, not being depreciated	<u>1,758,661</u>	<u>-</u>	<u>-</u>	<u>1,758,661</u>
Capital assets, being depreciated:				
Land Improvements	5,546,521			5,546,521
Buildings and Building Improvements	88,188,323	\$ 29,000	-	88,217,323
Machinery and Equipment	<u>9,071,694</u>	<u>1,007,035</u>	<u>\$ (437,357)</u>	<u>9,641,372</u>
Total capital assets being depreciated	<u>102,806,538</u>	<u>1,036,035</u>	<u>(437,357)</u>	<u>103,405,216</u>
Less accumulated depreciation for:				
Land Improvements	(3,065,267)	(220,465)		(3,285,732)
Buildings and Building Improvements	(17,246,465)	(1,350,701)		(18,597,166)
Machinery and Equipment	<u>(5,177,623)</u>	<u>(948,192)</u>	<u>432,497</u>	<u>(5,693,318)</u>
Total accumulated depreciation	<u>(25,489,355)</u>	<u>(2,519,358)</u>	<u>432,497</u>	<u>(27,576,216)</u>
Total capital assets, being depreciated, net	<u>77,317,183</u>	<u>(1,483,323)</u>	<u>(4,860)</u>	<u>75,829,000</u>
Governmental activities capital assets, net	<u>\$ 79,075,844</u>	<u>\$ (1,483,323)</u>	<u>\$ (4,860)</u>	<u>\$ 77,587,661</u>

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	<u>Balance, July 1, 2016</u>	<u>Increases</u>	<u>Balance, June 30, 2017</u>
Business-type activities:			
Capital assets, being depreciated:			
Machinery and Equipment	\$ 960,776	\$ 32,041	\$ 992,817
Total capital assets being depreciated	<u>960,776</u>	<u>32,041</u>	<u>992,817</u>
Less accumulated depreciation for:			
Machinery and Equipment	<u>(529,130)</u>	<u>(41,491)</u>	<u>(570,621)</u>
Total accumulated depreciation	<u>(529,130)</u>	<u>(41,491)</u>	<u>(570,621)</u>
Total capital assets, being depreciated, net	<u>431,646</u>	<u>(9,450)</u>	<u>422,196</u>
Business-type activities capital assets, net	<u>\$ 431,646</u>	<u>\$ (9,450)</u>	<u>\$ 422,196</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction		
Regular		\$ 1,166,238
Special Education		334,377
Other Instruction		60,658
School Sponsored/Activities and Athletics		<u>74,972</u>
Total Instruction		<u>1,636,245</u>
Support Services		
Student and Instruction Related Services		216,144
Health Services		40,347
Educational Media School Library		52,321
General Administration		77,908
School Administration		153,612
Operation and Plant Maintenance		250,489
Pupil Transportation		36,635
Central Services		<u>55,657</u>
Total Support Services		<u>883,113</u>
Total Depreciation Expense - Governmental Activities		<u>\$ 2,519,358</u>
Business-type activities:		
Food Service Fund		<u>\$ 41,491</u>
Total Depreciation Expense - Business-Type Activities		<u>\$ 41,491</u>

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

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

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 25,499
Agency Fund	Unemployment Trust Fund	<u>9,168</u>
Total		<u>\$ 34,667</u>

The above balances are the result of expenditures paid by one fund on behalf of another fund.

The District expects all interfund balances to be liquidated within one year.

F. Leases

Operating Leases

The District leases technology storage space five years under noncancelable operating leases. Lease payments for the fiscal year ended June 30, 2017 were \$22,000. The future minimum lease payments for these operating leases are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 29,708
2019	29,708
2020	29,708
2021	<u>29,708</u>
Total	<u>\$ 118,832</u>

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

The District is a Type I School District and as required by law, the City of Summit ("City") authorizes and issues all debt of the district. Type I school debt service is included in the City's budget and the outstanding bonds are reported on the City's financial statements.

Bonds payable at December 31, 2016 are comprised of the following issues:

\$8,620,000, Refunding School Bonds, 2011, due in annual installments of \$285,000 to \$1,650,000 at an interest rate of 4.00%, through 2023	\$ 7,355,000
\$19,545,000, School Improvement Bonds, 2011 due in annual installments of \$1,220,000 to \$1,580,000 at an interest rate of 2.00% - 4.00%, through 2026	13,765,000
\$5,950,000 Refunding School Bonds, 2015, due in annual installments of \$580,000 to \$595,000 at an interest rate of 2% - 5% through 2026	5,880,000
\$13,800,000 School Improvement Bonds, 2016 due in annual installments of \$560,000 to \$1,080,000 at an interest rate of 1.5% - 2% through 2031	<u>13,800,000</u>
	<u>\$ 40,800,000</u>

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt (Continued)

The City's schedule of principal and interest for long-term debt issued and outstanding on behalf of the District at December 31, 2016 is as follows:

Governmental Activities:

<u>Fiscal Year</u>	<u>School Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 3,345,000	\$ 1,223,548	\$ 4,568,548
2018	4,265,000	1,164,250	5,429,250
2019	4,340,000	1,045,900	5,385,900
2020	4,360,000	905,875	5,265,875
2021	3,105,000	759,250	3,864,250
2022	3,170,000	655,900	3,825,900
2023	3,190,000	547,775	3,737,775
2024	2,980,000	436,525	3,416,525
2025	3,055,000	329,750	3,384,750
2026	3,140,000	223,300	3,363,300
2027	1,585,000	117,000	1,702,000
2028	1,020,000	85,300	1,105,300
2029	1,050,000	64,900	1,114,900
2030	1,080,000	43,900	1,123,900
2031	1,115,000	22,300	1,137,300
	<u>\$ 40,800,000</u>	<u>\$ 7,625,473</u>	<u>\$ 48,425,473</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2017 was as follows:

4% of Equalized Valuation Basis (Municipal)	\$ 286,810,415
Less: Net Debt	<u>47,733,211</u>
Remaining Borrowing Power	<u>\$ 239,077,204</u>

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Balance, July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, June 30, 2017</u>	<u>Due Within One Year</u>
Governmental activities:					
Net Pension Liability	\$ 22,532,808	\$ 8,659,794	\$ 944,903	\$ 30,247,699	
Compensated absences	<u>1,158,216</u>	<u>448,648</u>	<u>145,650</u>	<u>1,461,214</u>	<u>\$ 150,000</u>
Governmental activity					
Long-term liabilities	<u>\$ 23,691,024</u>	<u>\$ 9,108,442</u>	<u>\$ 1,090,553</u>	<u>\$ 31,708,913</u>	<u>\$ 150,000</u>

Compensated absences and net pension liability are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District has established a minimum premium health benefits plan for its employees. Pursuant to requirements from the State Department of Education transactions related to the plan are accounted for in the General Fund. Under the plan the Districts pays the insurance carrier based upon actual claims plus an administrative fee. Effective June 30, 2017 the District has discontinued the plan with the current insurance carrier and has paid the accrued liability for the insurance run-out claims in the amount of \$1,536,675. In addition, they have recorded a liability for the outstanding claims payable at June 30, 2017 in the General Fund. Effective July 1, 2017, the District has entered into a new contract with a different insurance carrier for the minimum premium health benefits plan that is provided for their employees.

The District is a member of the Diploma Joint Insurance Fund "(DJIF)". The Group is a risk sharing public entity pool, established for the purpose of insuring against worker's compensation claims.

The relationship between the Board and the insurance funds is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the funds, to report claims on a timely basis, cooperate with the management of the funds, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the funds. Members have a contractual obligation to fund any deficit of the funds attributable to a membership year during which they were a member.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

DJIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the respective insurance funds are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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

<u>Fiscal Year Ended</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2017		\$ 62,285	\$ 23,180	\$ 542,678
2016		59,335	48,180	500,878
2015		66,440	34,853	487,796

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 28 percent with an unfunded actuarial accrued liability of \$108.6 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 22.33 percent and \$79.0 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 40.14 percent and \$29.6 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.65 percent and (b) projected salary increases applied through the year 2026 of 1.65-5.15 percent based on age for the PERS and varying percentages based on experience for TPAF.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS, 7.06% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2017 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2017, 2016 and 2015 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF, respectively for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2017	\$ 944,903	\$ 3,521,628	\$ 30,802
2016	876,821	2,509,250	29,992
2015	820,714	1,706,674	29,029

In addition for fiscal year 2016/2017 the State contributed \$9,498 for TPAF for Long Term Disability Insurance Premium (LTDI).

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,374,622 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2017, the District reported in the statement of net position (accrual basis) a liability of \$30,247,699 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2016, the District's proportionate share was .10213 percent, which was an increase of .00175 percent from its proportionate share measured as of June 30, 2015 of .10038 percent.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$3,121,301 for PERS. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 562,516	
Changes of Assumptions	6,265,708	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,153,372	
Changes in Proportion and Differences Between Borough Contributions and Proportionate Share of Contributions	<u>760,346</u>	<u>\$ -</u>
Total	<u>\$ 8,741,942</u>	<u>\$ -</u>

At June 30, 2017, the amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	<u>Total</u>
2018	\$ 1,948,862
2019	1,948,862
2020	1,948,862
2021	1,948,862
2022	946,494
Thereafter	<u>-</u>
	<u>\$ 8,741,942</u>

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The District's 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:

	<u>PERS</u>
Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65-4.15% Based on Age
Thereafter	2.65-5.15% Based on Age
Investment Rate of Return	7.65%
Mortality Rate Table	RP-2000

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.98%

**SUMMIT PUBLIC SCHOOLS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2017, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$18,524,435 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2017 the State's proportionate share of the net pension liability attributable to the District is \$246,545,120. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2016. At June 30, 2016, the state's share of the net pension liability attributable to the District was .31341 percent, which was a decrease of .00227 percent from its proportionate share measured as of June 30, 2015 of .31568 percent.

Actuarial Assumptions

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

	<u>TPAF</u>
Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.65%

Assumptions for mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational bases based on a 60-year average of Social Security data from 1953 to 2013.

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

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plans 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 the pension plans' target asset allocation as of June 30, 2016 are summarized in the following table:

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

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Year</u>	<u>Measurement Date</u>	<u>Discount Rate</u>
2017	June 30, 2016	3.22%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit

Payments for which the Following
Rates were Applied:

Long-Term Expected Rate of Return Through June 30, 2029

Municipal Bond Rate * From July 1, 2029
and Thereafter

* The municipal bond return rate used is 2.85% as of the measurement date of June 30, 2016. The source is 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 3.22% as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (2.22 percent) or 1-percentage-point higher (4.22 percent) than the current rate:

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	\$ 294,429,970	\$ 246,545,120	\$ 207,440,960

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2016. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2016 was not provided by the pension system.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

C. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

D. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 584 state and local participating employers and contributing entities for Fiscal Year 2016.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the State had a \$84.3 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$25.9 billion for state active and retired members and \$41.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2015, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method, and the market value was used as asset valuation method for the OPEB. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION (Continued)

D. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

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

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

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

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2017, 2016 and 2015 were \$2,934,317, 2,987,824 and \$2,709,346, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

E. Tax Abatements

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

For Summit Public Schools, the District's share of abated taxes resulting from the municipality having entered into a tax abatement agreement is indeterminate.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISONS

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Local Sources					
Property Taxes	\$ 62,968,889		\$ 62,968,889	\$ 62,968,889	
Tuition	1,008,675		1,008,675	1,129,474	\$ 120,799
Miscellaneous	97,500	-	97,500	371,703	274,203
Total Local Sources	<u>64,075,064</u>	<u>-</u>	<u>64,075,064</u>	<u>64,470,066</u>	<u>395,002</u>
State Sources					
Extraordinary Special Education Costs Aid	220,047		220,047	245,620	25,573
Special Educational Aid	1,413,911		1,413,911	1,413,911	-
Security Aid	86,761		86,761	86,761	
Transportation Aid	33,533		33,533	33,533	
PARCC Readiness Aid	40,670		40,670	40,670	
Per Pupil Growth Aid	40,670		40,670	40,670	
Professional Learning Aid	39,925		39,925	39,925	
On-behalf TPAF Pension System Contr. (Non-Budgeted)					
Normal Costs				3,398,493	3,398,493
NCGI Premium				123,135	123,135
Post-Retirement Medical Contribution				2,934,317	2,934,317
Long-Term Disability				9,498	9,498
TPAF Social Security Contributions (Non-Budget)	-	-	-	2,374,622	2,374,622
Total State Sources	<u>1,875,517</u>	<u>-</u>	<u>1,875,517</u>	<u>10,741,155</u>	<u>8,865,638</u>
Federal Sources					
Medicaid Reimbursement	28,321	-	28,321	61,612	33,291
Total Federal Sources	<u>28,321</u>	<u>-</u>	<u>28,321</u>	<u>61,612</u>	<u>33,291</u>
Total Revenues	<u>65,978,902</u>	<u>-</u>	<u>65,978,902</u>	<u>75,272,833</u>	<u>9,293,931</u>
EXPENDITURES					
CURRENT EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Kindergarten	680,987	(30,000)	650,987	572,828	78,159
Grades 1-5	8,510,322	173,664	8,683,986	8,532,522	151,464
Grades 6-8	5,030,446	(113,479)	4,916,967	4,889,389	27,578
Grades 9-12	7,588,380	89,330	7,677,710	7,677,710	-
Home Instruction					
Salaries and Wages	20,000	2,070	22,070	22,070	-
Pur. Prof. and Ed. Svs.	57,516	(8,478)	49,038	37,531	11,507
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	623,923	5,731	629,654	629,654	-
Purchased Technical Services	14,745	(2,089)	12,656	11,790	866
Other Purchased Services	275,211	20,517	295,728	286,264	9,464
General Supplies	1,158,016	178,517	1,336,533	1,098,410	238,123
Textbooks	148,027	61,715	209,742	148,245	61,497
Other Objects	-	1,849	1,849	1,849	-
Total Regular Programs	<u>24,107,573</u>	<u>379,347</u>	<u>24,486,920</u>	<u>23,908,262</u>	<u>578,658</u>

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education					
Learning and/or Language Disabilities					
Salaries of Teachers	\$ 433,401	-	\$ 433,401	\$ 421,961	\$ 11,440
General Supplies	5,200	-	5,200	1,271	3,929
Total Learning and/or Language Disabilities	<u>438,601</u>	<u>-</u>	<u>438,601</u>	<u>423,232</u>	<u>15,369</u>
Resource Room/Resource Center					
Salaries of Teachers	3,483,821	\$ (87,359)	3,396,462	3,353,610	42,852
Other Salaries for Instruction	1,905,686	147,841	2,053,527	2,053,527	-
General Supplies	14,420	-	14,420	11,615	2,805
Total Resource Room/Resource Center	<u>5,403,927</u>	<u>60,482</u>	<u>5,464,409</u>	<u>5,418,752</u>	<u>45,657</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	405,109	14,805	419,914	416,023	3,891
Other Salaries for Instruction	749,040	(110,000)	639,040	595,111	43,929
General Supplies	5,750	-	5,750	3,528	2,222
Total Preschool Disabilities - Part-Time	<u>1,159,899</u>	<u>(95,195)</u>	<u>1,064,704</u>	<u>1,014,662</u>	<u>50,042</u>
Total Special Education	<u>7,002,427</u>	<u>(34,713)</u>	<u>6,967,714</u>	<u>6,856,646</u>	<u>111,068</u>
Basic Skills/Remedial Instruction					
Salaries of Teachers	537,116	18,171	555,287	567,764	(12,477)
Other Purchased Services	500	-	500	-	500
General Supplies	3,200	-	3,200	2,117	1,083
Total Basic Skills/Remedial Instruction	<u>540,816</u>	<u>18,171</u>	<u>558,987</u>	<u>569,881</u>	<u>(10,894)</u>
Bilingual Education					
Salaries of Teachers	698,681	(5,568)	693,113	683,333	9,780
Purchased Professional-Educational Services	1,800	-	1,800	-	1,800
General Supplies	6,480	-	6,480	3,099	3,381
Total Bilingual Education	<u>706,961</u>	<u>(5,568)</u>	<u>701,393</u>	<u>686,432</u>	<u>14,961</u>
School Sponsored Co-Curricular Activities					
Salaries	296,586	27,832	324,418	324,418	-
Purchased Services	8,499	2,488	10,987	10,987	-
Supplies and Materials	7,500	(6,683)	817	547	270
Total School Sponsored Co-Curricular Activities	<u>312,585</u>	<u>23,637</u>	<u>336,222</u>	<u>335,952</u>	<u>270</u>
School Sponsored Athletics					
Salaries	824,484	52,283	876,767	837,903	38,864
Purchased Services	163,095	(53,456)	109,639	80,973	28,666
Supplies and Materials	104,760	50,106	154,866	149,636	5,230
Other Objects	4,450	(4,450)	-	-	-
Total School Sponsored Athletics	<u>1,096,789</u>	<u>44,483</u>	<u>1,141,272</u>	<u>1,068,512</u>	<u>72,760</u>

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Other Instructional Programs - Instruction					
Salaries	\$ 4,500	-	\$ 4,500	-	\$ 4,500
Other Objects	1,250	-	1,250	\$ 1,230	20
Total Other Instructional Programs-Instruction	5,750	-	5,750	1,230	4,520
Summer School - Instruction					
Salaries of Teachers	102,590	\$ (3,454)	99,136	99,116	20
General Supplies	2,000	(2,000)	-	-	-
Total Summer School - Instruction	104,590	(5,454)	99,136	99,116	20
Total Instruction	33,877,491	419,903	34,297,394	33,526,031	771,363
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State- Special	150,751	45,358	196,109	134,217	61,892
Tuition to County Voc. School Dist.-Regular	186,700	43,800	230,500	228,150	2,350
Tuition to County Voc. School Dist.-Special	35,100	400	35,500	35,500	-
Tuition to CSSD & Reg. Day Schools	491,314	(95,473)	395,841	187,100	208,741
Tuition to Priv. Sch. For the Disabled W/I State	1,667,869	(99,802)	1,568,067	1,445,084	122,983
Tuition to Priv. Sch. Disabled & Other LEAs-Spl, O/S State	48,300	-	48,300	-	48,300
Tuition - State Facilities	12,100	-	12,100	-	12,100
Tuition - Other	-	40,973	40,973	40,973	-
Total Undistributed Expenditures - Instruction	2,592,134	(64,744)	2,527,390	2,071,024	456,366
Health Services					
Salaries	770,215	5,597	775,812	775,119	693
Purchased Professional & Technical Services	22,950	(410)	22,540	22,002	538
Other Purchased Services	2,925	2,958	5,883	5,883	-
Supplies and Materials	8,500	17,380	25,880	24,346	1,534
Total Health Services	804,590	25,525	830,115	827,350	2,765
Speech, OT/PT and Related Serv.					
Salaries	710,927	16,588	727,515	727,035	480
Purchased Professional/Educational Services	35,000	74,122	109,122	109,122	-
Total Speech, OT/PT and Related Serv.	745,927	90,710	836,637	836,157	480
Guidance					
Salaries of Other Professional Staff	981,572	(23,829)	957,743	955,643	2,100
Salaries of Secretarial & Clerical Assistants	204,203	598	204,801	203,801	1,000
Other Purchased Services	2,500	8	2,508	2,508	-
Supplies and Materials	15,400	5,558	20,958	18,262	2,696
Other Objects	50	-	50	40	10
Total Guidance	1,203,725	(17,665)	1,186,060	1,180,254	5,806

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Child Study Teams					
Salaries of Other Professional Staff	\$ 1,179,697	\$ (32,244)	\$ 1,147,453	\$ 1,111,092	\$ 36,361
Salaries of Secretarial & Clerical Assistants	102,082	-	102,082	102,082	-
Purchased Professional- Educat. Services	11,000	8,854	19,854	19,240	614
Miscellaneous Purchased Services	5,000	1,967	6,967	6,967	-
Supplies and Materials	16,500	(1,278)	15,222	15,178	44
Other Objects	250	423	673	673	-
Total Child Study Teams	1,314,529	(22,278)	1,292,251	1,255,232	37,019
Improvement of Instruction Services					
Salaries of Supervisor of Instruction	630,366	-	630,366	626,131	4,235
Salaries of Other Professional Staff	10,000	(10,000)	-	-	-
Other Salaries	124,777	-	124,777	120,430	4,347
Sal. Of Facilitators, Math & Literacy Coaches	206,478	205,710	412,188	412,188	-
Purchased Professional - Educational Services	92,500	(85,726)	6,774	-	6,774
Supplies and Materials	32,800	-	32,800	1,805	30,995
Total Improvement of Instruction Services	1,096,921	109,984	1,206,905	1,160,554	46,351
Educational Media/School Library					
Salaries	857,739	(11,589)	846,150	828,147	18,003
Supplies and Materials	166,922	(19,926)	146,996	144,578	2,418
Total Educational Media/School Library	1,024,661	(31,515)	993,146	972,725	20,421
Instructional Staff Training Services					
Salaries of Other Professional Staff		318	318	317	1
Other Objects	130,955	-	130,955	99,845	31,110
Total Instructional Staff Training Services	130,955	318	131,273	100,162	31,111
Support Services General Administration					
Salaries	597,859	100,646	698,505	665,063	33,442
Legal Services	210,000	286,210	496,210	495,689	521
Audit Fees	58,000	47,733	105,733	70,733	35,000
Other Purchased Professional Services	25,000	38,375	63,375	59,797	3,578
Communications/Telephone	155,000	9,418	164,418	157,801	6,617
BOE Other Purchased Services	10,000	5,915	15,915	10,923	4,992
Miscellaneous Purchased Services	74,328	6,995	81,323	80,712	611
General Supplies	12,500	(1,780)	10,720	10,573	147
BOE In-House Training/Meeting Supplies	500	(330)	170	170	-
BOE Membership Dues and Fees	50,000	(3,902)	46,098	46,098	-
Total Support Services General Administration	1,193,187	489,280	1,682,467	1,597,559	84,908
Support Services School Administration					
Salaries of Principals/Asst. Principals	1,641,620	11,398	1,653,018	1,653,018	-
Salaries of Other Professional Staff	394,318	2,247	396,565	396,564	1
Salaries of Secretarial and Clerical Assistants	1,009,173	43,906	1,053,079	1,051,126	1,953
Other Purchased Services	37,400	(3,503)	33,897	20,982	12,915
General Supplies	2,700	(1,698)	1,002	1,002	-
Other Objects	22,000	5,244	27,244	27,244	-
Total Support Services School Administration	3,107,211	57,594	3,164,805	3,149,936	14,869

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Central Services					
Salaries	\$ 912,982	\$ (41,727)	\$ 871,255	\$ 871,255	-
Purchased Professional Services		10,225	10,225	10,225	
Miscellaneous Purchased Services	8,000	(1,266)	6,734	6,734	-
Supplies and Materials	36,000	5,756	41,756	41,455	\$ 301
Interest on Lease Purchase Agreements	22,013	(22,005)	8	-	8
Miscellaneous Expenditures	47,000	5,839	52,839	44,240	8,599
Total Central Services	<u>1,025,995</u>	<u>(43,178)</u>	<u>982,817</u>	<u>973,909</u>	<u>8,908</u>
Admin. Info. Tech.					
Salaries	163,300	6	163,306	163,305	1
Other Purchased Services	1,200	2,858	4,058	4,058	-
Total Admin. Info. Tech.	<u>164,500</u>	<u>2,864</u>	<u>167,364</u>	<u>167,363</u>	<u>1</u>
Required Maintenance for School Facilities					
Salaries	805,342	544	805,886	805,884	2
Cleaning, Repair and Maintenance Services	220,860	102,937	323,797	297,854	25,943
Other Purchased Services		4,054	4,054	4,054	-
General Supplies	158,385	65,715	224,100	209,506	14,594
Other Objects	-	-	-	-	-
Total Required Maintenance for School Facilities	<u>1,184,587</u>	<u>173,250</u>	<u>1,357,837</u>	<u>1,317,298</u>	<u>40,539</u>
Custodial Services					
Salaries	2,112,073	20,856	2,132,929	2,121,270	11,659
Purchased Professional & Technical Services	130,041	(61,378)	68,663	68,663	-
Cleaning, Repair and Maintenance Services	50,104	(1,947)	48,157	47,194	963
Other Purchased Property Services	72,000	(3,000)	69,000	67,306	1,694
Insurance	363,027	(9,061)	353,966	353,966	-
General Supplies	185,721	(11,534)	174,187	169,704	4,483
Energy (Natural Gas)	250,000	(39,757)	210,243	174,922	35,321
Energy (Electricity)	540,000	53,000	593,000	588,303	4,697
Other Objects	34,780	(2,531)	32,249	29,201	3,048
Total Custodial Services	<u>3,737,746</u>	<u>(55,352)</u>	<u>3,682,394</u>	<u>3,620,529</u>	<u>61,865</u>
Care & Upkeep of Grounds					
Cleaning, Repair and Maintenance Services	31,249	(7,400)	23,849	23,255	594
General Supplies	18,000	7,811	25,811	25,811	-
Total Care & Upkeep of Grounds	<u>49,249</u>	<u>411</u>	<u>49,660</u>	<u>49,066</u>	<u>594</u>

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Adjustments	Final Budget	Actual	Variance with Final Budget
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Security					
Salaries	\$ 139,108	-	\$ 139,108	\$ 137,715	\$ 1,393
Other Objects	14,878	\$ (2,657)	12,221	11,851	370
Total Security	<u>153,986</u>	<u>(2,657)</u>	<u>151,329</u>	<u>149,566</u>	<u>1,763</u>
Student Transportation Services					
Salaries for Pupil Transport (Between Home and School)- Spec. Ed.	57,812	(2,713)	55,099	55,099	-
Cleaning, Repair, & Maint. Services	13,800	(9,938)	3,862	3,862	-
Contracted Services (Oth. Than Bet. Home & Sch)- Vendors	227,478	10,296	237,774	205,226	32,548
Contracted Services (Special Ed. Students) - Vendors	4,043	3,600	7,643	7,593	50
Contracted Services (Reg. Students) - ESCs & CTSAs	114,984	(49,815)	65,169	62,005	3,164
Contracted Services (Special Ed. Students) - ESCs & CTSAs	384,158	35,629	419,787	408,670	11,117
Miscellaneous Purchased Services - Transportation Supplies and Materials	324	67	391	391	-
	2,000	10,740	12,740	8,385	4,355
Total Student Transportation Services	<u>804,599</u>	<u>(2,134)</u>	<u>802,465</u>	<u>751,231</u>	<u>51,234</u>
Unallocated Benefits- Employee Benefits					
Social Security Contributions	937,953	34,087	972,040	972,040	-
Other Retirement Contributions - PERS	986,073	(41,170)	944,903	944,903	-
Pension Contributions - DCRP	50,000	(11,333)	38,667	30,802	7,865
Workers' Compensation	370,168	(12,763)	357,405	357,405	-
Health Benefits	10,031,359	(1,340,333)	8,691,026	8,607,641	83,385
Tuition Reimbursement	105,000	26,521	131,521	131,521	-
Other Employee Benefits	121,750	30,650	152,400	151,462	938
Total Unallocated Benefits	<u>12,602,303</u>	<u>(1,314,341)</u>	<u>11,287,962</u>	<u>11,195,774</u>	<u>92,188</u>
Reimbursed TPAF Pension Contributions- (Non-Budgeted)					
Normal Costs				3,398,493	(3,398,493)
NCGI Premium				123,135	(123,135)
Post-Retirement Medical Contribution				2,934,317	(2,934,317)
Long Term Disability				9,498	(9,498)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)	-	-	-	<u>2,374,622</u>	<u>(2,374,622)</u>
Total Undistributed Expenditures	<u>32,936,805</u>	<u>(603,928)</u>	<u>32,332,877</u>	<u>40,215,754</u>	<u>(7,882,877)</u>
Total Current Expenditures	<u>66,814,296</u>	<u>(184,025)</u>	<u>66,630,271</u>	<u>73,741,785</u>	<u>(7,111,514)</u>

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
CAPITAL OUTLAY					
Equipment					
Grades 1-5	-	\$ 240,123	\$ 240,123	\$ 236,320	\$ 3,803
Grades 6-8	-	180,831	180,831	180,831	-
Grades 9-12	-	51,207	51,207	51,019	188
Undistributed					
Instruction	-	20,072	20,072	11,621	8,451
General Administration		20,127	20,127	20,127	-
Required Maintenance of School Facilities	\$ 88,484	80,370	168,854	94,686	74,168
Total Equipment	<u>88,484</u>	<u>592,730</u>	<u>681,214</u>	<u>594,604</u>	<u>86,610</u>
Facilities Acquisition and Construction Services					
Construction Services	729,220	76,415	805,635	242,613	563,022
Lease Purchase Agreements - Principal	120,410	(96,709)	23,701	23,700	1
Assessment for Debt Service on SDA Funding	35,021	(35,021)	-	-	-
Other Objects	-	35,021	35,021	35,021	-
Total Facilities Acq. And Construction Services	<u>884,651</u>	<u>(20,294)</u>	<u>864,357</u>	<u>301,334</u>	<u>563,023</u>
Total Capital Outlay	<u>973,135</u>	<u>572,436</u>	<u>1,545,571</u>	<u>895,938</u>	<u>649,633</u>
Transfer Funds To Charter School	<u>102,353</u>	<u>(34,439)</u>	<u>67,914</u>	<u>53,981</u>	<u>13,933</u>
Total General Fund	<u>67,889,784</u>	<u>353,972</u>	<u>68,243,756</u>	<u>74,691,704</u>	<u>(6,447,948)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(1,910,882)</u>	<u>(353,972)</u>	<u>(2,264,854)</u>	<u>581,129</u>	<u>2,845,983</u>
Other Financing Sources (Uses)					
Lease (Non-Budget)		-	-	-	-
Transfer In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures and Other Financing Sources (Uses)	<u>(1,910,882)</u>	<u>(353,972)</u>	<u>(2,264,854)</u>	<u>581,129</u>	<u>2,845,983</u>
Fund Balance, Beginning of Year	<u>6,499,893</u>	<u>-</u>	<u>6,499,893</u>	<u>6,499,893</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,589,011</u>	<u>\$ (353,972)</u>	<u>\$ 4,235,039</u>	<u>\$ 7,081,022</u>	<u>\$ 2,845,983</u>
Recapitulation of Fund Balance:					
Restricted Fund Balance:					
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures				\$ 1,279,068	
Reserve for Excess Surplus				1,351,430	
Capital Reserve				2,017,435	
Maintenance Reserve				400,000	
Maintenance Reserve- Designated for Subsequent Year's Expenditures				100,000	
Emergency Reserve				4,914	
Emergency Reserve- Designated for Subsequent Year's Expenditures				395,086	
Assigned Fund Balance:					
Year-end Encumbrances				190,483	
Unassigned Fund Balance					
				<u>1,342,606</u>	
				7,081,022	
Reconciliation to Governmental Fund Statements (GAAP)					
Less: Last two State Aid Payments and Extraordinary Aid Payment				<u>398,307</u>	
Fund Balances per Governmental Funds (GAAP)				<u>\$ 6,682,715</u>	

**SUMMIT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES					
Intergovernmental					
State	\$ 174,693	\$ 181,019	\$ 355,712	\$ 232,209	\$ (123,503)
Federal	1,016,392	672,112	1,688,504	1,342,707	(345,797)
Local Sources					
Miscellaneous	<u>2,800</u>	<u>1,254,030</u>	<u>1,256,830</u>	<u>627,131</u>	<u>(629,699)</u>
Total Revenues	<u>1,193,885</u>	<u>2,107,161</u>	<u>3,301,046</u>	<u>2,202,047</u>	<u>(1,098,999)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	305,632	360,483	666,115	397,883	268,232
Other Salaries		-	-	-	-
Purchased Professional Services		-	-	-	-
Purchased Professional/Educational Services	28,852	120,188	149,040	32,059	116,981
Purchased Professional/Tech Services		14,290	14,290	14,290	-
Other Purchased Services	2,800	725	3,525	2,762	763
Tuition	688,706	(309,530)	379,176	371,901	7,275
General Supplies	24,091	259,457	283,548	172,852	110,696
Textbooks	40,679	20,765	61,444	26,768	34,676
Other Objects	<u>1,617</u>	<u>32,345</u>	<u>33,962</u>	<u>4,672</u>	<u>29,290</u>
Total Instruction	<u>1,092,377</u>	<u>498,723</u>	<u>1,591,100</u>	<u>1,023,187</u>	<u>567,913</u>
Support Services					
Salaries of Other Professional Staff		42,951	42,951	26,292	16,659
Personal Services-Employee Benefits		48,823	48,823	33,028	15,795
Purchased Professional Services		-	-	-	-
Purchased Professional/Educational Services	62,126	69,230	131,356	128,267	3,089
Purchased Professional/Tech Services	2,430	635,678	638,108	535,023	103,085
Other Purchased Services	36,952	44,260	81,212	81,212	-
Rentals		5,912	5,912	3,978	1,934
Supplies and Materials		29,094	29,094	28,823	271
Other Objects	-	<u>747</u>	<u>747</u>	<u>479</u>	<u>268</u>
Total Support Services	<u>101,508</u>	<u>876,695</u>	<u>978,203</u>	<u>837,102</u>	<u>141,101</u>
Facilities Acquisition and Construction					
Instructional Equipment	-	<u>731,743</u>	<u>731,743</u>	<u>341,758</u>	<u>389,985</u>
Total Facilities Acq. & Construction	-	<u>731,743</u>	<u>731,743</u>	<u>341,758</u>	<u>389,985</u>
Total Expenditures	<u>1,193,885</u>	<u>2,107,161</u>	<u>3,301,046</u>	<u>2,202,047</u>	<u>1,098,999</u>
Deficiency of Revenues Under Expenditures	-	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PART II

**SUMMIT PUBLIC SCHOOLS
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 accounting principles generally accepted in the United States of America, with the exception of the legally mandated revenue recognition of certain state aid payments for budgetary purposes only and the treatment of encumbrances in the special revenue fund as described below. Encumbrance accounting is also employed as an extension of formal budgetary integration of the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund <u>C-1</u>	Special Revenue Fund <u>C-2</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	(C-1) \$ 75,272,833	(C-2) \$ 2,202,047
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized, net of cancellations		(142,941)
State Aid and Extraordinary Aid payments (2015/2016) recognized for GAAP purposes not recognized for Budgetary statements	346,866	
State Aid and Extraordinary Aid payments (2016/2017) recognized for budgetary purposes not recognized for GAAP statements	<u>(398,307)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	(B-2) <u>\$ 75,221,392</u>	(B-2) <u>\$ 2,059,106</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	(C-1) <u>\$ 74,691,704</u>	(C-2) <u>\$ 2,202,047</u>
Difference- Budget to GAAP		
Encumbrances for goods and services ordered but not received are reported in the year the order is place for budgetary purposes, but in the year the goods and/or services are received for financial reporting purposes. June 30, 2017	<u>-</u>	<u>(142,941)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	(B-2) <u>\$ 74,691,704</u>	(B-2) <u>\$ 2,059,106</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**SUMMIT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Public Employees Retirement System

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.10213 %	0.10038 %	0.09867 %	0.09611 %
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 30,247,699	\$ 22,532,808	\$ 18,473,376	\$ 18,368,982
District's Covered-Employee Payroll	\$ 6,885,387	\$ 6,780,626	\$ 6,711,653	\$ 6,501,378
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	439.3% %	332.3% %	275.0 %	282.0% %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	40.14%	47.93%	52.08%	48.72%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**SUMMIT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS**

Public Employees Retirement System

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 944,903	\$ 876,821	\$ 820,714	\$ 728,094
Contributions in Relation to the Contractually Required Contribution	<u>944,903</u>	<u>876,821</u>	<u>820,714</u>	<u>728,094</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 6,885,387	\$ 6,780,626	\$ 6,711,653	\$ 6,501,378
Contributions as a Percentage of Covered-Employee Payroll	0.13723 %	0.12931 %	0.12228 %	0.11199 %

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**SUMMIT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Teachers Pension and Annuity Fund

Last Four Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	%	%	%	%
District's Proportionate Share of the Net Pension Liability (Asset)	-	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>\$ 246,545,120</u>	<u>\$ 199,522,349</u>	<u>\$ 163,208,297</u>	<u>\$ 161,142,215</u>
Total	<u>\$ 246,545,120</u>	<u>\$ 199,522,349</u>	<u>\$ 163,208,297</u>	<u>\$ 151,142,215</u>
District's Covered-Employee Payroll	\$ 32,393,898	\$ 31,687,581	\$ 30,976,568	\$ 30,710,105
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	%	%	%	%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.64%

* The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**SUMMIT PUBLIC SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Change of Benefit Terms: None.

Change of Assumptions: The discount rate changed from the District's rate as of June 30, 2016 to the District's rate as of June 30, 2017, in accordance with GASB Statement No. 67.

SPECIAL REVENUE FUND

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

**SUMMIT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	EXHIBIT E-1A	EXHIBIT E-1B	EXHIBIT E-1C	Total
REVENUES				
Intergovernmental				
State		\$ 135,275	\$ 96,934	\$ 232,209
Federal	\$ 320,023	1,022,684		1,342,707
Local Sources				
Miscellaneous	-	-	627,131	627,131
Total Revenues	\$ 320,023	\$ 1,157,959	\$ 724,065	\$ 2,202,047
EXPENDITURES				
Instruction				
Salaries of Teachers	\$ 200,908		\$ 196,975	\$ 397,883
Other Salaries				
Purchased Professional Services				
Purchased Professional/Ed Services		\$ 31,309	750	32,059
Purchased Professional/Tech Services	14,290			14,290
Tuition	-	371,901		371,901
Other Purchased Services	1,295		1,467	2,762
General Supplies	22,207	70,750	79,895	172,852
Textbooks	-	26,768	-	26,768
Other Objects	4,277	395	-	4,672
Total Instruction	242,977	501,123	279,087	1,023,187
Support Services				
Salaries of Other Professional Staff	22,632	3,660		26,292
Personal Services-Employee Benefits	33,028	-		33,028
Purchased Professional Services	-	-		-
Purchased Professional/Educational Services	-	81,135	47,132	128,267
Purchased Professional/Tech Services	7,169	476,184	51,670	535,023
Other Purchased Services	1,810	74,984	4,418	81,212
Rentals		3,978		3,978
Supplies and Materials	11,928	16,895	-	28,823
Other Objects	479	-	-	479
Total Support Services	77,046	656,836	103,220	837,102
Facilities Acquisition and Construction				
Instructional Equipment	-	-	341,758	341,758
Total Facilities Acq. & Construction	-	-	341,758	341,758
Total Expenditures	\$ 320,023	\$ 1,157,959	\$ 724,065	\$ 2,202,047

SUMMIT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	NCLB Title I	NCLB Title I Carryover	NCLB Title IIA	NCLB Title IIA Carryover	NCLB Title III	NCLB Title III Carryover	NCLB Title III Immigrant	NCLB Title III Immigrant Carryover	Subtotal E-1A
REVENUES									
Intergovernmental									
State									
Federal	\$ 209,199	\$ 25,723	\$ 44,895	\$ 338	\$ 22,061	\$ 10,302	\$ 5,899	\$ 1,606	\$ 320,023
Miscellaneous- Local	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 209,199	\$ 25,723	\$ 44,895	\$ 338	\$ 22,061	\$ 10,302	\$ 5,899	\$ 1,606	\$ 320,023
EXPENDITURES									
Instruction									
Salaries of Teachers	\$ 165,115	\$ 5,990	\$ 29,803						\$ 200,908
Purchased Professional Services	-								-
Purchased Professional-Ed Services									-
Purchased Professional Tech Svcs	5,285	9,005							14,290
Tuition									-
Other Purchased Services	-					\$ 1,295			1,295
General Supplies	9,513	3,718			\$ 7,869	1,107			22,207
Textbooks									-
Other Objects	-	-	-	-	2,575	1,702	-	-	4,277
Total Instruction	179,913	18,713	29,803	-	10,444	4,104	-	-	242,977
Support Services									
Salaries Other Professional Staff					11,207	5,663	\$ 5,762		22,632
Personal Services-Employee Benefits	24,767		8,261						33,028
Purchased Professional Services									-
Purchased Professional-Ed Services									-
Purchased Professional Tech Svcs			6,831	338					7,169
Other Purchased Services					410			\$ 1,400	1,810
Supplies and Materials	4,519	7,010				56	137	206	11,928
Other Objects	-	-	-	-	-	479	-	-	479
Total Support Services	29,286	7,010	15,092	338	11,617	6,198	5,899	1,606	77,046
Facilities Acquisition and Construction									
Instructional Equipment	-	-	-	-	-	-	-	-	-
Total Facilities Acq. & Construction	-	-	-	-	-	-	-	-	-
Total Expenditures	\$ 209,199	\$ 25,723	\$ 44,895	\$ 338	\$ 22,061	\$ 10,302	\$ 5,899	\$ 1,606	\$ 320,023

**SUMMIT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	IDEA Part B	IDEA Part B	IDEA	Non-Public				Subtotal
	Basic	Basic	Preschool	Technology	Textbooks	Nursing	Security	E-1B
	<u>Basic</u>	<u>Carrvoer</u>						
REVENUES								
Intergovernmental								
State				\$ 26,690	\$ 26,768	\$ 31,309	\$ 50,508	\$ 135,275
Federal	\$ 768,315	\$ 221,862	\$ 32,507					1,022,684
Miscellaneous- Local	-	-	-	-	-	-	-	-
Total Revenues	\$ 768,315	\$ 221,862	\$ 32,507	\$ 26,690	\$ 26,768	\$ 31,309	\$ 50,508	\$ 1,157,959
EXPENDITURES								
Instruction								
Salaries of Teachers								
Other Salaries								
Purchased Professional Services								
Purchased Professional-Ed Services						\$ 31,309		\$ 31,309
Tuition	\$ 342,725	\$ 29,176						371,901
Other Purchased Services								-
General Supplies	933	43,127		\$ 26,690				70,750
Textbooks					\$ 26,768			26,768
Other Objects	-	395	-	-	-	-	-	395
Total Instruction	343,658	72,698	-	26,690	26,768	31,309	-	501,123
Support Services								
Salaries Other Professional Staff		3,660						3,660
Personal Services-Employee Benefits		-						-
Purchased Professional Services	-	-						-
Purchased Professional-Ed Services	12,842	35,786	\$ 32,507					81,135
Purchased Professional/Tech Services	373,333	52,343					\$ 50,508	476,184
Other Purchased Services	36,816	38,168						74,984
Rentals	1,566	2,412						3,978
Supplies and Materials	100	16,795	-	-	-	-	-	16,895
Total Support Services	424,657	149,164	32,507	-	-	-	50,508	656,836
Facilities Acquisition and Construction								
Non-Instructional Equipment	-	-	-	-	-	-	-	-
Total Facilities Acq. & Construction	-	-	-	-	-	-	-	-
Total Expenditures	\$ 768,315	\$ 221,862	\$ 32,507	\$ 26,690	\$ 26,768	\$ 31,309	\$ 50,508	\$ 1,157,959

Continued

**SUMMIT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Non Public Chapter 192/193</u>							
	<u>Compensatory Services</u>	<u>Home Instruction</u>	<u>Transportation</u>	<u>Supplemental Instruction</u>	<u>Examination & Classification</u>	<u>Corrective Speech</u>	<u>Various</u>	<u>Subtotal E-1C</u>
REVENUES								
Intergovernmental								
State	\$ 10,750	\$ 1,652	\$ 4,418	\$ 25,895	\$ 45,384	\$ 8,835		\$ 96,934
Federal								
Miscellaneous- Local	-	-	-	-	-	-	\$ 627,131	627,131
Total Revenues	<u>\$ 10,750</u>	<u>\$ 1,652</u>	<u>\$ 4,418</u>	<u>\$ 25,895</u>	<u>\$ 45,384</u>	<u>\$ 8,835</u>	<u>\$ 627,131</u>	<u>\$ 724,065</u>
EXPENDITURES								
Instruction								
Salaries of Teachers							\$ 196,975	\$ 196,975
Purchased Professional-Ed Services							750	750
Purchased Professional/Tech Services							1,467	1,467
Other Purchased Services							79,895	79,895
General Supplies							-	-
Textbooks							-	-
Other Objects	-	-	-	-	-	-	-	-
Total Instruction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,087</u>	<u>279,087</u>
Support Services								
Salaries Other Professional Staff								
Personal Services-Employee Benefits								
Purchased Professional Services								-
Purchased Professional-Ed Services	\$ 10,750	\$ 1,652		\$ 25,895		\$ 8,835	-	47,132
Purchased Professional/Tech Services					\$ 45,384		6,286	51,670
Other Purchased Services			\$ 4,418					4,418
Supplies and Materials	-	-	-	-	-	-	-	-
Total Support Services	<u>10,750</u>	<u>1,652</u>	<u>4,418</u>	<u>25,895</u>	<u>45,384</u>	<u>8,835</u>	<u>6,286</u>	<u>103,220</u>
Facilities Acquisition and Construction								
Instructional Equipment	-	-	-	-	-	-	341,758	341,758
Total Facilities Acq. & Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>341,758</u>	<u>341,758</u>
Total Expenditures	<u>\$ 10,750</u>	<u>\$ 1,652</u>	<u>\$ 4,418</u>	<u>\$ 25,895</u>	<u>\$ 45,384</u>	<u>\$ 8,835</u>	<u>\$ 627,131</u>	<u>\$ 724,065</u>

**SUMMIT PUBLIC SCHOOLS
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**SUMMIT PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Issue/Project Title</u>	<u>Approval Date</u>	<u>Modified Appropriations</u>	<u>Expenditures to Date</u>		<u>Cancelled</u>	<u>Unexpended Appropriations June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>		
Type I School District Projects						
School Improvements	3/20/2015	\$ 20,406,535 *	\$ 19,044,887			\$ 1,361,648
Local Projects-						
Franklin Roof and Elementary Improvements	2007/08	300,000	260,423			
Media Literacy Center	2009/10	333,010	327,912			
Lincoln-Hubbard School Site	2012/2013	469,689	383,788			
Roof Replacement/Security Upgrades	2013/14	<u>2,362,362</u> *	<u>1,748,702</u>	<u>-</u>	<u>-</u>	<u>613,660</u>
		<u>\$ 23,871,596</u>	<u>\$ 21,765,712</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,975,308</u>

* - Additional Funding by Capital Reserve

Project Balances	\$ 1,975,308
Less: Unrealized Revenue on Type I Projects - Current	<u>(1,361,648)</u>
 Fund Balance, June 30, 2017 - GAAP Basis	 <u>\$ 613,660</u>

**SUMMIT PUBLIC SCHOOLS
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	
Transfer In from Capital Reserve	\$ -
Funded by City of Summit	-
	<hr/>
Total Revenues	-
	<hr/>
Expenditures and Other Financing Uses	
Other Purchased and Technical Services	-
Construction Services	-
Equipment/Supplies	-
	<hr/>
Total Expenditures	-
	<hr/>
Excess (Deficit) of Revenues over (under) Expenditures	-
Fund Balance, Beginning of Year	<u>613,660</u>
Fund Balance, End of Year - Budgetary Basis	<u>\$ 613,660</u>
Reconciliation to GAAP:	
Project Fund Balances	<u>\$ 613,660</u>
Fund Balance - End of Year - GAAP	<u>\$ 613,660</u>

**SUMMIT PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS-
BUDGETARY BASIS
ROOF REPLACEMENT/SECURITY UPGRADES
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grants	\$ 905,252		\$ 905,252	\$ 905,252
Transfer from Capital Reserve	1,457,110		1,457,110	1,457,110
	<u>2,362,362</u>	<u>-</u>	<u>2,362,362</u>	<u>2,362,362</u>
Expenditures and Other Financing Uses				
Other Purchased and Technical Services (390)	211,736		211,736	212,000
Construction Services (450)	1,529,273		1,529,273	2,140,362
Equipment	7,693		7,693	10,000
	<u>1,748,702</u>	<u>-</u>	<u>1,748,702</u>	<u>2,362,362</u>
Excess (deficiency) or Revenues over (under) Expenditures	<u>\$ 613,660</u>	<u>\$ -</u>	<u>\$ 613,660</u>	<u>\$ -</u>
Additional project information:				
Project Number	Various			
Grant Date	4/23/2014			
Bond Authorization Date	N/A			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 2,362,362			
Additional Authorized Cost				
Revised Authorized Cost	\$ 2,362,362			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	20.00%			
Original Target Completion Date	12/31/14			
Revised Target Completion Date	12/31/15			

**SUMMIT PUBLIC SCHOOLS
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS-
BUDGETARY BASIS
SCHOOL IMPROVEMENTS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources - SDA Grants	\$ 1,689,615		\$ 1,689,615	\$ 1,689,615
City of Summit	14,498,737		14,498,737	15,860,385
Transfer from Capital Reserve	2,856,535	-	2,856,535	2,856,535
	<u>19,044,887</u>	<u>-</u>	<u>19,044,887</u>	<u>20,406,535</u>
Expenditures and Other Financing Uses				
Other Purchased and Technical Services (390)	3,114,293		3,114,293	3,000,000
Construction Services (450)	15,269,966		15,269,966	16,916,535
Supplies/Equipment	660,628	-	660,628	490,000
	<u>19,044,887</u>	<u>-</u>	<u>19,044,887</u>	<u>20,406,535</u>
Excess (deficiency) or Revenues over (under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Unearned City Funding			<u>1,361,648</u>	
Project Balance			<u>\$ 1,361,648</u>	
Additional project information:				
Ordinance	14-3045			
Grant Date	4/23/14		Various SDA Project Numbers	
Bond Authorization Date	3/20/14			
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$ 20,406,535			
Additional Authorized Cost				
Revised Authorized Cost	\$ 20,406,535			
Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	20.00%			
Original Target Completion Date	6/30/15			
Revised Target Completion Date	12/31/15			

EXHIBIT G-1

**SUMMIT PUBLIC SCHOOLS
PROPRIETARY FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

EXHIBIT G-4

**SUMMIT PUBLIC SCHOOLS
INTERNAL SERVICE FUND
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

EXHIBIT G-5

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

EXHIBIT G-6

**INTERNAL SERVICE FUND
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

THIS STATEMENT IS NOT APPLICABLE

FIDUCIARY FUNDS

**SUMMIT PUBLIC SCHOOLS
FIDUCIARY FUNDS
COMBINING STATEMENT OF AGENCY FUND ASSETS AND LIABILITIES
AS OF JUNE 30, 2017**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Total Agency Funds</u>
ASSETS			
Cash	\$ 386,704	\$ 24,610	\$ 411,314
Due from Other Funds	<u>-</u>	<u>9,168</u>	<u>9,168</u>
Total Assets	<u>\$ 386,704</u>	<u>\$ 33,778</u>	<u>\$ 420,482</u>
 LIABILITIES			
Payroll Deductions and Withholdings		\$ 33,778	\$ 33,778
Due to Student Groups	<u>\$ 386,704</u>	<u>-</u>	<u>386,704</u>
Total Liabilities	<u>\$ 386,704</u>	<u>\$ 33,778</u>	<u>\$ 420,482</u>

**FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FINANCIAL STATEMENT IS PRESENTED ON EXHIBIT B-8

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

<u>School</u>	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
ELEMENTARY SCHOOLS				
Brayton	\$ 12,183	\$ 29,935	\$ 28,630	\$ 13,488
Franklin	5,074	2,463	6,186	1,351
Wilson Primary Center	548	1,019	400	1,167
Jefferson	12,502	31,978	29,896	14,584
Lincoln - Hubbard	3,371	1,591	3,023	1,939
Washington	9,070	6,521	7,742	7,849
Jefferson Primary Center	89	642		731
JUNIOR HIGH SCHOOLS				
Lawton C Johnson Middle School	128,331	320,929	283,376	165,884
SENIOR HIGH SCHOOL				
Summit High School	169,030	480,116	469,435	179,711
ATHLETICS				
High School Athletics	-	107,590	107,590	-
Total	<u>\$ 340,198</u>	<u>\$ 982,784</u>	<u>\$ 936,278</u>	<u>\$ 386,704</u>

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

	<u>Balance, July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance, June 30, 2017</u>
Due to/(From) Other Funds	\$ 2,024	\$ 8,432	\$ 19,624	\$ (9,168)
Payroll Deductions and Withholdings	87,792	23,278,801	23,332,815	33,778
Accrued Salaries and Wages	-	28,069,449	28,069,449	-
Total	<u>\$ 89,816</u>	<u>\$ 51,356,682</u>	<u>\$ 51,421,888</u>	<u>\$ 24,610</u>

LONG-TERM DEBT

EXHIBIT I-1

SUMMIT PUBLIC SCHOOLS
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

EXHIBIT I-2

LONG-TERM DEBT
SCHEDULE OF OPERATING LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Issue	Amount of Original Issue	Interest Rate	Balance, July 1, 2016	Issued	Retired	Balance, June 30, 2017
Technology-Storage Space	\$ 140,831	0%	<u> -</u>	<u>\$ 140,831</u>	<u>\$ 22,000</u>	<u>\$ 118,831</u>
			<u>\$ -</u>	<u>\$ 140,831</u>	<u>\$ 22,000</u>	<u>\$ 118,831</u>

EXHIBIT I-3

LONG TERM DEBT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOT APPLICABLE

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

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

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government'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 government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government 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 for the relevant year.

SUMMIT PUBLIC SCHOOLS
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2008		2009		2010		2011 (1)		Fiscal Year Ended June 30,		2014 (2)		2015		2016		2017			
									2012	2013										
Governmental Activities																				
Investment In Capital Assets	\$	50,945,383	\$	40,894,131	\$	47,595,041	\$	54,449,486	\$	59,918,722	\$	60,891,572	\$	63,466,575	\$	76,308,217	\$	79,075,844	\$	77,587,661
Restricted		70,308		3,374,302		1,177,690		2,220,078		2,415,870		3,932,364		4,711,655		2,508,419		3,206,598		3,531,095
Unrestricted		(963,673)		1,130,566		2,098,144		2,495,918		2,246,136		1,702,640		(15,778,464)		(15,802,765)		(16,927,486)		(19,201,691)
Total Governmental Activities Net Position	\$	50,052,018	\$	45,398,999	\$	50,870,875	\$	59,165,482	\$	64,580,728	\$	66,526,576	\$	52,399,766	\$	63,013,871	\$	65,354,956	\$	61,917,065
Business-Type Activities																				
Investment In Capital Assets	\$	56,217	\$	136,139	\$	137,150	\$	166,159	\$	201,851	\$	315,636	\$	345,388	\$	342,331	\$	431,646	\$	422,196
Restricted																				
Unrestricted		225,859		371,155		440,685		475,532		559,208		553,282		595,915		619,349		538,729		642,158
Total Business-Type Activities Net Position	\$	282,076	\$	507,294	\$	577,835	\$	641,691	\$	761,059	\$	868,918	\$	941,303	\$	961,680	\$	970,375	\$	1,064,354
District-Wide																				
Investment In Capital Assets	\$	51,001,600	\$	41,030,270	\$	47,732,191	\$	54,615,645	\$	60,120,573	\$	61,207,208	\$	63,811,963	\$	76,650,548	\$	79,507,490	\$	78,009,857
Restricted		70,308		3,374,302		1,177,690		2,220,078		2,415,870		3,932,364		4,711,655		2,508,419		3,206,598		3,531,095
Unrestricted		(737,814)		1,501,721		2,538,829		2,971,450		2,805,344		2,255,922		(15,183,549)		(15,183,416)		(16,388,757)		(18,559,533)
Total District Net Position	\$	50,334,094	\$	45,906,293	\$	51,448,710	\$	59,807,173	\$	65,341,787	\$	67,395,494	\$	53,340,069	\$	63,975,551	\$	66,325,331	\$	62,981,419

Source: District financial records

Note 1 - Net Position at June 30, 2011 is restated to reflect the implementation of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position" and GASB Statement No. 65, "Items Previously Reported in Assets and Liabilities".

Note 2 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

**SUMMIT PUBLIC SCHOOLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)**

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 30,506,819	\$ 29,380,082	\$ 30,266,224	\$ 30,453,508	\$ 30,780,236	\$ 31,375,219	\$ 32,260,299	\$ 37,264,045	\$ 40,482,290	\$ 44,310,886
Special Education	8,572,883	8,711,060	9,655,370	9,942,089	10,200,882	10,984,562	9,992,167	12,801,840	13,344,736	14,804,687
Other Instruction	1,944,729	1,920,361	1,862,999	2,012,592	1,783,671	2,002,165	1,793,562	2,098,300	2,625,431	2,716,387
School Sponsored Activities & Athletics	1,740,836	1,583,790	1,508,797	1,569,698	1,693,314	1,671,636	1,716,135	2,103,338	2,370,065	2,674,707
Support Services:										
Tuition										
Student and Instruction Related Services	4,264,899	4,741,485	5,287,762	5,604,698	5,647,971	5,673,707	5,690,517	7,363,674	7,538,884	9,046,759
Health Services	758,553	914,710	974,556	1,020,282	1,045,437	1,124,322	1,123,937	1,390,791	1,396,846	1,604,189
Educational Media/School Library	1,295,886	1,358,833	1,393,968	1,507,626	1,474,330	1,598,382	1,509,632	1,703,893	1,912,289	1,980,111
General Administrative Services	1,356,768	1,470,247	1,375,967	1,431,802	1,760,134	1,501,356	1,667,992	1,636,224	2,341,790	2,917,540
School Administrative Services	3,723,390	3,940,227	3,911,979	4,187,205	5,071,401	5,258,803	5,285,003	4,991,596	4,767,242	5,752,566
Plant Operations And Maintenance	5,703,195	6,200,892	6,217,401	6,049,846	6,128,905	5,986,778	6,225,201	6,248,907	6,939,247	7,197,792
Pupil Transportation	818,962	871,795	971,030	808,430	835,282	732,508	704,629	783,899	887,653	1,052,710
Central Services	1,363,041	1,397,147	1,402,625	1,502,470	1,521,391	1,562,170	1,605,161	1,481,281	1,595,472	1,622,981
Interest and Other Charges	56,542	52,905	64,027	20,399	16,998	35,021	35,021	35,021	35,021	35,021
Charter Schools										
Total Governmental Activities Expenses	62,106,503	62,543,534	64,892,705	66,110,645	67,959,952	69,506,629	69,609,256	79,902,809	86,236,966	95,716,336
Business-Type Activities:										
Food Service	1,252,461	1,155,810	1,304,953	1,453,855	1,572,080	1,658,357	1,770,238	1,741,238	1,768,912	1,790,338
Summer Flash Program	181,139	193,999	186,868	170,511	160,373	167,250	243,187	245,984	246,620	242,630
Total Business-Type Activities	1,433,600	1,349,809	1,491,821	1,624,366	1,732,453	1,825,607	2,013,425	1,987,222	2,015,532	2,032,968
Total District-Wide Expenses	\$ 63,540,103	\$ 63,893,343	\$ 66,384,526	\$ 67,735,011	\$ 69,692,405	\$ 71,332,236	\$ 71,622,681	\$ 81,890,031	\$ 88,252,498	\$ 97,749,304
Program Revenues										
Governmental Activities:										
Charges for Services					\$ 184,733	\$ 309,373	\$ 324,367	\$ 679,483	\$ 1,149,840	\$ 1,129,474
Capital Grants and Contributions						1,047,756	3,020,365	11,519,361	3,476,015	198,818
Operating Grants And Contributions	\$ 9,624,296	\$ 8,301,900	\$ 16,449,795	\$ 14,453,423	13,287,268	10,335,360	9,725,573	17,410,834	21,729,577	27,494,986
Total Governmental Activities Program Revenues	9,624,296	8,301,900	16,449,795	14,453,423	13,472,001	11,692,489	13,070,305	29,609,678	26,355,432	28,823,278
Business-Type Activities:										
Charges For Services										
Food Service	966,889	1,021,014	1,079,175	1,207,769	1,308,842	1,369,102	1,443,347	1,413,289	1,400,386	1,416,710
Summer Flash Program	202,480	194,167	194,291	162,200	193,065	221,394	253,252	224,904	222,380	280,340
Operating Grants And Contributions	261,110	266,505	288,896	318,253	349,914	342,970	388,211	370,406	401,461	429,897
Total Business Type Activities Program Revenues	1,430,479	1,481,686	1,562,362	1,688,222	1,851,821	1,933,466	2,084,810	2,008,599	2,024,227	2,126,947
Total District-Wide Program Revenues	\$ 11,054,775	\$ 9,783,586	\$ 18,012,157	\$ 16,141,645	\$ 15,323,822	\$ 13,625,955	\$ 15,155,115	\$ 31,618,277	\$ 28,379,659	\$ 30,950,225

SUMMIT PUBLIC SCHOOLS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2008		2009		2010		2011		Fiscal Year Ended June 30,		2012		2013		2014		2015		2016		2017		
Net (Expense)/Revenue																							
Governmental Activities	\$	(52,482,207)	\$	(54,241,634)	\$	(48,442,910)	\$	(51,657,222)	\$	(54,487,951)	\$	(57,814,140)	\$	(56,538,951)	\$	(50,293,131)	\$	(59,881,534)	\$	(66,893,058)			
Business-Type Activities		(3,121)		131,877		70,541		63,856		119,368		107,859		71,385		21,377		8,695					93,979
Total District-Wide Net Expense	\$	(52,485,328)	\$	(54,109,757)	\$	(48,372,369)	\$	(51,593,366)	\$	(54,368,583)	\$	(57,706,281)	\$	(56,467,566)	\$	(50,271,754)	\$	(59,872,839)	\$	(66,799,079)			
General Revenues And Other Changes In Net Position																							
Governmental Activities:																							
Taxes:																							
Property Taxes Levied For General Purposes	\$	51,641,731	\$	55,419,648	\$	56,808,725	\$	59,646,434	\$	59,644,537	\$	59,401,147	\$	60,517,972	\$	60,674,206	\$	61,764,695	\$	62,968,889			
State Aid not Restricted		353,756		15,828										72,410		82,938		119,435					
Tuition (Other than Special Schools)																							
Investment Earnings																							
Miscellaneous Income		10,305,852		4,598,021		380,261		379,644		258,660		358,841		263,151		160,620		405,305					371,703
N.J. Economic Development Authority Grants																							
Loss on Disposal of Assets								(75,249)										(30,319)					(4,860)
Adjustment to Amount Due from City																							
Total Governmental Activities	\$	62,301,339	\$	60,033,497	\$	57,188,986	\$	59,950,829	\$	59,903,197	\$	59,759,988	\$	60,781,123	\$	60,907,236	\$	62,222,619	\$	63,455,167			
Total District-Wide General Revenues	\$	62,301,339	\$	60,033,497	\$	57,188,986	\$	59,950,829	\$	59,903,197	\$	59,759,988	\$	60,781,123	\$	60,907,236	\$	62,222,619	\$	63,455,167			
Change in Net Position																							
Governmental Activities	\$	9,819,132	\$	5,791,863	\$	8,746,076	\$	8,293,607	\$	5,415,246	\$	1,945,848	\$	4,242,172	\$	10,614,105	\$	2,341,085	\$	(3,437,891)			
Business-Type Activities		(3,121)		131,877		70,541		63,856		119,368		107,859		71,385		21,377		8,695					93,979
Total District-Wide Change in Net Position	\$	9,816,011	\$	5,923,740	\$	8,816,617	\$	8,357,463	\$	5,534,614	\$	2,053,707	\$	4,313,557	\$	10,635,482	\$	2,349,780	\$	(3,343,912)			

Source: District financial records

SUMMIT PUBLIC SCHOOLS
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	2008	2009	2010	2011	Fiscal Year Ended June 30		2014	2015	2016	2017
					2012	2013				
General Fund										
Reserved	\$ 100,111	\$ 2,109,638	\$ 2,698,122							
Unreserved	218,980	737,061	810,119							
Restricted				\$ 2,589,575	\$ 3,927,832	\$ 5,500,543	\$ 3,509,038	\$ 3,931,841	\$ 4,725,254	\$ 5,547,933
Assigned				989,641	526,566	242,468	795,118	801,906	470,376	190,483
Unassigned				998,106	919,828	883,996	958,106	924,198	957,397	944,299
Total General Fund	319,091	2,846,699	3,508,241	4,577,322	5,374,226	6,627,007	5,262,262	5,657,945	6,153,027	6,682,715
All Other Governmental Funds										
Reserved	630,363	3,684,040	5,980,934							
Unreserved, reported in:										
Special Revenue Fund	(4,191)									
Capital Projects Fund	(560,056)	(659,739)	(4,820,235)			240,186	3,252,857	789,379	613,660	613,660
Restricted, reported in:										
Capital Projects Fund				1,353,087	473,692					
Total All Other Governmental Funds	66,116	3,024,301	1,160,699	1,353,087	473,692	240,186	3,252,857	789,379	613,660	613,660
Total Fund Balances	\$ 385,207	\$ 5,871,000	\$ 4,668,940	\$ 5,930,409	\$ 5,847,918	\$ 6,867,193	\$ 8,515,119	\$ 6,447,324	\$ 6,766,687	\$ 7,296,375

Source: District financial records

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

SUMMIT PUBLIC SCHOOLS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax Levy	\$ 51,641,731	\$ 55,419,648	\$ 56,808,725	\$ 59,646,434	\$ 59,644,537	\$ 59,401,147	\$ 60,517,972	\$ 60,674,206	\$ 61,764,695	\$ 62,968,889
Tuition Charges							324,367	679,483	1,149,840	1,129,474
Interest Earnings										
Miscellaneous	10,569,602	5,195,800	883,187	6,218,243	5,706,859	1,799,253	1,717,845	12,053,319	4,370,714	855,893
Amount Due from City of Summit										
State Sources	8,409,350	6,680,924	14,294,085	6,838,981	6,686,190	8,909,484	9,792,430	8,791,864	9,983,338	10,921,923
Federal Sources	1,304,952	1,039,025	1,640,824	1,769,402	1,371,671	1,315,743	1,493,814	1,263,254	1,563,994	1,404,319
Total Revenue	71,925,635	68,335,397	73,626,821	74,473,060	73,409,257	71,425,627	73,846,428	83,462,126	78,832,581	77,280,498
Expenditures										
Instruction										
Regular Instruction	29,841,914	28,560,379	29,577,110	29,950,326	30,050,854	30,521,033	31,392,439	32,184,067	33,592,718	33,958,217
Special Education Instruction	8,446,774	8,524,375	9,497,973	9,772,291	10,012,159	10,753,024	9,830,609	11,267,187	11,415,376	11,836,430
Other Instruction	1,908,397	1,868,355	1,823,941	1,966,605	1,740,029	1,955,835	1,755,669	1,833,353	2,273,611	2,177,927
School Sponsored Activities & Athletics	1,707,992	1,548,066	1,480,123	1,538,322	1,659,425	1,634,672	1,670,300	1,833,276	1,939,180	2,009,180
Support Services:										
Tuition										
Student & Inst. Related Services	4,188,446	4,626,186	5,188,632	5,500,124	5,530,213	5,546,577	5,556,735	6,443,973	6,592,198	7,128,052
Health Services	741,952	890,606	954,394	999,374	1,022,095	1,097,562	1,094,644	1,218,251	1,168,831	1,246,028
Educational Media / School Library	1,269,450	1,325,412	1,367,268	1,478,263	1,443,792	1,563,319	1,473,003	1,495,298	1,567,866	1,515,656
General and Business Adm. Svs.	1,334,967	1,449,268	1,358,012	1,412,713	1,738,829	1,479,077	1,644,015	1,498,264	1,995,618	2,225,953
School Administrative Services	3,637,987	3,822,430	3,821,668	4,091,957	4,944,508	5,116,671	5,131,602	4,271,680	3,880,112	4,388,952
Plant Operations And Maintenance	5,616,668	6,087,234	6,125,214	5,957,139	6,027,914	5,876,699	6,104,171	6,080,448	6,686,176	6,700,787
Pupil Transportation	818,129	871,795	969,126	807,521	834,232	730,431	701,411	780,334	782,285	980,021
Central Services	1,330,426	1,358,031	1,371,704	1,469,616	1,485,143	1,521,650	1,560,887	1,424,666	1,532,450	1,512,551
Employee Benefits										
Charter Schools										
Debt Service										
Principal	666,531	676,965	1,430,833	372,385						
Interest and Other Charges	56,542	52,905	64,027	20,399	16,998	35,021	35,021	35,021	35,021	35,021
Capital Outlay	10,956,378	1,740,873	6,998,062	7,874,556	6,937,979	2,574,781	4,247,996	15,143,426	5,051,776	1,036,035
Total Expenditures	72,522,553	63,402,880	72,028,087	73,211,591	73,444,170	70,406,352	72,198,502	85,509,244	78,513,218	76,750,810
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(596,918)	4,932,517	1,598,734	1,261,469	(34,913)	1,019,275	1,647,926	(2,047,118)	319,363	529,688

SUMMIT PUBLIC SCHOOLS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Capital Leases (Non-Budgeted)	\$ 450,000	\$ 553,276	\$ 473,406							
N.J. Economic Development Auth. Grants					\$ (47,578)					
Adjustment to Amount Due from City										
Capital Prior Year Revenues								\$ (20,677)		
Transfers In	300,000		333,010			\$ 4,204	\$ 3,733,380	599,657	90,507	-
Transfers Out	(300,000)		(333,010)			(4,204)	(3,733,380)	(599,657)	(90,507)	-
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>553,276</u>	<u>473,406</u>	<u>-</u>	<u>(47,578)</u>	<u>-</u>	<u>-</u>	<u>(20,677)</u>	<u>-</u>	<u>-</u>
Net Change In Fund Balances	<u>\$ (146,918)</u>	<u>\$ 5,485,793</u>	<u>\$ 2,072,140</u>	<u>\$ 1,261,469</u>	<u>\$ (82,491)</u>	<u>\$ 1,019,275</u>	<u>\$ 1,647,926</u>	<u>\$ (2,067,795)</u>	<u>\$ 319,363</u>	<u>\$ 529,688</u>
Debt Service As A Percentage Of										
Noncapital Expenditures	1.17%	1.18%	2.30%	0.60%	0.03%	0.05%	0.05%	0.05%	0.05%	0.05%

Source: District financial records

Beginning with Fiscal Year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassification of prior year fund balance amounts to comply with Statement No. 54 is not required.

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended June 30,	<u>Tuition</u>	<u>Interest</u>	<u>Gate Receipts</u>	<u>Prior Year Refunds</u>	<u>Rentals</u>	<u>E-Rate</u>	<u>Clean Energy Rebate</u>	<u>Computer Recycle</u>	<u>Miscellaneous</u>	<u>Total</u>
2008		\$ 70,857								\$ 70,857
2009	\$ 95,832	47,390							\$ 382,083	525,305
2010	159,927	16,108	\$ 14,588			\$ 45,019			144,619	380,261
2011	148,108	57,864	9,381		\$ 34,845				129,446	379,644
2012	184,733	41,711	22,484			58,871			135,594	443,393
2013	309,373	48,072	17,827	\$ 57,424	39,863	60,452			135,203	668,214
2014	324,367	54,012	22,660	73,898	7,845	65,759			38,977	587,518
2015	679,483	47,059	12,499	-	34,928	66,134				840,103
2016	1,149,840	50,463	14,174	201,699	8,889	34,647			95,433	1,555,145
2017	1,129,474	74,933	16,105	37,129	10,670	95,116	\$ 11,700	\$ 74,738	51,312	1,501,177

Source: District financial records

SUMMIT PUBLIC SCHOOLS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2008	\$12,135,200	\$ 2,513,876,375	\$ 312,300,700	\$ 238,271,000	\$ 63,700,200	\$ 3,140,283,475	\$2,990,262	\$ 3,143,273,737	\$ 7,371,310,103	\$ 1.704
2009	12,452,000	2,516,055,800	314,123,600	238,271,000	61,705,200	3,142,607,600	3,052,456	3,145,660,056	7,470,379,510	1.784
2010	15,096,700	2,506,422,500	301,353,500	238,271,000	61,490,800	3,122,634,500	3,262,000	3,125,896,500	7,259,889,345	1.863
2011	17,732,400	2,502,405,600	297,766,600	238,161,000	61,315,800	3,117,381,400	3,448,141	3,120,829,541	7,284,699,926	1.912
2012	15,091,600	2,498,154,500	293,128,600	238,161,000	60,856,300	3,105,392,000	3,379,495	3,108,771,495	6,857,036,524	2.045
2013	12,397,700	2,511,184,000	300,404,900	238,161,000	60,220,400	3,122,368,000	2,904,517	3,125,272,517	6,918,152,783	1.919
2014	11,933,500	2,520,174,500	294,329,000	236,570,200	60,534,000	3,123,541,200	2,560,736	3,126,101,936	6,767,823,074	1.939
2015	12,823,900	2,528,788,100	283,374,300	219,667,400	60,314,800	3,104,968,500	2,487,837	3,107,456,337	6,965,068,414	1.970
2016	11,306,200	2,548,081,600	282,815,800	202,970,900	64,694,800	3,109,869,300	2,545,696	3,112,414,996	6,967,242,421	2.004
2017	15,270,400	2,558,372,600	283,665,000	183,080,676	65,339,600	3,105,728,276	2,517,120	3,108,245,396	7,364,274,475	2.029

Source: County Abstract of Ratables

^a Tax rates are per \$100

SUMMIT PUBLIC SCHOOLS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
(Unaudited)
(rate per \$100 of assessed value)

Calendar Year	Total Direct School Tax Rate	Overlapping Rates		Total Direct and Overlapping Tax Rate
		Municipality *	County **	
2008	\$ 1.704	\$ 0.941	\$ 0.790	\$ 3.435
2009	1.784	0.967	0.838	3.589
2010	1.863	0.987	0.889	3.739
2011	1.912	0.994	0.923	3.829
2012	2.045	0.901	1.021	3.967
2013	1.919	1.041	1.102	4.062
2014	1.939	1.034	1.135	4.108
2015	1.970	1.048	1.199	4.217
2016	2.004	1.050	1.247	4.301
2017	2.029	1.061	1.275	4.365

Source: County Abstract of Ratables

*- Includes the Municipal Library

** - Includes County Open Space

**SUMMIT PUBLIC SCHOOLS
PRINCIPAL PROPERTY TAXPAYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Taxpayer	2017		2008	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
Summit West Celgene LLC	-	0.00%		
Celgene Corporation	-	0.00%		
NREF 111 25 Deforest	-	0.00%		
Atlantic Health Systems	-	0.00%		
Summit Clayton Association	-	0.00%		
1st Union National Bank	-	0.00%		
120 Summit Avenue	-	0.00%		
The Maple Group L.L.C.	-	0.00%		
Bassett Associates	-	0.00%		
Constantine CXII LLC	-	0.00%		
	\$ -	0.0%	\$ -	11.27%

Source: Municipal Tax Assessor

**SUMMIT PUBLIC SCHOOLS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date
		Amount	Percentage of Levy		Amount
2008	\$ 51,641,731	\$ 51,641,731	100.00%		\$ 51,641,731
2009	55,419,648	55,419,648	100.00%		55,419,648
2010	56,808,725	56,808,725	100.00%		56,808,725
2011	59,646,434	59,646,434	100.00%		59,646,434
2012	59,644,537	59,644,537	100.00%		59,644,537
2013	59,401,147	59,401,147	100.00%		59,401,147
2014	60,517,972	60,517,972	100.00%		60,517,972
2015	60,674,206	60,674,206	100.00%		60,674,206
2016	61,764,695	61,764,695	100.00%		61,764,695
2017	62,968,889	62,968,889	100.00%		62,968,889

Source: District financial records

**SUMMIT PUBLIC SCHOOLS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	Governmental Activities			Business-Type Activities		Total District	Population	Per Capita
	General Obligation Bonds	Certificates of Participation	Bond Anticipation Notes (BANs)	Capital Leases	Capital Leases			
2008			\$ 1,453,501		\$ 1,453,501	20,522	70	
2009			1,329,812		1,329,812	20,696	64	
2010			372,385		372,385	20,696	18	
2011			NONE		NONE			
2012			NONE		NONE			
2013			NONE		NONE			
2014			NONE		NONE			
2015			NONE		NONE			
2016			NONE		NONE			
2017			NONE		NONE			

Source: District financial records

**SUMMIT PUBLIC SCHOOLS
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions			

NOT APPLICABLE

Source: District financial records

Note: The district is a Type 1 District; all bonded debt is issued by the City.

SUMMIT PUBLIC SCHOOLS
COMPUTATION OF DIRECT AND OVERLAPPING OUTSTANDING BONDED DEBT
FOR YEAR ENDED DECEMBER 31, 2016
(Unaudited)

	<u>Total Debt</u>
Municipal Debt: (1)	
City of Summit	\$ 43,306,985
City of Summit School District - Type I	<u>47,733,211</u>
	91,040,196
Overlapping debt Apportioned to the Municipality:	
Union County (2);(A):	
County of Union (A)	<u>65,295,360</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 156,335,556</u></u>

(A) The debt for this entity was apportioned to the City of Summit by dividing the Municipality's 2016 equalized value by the total 2016 equalized value for Union County.

Sources:

- (1) City of Summit 2016 Annual Debt Statement
- (2) Union County 2016 Annual Debt Statement

**SUMMIT PUBLIC SCHOOLS
LEGAL DEBT MARGIN INFORMATION
LAST TEN CALENDAR YEARS**

	Equalized valuation basis	
	2015	\$ 7,348,462,429
	2015	7,180,778,215
	2014	<u>6,981,540,456</u>
		<u>\$ 21,510,781,100</u>
	Average equalized valuation of taxable property	\$ 7,170,260,366.67
	Debt limit (4 % of average equalization value)	286,810,415 ^a
	Total Net Debt Applicable to Limit	<u>47,733,211</u>
	Legal debt margin	<u>\$ 239,077,204</u>

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	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 272,903,590	\$ 298,728,683	\$ 306,785,116	\$ 295,536,940	\$ 283,373,443	\$ 274,687,226	\$ 273,916,650	\$ 274,328,081	\$ 278,689,697	\$ 286,810,415
Total Net Debt Applicable to Limit	<u>39,788,846</u>	<u>38,773,846</u>	<u>35,588,406</u>	<u>34,767,117</u>	<u>35,062,307</u>	<u>46,864,740</u>	<u>46,864,740</u>	<u>54,031,774</u>	<u>49,215,985</u>	<u>47,733,211</u>
Legal Debt Margin	<u>\$ 233,114,744</u>	<u>\$ 259,954,837</u>	<u>\$ 271,196,710</u>	<u>\$ 260,769,823</u>	<u>\$ 248,311,136</u>	<u>\$ 227,822,486</u>	<u>\$ 227,051,910</u>	<u>\$ 220,296,307</u>	<u>\$ 229,473,712</u>	<u>\$ 239,077,204</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	14.58%	12.98%	11.60%	11.76%	12.37%	17.06%	17.11%	19.70%	17.66%	16.64%

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 for a K through 12 district; other % limits would be applicable for other district types.

**SUMMIT PUBLIC SCHOOLS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	20,522	\$ 1,040,116,526	\$ 50,683	2.3%
2008	20,522	1,059,858,690	51,645	3.0%
2009	20,696	1,020,002,360	49,285	5.3%
2010	21,501	1,072,835,397	49,897	5.4%
2011	21,637	1,131,550,189	52,297	5.4%
2012	21,894	1,174,350,372	53,638	5.4%
2013	22,037	1,198,416,134	54,382	5.7%
2014	22,071	1,211,455,119	54,889	4.5%
2015	22,074	1,264,972,644	57,306	3.7%
2016	22,019	1,323,099,691	60,089	3.4%

Source: New Jersey State Department of Education

N/A - Not Available

**SUMMIT PUBLIC SCHOOLS
PRINCIPAL EMPLOYERS,
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

<u>Employer</u>	<u>2017</u>		<u>2008</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

SUMMIT PUBLIC SCHOOLS
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	284.29	290.19	300.32	300.95	290.63	294.87	297.73	298.19	303.94	301.33
Special education	107.68	119.88	124.11	125.06	124.63	110.88	132.51	135.46	142.67	142.98
School sponsored/other instructional	1.00	1.00	1.00	1.00	1.00	14.40	14.00	18.50	20.50	22.50
Support Services:										
Student & instruction related services	44.83	47.70	52.70	49.70	50.17	49.17	52.17	55.97	58.37	60.37
School administrative services	32.50	32.00	31.00	31.00	35.69	35.70	36.50	31.70	31.70	31.99
General administrative services	7.00	7.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	7.00
Central services	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00
Administrative Information Technology	1.30	1.30	1.30	1.30	1.25	1.25	1.30	1.30	1.30	1.30
Plant operations and maintenance	43.50	44.83	48.83	48.03	48.38	48.88	49.83	48.98	51.98	53.48
Pupil transportation	1.16	0.90	0.90	0.70	1.40	2.40	3.40	3.25	2.75	2.25
Total	<u>534.26</u>	<u>555.80</u>	<u>577.16</u>	<u>574.74</u>	<u>570.15</u>	<u>574.55</u>	<u>604.44</u>	<u>610.35</u>	<u>630.21</u>	<u>633.20</u>

Source: District Personnel Records

**SUMMIT PUBLIC SCHOOLS
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Pupil/Teacher Ratio

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2008	3,794	\$ 60,843,102	\$ 16,037	1.42%	322	1:14	1:12	1:11	3,791.0	3,629.0	1.48%	95.73%
2009	3,804	60,932,137	16,018	-0.12%	374	1:11	1:10	1:10	3,815.0	3,642.7	38.00%	95.48%
2010	3,887	63,535,165	15,037	-6.12%	373	1:12	1:10	1:10	3,900.9	3,730.8	2.42%	95.64%
2011	3,982	64,944,251	16,309	8.46%	377	1:11	1:11	1:10	3,953.0	3,782.7	1.39%	95.69%
2012	4,042	66,489,193	16,450	0.86%	381	1:11	1:11	1:10	4,060.5	3,886.9	2.75%	95.72%
2013	4,074	67,796,550	16,641	1.17%	390	1:11	1:12	1:10	4,088.4	3,899.2	32.00%	95.37%
2014	4,178	67,915,485	16,256	-2.32%	402	1:11	1:11	1:11	4,118.7	3,935.8	94.00%	95.56%
2015	4,140	70,330,797	16,988	4.51%	416	1:10	1:11	1:10	4,062.1	3,886.6	-1.25%	95.68%
2016	4,168	73,426,421	17,617	3.70%	401	1:11	1:10	1:10	4,116.2	3,934.8	1.24%	95.74%
2017	4,123	75,679,754	18,356	12.92%	391	1:11	1:10	1:11	4,088.6	3,898.1	-0.93%	95.34%

Sources: District records

- a. Enrollment based on annual October district count.
- b. Operating expenditures equal total expenditures (modified accrual) less debt service and capital outlay
- c. Cost per pupil represents operating expenditures divided by enrollment

**SUMMIT PUBLIC SCHOOLS
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>District Building</u>										
<u>Elementary</u>										
Brayton Elementary (1911)										
Square Feet	53,737	53,737	53,737	53,737	53,737	53,737	53,737	53,737	53,737	53,737
Capacity (students)	415	415	415	415	415	415	415	415	415	415
Enrollment ^a	465	407	398	389	379	361	375	372	360	361
Franklin Elementary (1927)										
Square Feet	44,118	44,118	48,280	48,280	48,280	48,280	48,280	48,280	57,675	57,675
Capacity (students)	349	349	349	349	349	349	349	349	512	512
Enrollment	409	376	378	377	375	381	382	360	349	365
Jefferson Elementary (1931)										
Square Feet	38,851	38,851	44,890	44,890	44,890	44,890	44,890	44,890	53,890	53,890
Capacity (students)	263	263	263	263	263	263	263	263	347	347
Enrollment	230	215	211	219	224	234	226	214	227	237
Jefferson Primary Center (2008)										
Square Feet		17,453	21,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000
Capacity (students)		137	137	137	137	137	137	137	137	137
Enrollment		130	160	156	153	164	155	144	138	138
Lincoln Elementary (1953)										
Square Feet	55,132	55,132	74,600	74,600	74,600	74,600	74,600	74,600	74,600	74,600
Capacity (students)	401	401	401	401	401	401	401	401	401	401
Enrollment	384	321	333	338	337	332	306	302	298	288
Washington Elementary (1922)										
Square Feet	48,093	48,093	53,340	53,340	53,340	53,340	53,340	53,340	53,340	53,340
Capacity (students)	373	373	373	373	373	373	373	373	373	373
Enrollment	408	325	323	324	316	317	339	341	349	362
Wilson Primary Center (2008)										
Square Feet		21,770	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Capacity (students)		175	175	175	175	175	175	175	175	175
Enrollment		152	172	153	159	171	132	126	163	144
<u>Middle School</u>										
LCJ Summit Middle School (1922)										
Square Feet	143,029	143,029	149,720	149,720	149,720	149,720	149,720	149,720	149,720	149,720
Capacity (students)	1,023	1,023	1,023	1,023	1,023	1,023	1,023	1,023	1,023	1,023
Enrollment	849	843	867	950	1,019	1,041	1,005	982	954	927
<u>High School</u>										
Summit High School (1962)										
Square Feet	190,097	190,097	206,690	206,690	206,690	206,690	206,690	206,690	206,690	206,690
Capacity (students)	1,247	1,247	1,247	1,247	1,247	1,247	1,247	1,247	1,247	1,247
Enrollment	1,049	1,035	1,035	1,025	1,072	1,094	1,183	1,217	1,274	1,239

Number of Schools at June 30, 2016

Elementary = 7

Middle School = 1

Senior High School = 1

Source: District Records, ASSA

**SUMMIT PUBLIC SCHOOLS
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN YEARS
(Unaudited)**

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES**

	Project #(s)	Gross Building Area (SF)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
School Facilities												
Summit High School	N/A	206,690	\$ 308,273	\$ 260,504	\$ 265,976	\$ 311,025	\$ 354,611	\$ 366,978	\$ 344,929	\$ 354,867	\$ 363,274	\$ 373,839
Lawton C. Johnson Middle School	5090-060-04-1000	149,720	193,309	192,636	192,117	201,740	217,807	251,168	253,700	254,294	267,386	277,410
	5090-060-05-1000											
Brayton Elementary School	N/A	53,737	80,474	74,882	60,421	73,261	96,634	81,514	86,972	73,235	92,573	90,594
Franklin Elementary School	N/A	57,675	63,698	57,714	71,714	72,678	91,492	89,706	78,484	84,431	96,467	97,233
Jefferson Elementary School	5090-090-03-1010	53,890	59,770	76,138	92,824	95,086	104,234	110,357	107,852	115,456	136,941	135,852
	5090-090-03-1004											
	5090-090-04-2000											
	5090-090-04-3000											
Lincoln-Hubbard Elementary School	5090-100-03-1008	74,600	98,423	74,632	93,633	99,835	112,896	125,167	114,575	106,813	121,422	125,767
Washington Elementary School	5090-120-04-1000	53,340	70,373	70,243	64,683	69,389	65,713	78,326	81,940	85,003	102,937	109,925
	5090-120-03-1028											
	5090-120-04-2000											
Jefferson Primary Center		21,000										35,403
Wilson Primary Center	N/A	32,000	4,232	23,372	25,204	27,253	36,737	31,117	38,065	45,851	41,695	53,948
Total School Facilities			<u>878,552</u>	<u>830,121</u>	<u>866,572</u>	<u>950,267</u>	<u>1,080,124</u>	<u>1,134,333</u>	<u>1,106,517</u>	<u>1,119,950</u>	<u>1,222,696</u>	<u>1,299,971</u>
Other Facilities												
Stadium			4,244	4,414	4,591	4,775	4,966	5,165	5,372	5,586	5,809	5,809
Administration			11,758	10,553	10,232	10,394	10,258	10,517	10,560	10,580	11,518	11,518
Total Other Facilities			<u>16,002</u>	<u>14,967</u>	<u>14,823</u>	<u>15,169</u>	<u>15,224</u>	<u>15,682</u>	<u>15,931</u>	<u>16,166</u>	<u>17,327</u>	<u>17,327</u>
Grand Total			<u>\$ 894,554</u>	<u>\$ 845,088</u>	<u>\$ 881,395</u>	<u>\$ 965,436</u>	<u>\$ 1,095,348</u>	<u>\$ 1,150,015</u>	<u>\$ 1,122,448</u>	<u>\$ 1,136,116</u>	<u>\$ 1,240,023</u>	<u>\$ 1,317,298</u>

Source: School District's Financial Statements

**SUMMIT PUBLIC SCHOOLS
INSURANCE SCHEDULE
JUNE 30, 2017
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial Package Policy - Diploma JIF		
Commercial General Liability		
Each Occurrence	\$ 5,000,000	
General Aggregate	50,000,000	
Products/Completed Operations Agg.	Incl. in each occurrence	
Personal & Advertising Injury	Incl. in each occurrence	
Fire Damage	2,500,000	
Medical Expense	5,000	
Employee Benefits Liability	5,000,000	\$ 1,000
Property - Diploma JIF		
Blanket Building	151,283,127	5,000
Blanket Personal Property	9,876,967	5,000
Blanket EDP	2,094,241	5,000
Blanket Miscellaneous Property	978,850	5,000
Mobile Equipment	93,872	5,000
Employee Dishonesty	500,000	1,000
Business Automobile - Diploma JIF		
Liability	5,000,000	
Uninsured Motorist	\$15,000/30,000/5,000	
Underinsured Motorist	\$15,000/30,000/5,000	
Personal Injury Protection	Basic Statutory	
Comprehensive Deductible		1,000
Collision Deductible		1,000
Boiler and Machinery - DIPLOMA JIF		
Blanket Property Damage - Inc. in Property Limit		
Extra Expense - Actual Loss Sustained: 12 Consecutive Months		
Hazardous Substance Limitation	1,000,000	
Board of Education Liability - Diploma JIF		
Each Claim	5,000,000	
Annual Aggregate	5,000,000	
Excess Umbrella Policy - Diploma JIF		
Per Occurrence	5,000,000	
Annual Aggregate	5,000,000	
Workers Compensation Policy - Diploma JIF		
Employers Liability	5,000,000	
Excess Umbrella Policy - Fireman's Fund		
Per Occurrence	50,000,000	
Annual Aggregate	50,000,000	
**Excess Over Primary Limit of \$10,000,00		
Bonds - Selective Insurance Co.		
Louis J. Pepe, Board Secretary/Business Administrator	150,000	
Margaret Gerba, Treasurer of School Monies	375,000	

Source: District records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Trustees
City of Summit Public Schools
Summit, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Summit Public Schools as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Summit Public Schools’ basic financial statements and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Summit Public Schools’ 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 Summit Public Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of the Summit Public Schools’ internal control.

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

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

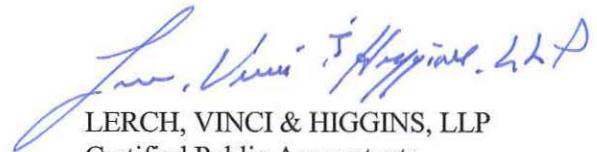
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Summit Public Schools' 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

However, we noted certain matters that are not required to be reported under Government Auditing Standards that we reported to management of the Summit Public Schools in a separate report entitled, "Auditor's Management Report on Administrative Findings – Financial, Compliance and Performance" dated October 11, 2017.

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 Summit Public Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Summit Public Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 11, 2017



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE
U.S. UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE AS
REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
City of Summit Public Schools
Summit, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Summit Public Schools' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Summit Public Schools' major federal and state programs for the fiscal year ended June 30, 2017. The Summit Public Schools' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Summit Public Schools' major federal and 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; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; 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 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, U.S. Uniform Guidance and New Jersey Circular 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the Summit Public Schools' 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 federal and state program. However, our audit does not provide a legal determination of the Summit Public Schools' compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Summit Public Schools 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 federal and state programs for the fiscal year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the U.S. Uniform Guidance and New Jersey OMB Circular 15-08 which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal and state program is not modified with respect to these matters.

The Summit Public Schools' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Summit Public Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Summit Public Schools 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 Summit Public Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and 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 federal and state program and to test and report on internal control over compliance in accordance with the U.S. 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 Summit Public Schools' internal control over compliance.

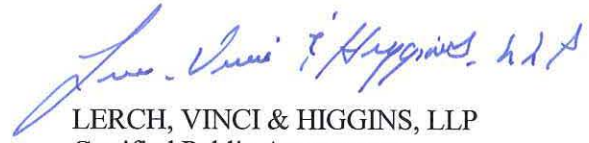
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the U.S. Uniform Guidance and Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Summit Public Schools, a component unit of the City of Summit as of and for the fiscal year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated October 11, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards as required by the U.S. Uniform Guidance and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
October 11, 2017

SUMMIT PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Federal/Grantor/Pass-Through Grantor/ Program Title	CFDA Number	FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance July 1, 2016	Carryover Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	June 30, 2017			Memo Only GAAP Receivable
												(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Education															
General Fund															
Medicaid Assistance Program (SEMI)	93.778	1605NJ5MAP	N/A	7/1/16-6/30/17	\$ 61,612			\$ 57,941	\$ 61,612			\$ (3,671)			\$ (3,671)
Medicaid Assistance Program (SEMI)	93.778		N/A	7/1/15-6/30/16	48,245	\$ (17,762)	-	17,762	-	-	-	-	-	-	-
<i>Total U.S. Department of Education/Total General Fund</i>						(17,762)	-	75,703	61,612	-	-	(3,671)	-	-	(3,671)
U.S. Department of Agriculture															
Passed-through State Department of Education															
Food Distribution Program - Non Cash Assistance	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	91,720			91,720	90,154				\$ 1,566		
Food Distribution Program - Non Cash Assistance	10.555	16161NJ304N1095	N/A	7/1/15-6/30/16	66,522	2,738			2,738						
National School Lunch Program	10.555	171NJ304N1099	N/A	7/1/16-6/30/17	302,588			279,326	302,588			(23,262)			(23,262)
National School Lunch Program	10.555	16161NJ304N1095	N/A	7/1/15-6/30/16	302,198	(22,115)		22,115							
School Breakfast Program	10.553	171NJ304N1099	N/A	7/1/16-6/30/17	22,270			20,379	22,270			(1,891)			(1,891)
School Breakfast Program	10.553	16161NJ304N1095	N/A	7/1/15-6/30/16	21,911	(1,805)	-	1,805	-	-	-	-	-	-	-
<i>Total U.S. Department of Agriculture- Cluster/Total Food Service Fund</i>						(21,182)	-	415,345	417,750	-	-	(25,153)	1,566	-	(25,153)
Special Revenue Fund															
I.A.S.A. Consolidated Grant/NCLB															
Title I	84.010A	S010A160030	NCLB219017	7/1/16-6/30/17	319,828		\$ 53,551	275,749	234,922	\$ 409		(44,079)	138,866		(44,079)
Title I, Carryover	84.010A	S010A150030	NCLB219016	7/1/15-6/30/16	334,834	(39,083)	(53,551)	91,582	-			(1,052)			(1,052)
Title I, Carryover	84.010A		NCLB219015	07/1/14-6/30/15	327,519	(1,945)						(1,945)			(1,945)
Title IIA	84.367A	S367A160029	NCLB219017	07/1/16-6/30/17	44,969		338	35,893	45,233			(9,076)	74		(9,076)
Title IIA, Carryover	84.367A	S367A150029	NCLB219016	07/1/15-6/30/16	51,449	(14,793)	(338)	15,131				-			-
Title III	84.365A	S365A160030	NCLB219017	07/1/16-6/30/17	41,310		10,435	40,661	32,363			(649)	19,382		(649)
Title III, Carryover	84.365A	S365A150030	NCLB219016	07/1/15-6/30/16	45,953	4,194	(10,435)	6,108				(133)			(133)
Title III, Immigrant	84.365A	S365A160030	NCLB219017	07/1/16-6/30/17	16,472		13,283	12,148	7,505			(4,324)	22,250		(4,324)
Title III, Immigrant	84.365A	S365A150030	NCLB219016	09/1/15-8/31/16	33,402	(2,483)	(13,283)	4,089				(11,677)			(11,677)
I.D.E.A. Part B															
Basic Regular	84.027	H027A160100	IDEA219017	07/1/16-6/30/17	960,560		222,809	749,576	990,177	157		(210,984)	193,349		(210,984)
Basic Regular, Carryover	84.027	H027A150100	IDEA219016	07/1/15-6/30/16	996,766	(222,952)	(196,794)	418,801				(945)			(945)
Basic Regular, Carryover	84.027		IDEA219015	07/1/14-6/30/15	953,226	-	(26,015)	26,013				(2)			(2)
Preschool	84.173	H173A160114	IDEA219017	07/1/16-6/30/17	32,507				32,507			(32,507)			(32,507)
<i>I.D.E.A Cluster</i>						-	-	-	1,022,684	-	-	-	-	-	-
<i>Total U.S. Department of Education/Total Special Revenue Fund</i>						(277,062)	-	1,675,751	1,342,707	566	-	(317,373)	373,921	-	(317,373)
Total Federal Awards Subject to Single Audit						\$ (316,006)	\$ -	\$ 2,166,799	\$ 1,822,069	\$ 566	\$ -	\$ (346,197)	\$ 375,487	\$ -	\$ (346,197)

Adjustments represent cancelled prior year orders.

SUMMIT PUBLIC SCHOOLS
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2016	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	June 30, 2017				Memo Only		
									Repayment of Prior Years' Balances	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Education															
General Fund															
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 1,413,911			\$ 1,282,600	\$ 1,413,911								\$ 1,413,911
Special Education Aid	16-495-034-5120-089	7/1/15-6/30/16	1,420,941	\$ (129,056)		129,056									
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	86,761			77,601	86,761					(9,160)			86,761
Security Aid	16-495-034-5120-084	7/1/15-6/30/16	75,284	(7,333)		7,333									
PARCC Readiness	17-495-034-5120-098	7/1/16-6/30/17	40,670			37,616	40,670					(3,054)			40,670
PARCC Readiness	16-495-034-5120-098	7/1/15-6/30/16	40,670	(3,666)		3,666									
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	40,670			37,616	40,670					(3,054)			40,670
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15-6/30/16	40,670	(3,666)		3,666									
Professional Learning Comm. Aid	17-495-034-5120-101	7/1/16-6/30/17	39,925			36,871	39,925					(3,054)			39,925
<i>State Aid Public- Cluster</i>							<u>1,621,937</u>								
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	33,533			30,479	33,533					(3,054)			33,533
Transportation Aid	16-495-034-5120-014	7/1/15-6/30/16	29,508	(2,934)		2,934									
Extraordinary Special Education Cost A	17-495-034-5120-044	7/1/16-6/30/17	245,620			-	245,620					(245,620)			245,620
Extraordinary Special Education Cost A	16-495-034-5120-044	7/1/15-6/30/16	200,211	(200,211)		200,211									
On -Behalf TPAF Pension System Contr.															
Pension Cost	17-495-034-5094-002	7/1/16-6/30/17	3,398,493			3,398,493	3,398,493								3,398,493
Non-contributory Insurance	17-495-034-5094-004	7/1/16-6/30/17	123,135			123,135	123,135								123,135
Post Retirement Medical Contribution	17-495-034-5094-001	7/1/16-6/30/17	2,934,317			2,934,317	2,934,317								2,934,317
Long-Term Disability	17-495-034-5094-004	7/1/16-6/30/17	9,498			9,498	9,498								9,498
T.P.A.F. - Social Security	17-495-034-5094-003	7/1/16-6/30/17	2,374,622			2,256,923	2,374,622					(117,699)	\$ (117,699)	\$ (117,699)	2,374,622
T.P.A.F. - Social Security	16-495-034-5094-003	7/1/15-6/30/16	2,415,032	(117,235)		117,235									
Total General Fund				<u>(464,101)</u>	<u>-</u>	<u>10,689,250</u>	<u>10,741,155</u>	<u>-</u>	<u>-</u>	<u>(516,006)</u>	<u>-</u>	<u>-</u>	<u>(117,699)</u>	<u>10,741,155</u>	
Special Revenue Fund															
New Jersey Nonpublic Aid:															
Security Aid	17-100-034-5120-509	7/1/16-6/30/17	52,350			52,350	50,508						\$ 1,842		50,508
Security Aid	16-100-034-5120-509	7/1/15-6/30/16	39,650	17,245					\$ 17,245						-
Textbook Aid	17-100-034-5120-064	7/1/16-6/30/17	61,444			61,444	26,768						34,676		26,768
Textbook Aid	16-100-034-5120-064	7/1/15-6/30/16	56,245	31,016					31,016						-
Technology	17-100-034-5120-373	7/1/16-6/30/17	27,716			27,716	26,690						1,026		26,690
Technology	16-100-034-5120-373	7/1/15-6/30/16	41,210	14,692					14,692						-
Nursing Services	17-100-034-5120-070	7/1/16-6/30/17	95,940			95,940	31,309						64,631		31,309
Nursing Services	16-100-034-5120-070	7/1/15-6/30/16	88,650	38,195					38,195						-
Auxiliary Services:															
Compensatory Education	17-100-034-5120-067	7/1/16-6/30/17	12,631			12,631	10,750						1,881		10,750
Compensatory Education	16-100-034-5120-067	7/1/15-6/30/16	6,514	1,269					1,269						-
Transportation	17-100-034-5120-067	7/1/16-6/30/17	4,418			4,418	4,418								4,418
Home Instruction	N/A	7/1/16-6/30/17	1,652				1,652					\$ (1,652)	\$ (1,652)	\$ (1,652)	1,652
Home Instruction	N/A	7/1/15-6/30/16	3,479	(3,479)		3,479									-
<i>Auxiliary Services- Cluster</i>							<u>16,820</u>								
Handicapped Services:															
Examination and Classification	17-100-034-5120-066	7/1/16-6/30/17	49,164			49,164	45,384						3,780		45,384
Examination and Classification	16-100-034-5120-066	7/1/15-6/30/16	65,092	20,784					20,784						-
Corrective Speech	17-100-034-5120-066	7/1/16-6/30/17	19,437			19,437	8,835						10,602		8,835
Corrective Speech	16-100-034-5120-066	7/1/15-6/30/16	23,410	13,210					13,210						-
Supplemental Instruction	17-100-034-5120-066	7/1/16-6/30/17	30,995			30,995	25,895						5,100		25,895
Supplemental Instruction	16-100-034-5120-066	7/1/15-6/30/16	34,901	11,880					11,880						-
<i>Handicapped Services- Cluster</i>							<u>80,114</u>								
Total Special Revenue Fund				<u>\$ 144,812</u>	<u>\$ -</u>	<u>\$ 357,574</u>	<u>232,209</u>	<u>\$ -</u>	<u>\$ 148,291</u>	<u>\$ (1,652)</u>	<u>\$ -</u>	<u>\$ 123,538</u>	<u>(1,652)</u>	<u>232,209</u>	

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SUMMIT PUBLIC SCHOOLS
 SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance, July 1, 2016	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	June 30, 2017				Memo Only		
									Repayment of Prior Years' Balances	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Cumulative Total Expenditures	
State Department of Agriculture														*	
Enterprise Fund														*	
National School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	\$ 12,147			\$ 11,207	\$ 12,147			\$ (940)				\$ (940)	\$ 12,147
National School Lunch Program	16-100-010-3350-023	7/1/15-6/30/16	12,321	\$ (899)	-	899	-	-	-	-	-	-	-	-	-
Total Enterprise Fund				<u>(899)</u>	<u>-</u>	<u>12,106</u>	<u>12,147</u>	<u>-</u>	<u>-</u>	<u>(940)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(940)</u>	<u>12,147</u>
State of New Jersey- School Development Authority														*	
Capital Projects Fund														*	
School Improvements Ord #14-3045	Various	N/A	1,689,615	(1,689,615)	-	961,042	-	-	-	(728,573)	-	-	-	(728,573)	-
Roof Replacements/Security Upgrades	Various	N/A	905,252	(905,252)	-	496,374	-	-	-	(408,878)	-	-	-	(408,878)	-
Total Capital Projects Fund				<u>(2,594,867)</u>	<u>-</u>	<u>1,457,416</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,137,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,137,451)</u>	<u>-</u>
Total State Financial Assistance Subject to Single Audit				<u>\$ (2,915,055)</u>	<u>\$ -</u>	<u>\$ 12,516,346</u>	<u>10,985,511</u>	<u>-</u>	<u>\$ 148,291</u>	<u>\$ (1,656,049)</u>	<u>-</u>	<u>\$ 123,538</u>	<u>*</u>	<u>\$ (1,257,742)</u>	<u>\$ 10,985,511</u>
Less On-Behalf TPAF Pension and Annuity Aid															
On -Behalf TPAF Pension System Contributions							<u>6,465,443</u>								
Total State Financial Assistance Subject to Major Program Determination							<u>\$ 4,520,068</u>								

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Summit Public Schools. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$51,441 for the general fund and a decrease of \$142,941 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 61,612	\$ 10,689,714	\$ 10,751,326
Special Revenue Fund	1,342,707	232,209	1,574,916
Food Service Fund	417,750	12,147	429,897
	<hr/>	<hr/>	<hr/>
Total Financial Assistance	<u>\$ 1,822,069</u>	<u>\$ 10,934,070</u>	<u>\$ 12,756,139</u>

**SUMMIT PUBLIC SCHOOLS
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE 4 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$2,374,622 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2017. The amount reported as TPAF Pension System Contributions in the amount of \$3,521,628, TPAF Post-Retirement Medical Benefits Contributions in the amount of \$2,934,317 and TPAF Long-Term Disability Insurance in the amount of \$9,498 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2017.

NOTE 5 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension, Post-Retirement Medical Benefits and Long-Term Disability Insurance Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

NOTE 6 DE MINIMIS INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SUMMIT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

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

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section

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

Internal Control over compliance:

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

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of U.S. Uniform Guidance X yes none

Identification of major programs:

<u>CFDA Numbers</u>	<u>FAIN Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010A</u>	<u>S010A160030</u>	<u>NCLB Title I</u>
<u>10.555</u>	<u>171NJ304N1099</u>	<u>National School Lunch Program</u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>
<u> </u>	<u> </u>	<u> </u>

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

Auditee qualified as low-risk auditee? X yes no

**SUMMIT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Part I – Summary of Auditor’s Results

State Awards Section

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

Internal Control over compliance:

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

2) Were significant deficiency(ies) identified that were not considered to be material weaknesses? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as applicable? yes X none

Identification of major programs:

<u>State Grant/Project Number (s)</u>	<u>Name of State Program</u>
<u>495-034-5094-003</u>	<u>TPAF Social Security</u>
<u>495-034-5120-089</u>	<u>Special Education Aid</u>
<u>495-034-5120-084</u>	<u>Security Aid</u>
<u>495-034-5120-098</u>	<u>PARCC Readiness</u>
<u>495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>495-0345120-101</u>	<u>Professional Learning Community Aid</u>

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

Auditee qualified as low-risk auditee? X yes no

**SUMMIT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section II – Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards.

THERE ARE NONE.

**SUMMIT PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section III – Schedule of Federal and State Award Findings and Questioned Costs

This section identifies audit findings required to be reported by CFR 200 and Section 516 of the Uniform Administrative Requirements, Cost Principles and Audit Requirements for federal awards and NJ OMB Circular Letter 15-08.

CURRENT YEAR FEDERAL AWARDS

Finding 2017-001:

Title I

The individual's salary charged to the grant were incorrectly calculated. The financial statements have been adjusted accordingly to reflect the correct salary amounts.

Federal Program Information:

Title I

Criteria or Specific Requirement:

Federal Grant Compliance Supplement

Condition:

The individual's salary that was charged to the Title I grant contained wages for stipends/additional compensation.

Questioned Costs:

Unknown.

Context:

The individual's salary was not correctly charged to the Title grant.

Effect:

Salaries in the amount of \$12,477 were incorrectly charged to the Title grant.

Cause:

The salary percentage for the individuals charged to the Title I grant were incorrectly applied to all wages earned; stipends and additional compensation.

Recommendation:

It is recommended that salaries charged to the Title I grant be reviewed on a monthly basis to ensure that salaries are being calculated correctly.

Views of Responsible Officials and Planned Corrective Actions:

Management has reviewed the finding and has developed corrective action plan to be implemented.

**SUMMIT PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for federal awards and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.