

**UPPER PITTSBORO TOWNSHIP
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

Upper Pittsboro Township Board of Education

Salem, New Jersey

For the Fiscal Year Ended June 30, 2017

COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

Upper Pittsgrove Township Board of Education

Monroeville, New Jersey

For the Fiscal Year Ended June 30, 2017

Prepared by

Upper Pittsgrove Township Board of Education

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION

Upper Pittsgrove School District

235 Pine Tavern Road · Monroeville · New Jersey · 08343

Phone: (856) 358-8116 · Fax: (856) 358-1024

October 27, 2017

Honorable President and
Members of the Board of Education
Upper Pittsgrove Township School District
Salem County, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Upper Pittsgrove Township School District (District) for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly, the financial position and results of operations of the various funds of the District. All disclosures that we feel are 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. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" 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.

1. REPORTING ENTITY AND ITS SERVICES:

Upper Pittsgrove Township School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by GASB Statement No. 14. All funds of the District are included in this report. The Upper Pittsgrove Township Board of Education and its one school constitute the District's reporting entity. The District provides a full range of educational services appropriate to grade levels Pre-K through Grade 8. These include regular, as well as special education for handicapped students. The District completed the 2016-2017 fiscal year with an enrollment of 465 including 126 high school students, which is twenty-nine (29) less students than the previous year's enrollment and includes 339 Pre-K through Grade 8 students. The following charts the enrollment of the district over the last ten years:

Enrollment

| <u>Fiscal Year</u> | <u>Student Enrollment *</u> | <u>Percent Change</u> |
|--------------------|-----------------------------|-----------------------|
| 2016-17 | 465 | (5.87%) |
| 2015-16 | 494 | (3.33%) |
| 2014-15 | 511 | (4.66%) |
| 2013-14 | 536 | (3.77%) |
| 2012-13 | 557 | (2.45%) |
| 2011-12 | 571 | (5.62%) |
| 2010-11 | 605 | 5.22% |
| 2009-10 | 575 | 1.05% |
| 2008-09 | 569 | 6.16% |
| 2007-08 | 536 | (7.43%) |

* Includes High School Students

2. ECONOMIC CONDITION AND OUTLOOK:

Business remains minimal in Upper Pittsgrove Township. It is unlikely that an influx of industry will occur in this predominantly rural agriculture community.

3. MAJOR INITIATIVES:

The Upper Pittsgrove School District continues to build on a environment of achievement and success by maintaining and enriching the programmatic services of a comprehensive middle and elementary school for our students. While celebrating our rich history and farming heritage, we continue to seek new opportunities to reach our 21st century learners through a wide-ranging professional development program and a variety of learning opportunities for students throughout all ability ranges. The following is a sample of current district initiatives;

- Continue Language Arts Lab and Math Lab three days per week
- Talented and gifted program revision with students attending this program instead of attending labs
- Purchase of additional Chrome Books (currently using 150 of them)
- All grade 3 through 8 assessments on computer, if possible
- Creating a PARCC result analysis committee (part of the principals objectives)
- Continuing to use DIBELS and RTI processes
- Incorporate new Writing Program
- Increase the amount of Fiction used in LAL
- Inclusion grades K-3
- Creating a new stem lab
- Revamp the SGO procedures
- Revise the music program
- Continue to find new ways to incorporate Study Island into LAL/Math Classrooms

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 awards and state financial assistance, the District is also 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 being 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 voters of the municipality. Annual appropriated budgets are adopted for the general fund and, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated 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. These funds are explained in "Notes to the Financial Statements," Note 1.

7. CASH MANAGEMENT:

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements," Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. RISK MANAGEMENT:

The Board carries various forms of insurance, including but not limited to general liability, automobile liability, and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds.

9. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa, Pa. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report related specifically to the single audit are included in the single audit section of this report.

10. ACKNOWLEDGMENTS:

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

Respectfully submitted,

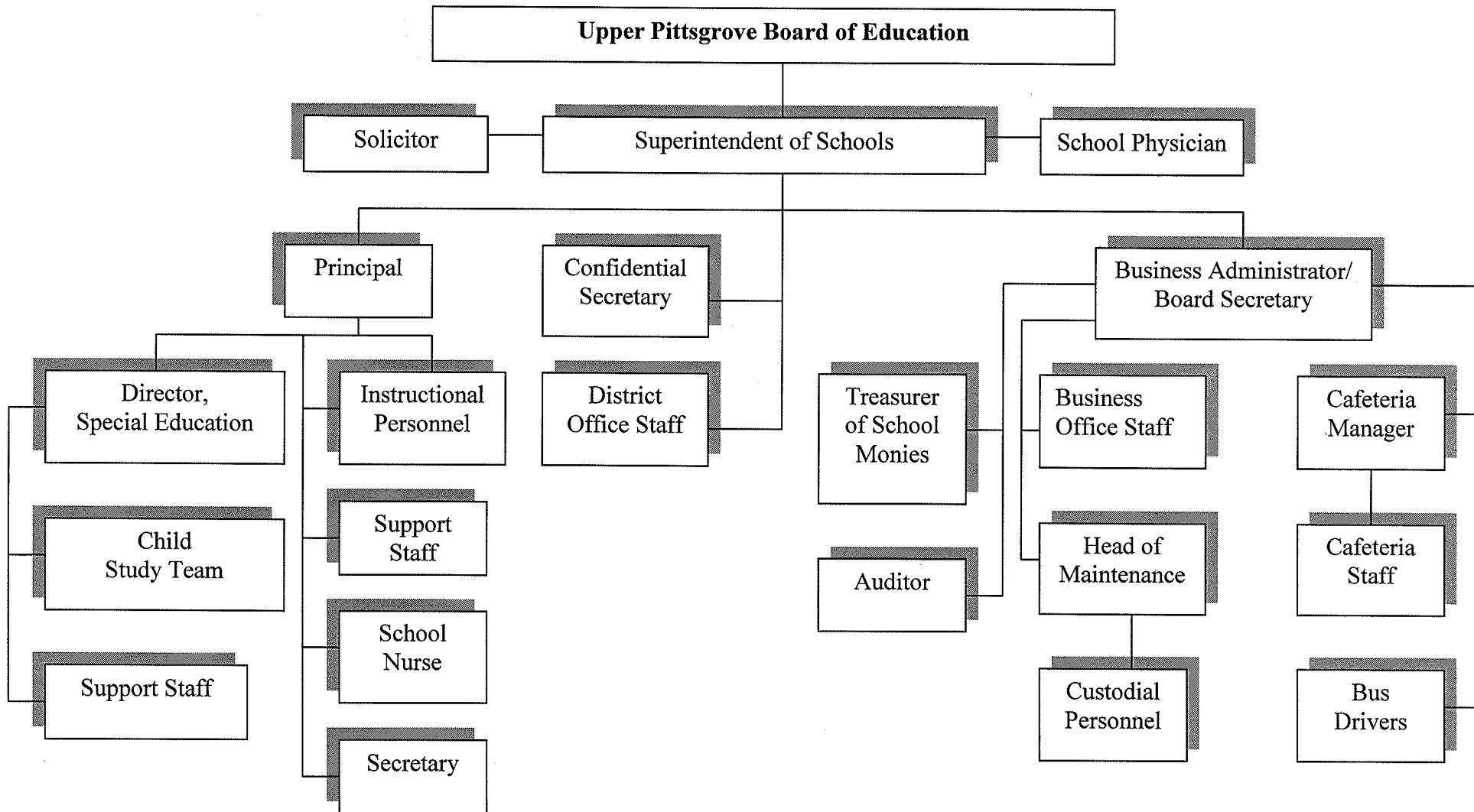


Scott Eckstein
Superintendent



Lisa M. DiNovi
Business Administrator/Board Secretary

UPPER PITTSBORO SCHOOL DISTRICT ORGANIZATION CHART



UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
COUNTY OF SALEM
MONROEVILLE, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2017

| <u>MEMBERS OF THE BOARD OF EDUCATION</u> | <u>TERM EXPIRES</u> |
|--|----------------------------|
| Veronica Merriel, President | 2019 |
| Polly B. Deal, Vice President | 2018 |
| Valerie Hill | 2017 |
| Dan Bellisario | 2017 |
| Jessica Bishop | 2019 |
| Ryan Caltabiano | 2017 |
| Michael Kinney | 2017 |
| Michael Reed | 2019 |
| Brian Wirth | 2018 |
| <u>OTHER OFFICIALS</u> | |
| Scott Eckstein, Superintendent | |
| Lisa M. DiNovi, Business Administrator / Board Secretary | \$35,000 |
| Donna Jones, Treasurer of School Monies (To June 30, 2017) | \$185,000 |
| Georgiana Scharnagl, Treasurer of School Monies (From July 1, 2017) | \$185,000 |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
COUNTY OF SALEM
MONROEVILLE, NJ

CONSULTANTS AND ADVISORS

ATTORNEY

Ms. Jane B. Capasso, Esquire
Lipman, Antonelli, Batt, Gilson, Malestein,
Rothman & Capasso
110 North Sixth Street
P.O. Box 729
Vineland, New Jersey 08360

AUDIT FIRM

Raymond Colavita, CPA, PSA, RMA
Nightlinger, Colavita and Volpa, P. A.
Certified Public Accountants
991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

OFFICIAL DEPOSITORY

First National Bank of Elmer
10 South Main St
Elmer, New Jersey 08318

INSURANCE AGENCY

Conner Strong & Buckelew
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Marlton, New Jersey 08053

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
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Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

October 27, 2017

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Upper Pittsgrove Township School District
County of Salem, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Education of the Upper Pittsgrove Township School District in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Upper Pittsgrove Township School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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 financial statement presentation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to accounting and reporting for pensions 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 Upper Pittsgrove Township School Board of Education's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

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

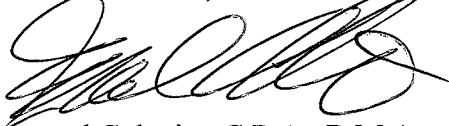
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2017 on our consideration of the Upper Pittsgrove Township Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governments Auditing Standards* in considering Upper Pittsgrove Township Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

**Upper Pittsgrove Township School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2017
(UNAUDITED)**

This section of the Upper Pittsgrove Township School District's Comprehensive Annual Financial Report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Comparative information between the current year (2016-17) and the prior year (2015-16) is required to be presented in the MD&A. The intent of the discussion and analysis is to look at the District's financial performance as a whole. Interested parties should review the basic financial statements and notes in concert with this document in order to enhance and clarify their understanding of the finances of the District.

Using the Comprehensive Annual Financial Report (CAFR)

The Comprehensive Annual Financial Report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include *notes* that explain various information in the statements and provide more detail. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year.

Key financial highlights for 2017 are as follows:

- Total Net Position increased by \$152,827 attributable to various operating results and adjustments.

- General revenues accounted for \$8,918,563 in revenue or 89.3% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$1,065,114 or 10.7% percent of the total revenues of \$9,983,677.
- Net Position of governmental activities increased by \$184,511, comprised of changes in various assets and liabilities. The net position of the Business-type Activities decreased by \$31,684.
- The School District had \$9,830,850 in total expenses, of which \$1,065,114 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$8,918,563 were adequate to provide for these programs.
- The General Fund had \$8,388,090 in revenues, \$8,033,264 in expenditures. The General Fund's balance increased by \$354,826 over 2016. This increase was anticipated by the Board of Education, as it constituted the use of \$179,788 in surplus to offset expenses.

District-wide Financial Statements – Reporting the School District as a Whole

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

The two district-wide statements report the District's net position and changes in that position. Net Position – the difference between the District's assets and liabilities – are one way to measure the District's overall financial position.

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

In the Statement of Net Position and the Statement of Activities, which represent the district-wide financial statements, the School District is divided into two distinct kinds of activities:

- **Governmental Activities** – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation, extracurricular activities and internal service funds.
- **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and School Age Childcare enterprise funds are reported as business-type activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on page 21. Fund financial reports provide detailed information about these major funds. The School District uses numerous funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

The District may implement four types of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental fund statements explains the relationship (or differences) between them.
- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- *Internal service funds:* (Also considered proprietary funds) are optional and utilized to report activities that provide supplies and services for other District programs and activities. The District currently does not have any internal service funds.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as the student activity fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements, as these assets may not be used to finance the District's operations.

The School District as a Whole

Table 1 provides a comparative summary of the School District's Net Position for the years ended in 2017 and 2016.

Table 1
Net Position

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Assets | | |
| Current and Other Assets | \$ 1,211,940 | \$ 841,013 |
| Capital Assets, Net | 3,233,404 | 3,399,169 |
| Total Assets | 4,445,344 | 4,240,182 |
| Deferred Outflows of Resources | 825,446 | 493,615 |
| Liabilities | | |
| Long-term Liabilities | 201,148 | 296,901 |
| Net Pension Liability | 2,360,607 | 1,918,440 |
| Other Liabilities | 32,337 | 57,566 |
| Total Liabilities | 2,594,092 | 2,272,907 |
| Deferred Inflow of Resources | 93,826 | 30,845 |
| Net Position | | |
| Invested in Capital Assets, Net of Debt | 3,172,977 | 3,102,269 |
| Restricted | 1,038,758 | 795,350 |
| Unrestricted (Deficit) | (1,628,863) | (1,467,574) |
| Total Net Position | \$ 2,582,872 | \$ 2,430,045 |

Table 2 shows the changes in net position from fiscal years 2017 and 2016.

Table 2
Changes in Net Position

| | 2017 | 2016 |
|--------------------------------------|-------------------|--------------------|
| Revenues | | |
| Programs Revenues | | |
| Charges for Services | \$ 117,656 | \$ 109,911 |
| Operating Grants and Contributions | 947,458 | 898,132 |
| General Revenues | | |
| Property Taxes | 4,135,902 | 4,114,702 |
| Federal and State Aid-Not Restricted | 4,644,364 | 4,143,422 |
| Other | 138,297 | 179,646 |
| Total Revenues | 9,983,677 | 9,445,813 |
| Program Expenses | | |
| Instruction | 2,482,522 | 2,462,948 |
| Tuition | 2,114,386 | 2,311,740 |
| Administrative Services | 408,124 | 988,049 |
| Other Support Services | 1,459,697 | 988,118 |
| Health Benefits | 2,931,375 | 2,303,563 |
| Interest on Long-Term Debt | 10,013 | 11,756 |
| Other | 210,396 | 234,178 |
| Enterprise | 214,337 | 159,889 |
| Total Expenses | 9,830,850 | 9,460,241 |
| Increase in Net Position | \$ 152,827 | \$ (14,428) |

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. The District's Property taxes made up 47.4% percent of these revenues for governmental activities. Unrestricted federal, state and local grants accounted for another 47.2% and miscellaneous revenues accounted for the remaining .93%. The total cost of services, as shown below, was \$9,830,850. The net cost of all governmental programs and services, which excludes charges for services, operating grants and the enterprise fund was \$8,733,970. Instruction comprises 25% of these District expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows a comparison of the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

| | <u>Total Cost of Services 2017</u> | <u>Net Cost of Services 2017</u> | <u>Total Cost of Services 2016</u> | <u>Net Cost of Services 2016</u> |
|--|--|--------------------------------------|--|--------------------------------------|
| Instruction | \$ 2,482,522 | \$ 2,365,891 | \$ 2,462,948 | \$ 2,333,918 |
| Tuition | 2,114,386 | 2,114,386 | 2,311,740 | 2,311,740 |
| Pupil and Instructional Staff | 671,537 | 568,208 | 672,099 | 563,088 |
| General Administration, School Administration, Business | 408,124 | 408,124 | 442,087 | 442,087 |
| Operation and Maintenance of Facilities | 347,864 | 347,864 | 446,653 | 446,653 |
| Pupil Transportation | 440,296 | 440,296 | 415,328 | 415,328 |
| Employee Benefits | 2,931,375 | 2,268,792 | 2,303,563 | 1,706,008 |
| Enterprise Fund | 214,337 | | 159,889 | |
| Interest | 10,013 | 10,013 | 11,756 | 11,756 |
| Other | 210,396 | 210,396 | 234,178 | 234,178 |
| Total Expenses | \$ 9,830,850 | \$ 8,733,970 | \$ 9,460,241 | \$ 8,464,756 |

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development. Curriculum and staff development expenses (included in support services) are related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

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

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

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

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

Business-Type Activities

Revenues for the District's business-type activities (Food Service Program and School Care Program) were comprised of charges for services and federal and state reimbursements.

- Food Service expenses exceeded revenues by \$28,857, along with \$2,827 in the School Care Program.
- Charges for services represent \$117,656 of revenue as compared to \$109,911 in 2016. This represents amount paid by patrons for daily food services activities. There was also \$82 in other non-operating revenue from interest income.
- Federal and State reimbursements for meals, including payments for free and reduced lunches and donated commodities, were \$64,915 as compared to \$62,536 in 2016.

The School District's Funds

Information about the School District's major funds starts on page 21. These funds are accounted for using the modified accrual basis of accounting. The governmental funds used (i.e., general fund, special revenue fund, capital projects and debt service fund presented in the fund-based statements) had total revenues of \$8,698,660, expenditures of \$8,271,034. The net change in fund balance for the year was \$427,626. The District was able to meet current operating costs, through the use of surplus.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (including the capital projects fund) for the fiscal year ended June 30, 2017, and the amount and percentage of increases and decreases in relation to prior year revenues.

| <u>Revenue</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase/ (Decrease) from 2016</u> | <u>Percent Increase/ (Decrease)</u> |
|-----------------|---------------------|-------------------------|---------------------------------------|-------------------------------------|
| Local Sources | \$ 4,274,117 | 49.14% | \$ (13,930) | -0.35% |
| State Sources | 4,203,273 | 48.32% | 115,615 | 2.94% |
| Federal Sources | 221,270 | 2.54% | (18,835) | -9.55% |
| Total | \$ 8,698,660 | 100.00% | \$ 82,850 | 1.03% |

The decrease in Local sources is attributed to an increase in the governmental fund local tax levy of \$21,200, offset by a decrease of \$12,374 in tuition, a decrease in transportation of \$21,237, and a decrease in other revenue of \$1,519.

The increase in State sources is attributed to additional general state aid and debt service aid of \$115,615.

The decrease in Federal sources is due to decreases in various grants. In addition, the 2017 figures do not include deferred revenue in accordance with GAAP accounting.

The following schedule presents a summary of general fund, special revenue fund, Capital Project fund and debt service fund expenditures for the fiscal year ended June 30, 2017 and the percentage of increases and decreases in relation to prior year amounts.

| <u>Expenditures</u> | <u>Amount</u> | <u>Percent of Total</u> | <u>Increase/ (Decrease from 2016</u> | <u>Percent Increase/ (Decrease)</u> |
|---------------------|---------------------|-----------------------------|--|---|
| Current: | | | | |
| Instruction | \$ 2,365,891 | 28.61% | \$ 31,973 | 1.44% |
| Support Services | 5,545,751 | 67.05% | (170,060) | -3.44% |
| Capital Outlay | 121,622 | 1.47% | (827) | -0.50% |
| Special Revenues | 237,770 | 2.87% | (18,835) | -7.44% |
| Debt Service | | 0.00% | (72,800) | -14.65% |
| Total | <u>\$ 8,271,034</u> | <u>100.00%</u> | <u>\$ (230,549)</u> | <u>-2.86%</u> |

The increase in instructional expenditures is attributed to net increases in various salaries and other instructional expenses for regular, special and other programs.

The decrease in undistributed expenditures was due to decreases in tuition of \$197,354, plant operation and maintenance of \$98,789 and administrative services of \$33,963, offset by increases in transportation costs of \$24,968, student related costs of \$5,120, and employee benefits of \$129,958.

The decrease in capital outlay is attributed to the reduction in construction costs, along with other equipment expenditures, as compared to last year.

The decrease in special revenues is due to net decreases in awards from the federal government.

The increase in debt service of \$72,800 represents principal redeemed of \$70,000 and lower interest expense of \$2,800.

General Fund Budgeting Highlights

The School District's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2017, the School District amended its General Fund budget as needed. The School District uses program based budgeting. These budgeting systems are designed to tightly control total program budgets while providing flexibility for program management to address the following:

- Staffing changes based on student needs.
- Additional costs for student transportation both in regular education and special education.
- Changes in maintenance and operations
- Changes in appropriations to prevent budget overruns.

While the District's final general fund budget anticipated that revenues, including \$179,788 in surplus appropriated, would roughly equal expenditures, the actual results for the year show an increase of \$356,590 as shown on Exhibit C-1.

- Actual revenues were \$50,954 more than expected due to the increased miscellaneous income, excluding on-behalf pension and social security reimbursements of \$645,130.
- Actual expenditures were \$488,410 less than expected. This also excludes state on-behalf pension and social security reimbursements of \$645,130.

Capital Assets

At the end of the fiscal year 2017, the Governmental Funds of the School District had \$3,233,404 (net of accumulated depreciation) invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal year 2017.

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

| | <u>2017</u> |
|---------------------------|---------------------|
| Land | \$ 796,329 |
| Site Improvements | 16,344 |
| Building and Improvements | 2,079,145 |
| Transportation Vehicles | 252,638 |
| Machinery and Equipment | 88,948 |
| Totals | <u>\$ 3,233,404</u> |

Overall capital assets decreased by \$165,765 from fiscal year 2016 to fiscal year 2017. There was an increase of \$45,386 in purchase of equipment during the year under audit. This was offset by depreciation expense of \$211,151 for the year.

Long-Term Debt

At June 30, 2017, the School District had \$201,148 of outstanding debt. Of this amount, \$140,721 is for compensated absences; \$60,427 for capital leases.

At June 30, 2017, the School District's overall legal debt margin was \$9,351,547, which was unvoted debt margin or 100% of the total amount permitted by statute. The detail of the open debt issues is shown in Note 6 to the financial statements.

For the Future

In conclusion, the Upper Pittsgrove Township School District has committed itself to fiscal responsibility. In addition, the School District's system for financial planning, budgeting, and internal financial controls are functioning. The School District plans to continue its sound fiscal management to meet the requirements of the future while admitting that the challenge continues in finding revenues to meet expense requirements.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Lisa M. DiNovi, Business Administrator, Upper Pittsgrove Township School District, 235 Pine Tavern Road, Monroeville, NJ 08343.

BASIC FINANCIAL STATEMENTS

DISTRICT WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District.

These statements include the financial activities of the overall District, except for fiduciary activities.

Eliminations have been made to minimize the double-counting of internal activities.

These statements distinguish between the governmental and business-type activities of the District.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

| | <u>Governmental</u> <u>Activities</u> | <u>Business-Type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|---------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,043,372 | \$ 39,418 | \$ 1,082,790 |
| Accounts Receivable | | | |
| State and Federal | 36,778 | 2,800 | 39,578 |
| Other | 48,008 | 6,536 | 54,544 |
| Interfund | 2,383 | | 2,383 |
| Inventory | | 3,367 | 3,367 |
| Restricted Assets | | | |
| Capital Reserve Cash | 29,278 | | 29,278 |
| Capital Assets, Net (Note 5): | 3,224,659 | 8,745 | 3,233,404 |
| Total Assets | <u>4,384,478</u> | <u>60,866</u> | <u>4,445,344</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Deferred Pension Outflows | <u>825,446</u> | | <u>825,446</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 27,584 | 1,691 | 29,275 |
| Accrued Interest Payable | 839 | | 839 |
| Unearned Revenue | | 2,223 | 2,223 |
| Net Pension Liability | 2,360,607 | | 2,360,607 |
| Non-current Liabilities: | | | |
| Due within One Year | 60,427 | | 60,427 |
| Due beyond One Year | 140,721 | | 140,721 |
| Total Liabilities | <u>2,590,178</u> | <u>3,914</u> | <u>2,594,092</u> |
| DEFERRED INFLOW OF RESOURCES: | | | |
| Deferred Pension Inflows | <u>93,826</u> | | <u>93,826</u> |
| NET POSITION | | | |
| Invested in Capital Assets, Net of Related Debt | 3,164,232 | 8,745 | 3,172,977 |
| Restricted | 1,038,758 | | 1,038,758 |
| Unrestricted (Deficit) | (1,677,070) | 48,207 | (1,628,863) |
| Total Net Position | <u>\$ 2,525,920</u> | <u>\$ 56,952</u> | <u>\$ 2,582,872</u> |

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

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| Functions/Programs | Expenses | Program Revenue | | Net (Expense) Revenue and Changes in Net Position | | |
|---|---------------------|----------------------|------------------------------------|---|--------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | |
| Instruction: | | | | | | |
| Regular | \$ 1,875,979 | \$ | \$ 116,631 | \$ (1,759,348) | \$ | \$ (1,759,348) |
| Special Education | 438,123 | | | (438,123) | | (438,123) |
| Other Instruction | 168,420 | | | (168,420) | | (168,420) |
| Support Services: | | | | | | |
| Tuition | 2,114,386 | | | (2,114,386) | | (2,114,386) |
| Student & Instruction Related Services | 671,537 | | 103,329 | (568,208) | | (568,208) |
| General Administrative Services | 174,384 | | | (174,384) | | (174,384) |
| School Administrative Services | 115,887 | | | (115,887) | | (115,887) |
| Central Services | 117,853 | | | (117,853) | | (117,853) |
| Plant Operations & Maintenance | 347,864 | | | (347,864) | | (347,864) |
| Student Transportation | 440,296 | | | (440,296) | | (440,296) |
| Unallocated Employee Benefits | 2,931,375 | | 662,583 | (2,268,792) | | (2,268,792) |
| Unallocated Depreciation Expense | 210,396 | | | (210,396) | | (210,396) |
| Interest on Long Term Debt | 10,013 | | | (10,013) | | (10,013) |
| Total Governmental Activities | 9,616,513 | | 882,543 | (8,733,970) | | (8,733,970) |
| Business-type Activities: | | | | | | |
| Food Service | 172,001 | 78,162 | 64,915 | | (28,924) | (28,924) |
| School Care | 42,336 | 39,494 | | | (2,842) | (2,842) |
| Total Business-type Activities | 214,337 | 117,656 | 64,915 | | (31,766) | (31,766) |
| Total Primary Government | \$ 9,830,850 | \$ 117,656 | \$ 947,458 | (8,733,970) | (31,766) | (8,765,736) |
| General Revenues: | | | | | | |
| Local Tax Levy | | | | | | |
| General Purpose | | | | 4,063,102 | | 4,063,102 |
| Debt Service | | | | 72,800 | | 72,800 |
| Unrestricted Aid Federal and State | | | | 4,644,364 | | 4,644,364 |
| Interest | | | | 4,959 | | 4,959 |
| Tuition Revenue | | | | 24,322 | | 24,322 |
| Transportation Revenue | | | | 51,111 | | 51,111 |
| Rental | | | | 52,632 | | 52,632 |
| Miscellaneous | | | | 5,191 | 82 | 5,273 |
| Total General Revenues and Transfers | | | | 8,918,481 | 82 | 8,918,563 |
| Change in Net Position | | | | 184,511 | (31,684) | 152,827 |
| Net Position—Beginning | | | | 2,341,409 | 88,636 | 2,430,045 |
| Net Position—Ending | | | | \$ 2,525,920 | \$ 56,952 | \$ 2,582,872 |

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

| | GENERAL FUND | SPECIAL REVENUE FUND | DEBT SERVICE FUND | TOTAL |
|--|-----------------|----------------------------|-------------------------|--------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 960,780 | \$ 15,563 | \$ 72,800 | \$ 1,049,143 |
| Cash Capital Reserve | 29,278 | | | 29,278 |
| Accounts Receivable | | | | |
| State | 36,778 | | | 36,778 |
| Federal | | | | |
| Interfund | 1,786 | 597 | | 2,383 |
| Other | 48,008 | | | 48,008 |
| Total Assets | \$ 1,076,630 | \$ 16,160 | \$ 72,800 | \$ 1,165,590 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 9,774 | \$ 17,810 | \$ | \$ 27,584 |
| Interfund Payable | 5,771 | | | 5,771 |
| Total Liabilities | 15,545 | 17,810 | | 33,355 |
| Fund Balance: | | | | |
| Restricted for: | | | | |
| Capital Reserve | 259,503 | | | 259,503 |
| Capital Reserve Designated for Subsequent Year's Expenditures | 70,000 | | | 70,000 |
| Maintenance Reserve | 300,000 | | | 300,000 |
| Tuition Reserve | 100,000 | | | 100,000 |
| Tuition Reserve Designated for Subsequent Year's Expenditures | 60,000 | | | 60,000 |
| Excess Surplus | 74,307 | | | 74,307 |
| Excess Surplus - Designated for Subsequent Year's Expenditures | 174,948 | | | 174,948 |
| Committed to: | | | | |
| Year-End Encumbrances | 77,868 | | | 77,868 |
| Assigned: | | | | |
| Designated for Subsequent Year's Expenditures | 5,469 | | | 5,469 |
| Unassigned, Reported In: | | | | |
| General Fund - (Deficit) | (61,010) | | | (61,010) |
| Special Revenue Fund - (Deficit) | | (1,650) | | (1,650) |
| Debt Service | | | 72,800 | 72,800 |
| Total Fund Balance | 1,061,085 | (1,650) | 72,800 | 1,132,235 |
| Total Liabilities and Fund Balance | \$ 1,076,630 | \$ 16,160 | \$ 72,800 | |

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 \$9,063,670 and the accumulated depreciation of \$5,839,011 (Note 5). | 3,224,659 |
| Deferred Outflow of Resources - Deferred Pension Contribution. | 825,446 |
| Deferred Inflows of Resources - Pension Actuarial Gains. | (93,826) |
| Deferred Inflows of Resources - Employer Pension period and therefore are not reported as liabilities in the funds. | (839) |
| Long-term liabilities and accrued interest payable, including bonds payable and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6). | (201,148) |
| Pension Expense recognized for GAAP but not for budgetary purposes. | (2,360,607) |
| Net Position of Governmental Activities | \$ 2,525,920 |

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

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | GENERAL FUND | SPECIAL REVENUE FUND | DEBT SERVICE FUND | TOTAL |
|--|-----------------|----------------------------|-------------------------|--------------|
| REVENUES | | | | |
| Local sources: | | | | |
| Local Tax Levy | \$ 4,063,102 | | \$ 72,800 | \$ 4,135,902 |
| Tuition - Preschool | 24,322 | | | 24,322 |
| Transportation | 51,111 | | | 51,111 |
| Interest on Investments | 4,734 | | | 4,734 |
| Interest on Investments - Capital Reserve | 225 | | | 225 |
| Rental | 52,632 | | | 52,632 |
| Miscellaneous | 5,191 | | | 5,191 |
| Total Local Sources | 4,201,317 | | 72,800 | 4,274,117 |
| State Sources | 4,186,773 | 16,500 | | 4,203,273 |
| Federal Sources | | 221,270 | | 221,270 |
| Total Revenues | 8,388,090 | 237,770 | 72,800 | 8,698,660 |
| EXPENDITURES | | | | |
| Regular Instruction | 1,759,348 | 116,631 | | 1,875,979 |
| Special Education | 438,123 | | | 438,123 |
| Other Instruction | 168,420 | | | 168,420 |
| Support Services and Undistributed Costs: | | | | |
| Tuition | 2,114,386 | | | 2,114,386 |
| Student & Instruction Related Services | 568,208 | 103,329 | | 671,537 |
| General Administrative Services | 174,384 | | | 174,384 |
| School Administrative Services | 115,887 | | | 115,887 |
| Central Services | 117,853 | | | 117,853 |
| Plant Operations & Maintenance | 347,864 | | | 347,864 |
| Student Transportation | 440,296 | | | 440,296 |
| Unallocated Employee Benefits | 1,666,873 | 17,810 | | 1,684,683 |
| Capital Outlay | 121,622 | | | 121,622 |
| Total Expenditures | 8,033,264 | 237,770 | | 8,271,034 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 354,826 | | 72,800 | 427,626 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total Other Financing Sources and Uses | | | | |
| Net Change in Fund Balances | 354,826 | | 72,800 | 427,626 |
| Fund Balance—July 1 | 706,259 | (1,650) | | 704,609 |
| Fund Balance—June 30 | \$ 1,061,085 | \$ (1,650) | \$ 72,800 | \$ 1,132,235 |

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

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 427,626

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

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

| | | |
|----------------------|--------------|-----------|
| Depreciation expense | \$ (210,396) | |
| Capital Outlay | 45,386 | |
| | | (165,010) |

Pension contributions are reported in governmental funds as expenditures. However, in the statement of Activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period. (173,318)

Repayment of bond principal is an expenditure in the government funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of net assets. This is the amount of repayments reported as expenditures in government funds 0

Issuance of New Capital Leases is a Non-operating increase to Fund Balance in the Governmental Statement of Revenues, Expenditures and Changes in Fund Balance but is not reported as an increase in the Statement of Net Position. 66,762

In the Statement of Activities, interest on long-term debt is accrued regardless of when it is due. In the governmental funds, interest is reported when due. (539)

In the Statement of Activities, certain operating expenses, e.g. compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). 28,990

Change in Net Position of Governmental Activities (A-2) \$ 184,511

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

PROPRIETARY FUNDS

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

| | <u>FOOD SERVICE FUND</u> | <u>SCHOOL CARE</u> | <u>TOTAL</u> |
|------------------------------------|---|-------------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 27,931 | \$ 6,313 | \$ 34,244 |
| Accounts Receivable | | | |
| State | 56 | | 56 |
| Federal | 2,744 | | 2,744 |
| Other | 3,214 | 3,322 | 6,536 |
| Interfund | 5,174 | | 5,174 |
| Inventories | 3,367 | | 3,367 |
| Total Current Assets | <u>42,486</u> | <u>9,635</u> | <u>52,121</u> |
| Noncurrent Assets: | | | |
| Equipment | 137,974 | | 137,974 |
| Less: Accumulated Depreciation | (129,229) | | (129,229) |
| Total Noncurrent Assets | <u>8,745</u> | | <u>8,745</u> |
| Total Assets | <u>51,231</u> | <u>9,635</u> | <u>60,866</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 1,691 | | 1,691 |
| Unearned Revenue | 2,088 | 135 | 2,223 |
| Total Current Liabilities | <u>3,779</u> | <u>135</u> | <u>3,914</u> |
| NET POSITION: | | | |
| Unrestricted | <u>47,452</u> | <u>9,500</u> | <u>56,952</u> |
| Total Net Position | <u>47,452</u> | <u>9,500</u> | <u>56,952</u> |
| Total Liabilities and Net Position | <u>\$ 51,231</u> | <u>\$ 9,635</u> | <u>\$ 60,866</u> |

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

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

| | <u>FOOD SERVICE FUND</u> | <u>SCHOOL CARE</u> | <u>TOTAL</u> |
|--|----------------------------------|------------------------|------------------|
| OPERATING REVENUES | | | |
| Local Sources | | | |
| Daily Sales | | | |
| Reimbursable Programs | \$ 36,591 | \$ | \$ 36,591 |
| Non-Reimbursable Programs | 20,516 | | 20,516 |
| Special Functions | 21,055 | | 21,055 |
| Program Fees | - | 39,494 | 39,494 |
| Total Operating Revenue: | <u>78,162</u> | <u>39,494</u> | <u>117,656</u> |
| OPERATING EXPENSES | | | |
| Labor | 71,394 | 38,434 | 109,828 |
| Depreciation | 755 | | 755 |
| Cost of Sales - Reimbursable Programs | 42,545 | | 42,545 |
| Cost of Sales - Non Reimbursable Programs | 13,050 | | 13,050 |
| Supplies and Materials | 9,566 | 3,902 | 13,468 |
| Repairs and Maintenance | 6,422 | | 6,422 |
| Utilities | 11,919 | | 11,919 |
| Management Fee | 11,140 | | 11,140 |
| Other | 5,210 | | 5,210 |
| Total Operating Expenses | <u>172,001</u> | <u>42,336</u> | <u>214,337</u> |
| Operating Income (Loss) | <u>(93,839)</u> | <u>(2,842)</u> | <u>(96,681)</u> |
| NONOPERATING REVENUES | | | |
| State Sources | | | |
| State School Lunch Program | 1,113 | | 1,113 |
| Federal Sources | | | |
| National School Lunch Program | 39,903 | | 39,903 |
| School Breakfast Program | 11,086 | | 11,086 |
| Food Distribution Program | 12,813 | | 12,813 |
| Interest | 67 | 15 | 82 |
| Total Non-operating Revenues | <u>64,982</u> | <u>15</u> | <u>64,997</u> |
| Net Income (Loss) Before Operating Transfers | <u>(28,857)</u> | <u>(2,827)</u> | <u>(31,684)</u> |
| Change in Net Position | (28,857) | (2,827) | (31,684) |
| Total Net Position—Beginning | <u>76,309</u> | <u>12,327</u> | <u>88,636</u> |
| Total Net Position—Ending | <u>\$ 47,452</u> | <u>\$ 9,500</u> | <u>\$ 56,952</u> |

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

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>FOOD SERVICE FUND</u> | <u>SCHOOL CARE</u> |
|---|----------------------------------|------------------------|
| Cash Flows from Operating Activities | | |
| Receipts from Customers | \$ 78,162 | \$ 39,494 |
| Payments to Employees | (71,394) | (38,434) |
| Payments to Suppliers | (53,685) | |
| Payments to Others | (49,539) | (11,054) |
| Net Cash Provided by (Used for) Operating Activities | (96,456) | (9,994) |
| Cash Flows from Non-Capital Financing Activities | | |
| State Sources | 1,113 | |
| Federal Sources | 50,989 | |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | 52,102 | |
| Cash Flows from Capital Financing Activities | | |
| Purchase of Fixed Assets | | |
| Net Cash Provided by (Used for) Capital Financing | | |
| Cash Flows from Investing Activities | | |
| Interest and Dividends | 67 | 15 |
| Net Cash Provided by (Used for) Investing Activities | 67 | 15 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (44,287) | (9,979) |
| Balances - Beginning of Year | 72,218 | 16,292 |
| Balances - End of Year | \$ 27,931 | \$ 6,313 |
| Operating Income (Loss) | \$ (93,839) | \$ (2,842) |
| Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities | | |
| Food Distribution Program | 12,813 | |
| Depreciation | 755 | |
| Change in Assets and Liabilities | | |
| (Increase) Decrease in Inventory | 142 | |
| (Increase) Decrease in Accounts Receivable | (2,301) | (3,187) |
| (Increase) Decrease in Interfund Receivable | (5,174) | |
| Increase (Decrease) in Unearned Revenue | (2,003) | (3,965) |
| Increase (Decrease) in Payables | (6,849) | |
| Total Adjustments | (2,617) | (7,152) |
| Net Cash Used by Operating Activities | \$ (96,456) | \$ (9,994) |

FIDUCIARY FUNDS

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

| | <u>EXPENDABLE TRUST</u> | | <u>AGENCY</u> | | <u>TOTAL</u> |
|---------------------------|------------------------------|----|-----------------------------|----------------|------------------|
| | <u>SCHOLARSHIP TRUST</u> | | <u>STUDENT ACTIVITY</u> | <u>PAYROLL</u> | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 13,859 | \$ | 21,744 | \$ 46,284 | \$ 81,887 |
| Investments | | | 1,839 | | 1,839 |
| Total Assets | <u>13,859</u> | | <u>23,583</u> | <u>46,284</u> | <u>83,726</u> |
| LIABILITIES | | | | | |
| Interfunds Payable | | | | 1,786 | 1,786 |
| Deductions Payable | | | | 30,525 | 30,525 |
| Due to Student Groups | | | 23,583 | | 23,583 |
| Flexible Spending Reserve | | | | 13,973 | 13,973 |
| Total Liabilities | | | <u>23,583</u> | <u>46,284</u> | <u>55,894</u> |
| NET POSITION | | | | | |
| Reserved for Scholarships | <u>13,859</u> | | | | <u>13,859</u> |
| Total Net Position | <u>\$ 13,859</u> | \$ | <u>\$</u> | <u>\$</u> | <u>\$ 13,859</u> |

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

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

| | <u>SCHOLARSHIP TRUST</u> |
|------------------------------------|------------------------------|
| OPERATING REVENUES | |
| Local Sources | |
| Interest on Investments | \$ 30 |
| Total Operating Revenues | <u>30</u> |
| OPERATING EXPENDITURES | |
| Awards | 500 |
| Total Operating Expenditures | <u>500</u> |
| Change in Net Position | (470) |
| Net Position—Beginning of the Year | <u>14,329</u> |
| Net Position—End of the Year | <u>\$ 13,859</u> |

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Upper Pittsgrove Township School District (District) is organized under the Constitution of the State of New Jersey. The District operates under a locally elected Board form of government consisting of nine members elected to three-year terms, which are staggered. The District provides educational services as authorized by state and federal guidelines.

The District serves an area of forty square miles. It is located in Salem County and provided education for all of Upper Pittsgrove Township's grades Pre-Kindergarten through Grade 8. The year ended with an enrollment of 339 students.

Reporting Entity:

The Upper Pittsgrove Township School District is a Type II district located in the County of Salem, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board consists of elected officials and is responsible for the fiscal control of the District.

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

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting over twenty years and is scheduled for a phase-in implementation period (based on amount of revenues) starting with fiscal years ending 2002 (for larger governments).

In addition, the School District has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Descriptions*.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards:

The School District has adopted the following GASB statements:

- *GASB No. 74 - Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans:* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2016. The adoption of GASB 74, did not impact the financial statements of the School District.
- *GASB No. 81 - Irrevocable Split-Interest Agreements:* The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 81 on the School District's financial statements. The adoption of GASB 81, did not impact the financial statements of the School District.
- *GASB No. 82 - Pensions - an Amendment of GASB 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 Pensions*, 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. The adoption of GASB 82, will impact the financial statements of the School District.

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards (Continued):

- GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*: 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.
- GASB No. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 83 on the School District's financial statements.
- GASB No. 84 - *Fiduciary Activities*: 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 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 84 on the School District's financial statements.
- GASB No. 85 - *Omnibus 2017*: 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 postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 85 on the School District's financial statements.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards (Continued):

- GASB No. 86 - *Certain Debt Extinguishment Issues*: 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. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 86 on the School District's financial statements.

- GASB No. 87 - *Leases*: 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. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of Statement will be effective for reporting periods beginning after periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.

A. Basis of Presentation:

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

District-wide Statements: The statement of net position and the statements of activities display information about the financial activities of the overall district, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net position presents the financial condition of the governmental and business-type activities of the District at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the District and for each function of the District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the District related to the administration and support of the District's programs, such as personnel and accounting—are not allocated to programs.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

A. Basis of Presentation (Continued):

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and state formula aid, are presented as general revenues.

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

B. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds and accounts are grouped in the financial statements in this report as follows:

GOVERNMENTAL FUND TYPE

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

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

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Continued):

GOVERNMENTAL FUND TYPE (CONTINUED)

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

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. The District currently has no capital projects and, therefore, has not included a capital projects fund.

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

PROPRIETARY FUNDS

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

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

The District's Enterprise Fund is comprised of the Food Service Fund and After School Care program.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position. Depreciation of all exhaustive fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are 12 Years for Equipment.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Continued):

FIDUCIARY FUNDS

Fiduciary funds include expendable trust, nonexpendable trust and agency funds. The measurement focus of the expendable trust funds is the same as for governmental funds. The measurement focus of nonexpendable trust funds is similar to proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The District reports the following fiduciary funds:

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Board approved \$500 in scholarship awards in 2016-2017.

Nonexpendable Trust Fund - A Nonexpendable Trust Fund is used to account for assets held under the terms of a formal trust agreement, whereby the District is under obligation to maintain the trust principal.

Agency Funds - Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. Agency funds include payroll and student activities funds.

C. Basis of Accounting and Measurement Focus:

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

District-wide, Proprietary and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting and Measurement Focus (Continued):

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

In its accounting and financial reporting, the District follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The District's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds, which are submitted to the county office. In accordance with P.L. 2011, c. 202, the School District passed a resolution to move the school board election to the first Tuesday after the first Monday in November, starting in November of 2012 and to be held simultaneously with the general election. As a result, a vote is not required on the School District's general fund tax levy for the budget year, other than the general fund tax levy required to support a proposal for additional funds, if any. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23A-16.2 (f)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year in accordance with N.J.A.C. 6A:23A-13.3. The Board of Education did not make any material supplemental budgetary appropriations during the fiscal year.

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

For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Budgets/Budgetary Control (Continued):

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis, which 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.

A reconciliation of the special revenue funds from the budgetary basis of accounting (as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds) to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types as shown on Exhibit C-1.

E. Encumbrances Accounting:

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

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

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

F. Assets, Liabilities and Equity:

Transactions

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

Inventories

On District-wide Financial Statements and in the Enterprise Fund, inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expensed when used. This includes Federal Commodity Food in the amount of \$2,088. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

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

| | | |
|----------|----|-------------|
| Food | \$ | 2,852 |
| Supplies | | 515 |
| | | <hr/> |
| | \$ | 3,367 |
| | | <hr/> <hr/> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Assets, Liabilities and Equity (Continued):

Inventories (Continued):

The value of Federal donated commodities as reflected on Schedule A (required by the Single Audit Law of 1986, as revised) is the difference between market value and cost of the commodities at the date of purchase and has been included as an item of nonoperating revenue in the financial statements.

Capital Assets

The District has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The District does not possess any infrastructure. The capitalization threshold used by Districts in the State of New Jersey is \$2,000.

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

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

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

G. Compensated Absences:

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

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

G. Compensated Absences (Continued):

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

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

H. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the District-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

I. Net Position:

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

J. Fund Balance Reserves:

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

K. Operating Revenues and Expenses:

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Allocation of Indirect Expenses:

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

M. Extraordinary and Special Items:

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

N. Management Estimates:

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

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash that has been received but not yet earned.

P. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

Q. Comparative Data/Reclassifications:

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

R. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end. Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

S. Bond and Lease Acquisition Costs:

As part of any bond or long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2017.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity for any discount or premium. The Board classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 3 requires the disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Deposits

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

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

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

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

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

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school district.

As of June 30, 2017, cash and cash equivalents in the fund financial statements of the District consisted of the following:

| | Cash and Cash Equivalents |
|-------------------------|--------------------------------------|
| Checking accounts | \$ 1,194,551 |
| Certificates of Deposit | 1,839 |
| Total | <u>\$ 1,196,391</u> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be recovered. Although the School District does not have a formal policy regarding custodial credit risk, NJSA17:9-41tseq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the School District in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2017 the School District's bank balance of \$871,759 was exposed to custodial credit risk as follows:

| | <u>Cash and Cash Equivalents</u> |
|---|--------------------------------------|
| Insured | \$ 250,000 |
| Uninsured and collateralized with securities held by pledging financial institutions | 1,029,795 |
| Total | <u>\$ 1,279,795</u> |

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facility 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. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6A:23A-14.1(g), the balance in the account cannot at any time exceed the support costs of uncompleted projects in its approved LRFP. During the 2016-17 school year, \$250,000 was added to the capital reserve account, along with interest earnings through the 2016-17 of \$225, resulting in a balance at June 30, 2017 of \$329,503, of which \$70,000 was anticipated as revenue in the 2017-18 budget.

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects at June 30, 2017 is \$445,416. There were no withdrawals from the capital reserve for use in a DOE approved facilities project during the 2016-17 School Year.

NOTE 5. OPERATING LEASE

The District had no new operating lease agreements during the 2016-2017 school year.

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6. MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account may be established by the District for the accumulation of funds for maintenance expenditures in subsequent fiscal years. This reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the maintenance reserve account are restricted to maintenance expenditures in the District's annual general fund budget certified for taxes. During the 2016-16 school year, \$100,000 was added to the maintenance reserve account, resulting in a balance at June 30, 2017 of \$300,000, which is within the maximum allowed for the district of \$445,416.

NOTE 7. CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Retirements</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|--------------------|---------------------------|
| Governmental Activities | | | | |
| Land - Capital Assets not Depreciated | \$ 796,329 | \$ | \$ | \$ 796,329 |
| Facility and Improvements | 7,050,288 | | | 7,050,288 |
| Transportation | 617,198 | | | 617,198 |
| Machinery and Equipment | 554,469 | 45,386 | | 599,855 |
| Totals at Historical Cost | 8,221,955 | 45,386 | | 8,267,341 |
| Less Accumulated Depreciation | (5,628,615) | (210,396) | | (5,839,011) |
| | <u>2,593,340</u> | <u>(165,010)</u> | | <u>2,428,330</u> |
| Government Activities - Capital Assets, Net | <u>\$ 3,389,669</u> | <u>\$ (165,010)</u> | <u>\$</u> | <u>\$ 3,224,659</u> |
| Business-type Activities | | | | |
| Equipment | \$ 137,974 | | \$ | \$ 137,974 |
| Accumulated Depreciation | (128,474) | \$ (755) | | (129,229) |
| Business-type Activities Capital Assets, Net | <u>\$ 9,500</u> | <u>\$ (755)</u> | <u>\$</u> | <u>\$ 8,745</u> |
| Depreciation was Charged to Governmental Functions as Follows: | | | | |
| Unallocated | | <u>\$ 210,396</u> | | |

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2017, the following changes occurred in long-term obligations:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due within One Year</u> | <u>Long Term Portion</u> |
|---------------------------------|------------------------------|------------------|--------------------|---------------------------|--|----------------------------------|
| Governmental Activities: | | | | | | |
| Bonds payable: | | | | | | |
| General obligation debt | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total bonds payable | | | | | | |
| Other Liabilities: | | | | | | |
| Obligations under | | | | | | |
| Capital Leases | 127,189 | | (66,762) | 60,427 | 60,427 | |
| Compensated absences Payable | 169,711 | | (28,990) | 140,721 | | 140,721 |
| Total other liabilities | <u>\$ 296,900</u> | <u>\$ -</u> | <u>\$ (95,752)</u> | <u>\$ 201,148</u> | <u>\$ 60,427</u> | <u>\$ 140,721</u> |

To A-1

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

The final payment of Principal and interest due on bonds was made during the 2016-17 school year and, therefore, future payments are required.

B. Bonds Authorized But Not Issued – As of June 30, 2017, the District had no authorized but not issued bonds.

C. Capital Leases – The District is leasing transportation equipment under capital leases. The leases are for terms of two to five years with interest rates ranging from 4.28% to 5.50%. The following schedule details the future minimum and the net minimum lease payments at June 30, 2017.

| Year Ending June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|------------------|-----------------|------------------|
| 2018 | \$ 60,427 | \$ 1,749 | \$ 62,176 |
| | <u>\$ 60,427</u> | <u>\$ 1,749</u> | <u>\$ 62,176</u> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS

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

The following represents the membership tiers for PERS and TPAF:

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

Public Employees' Retirement System

The PERS is a cost sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members.

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service.

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a 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 Chapter 126, P.L. 1992, which provides free health benefits to members of PERS who retired from a municipality with 25 years of service.

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Contributions - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.06% through June 30, 2016 and 7.20% thereafter of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 12.46% of covered payroll. The District's contributions to PERS for the years ended June 30, 2017, and 2016, were \$70,972 and \$73,474 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

The total payroll for the year ended June 30, 2017 was \$3,277,164. Payroll covered by PERS was \$425,742 for fiscal year 2017.

Information regarding contributions made by the State of New Jersey on behalf of the District is not available. Contributions to the system for the year ended June 30, 2017 is as follows:

| | | |
|-----------|----|----------------|
| | | <u>PERS</u> |
| Employees | \$ | 30,653 |
| District | | <u>70,972</u> |
| Total | \$ | <u>101,625</u> |

The District is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2017, as follows:

| Public Employees Retirement System | | | | | |
|---|----------------------------|--------------------------|------------------------|------------------------|-------------------------|
| <u>Fiscal Year</u> | <u>Normal Contribution</u> | <u>Accrued Liability</u> | <u>Total Liability</u> | <u>Funded by State</u> | <u>Paid by District</u> |
| 2017 | \$ 11,076 | \$ 56,366 | \$ 70,972 | \$ N/A | \$ 70,972 |

Components of Net Pension Liability - At June 30, 2017, the District's proportionate share of the PERS net pension liability was \$2,360,607. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2016. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The District's proportion measured as of June 30, 2016 was 0.00797% which was a decrease of 0.00058% from its proportion measured as of June 30, 2015.

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - The District's 2017 PERS pension expense, with respect to GASB 68, was \$241,620. The District's 2017 deferred outflows of resources and deferred inflows of resources were from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 43,900 | \$ |
| Changes of assumptions | 488,992 | |
| Net difference between projected and actual earnings on pension plan investments | 90,012 | |
| Changes in proportion | 131,570 | 93,826 |
| Contributions subsequent to the measurement date | 70,972 | |
| Total | <u>\$ 825,446</u> | <u>\$ 93,826</u> |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year</u> | | <u>PERS</u> |
|--------------|-----------|-----------------------|
| 2018 | \$ | 134,025 |
| 2019 | | 134,025 |
| 2020 | | 150,218 |
| 2021 | | 180,283 |
| 2022 | | 62,097 |
| Thereafter | | |
| Total | \$ | <u><u>660,648</u></u> |

Additional Information - Collective Balances at June 30, 2017 and 2016 are as follows:

| <u>Year</u> | | <u>6/30/2017</u> | | <u>6/30/2016</u> |
|---|----|------------------|----|------------------|
| Collective deferred outflows of resources | \$ | 825,446 | \$ | 493,615 |
| Collective deferred inflows of resources | | 93,826 | | 30,845 |
| Collective Net Pension Liability | | 2,360,607 | | 1,918,440 |
| District's Proportion | | 0.00797% | | 0.00855% |

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

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>PERS</u> |
|------------------------------|---------------|
| Measurement Date | June 30, 2016 |
| Actuarial Valuation Date | July 1, 2015 |
| Investment Rate of Return | 7.65% |
| Salary Scale (Based on Age): | |
| Through 2026 | 1.65% - 4.15% |
| Thereafter | 2.65% - 5.15% |
| Inflation | 3.08% |

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

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

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

| Asset Class | PERS Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|------------------------------|--|
| Cash | 5.00% | 0.87% |
| US 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% |
| Total | 100.00% | |

Discount Rate - The discount rate as of June 30, 2016 used to measure the total pension liability was 3.98% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.65% and a municipal bond rate of 2.85% as of June 30, 2016 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Public Employees' Retirement System (Continued)

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

| | 1% Decrease (2.98%) | Current Discount (3.98%) | 1% Increase (4.98%) |
|--|---------------------------|--------------------------------|---------------------------|
| District's proportionate share of the net pension liability | \$ 2,892,649 | \$ 2,360,607 | \$ 1,921,361 |

Teachers' Pension and Annuity Fund

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

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

Contributions - The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual covered salary. Effective July 1, 2011, however, in accordance with Chapter 78, P.L. 2011, plan members are required to contribute 6.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (Continued)

Contributions (Continued) - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.34% in State fiscal year 2017. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the District and all other related non-contributing employers. No normal or accrued liability contribution by the District has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, Accounting and Financial Reporting for Pensions.

The District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2017 because of the 100% special funding situation with the State of New Jersey.

Trend Information for TPAF (Paid on-behalf of the District)

| <u>Year Funding</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------|--|--|---------------------------------------|
| 6/30/17 | \$ 468,192 | 100 % | \$ N/A |
| 6/30/16 | 402,853 | 100 | N/A |
| 6/30/15 | 302,728 | 100 | N/A |

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$255,197 to the TPAF for pension contributions, \$212,638 for post-retirement benefits on behalf of the School, and \$357 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$176,938 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Components of Net Pension Liability - At June 30, 2017, the District was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the District.

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

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (Continued)

Pension Expense - For the year ended June 30, 2017, the District recognized pension expense of \$1,357,561 and revenue of \$1,357,561 for support provided by the State.

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:

| | TPAF |
|------------------------------|---------------|
| Measurement Date | June 30, 2016 |
| Actuarial Valuation Date | July 1, 2015 |
| Investment Rate of Return | 7.65% |
| Salary Scale (Based on Age): | |
| Through 2026 | Varies based |
| Thereafter | on experience |
| Inflation | 2.50% |

Long-Term Expected Rate of Return - Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

| | TPAF | |
|------------------------------|--------------------------|---|
| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
| Cash | 5.00% | 0.39% |
| U.S. Government Bonds | 1.50% | 1.28% |
| U.S. Credit Bonds | 13.00% | 2.76% |
| U.S. Mortgages | 2.00% | 2.38% |
| U.S. Inflation-Indexed Bonds | 1.50% | 1.41% |
| U.S. High Yield Bonds | 2.00% | 4.70% |
| U.S. Equity Bonds | 26.00% | 5.14% |
| Foreign Developed Equity | 13.25% | 5.91% |
| Emerging Market Equities | 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 | 3.75% | 4.72% |
| Hedge | 3.75% | 4.72% |
| Hedge Funds – Distressed | 3.75% | 3.49% |
| Total | 100.00% | |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 9. PENSION PLANS (CONTINUED)

Teachers' Pension and Annuity Fund (Continued)

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

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – As indicated above, TPAF has a special funding situation where the State pays 100% of the District's annual required contribution.

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

NOTE 10. POST-RETIREMENT BENEFITS

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

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

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>

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 11. DEFERRED COMPENSATION

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

Lincoln Investment Planning, Inc. and Oppenheimer Funds

NOTE 12. RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation Insurance - The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Percentage Method". Under this plan, the District files form NJ-927 with the State of New Jersey.

NOTE 12. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2017:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------|---------------------------------|------------------------------|
| General Fund | \$ 1,786 | \$ 5,771 |
| Special Projects Fund | 597 | |
| Food Service | 5,174 | |
| Payroll Fund | | 1,786 |
| Total | <u>\$ 7,557</u> | <u>\$ 7,557</u> |

NOTE 13. FUND BALANCE APPROPRIATED

General Fund - Of the \$1,061,085 General Fund balance at June 30, 2017, \$77,868 is committed for Encumbrances; \$329,503 has been restricted for Capital Reserve, of which \$70,000 has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$300,000 has been restricted for Maintenance Reserve; \$160,000 has been restricted for Tuition Reserve, of which \$60,000, has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$249,255 is restricted as Excess Surplus at June 30, 2017, of which \$174,948, has been appropriated and included as anticipated revenue for the year ending June 30, 2018; \$5,469 has been assigned and appropriated and included as anticipated revenue for the year ended June 30, 2018; and (\$61,010) represents deficit in unassigned and Undesignated Fund Balance.

Debt Service Fund - The Debt Service fund had no fund balance at June 30, 2017.

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14. CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance -- Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance of \$174,948 is to be anticipated in the 2017-18 budget and \$74,307 is to be anticipated in the 2018-19 budget.

NOTE 15. LITIGATION

The District is from time to time involved in claims and lawsuits incidental to its operations. Per confirmation by the District's Solicitor, there are currently no claims.

NOTE 16. TAX ABATEMENT

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

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at NJSA 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

NOTE 17. DEFICIT FUND BALANCES

The District has deficit fund balances of \$61,010 unassigned in the General Fund and \$1,650 in the Special Revenue Fund, as of June 30, 2017, as reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school year, districts must record the last state aid payment as revenue, for budgeted purposes only, in the current budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry i.e. if one government recognizes as asset, the other government recognizes a liability. Since the state is recording the last two state aid payments in the subsequent fiscal year, the district cannot recognize those state aid payments on the GAAP financial statements until the year the state records the payable. Due to the timing difference of recording the last state aid payment, the deficits do not alone indicate that the district is facing financial difficulties. The deficit in the General Fund is less than the 19th and 20th payments. The Special Revenue Fund deficit of \$1,650 is equal to the 19th and 20th payments received in July 2017.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------------|---|
| REVENUES: | | | | | |
| Local Sources: | | | | | |
| Local Tax Levy | \$ 4,063,102 | | \$ 4,063,102 | \$ 4,063,102 | |
| Tuition from Individuals - Preschool | 20,000 | | 20,000 | 24,322 | 4,322 |
| Transportation from Other LEAs | 50,000 | | 50,000 | 51,111 | 1,111 |
| Interest on Investments | | | | 4,734 | 4,734 |
| Interest on Capital Reserve Account | 225 | | 225 | 225 | |
| Rentals | 47,000 | | 47,000 | 52,632 | 5,632 |
| Miscellaneous | 7,000 | | 7,000 | 5,191 | (1,809) |
| Total Local Sources | 4,187,327 | | 4,187,327 | 4,201,317 | 13,990 |
| State Sources: | | | | | |
| Equalization Aid | 2,602,252 | | 2,602,252 | 2,602,252 | |
| School Choice | 163,240 | | 163,240 | 163,240 | |
| Special Education Aid | 300,139 | | 300,139 | 300,139 | |
| Transportation Aid | 316,928 | | 316,928 | 316,928 | |
| Security Aid | 55,469 | | 55,469 | 55,469 | |
| Additional Adjustment Aid | 16,324 | | 16,324 | 16,324 | |
| Under Adequacy Aid | 37,291 | | 37,291 | 37,291 | |
| PARCC Readiness Aid | 5,200 | | 5,200 | 5,200 | |
| Per Pupil Growth Aid | 5,200 | | 5,200 | 5,200 | |
| Professional Learning Community Aid | 4,400 | | 4,400 | 4,400 | |
| Nonpublic Transportation Aid | | | | 5,469 | 5,469 |
| Extraordinary Aid | | | | 30,898 | 30,898 |
| On-Behalf TPAF Pension Contribution (non-budgeted) | | | | 255,197 | 255,197 |
| On-Behalf TPAF Postretirement Medical Contribution (non-budgeted) | | | | 212,638 | 212,638 |
| On-Behalf TPAF Long-Term Disability Contribution (non-budgeted) | | | | 357 | 357 |
| Reimbursed TPAF Social Security (non-budgeted) | | | | 176,938 | 176,938 |
| Total State Sources | 3,506,443 | | 3,506,443 | 4,187,940 | 681,497 |
| Federal Sources: | | | | | |
| TOTAL REVENUES | \$ 7,693,770 | | \$ 7,693,770 | \$ 8,389,257 | \$ 695,487 |

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Original Budget</u> | <u>Budget Adjustments Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|---|-------------------------|------------------|---|
| EXPENDITURES: | | | | | |
| Current Expense: | | | | | |
| Regular Programs - Instruction | | | | | |
| Salaries of Teachers: | | | | | |
| Preschool | \$ 41,136 | \$ (12,733) | \$ 28,403 | \$ 28,403 | |
| Kindergarten | 155,482 | (2,116) | 153,366 | 153,366 | |
| Grades 1-5 | 753,486 | 36,167 | 789,653 | 787,301 | 2,352 |
| Grades 6-8 | 673,509 | 6,962 | 680,471 | 680,471 | |
| Regular Programs - Home Instruction | | | | | |
| Salaries of Teachers | 1,000 | (884) | 116 | | 116 |
| Purchased Professional - Educational Services | | 884 | 884 | 884 | |
| Regular Programs - Undistributed Instruction | | | | | |
| Purchased Technical Services | 21,900 | | 21,900 | 7,045 | 14,855 |
| Other Purchased Services | 22,800 | | 22,800 | 21,255 | 1,545 |
| General Supplies | 104,200 | (6,418) | 97,782 | 76,469 | 21,313 |
| Textbooks | 15,000 | (10,784) | 4,216 | 4,154 | 62 |
| Total Regular Programs - Instruction | 1,788,513 | 11,078 | 1,799,591 | 1,759,348 | 40,243 |
| Special Education - Instruction | | | | | |
| Resource Room/Resource Center | | | | | |
| Salaries of Teachers | 351,101 | (18,143) | 332,958 | 332,763 | 195 |
| Other Salaries for Instruction | 88,094 | 31,665 | 119,759 | 101,743 | 18,016 |
| General Supplies | 1,500 | 2,117 | 3,617 | 3,617 | |
| Total Learning and Language Disabilities | 440,695 | 15,639 | 456,334 | 438,123 | 18,211 |
| Total Special Education | 440,695 | 15,639 | 456,334 | 438,123 | 18,211 |
| Basic Skills/Remedial - Instruction | | | | | |
| Salaries of Teachers | 100,825 | (9,781) | 91,044 | 91,044 | |
| Total Basic Skills/Remedial - Instruction | \$ 100,825 | \$ (9,781) | \$ 91,044 | \$ 91,044 | |

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| EXPENDITURES: (Continued) | Original Budget | Budget Adjustments Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|---|-------------------------|------------------|---|
| Bilingual Education - Instruction | | | | | |
| Salaries of Teachers | \$ 56,836 | \$ (6,900) | \$ 49,936 | \$ 49,936 | \$ |
| General Supplies | | 70 | 70 | 70 | |
| Total Bilingual Education - Instruction | 56,836 | (6,830) | 50,006 | 50,006 | |
| School Sponsored Co/Extra-Curricular Activities - Instruction | | | | | |
| Salaries | 35,500 | (3,500) | 32,000 | 19,343 | 12,657 |
| Supplies and Materials | 500 | | 500 | 107 | 393 |
| Total School Sponsored Co/Extra-Curricular Activities | 36,000 | (3,500) | 32,500 | 19,450 | 13,050 |
| School Sponsored Athletic Activities | | | | | |
| Salaries | 5,000 | | 5,000 | 3,711 | 1,289 |
| Purchased Services | 4,000 | (504) | 3,496 | 2,880 | 616 |
| Supplies and Materials | 1,500 | (175) | 1,325 | | 1,325 |
| Other Objects | 650 | 679 | 1,329 | 1,329 | |
| Total School Sponsored Athletic Activities | 11,150 | | 11,150 | 7,920 | 3,230 |
| Total Instruction | 2,434,019 | 6,606 | 2,440,625 | 2,365,891 | 74,734 |
| Undistributed Expenditures | | | | | |
| Instruction | | | | | |
| Tuition to Other LEAs Within State - Regular | 1,586,230 | (1) | 1,586,229 | 1,586,229 | |
| Tuition to Other LEAs Within State - Special | 226,430 | 7,117 | 233,547 | 233,547 | |
| Tuition County Voc. School Dist - Regular | 94,075 | (8,928) | 85,147 | 84,656 | 491 |
| Tuition to CSSD and Regional Day Schools | 124,487 | 10,402 | 134,889 | 134,889 | |
| Tuition to Private Schools/Disabled Within State | 118,357 | (43,292) | 75,065 | 75,065 | |
| Total Undistributed Expenditures - Instruction | 2,149,579 | (34,702) | 2,114,877 | 2,114,386 | 491 |
| Attendance and Social Worker Services | | | | | |
| Salaries | 23,480 | 811 | 24,291 | 24,291 | |
| Total Attendance and Social Worker Services | 23,480 | 811 | 24,291 | 24,291 | |
| Health Services | | | | | |
| Salaries | 75,936 | 788 | 76,724 | 76,723 | 1 |
| Purchased Professional and Technical Services | 18,000 | 165 | 18,165 | 17,296 | 869 |
| Supplies and Materials | 2,000 | (812) | 1,188 | 1,183 | 5 |
| Other Objects | | 85 | 85 | 85 | |
| Total Health Services | \$ 95,936 | \$ 226 | \$ 96,162 | \$ 95,287 | \$ 875 |

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| EXPENDITURES: (Continued) | Original Budget | Budget Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|-----------------------------|-------------------------|------------------|---|
| Undistributed Expenditures | | | | | |
| Speech, OT, PT and Related Services | | | | | |
| Salaries | \$ 70,736 | \$ 1,200 | \$ 71,936 | \$ 71,936 | |
| Purchased Professional/Educational Services | 38,000 | 597 | 38,597 | 36,436 | 2,161 |
| Total Speech, OT, PT and Related Services | 108,736 | 1,797 | 110,533 | 108,372 | 2,161 |
| Other Support Services Students - Extraordinary Services | | | | | |
| Salaries | 38,427 | (4,986) | 33,441 | 26,752 | 6,689 |
| Purchased Professional/Educational Services | 166,376 | (37,797) | 128,579 | 121,615 | 6,964 |
| Total Other Support Services Students - Extraordinary Services | 204,803 | (42,783) | 162,020 | 148,367 | 13,653 |
| Guidance | | | | | |
| Salaries of Other Professional Staff | 61,036 | | 61,036 | 60,731 | 305 |
| Supplies and Materials | 400 | | 400 | 309 | 91 |
| Total - Guidance | 61,436 | | 61,436 | 61,040 | 396 |
| Child Study Team | | | | | |
| Salaries of Other Professional Staff | 6,000 | 1,000 | 7,000 | 6,900 | 100 |
| Salaries of Secretarial and Clerical Assistants | 12,869 | 11 | 12,880 | 12,880 | |
| Purchased Professional/Educational Services | 38,540 | (1,011) | 37,529 | 27,838 | 9,691 |
| Other Professional and Technical Services | 2,000 | | 2,000 | 685 | 1,315 |
| Supplies and Materials | 3,200 | | 3,200 | 1,001 | 2,199 |
| Total Child Study Team | 62,609 | | 62,609 | 49,304 | 13,305 |
| Improvement of Instructional Services | | | | | |
| Salaries of Supervisors of Instruction | 48,716 | 3,486 | 52,202 | 52,202 | |
| Purchased Professional/Educational Services | 1,000 | 20 | 1,020 | 1,020 | |
| Total Improvement of Instructional Services | 49,716 | 3,506 | 53,222 | 53,222 | |
| Educational Media Services/School Library | | | | | |
| Salaries | 19,368 | (5,000) | 14,368 | 11,909 | 2,459 |
| Purchased Professional and Technical Services | 3,500 | | 3,500 | 3,264 | 236 |
| Supplies and Materials | 4,500 | (20) | 4,480 | 3,471 | 1,009 |
| Total Educational Media Services/School Library | \$ 27,368 | \$ (5,020) | \$ 22,348 | \$ 18,644 | \$ 3,704 |

**UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| EXPENDITURES: (Continued) | Original Budget | Budget Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|---------------------|-----------------|---------|--|
| Instructional Staff Training Services | | | | | |
| Purchased Professional- Educational Services | \$ 1,900 | \$ 1,096 | \$ 2,996 | 2,996 | \$ |
| Other Prof/Tech Services | 1,400 | 1,200 | 2,600 | 2,000 | 600 |
| Other Purchased Services (400-500 series) | 5,000 | (150) | 4,850 | 4,555 | 295 |
| Other Objects | | 130 | 130 | 130 | |
| Total Instructional Staff Training Services | 8,300 | 2,276 | 10,576 | 9,681 | 895 |
| Support Services - General Administration | | | | | |
| Salaries | 37,360 | 44,055 | 81,415 | 74,282 | 7,133 |
| Legal Services | 5,000 | 7,250 | 12,250 | 2,573 | 9,677 |
| Audit Fees | 15,000 | 500 | 15,500 | 15,500 | |
| Other Purchased Professional Services | 91,500 | (48,668) | 42,832 | 31,212 | 11,620 |
| Purchased Technical Services | 500 | | 500 | 500 | |
| Communications/Telephone | 21,500 | 11,043 | 32,543 | 20,230 | 12,313 |
| Misc Purchased Services (400-500) [Other then 530&585] | 18,118 | 1,187 | 19,305 | 19,305 | |
| General Supplies | 2,500 | 813 | 3,313 | 2,156 | 1,157 |
| Misc Expenditures | 2,900 | (337) | 2,563 | 2,070 | 493 |
| BOE Membership Dues and Fees | 5,500 | 1,056 | 6,556 | 6,556 | |
| Total Support Services - General Administration | 199,878 | 16,899 | 216,777 | 174,384 | 42,393 |
| Support Services - School Administration | | | | | |
| Salaries of Principals/Assistant Principals | 73,075 | 7,111 | 80,186 | 80,186 | |
| Salaries of Secretarial and Clerical Assistants | 21,292 | 20 | 21,312 | 21,312 | |
| Other Salaries | 500 | 212 | 712 | 712 | |
| Purchased Prof. And Tech. Services | 8,000 | 24 | 8,024 | 8,024 | |
| Supplies and Materials | 2,500 | 2,657 | 5,157 | 3,881 | 1,276 |
| Other Objects | 1,500 | 272 | 1,772 | 1,772 | |
| Total Support Service - School Administration | 106,867 | 10,296 | 117,163 | 115,887 | 1,276 |
| Central Services | | | | | |
| Purchased Professional Services | 106,000 | | 106,000 | 106,000 | |
| Purchased Technical Services | 10,000 | 17,591 | 27,591 | 9,725 | 17,866 |
| Supplies and Materials | 1,000 | 824 | 1,824 | 296 | 1,528 |
| Interest on Lease Purchase Agreement | 1,732 | | 1,732 | 1,732 | |
| Miscellaneous Expenditures | 150 | | 150 | 100 | 50 |
| Total Central Services | 118,882 | 18,415 | 137,297 | 117,853 | 19,444 |
| Admin. Info. Technology | | | | | |
| Salaries | \$ 7,934 | \$ (7,934) | \$ | \$ | |

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| EXPENDITURES: (Continued) | Original Budget | Budget Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|----------------------------|-----------------------------|-------------------------|-------------------|---|
| Required Maintenance for School Facilities | | | | | |
| Salaries | \$ 22,378 | | \$ 22,378 | \$ 22,378 | |
| Cleaning, Repair and Maintenance Services | 26,965 | (3,000) | 23,965 | 14,976 | 8,989 |
| General Supplies | 5,500 | 3,000 | 8,500 | 6,251 | 2,249 |
| Other Objects | 200 | | 200 | 166 | 34 |
| Total Required Maintenance for School Facilities | 55,043 | | 55,043 | 43,771 | 11,272 |
| Custodial Services | | | | | |
| Salaries | 185,350 | (16,106) | 169,244 | 134,359 | 34,885 |
| Purchased Prof. And Tech. Services | | 1,288 | 1,288 | 810 | 478 |
| Cleaning, Repair and Maintenance Services | 108,284 | (41,806) | 66,478 | 21,839 | 44,639 |
| Insurance | 43,428 | | 43,428 | 39,086 | 4,342 |
| General Supplies | 30,000 | 14,706 | 44,706 | 38,424 | 6,282 |
| Energy - Natural Gas | 3,500 | | 3,500 | 288 | 3,212 |
| Energy - Electricity | 127,300 | (2,500) | 124,800 | 69,287 | 55,513 |
| Total Custodial Services | 497,862 | (44,418) | 453,444 | 304,093 | 149,351 |
| Total Other Operations and Maintenance of Plant Services | 552,905 | (44,418) | 508,487 | 347,864 | 160,623 |
| Student Transportation Services | | | | | |
| Salaries for Pupil Trans (Between Home/School) - Regular | 50,850 | (10,354) | 40,496 | 38,650 | 1,846 |
| Salaries for Pupil Trans (Between Home/School) - Special | 76,348 | (36,526) | 39,822 | 37,888 | 1,934 |
| Salaries for Pupil Trans (Other than Between Home/School) | 6,000 | 4,736 | 10,736 | 4,577 | 6,159 |
| Cleaning, Repair and Maintenance Services | 20,000 | (1,845) | 18,155 | 11,536 | 6,619 |
| Lease Purchase Payments - School Buses | 3,074 | 1 | 3,075 | 2,535 | 540 |
| Contract Services-Aid in Lieu Payments-Non Public School | 18,564 | (2,652) | 15,912 | 15,028 | 884 |
| Contract Services-Aid in Lieu Payments-Choice School | 3,536 | | 3,536 | 1,768 | 1,768 |
| Contract Services-(Home/School) Vendors | 251,748 | 2,586 | 254,334 | 253,734 | 600 |
| Contract Services-(Home/School) Joint Agreements | | 16,005 | 16,005 | 16,005 | |
| Contract Services (Special Education Stds)-Joint Agrmts | 12,500 | 13,836 | 26,336 | 26,336 | |
| Contract Services (Special Education Stds)-ESCs & CTSA's | | 11,323 | 11,323 | 8,498 | 2,825 |
| Miscellaneous Purchased Services - Transportation | 5,500 | 4,700 | 10,200 | 7,131 | 3,069 |
| General Supplies | 25,200 | 3,957 | 29,157 | 16,610 | 12,547 |
| Total Student Transportation Services | \$ 473,320 | \$ 5,767 | \$ 479,087 | \$ 440,296 | \$ 38,791 |

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|---------------------|---------------------|---------------------|---------------------|--|
| EXPENDITURES: (Continued) | | | | | |
| Unallocated Benefits | | | | | |
| Social Security Contributions | \$ 64,000 | \$ 2,588 | \$ 66,588 | \$ 60,558 | \$ 6,030 |
| Other Retirement Contributions - PERS | 51,886 | 19,086 | 70,972 | 70,972 | |
| Unemployment Compensation | 17,000 | | 17,000 | 16,776 | 224 |
| Workmen's Compensation | 38,621 | | 38,621 | 34,726 | 3,895 |
| Health Benefits | 861,885 | (42,529) | 819,356 | 789,762 | 29,594 |
| Tuition Reimbursements | 13,000 | (4,864) | 8,136 | 8,136 | |
| Other Employee Benefits | 40,270 | 994 | 41,264 | 40,813 | 451 |
| Total Unallocated Benefits | 1,086,662 | (24,725) | 1,061,937 | 1,021,743 | 40,194 |
| On-Behalf TPAF Pension Contribution (non-budgeted) | | | | 255,197 | (255,197) |
| On-Behalf TPAF Postretirement Contribution (non-budgeted) | | | | 212,638 | (212,638) |
| On-Behalf TPAF Long-Term Dissability Contribution (non-budgeted) | | | | 357 | (357) |
| Reimbursed TPAF Social Security (non-budgeted) | | | | 176,938 | (176,938) |
| Total On-Behalf Contributions | | | | 645,130 | (645,130) |
| Total Undistributed Expenditures | 5,338,411 | (99,589) | 5,238,822 | 5,545,751 | (306,929) |
| Total Expenditures - Current Expense | 7,772,430 | (92,983) | 7,679,447 | 7,911,642 | (232,195) |
| Capital Outlay | | | | | |
| Increase in Capital Reserve | | | | | |
| Equipment | | | | | |
| Undistributed Expenditures: | | | | | |
| Instruction | 6,100 | (6,100) | | | |
| Central Services - Equipment | 15,855 | (15,855) | | | |
| Required Maintenance for School Facilities | | 18,063 | 18,063 | 18,063 | |
| Custodial Services | | 27,323 | 27,323 | 27,323 | |
| Custodial Services - Lease Principal | | 15,854 | 15,854 | 15,854 | |
| School Busses - Regular - Lease Principal | 69,474 | 56,684 | 126,158 | 50,908 | 75,250 |
| Total Equipment | 91,429 | 95,969 | 187,398 | 112,148 | 75,250 |
| Facilities Acquisitions and Construction Services | | | | | |
| Interest Deposit to Capital Reserve | | | | | |
| Assessment for Debt Service on SDA Funding | 9,474 | | 9,474 | 9,474 | |
| Total Facilities Acquisitions and Construction Services | 9,474 | | 9,474 | 9,474 | |
| Assets Acquired Under Capital Leases (non-budgeted) | | | | | |
| Interest Deposit to Capital Reserve | 225 | | 225 | | 225 |
| Total Assets Acquired Under Capital Leases (non-budgeted) | 225 | | 225 | | 225 |
| Total Capital Outlay | 101,128 | 95,969 | 197,097 | 121,622 | 75,475 |
| Total Expenditures | \$ 7,873,558 | \$ 2,986 | \$ 7,876,544 | \$ 8,033,264 | \$ (156,720) |

UPPER PITTSBORO TOWNSHIP BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | Original Budget | Budget Transfers | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|---------------------|-----------------|--------------|--|
| EXPENDITURES: (Continued) | | | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | \$ (179,788) | \$ (2,986) | \$ (182,774) | \$ 355,993 | \$ 538,767 |
| Other Financing Sources (Uses): | | | | | |
| Total Other Financing Sources (Uses) | | | | | |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | (179,788) | (2,986) | (182,774) | 355,993 | 538,767 |
| Fund Balances, July 1 | 1,052,469 | | 1,052,469 | 1,052,469 | |
| Fund Balances, June 30 | \$ 872,681 | \$ (2,986) | \$ 869,695 | \$ 1,408,462 | \$ 538,767 |

RECAPITULATION :

Fund Balances

Restricted for:

| | |
|---------------------------|------------|
| Capital Reserve | \$ 259,503 |
| Maintenance Reserve | 300,000 |
| Tuition Reserve - 2016-17 | 100,000 |
| Excess Surplus | 74,307 |

Assigned to:

| | |
|--|----------------|
| Year - End Encumbrances | 77,868 |
| Excess Surplus - Designated for Subsequent Year's Expenditures | 174,948 |
| Capital Reserve Designated for Subsequent Year's Expenditures | 70,000 |
| Tuition Reserve Designated for Subsequent Year's Expenditures | 60,000 |
| Assigned Fund Balance - Designated for Subsequent Year's Expenditures | 5,469 |
| Unassigned Fund Balance | 286,367 |

1,408,462

Reconciliation to Governmental Funds Statements (GAAP):

Last State Aid Payment not Recognized on GAAP Basis (347,377)

Fund Balance per Governmental Funds (GAAP) \$ 1,061,085

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|----------------------------|-----------------------------|-------------------------|----------------|---|
| REVENUES | | | | | |
| Federal Sources | \$ 169,752 | \$ 51,518 | \$ 221,270 | \$ 221,270 | \$ |
| State Sources | 16,500 | | 16,500 | 16,500 | |
| Total Revenues | <u>186,252</u> | <u>51,518</u> | <u>237,770</u> | <u>237,770</u> | |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries of Teachers | 93,592 | (6,592) | 87,000 | 87,000 | |
| Supplies and Materials | | 29,631 | 29,631 | 29,631 | |
| Total Instruction | <u>93,592</u> | <u>23,039</u> | <u>116,631</u> | <u>116,631</u> | |
| Support Services | | | | | |
| Personal Services - Employee Benefits | | 17,810 | 17,810 | 17,810 | |
| Purchased Prof/Technical Services | 92,660 | 10,669 | 103,329 | 103,329 | |
| Total Support Services | <u>92,660</u> | <u>28,479</u> | <u>121,139</u> | <u>121,139</u> | |
| Facilities Acquisition and Construction Services | | | | | |
| Instructional Equipment | | | | | |
| Total Facilities Acquisition and Construction Services | | | | | |
| Total Expenditures | <u>186,252</u> | <u>51,518</u> | <u>237,770</u> | <u>237,770</u> | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION – PART II**

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
BUDGET-TO-GAAP RECONCILIATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

| | General Fund | Special Revenue Fund |
|---|--------------------|----------------------------|
| Sources/inflows of resources | | |
| Actual amounts (budgetary basis) "revenue" from the Budgetary Comparison Schedule | [C-1] \$ 8,389,257 | [C-2] \$ 237,770 |
| Difference - Budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized. | | |
| Encumbrances: June 30, 2016 | | |
| Encumbrances: June 30, 2017 | | |
| State Aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes. | 346,210 | 1,650 |
| State aid payment recognized for budgetary purposes, not recognized for GAAP statements | (347,377) | (1,650) |
| Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. | [B-2] \$ 8,388,090 | [B-2] \$ 237,770 |
| Uses/outflows of resources | | |
| Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule | [C-1] \$ 8,033,264 | [C-2] \$ 237,770 |
| Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes. | | |
| Pension Expense recognized for GAAP but not for budgetary purposes. | | |
| Encumbrances: June 30, 2016 | | |
| Encumbrances: June 30, 2017 | | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | [B-2] \$ 8,033,264 | [B-2] \$ 237,770 |

REQUIRED SUPPLEMENTARY INFORMATION – PART III

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|--------------|--------------|--------------|
| District's Proportion of the Net Pension Liability(Asset) | 0.007970% | 0.008546% | 0.008009% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 2,360,607 | \$ 1,918,440 | \$ 1,499,685 |
| District's Covered-Employee Payroll | \$ 425,742 | \$ 484,808 | \$ 548,308 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll | 554.47% | 395.71% | 273.51% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 40.14% | 47.93% | 52.08% |

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------|-----------------|-----------------|
| Contractually Required Contribution | \$ 70,972 | \$ 73,474 | \$ 66,033 |
| Contributions in Relation to the Contractually Required Contribution | <u>(70,972)</u> | <u>(73,474)</u> | <u>(66,033)</u> |
| Contribution Deficiency (Excess) | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| District's Covered-Employee Payroll | \$ 425,742 | \$ 484,808 | \$ 548,308 |
| Contributions as a Percentage of Covered-Employee Payroll | 16.67% | 15.16% | 12.04% |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHERS PENSION PLAN

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|
| District's Proportion of the Net Pension Liability(Asset) | 0.02296800% | 0.02164000% | 0.02147000% |
| State's proportionate share of the net pension liability (asset) associated with the District | \$ 18,068,023 | \$ 13,677,666 | \$ 11,474,875 |
| District's Covered-Employee Payroll | \$ 2,452,489 | \$ 2,442,426 | \$ 2,354,687 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll | 736.72% | 560.00% | 487.32% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 22.33% | 28.71% | 33.64% |

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE L-4

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHERS' PENSION PLAN

The School District was not required to make any contributions towards TPAF.

Note: This schedule is required by GASB 68 to show information for a 10 year period. However, information is only currently available for four years. Additional years will be presented as they become available.

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION – PART II**

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III
PENSION SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

| | NCLB | | I.D.E.A. PART B | | SUBTOTAL PER E-1(2) | TOTAL | |
|---|------------------------------|-------------------------------|------------------|-----------------|---------------------------|-------------------|-------------------|
| | TITLE I PART A 2016-17 | TITLE II PART A 2016-17 | BASIC | PRE- SCHOOL | | 2017 | 2016 |
| REVENUES | | | | | | | |
| Federal Sources | \$ 80,970 | \$ 6,327 | \$ 99,745 | \$ 3,584 | \$ 30,644 | \$ 221,270 | \$ 230,939 |
| State Sources | | | | | 16,500 | 16,500 | 16,500 |
| Total Revenues | 80,970 | 6,327 | 99,745 | 3,584 | 47,144 | 237,770 | 247,439 |
| EXPENDITURES | | | | | | | |
| Instruction | | | | | | | |
| Salaries of Teachers | 63,500 | 5,000 | | | 18,500 | 87,000 | 95,390 |
| Supplies and Materials | 960 | 27 | | | 28,644 | 29,631 | 24,474 |
| Total Instruction | 64,460 | 5,027 | | | 47,144 | 116,631 | 119,864 |
| Support Services | | | | | | | |
| Personal Services - Employee Benefits | 16,510 | 1,300 | | | | 17,810 | 18,564 |
| Purchased Professional/Technical Services | | | 99,745 | 3,584 | | 103,329 | 109,011 |
| Total Support Services | 16,510 | 1,300 | 99,745 | 3,584 | | 121,139 | 127,575 |
| Facilities Acquisition | | | | | | | |
| Instructional Equipment | | | | | | | |
| Total Facilities Acquisition | | | | | | | |
| Total Expenditures | \$ 80,970 | \$ 6,327 | \$ 99,745 | \$ 3,584 | \$ 47,144 | \$ 237,770 | \$ 247,439 |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

| | <u>PRESCHOOL EDUCATION</u> | <u>REAP 2015-16</u> | <u>TOTAL</u> |
|---|--------------------------------|-------------------------|------------------|
| REVENUES | | | |
| Federal Sources | \$ | \$ 30,644 | \$ 30,644 |
| State Sources | 16,500 | | 16,500 |
| Total Revenues | <u>16,500</u> | <u>30,644</u> | <u>47,144</u> |
| EXPENDITURES | | | |
| Instruction | | | |
| Salaries of Teachers | 16,500 | 2,000 | 18,500 |
| Supplies and Materials | | 28,644 | 28,644 |
| Total Instruction | <u>16,500</u> | <u>30,644</u> | <u>47,144</u> |
| Support Services | | | |
| Personal Services - Employee Benefits | | | |
| Purchased Professional/Technical Services | | | |
| Other Purchased Services | | | |
| Total Support Services | <u></u> | <u></u> | <u></u> |
| Facilities Acquisition | | | |
| Instructional Equipment | | | |
| Total Facilities Acquisition | <u></u> | <u></u> | <u></u> |
| Total Expenditures | <u>\$ 16,500</u> | <u>\$ 30,644</u> | <u>\$ 47,144</u> |

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

| | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|---|------------------|------------------|-----------------|
| EXPENDITURES: | | | |
| Instruction: | | | |
| Salaries of Teachers | \$ 16,500 | \$ 16,500 | \$ |
| Total Instruction | <u>16,500</u> | <u>16,500</u> | |
| Total Support Services | | | |
| Total Facilities Acquisition and Const. Services | | | |
| Contribution to Charter Schools | | | |
| Total Expenditures | <u>\$ 16,500</u> | <u>\$ 16,500</u> | <u>\$</u> |

CALCULATION OF BUDGET & CARRYOVER

| | | |
|--|-----------------|------|
| Total 2016-17 Preschool Education Aid Allocation | \$ 16,500 | (1) |
| Add: Actual ECPA Carryover (June 30, 2016) | | (2) |
| Add: Budgeted Transfer from General Fund 2016-17 | | (3) |
| Total Preschool Education Aid Funds Available for 2016-17 Budget | <u>16,500</u> | (4) |
| Less: 2016-17 Budgeted Preschool Education Aid and Prior Year Budgeted (Carryover) | <u>(16,500)</u> | (5) |
| Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2017 | - | (6) |
| Add: June 30, 2017 Unexpended Preschool Education Aid | | (7) |
| Less: 2016-17 Commissioner-approved Transfer to the General Fund | | (8) |
| 2016-17 Carryover - Preschool Education Aid | <u>\$ -</u> | (9) |
| 2016-17 Preschool Education Aid Carryover Budgeted for Preschool Programs 2017-18 | <u>\$ -</u> | (10) |

PROPRIETARY FUND DETAIL STATEMENTS

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

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

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF NET POSITION
AS OF JUNE 30, 2017 AND 2016

| | FOOD SERVICE FUND | | SCHOOL CARE | | TOTAL | |
|-----------------------------------|----------------------------------|---------------|------------------------|--------------|---------------|---------------|
| | | | | | 2017 | 2016 |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and Cash Equivalents | \$ | 27,931 | \$ | 6,313 | \$ | 34,244 |
| Accounts Receivable | | | | | \$ | 88,510 |
| State | | 56 | | | 56 | 52 |
| Federal | | 2,744 | | | 2,744 | 2,671 |
| Other | | 3,214 | 3,322 | | 6,536 | 1,125 |
| Interfund Receivable | | 5,174 | | | 5,174 | |
| Inventories | | 3,367 | | | 3,367 | 3,509 |
| Total Current Assets | | <u>42,486</u> | | <u>9,635</u> | <u>52,121</u> | <u>95,867</u> |
| Fixed Assets | | | | | | |
| Equipment | | 137,974 | | | 137,974 | 137,974 |
| Accumulated Depreciation | | (129,229) | | | (129,229) | (128,474) |
| Total Fixed Assets | | <u>8,745</u> | | | <u>8,745</u> | <u>9,500</u> |
| Total Assets | \$ | <u>51,231</u> | \$ | <u>9,635</u> | \$ | <u>60,866</u> |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts Payable | \$ | 1,691 | \$ | | \$ | 1,691 |
| Interfund Payable | | | | | \$ | 6,926 |
| Unearned Revenue | | 2,088 | 135 | | 2,223 | 1,614 |
| Total Liabilities | | <u>3,779</u> | <u>135</u> | | <u>3,914</u> | <u>8,191</u> |
| NET POSITION | | | | | | |
| Unrestricted | | <u>47,452</u> | <u>9,500</u> | | <u>56,952</u> | <u>88,636</u> |
| Total Net Position | | <u>47,452</u> | <u>9,500</u> | | <u>56,952</u> | <u>88,636</u> |
| Total Liabilities and Fund Equity | \$ | <u>51,231</u> | \$ | <u>9,635</u> | \$ | <u>60,866</u> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2017 AND 2016

| | FOOD SERVICE FUND | SCHOOL CARE | TOTAL | |
|---|----------------------------------|------------------------|------------------|------------------|
| | | | 2017 | 2016 |
| OPERATING REVENUES | | | | |
| Local Sources | | | | |
| Daily Sales | | | | |
| Reimbursable Programs | \$ 36,591 | \$ | \$ 36,591 | \$ 36,506 |
| Non-Reimbursable Programs | 20,516 | | 20,516 | 23,133 |
| Special Functions | 21,055 | | 21,055 | 17,819 |
| Program Fees | | 39,494 | 39,494 | 32,453 |
| Total Operating Revenue | 78,162 | 39,494 | 117,656 | 109,911 |
| OPERATING EXPENSES | | | | |
| Labor | 71,394 | 38,434 | 109,828 | 78,976 |
| Depreciation | 755 | | 755 | 1,694 |
| Cost of Sales - Reimbursable Programs | 42,545 | | 42,545 | 53,438 |
| Cost of Sales - Non Reimbursable Programs | 13,050 | | 13,050 | |
| Supplies and Materials | 9,566 | 3,902 | 13,468 | 10,032 |
| Repairs and Maintenance | 6,422 | | 6,422 | |
| Utilities | 11,919 | | 11,919 | |
| Management Fee | 11,140 | | 11,140 | 11,524 |
| Other | 5,210 | | 5,210 | 4,225 |
| Total Operating Expenses | 172,001 | 42,336 | 214,337 | 159,889 |
| Operating Income (Loss) | (93,839) | (2,842) | (96,681) | (49,978) |
| NON-OPERATING REVENUES | | | | |
| State Sources | | | | |
| State School Lunch Program | 1,113 | | 1,113 | 1,104 |
| Federal Sources | | | | |
| National School Lunch Program | 39,903 | | 39,903 | 36,984 |
| School Breakfast Program | 11,086 | | 11,086 | 12,802 |
| Food Distribution Program | 12,813 | | 12,813 | 11,646 |
| Interest | 67 | 15 | 82 | 75 |
| Total Non-Operating Revenues | 64,982 | 15 | 64,997 | 62,611 |
| Net Income (Loss) Before Operating Transfers | (28,857) | (2,827) | (31,684) | 12,633 |
| Net (Loss) Income | (28,857) | (2,827) | (31,684) | 12,633 |
| Net Position - July 1 | 76,309 | 12,327 | 88,636 | 76,003 |
| Net Position - June 30 | \$ 47,452 | \$ 9,500 | \$ 56,952 | \$ 88,636 |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND
COMBINING SCHEDULE OF CASH FLOWS
AS OF JUNE 30, 2017 AND 2016

| | FOOD SERVICE FUND | SCHOOL CARE | TOTAL | |
|---|-------------------------|----------------|--------------|-------------|
| | | | 2017 | 2016 |
| Cash Flows from Operating Activities | | | | |
| Receipts from Customers | \$ 78,162 | \$ 39,494 | \$ 117,656 | \$ 109,911 |
| Payments to Employees | (71,394) | (38,434) | (109,828) | (78,976) |
| Payments to Suppliers | (53,685) | | (53,685) | (64,962) |
| Payments to Others | (49,539) | (11,054) | (60,593) | 12,299 |
| Net Cash Provided by (Used for) Operating Activities | (96,456) | (9,994) | (106,450) | (21,728) |
| Cash Flows from Non-Capital Financing Activities | | | | |
| State Sources | 1,113 | | 1,113 | 1,104 |
| Federal Sources | 50,989 | | 50,989 | 49,786 |
| Net Cash Provided by (Used for) Non-Capital Financing Activities | 52,102 | | 52,102 | 50,890 |
| Cash Flows from Capital Financing Activities | | | | |
| Purchase of Fixed Assets | | | | |
| Net Cash Provided by (Used for) Capital Financing | | | | |
| Cash Flows from Investing Activities | | | | |
| Interest and Dividends | 67 | 15 | 82 | 75 |
| Net Cash Provided by (Used for) Investing Activities | 67 | 15 | 82 | 75 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (44,287) | (9,979) | (54,266) | 29,237 |
| Balances - Beginning of Year | 72,218 | 16,292 | 88,510 | 59,273 |
| Balances - End of Year | \$ 27,931 | \$ 6,313 | \$ 34,244 | \$ 88,510 |
| Operating Income (Loss) | \$ (93,839) | \$ (2,842) | \$ (96,681) | \$ (49,978) |
| Adjustments to Reconcile Operating Income (Loss) to Cash Provided (Used) by Operating Activities | | | | |
| Food Distribution Program | 12,813 | | 12,813 | 11,646 |
| Depreciation | 755 | | 755 | 1,694 |
| Change in Assets and Liabilities | | | - | |
| (Increase) Decrease in Inventory | 142 | | 142 | (1,263) |
| (Increase) Decrease in Accounts Receivable | (2,301) | (3,187) | (5,488) | 3,777 |
| (Increase) Decrease in Interfund Receivable | (5,174) | | (5,174) | |
| Increase (Decrease) in Unearned Revenue | (2,003) | (3,965) | (5,968) | 6,873 |
| Increase (Decrease) in Payables | (6,849) | | (6,849) | 5,523 |
| Total Adjustments | (2,617) | (7,152) | (9,769) | 28,250 |
| Net Cash Used by Operating Activities | \$ (96,456) | \$ (9,994) | \$ (106,450) | \$ (21,728) |

FIDUCIARY FUNDS DETAIL STATEMENTS

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

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

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

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

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

| | <u>AGENCY</u> | | | <u>TOTAL</u> | |
|---------------------------|--------------------------|-------------------------|----------------|------------------|------------------|
| | <u>SCHOLARSHIP TRUST</u> | <u>STUDENT ACTIVITY</u> | <u>PAYROLL</u> | <u>2017</u> | <u>2016</u> |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 13,859 | \$ 21,744 | \$ 46,284 | \$ 81,887 | \$ 72,279 |
| Investments | | 1,839 | | 1,839 | 1,828 |
| Total Assets | 13,859 | 23,583 | 46,284 | 83,726 | 74,107 |
| LIABILITIES | | | | | |
| Due to General Fund | | | 1,786 | 1,786 | 1,717 |
| Deductions Payable | | | 30,525 | 30,525 | 26,857 |
| Due to Student Groups | | 23,583 | | 23,583 | 16,744 |
| Flexible Spending Reserve | | | 13,973 | 13,973 | 14,460 |
| Total Liabilities | | 23,583 | 46,284 | 69,867 | 59,778 |
| NET POSITION | | | | | |
| Reserved for Scholarships | 13,859 | | | 13,859 | 14,329 |
| Total Net Position | \$ 13,859 | \$ | \$ | \$ 13,859 | \$ 14,329 |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHOLARSHIP TRUST
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

OPERATING REVENUES

| | |
|-------------------------|---------------------|
| Local Sources | |
| Interest on Investments | \$ 30 |
| Total Operating Revenue | <u> 30</u> |

OPERATING EXPENDITURES

| | |
|------------------------------|-------------------------|
| Awards | <u> 500</u> |
| Total Operating Expenditures | <u> 500</u> |
| Change in Net Position | (470) |
| Net Position - July 1, 2016 | <u>14,329</u> |
| Net Position - June 30, 2017 | <u><u>\$ 13,859</u></u> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---------------------------|---------------------------------------|------------------|------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 14,916 | \$ 49,926 | \$ 43,098 | \$ 21,744 |
| Certificates of Deposit | 1,828 | 11 | | 1,839 |
| Total Assets | <u>\$ 16,744</u> | <u>\$ 49,937</u> | <u>\$ 43,098</u> | <u>\$ 23,583</u> |
| LIABILITIES | | | | |
| Due to Student Groups | \$ 16,744 | \$ 49,937 | \$ 43,098 | \$ 23,583 |
| Total Liabilities | <u>\$ 16,744</u> | <u>\$ 49,937</u> | <u>\$ 43,098</u> | <u>\$ 23,583</u> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|-------------------------------------|---------------------------------------|---------------------|---------------------|--|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 43,034 | \$ 1,640,088 | \$ 1,636,838 | \$ 46,284 |
| Total Assets | <u>\$ 43,034</u> | <u>\$ 1,640,088</u> | <u>\$ 1,636,838</u> | <u>\$ 46,284</u> |
| LIABILITIES | | | | |
| Interfunds Payable | \$ 1,717 | \$ 69 | \$ | \$ 1,786 |
| Payroll Deductions and Withholdings | 26,857 | 1,614,216 | 1,610,548 | 30,525 |
| Flexible Spending Reserve | 14,460 | 25,803 | 26,290 | 13,973 |
| Total Liabilities | <u>\$ 43,034</u> | <u>\$ 1,640,088</u> | <u>\$ 1,636,838</u> | <u>\$ 46,284</u> |

LONG-TERM DEBT SCHEDULES

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

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

| <u>Issue</u> | <u>Original Issue</u> | <u>Interest Rate</u> | <u>Balance June 30, 2016</u> | <u>Issued</u> | <u>Retired</u> | <u>Balance June 30, 2017</u> |
|----------------------------------|---------------------------|--------------------------|--------------------------------------|----------------|------------------|--------------------------------------|
| 2009 Solar Energy System | \$ 132,845 | 5.46% | \$ 32,550 | \$ | \$ 15,854 | \$ 16,696 |
| 2010 School Bus - 23 Passenger | 78,890 | 5.50% | 2,243 | | 2,243 | |
| 2010 School Bus-54 Passenger | 84,060 | 5.50% | 5,957 | | 5,957 | |
| 2014 School Bus-54 Passenger (2) | 194,624 | 2.055% | 86,439 | | 42,708 | 43,731 |
| | | | <u>\$ 127,189</u> | <u>\$</u> | <u>\$ 66,762</u> | <u>\$ 60,427</u> |
| | | | | Capital Outlay | <u>\$ 66,762</u> | |

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

| | <u>Original Budget</u> | <u>Budget Transfers</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|-----------------------------|-------------------------|---------------|---|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Local Tax Levy | \$ 72,800 | \$ | \$ 72,800 | \$ 72,800 | \$ |
| Total Local Sources | 72,800 | | 72,800 | 72,800 | |
| State Sources | | | | | |
| Debt Service Aid | | | | | |
| Total State Sources | | | | | |
| Total Revenues | 72,800 | | 72,800 | 72,800 | |
| EXPENDITURES | | | | | |
| Regular Debt Service | | | | | |
| Interest | 2,800 | | 2,800 | | 2,800 |
| Redemption of Principal | 70,000 | | 70,000 | | 70,000 |
| Total Regular Debt Service | 72,800 | | 72,800 | | 72,800 |
| Total Expenditures | 72,800 | | 72,800 | | |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | | | | 72,800 | 72,800 |
| Fund Balance - July 1, 2016 | | | | | |
| Fund Balance - June 30, 2017 | \$ | \$ | \$ | \$ 72,800 | \$ 72,800 |

STATISTICAL SECTION

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 1,924,706 | \$ 2,142,303 | \$ 2,386,905 | \$ 2,681,839 | \$ 3,054,431 | \$ 3,335,484 | \$ 3,231,987 | \$ 3,312,866 | \$ 3,092,769 | \$ 3,164,232 |
| Restricted | 98,804 | 210,900 | 413,308 | 576,300 | 558,640 | 521,818 | 768,733 | 658,946 | 795,650 | 1,038,758 |
| Unrestricted (Deficit) | 5,307 | (94,932) | (127,644) | (128,763) | (106,200) | (157,506) | (222,560) | (1,603,342) | (1,546,710) | (1,677,070) |
| Total Governmental Activities Net Position | \$ 2,028,817 | \$ 2,258,271 | \$ 2,672,569 | \$ 3,129,376 | \$ 3,506,871 | \$ 3,699,796 | \$ 3,778,160 | \$ 2,368,470 | \$ 2,341,709 | \$ 2,525,920 |
| Business-Type Activities | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 30,445 | \$ 22,378 | \$ 17,405 | \$ 21,282 | \$ 18,876 | \$ 16,470 | \$ 14,064 | \$ 11,194 | \$ 9,500 | \$ 8,745 |
| Restricted | | | | | | | | | | |
| Unrestricted | 11,217 | 16,381 | 10,334 | 29,351 | 43,283 | 52,591 | 56,729 | 64,809 | 79,136 | 48,207 |
| Total Business-Type Activities Net Position | \$ 41,662 | \$ 38,759 | \$ 27,739 | \$ 50,633 | \$ 62,159 | \$ 69,061 | \$ 70,793 | \$ 76,003 | \$ 88,636 | \$ 56,952 |
| District-Wide | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 1,955,151 | \$ 2,164,681 | \$ 2,404,310 | \$ 2,703,121 | \$ 3,073,307 | \$ 3,351,954 | \$ 3,246,051 | \$ 3,324,060 | \$ 3,102,269 | \$ 3,172,977 |
| Restricted | 98,804 | 210,900 | 413,308 | 576,300 | 558,640 | 521,818 | 768,733 | 658,946 | 795,350 | 1,038,758 |
| Unrestricted (Deficit) | 16,524 | (78,551) | (117,310) | (99,412) | (62,917) | (104,915) | (165,831) | (1,538,533) | (1,467,574) | (1,628,863) |
| Total District-Wide Net Position | \$ 2,070,479 | \$ 2,297,030 | \$ 2,700,308 | \$ 3,180,009 | \$ 3,569,030 | \$ 3,768,857 | \$ 3,848,953 | \$ 2,444,473 | \$ 2,430,045 | \$ 2,582,872 |

Source: CAFR Schedule A-1

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Expenses | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular | \$ 1,629,796 | 1,607,999 | 1,714,229 | 1,613,172 | 1,877,092 | 1,690,606 | 1,824,169 | 1,727,278 | 1,854,515 | 1,875,979 |
| Special Education | 363,080 | 356,273 | 377,818 | 411,831 | 417,478 | 410,947 | 436,865 | 428,787 | 433,709 | 438,123 |
| Other Special Education | 187,018 | 147,793 | 132,971 | 143,205 | 159,360 | 152,740 | 155,522 | 176,572 | 174,724 | 168,420 |
| Support Services | | | | | | | | | | |
| Tuition | 2,229,523 | 2,031,193 | 2,084,793 | 1,996,070 | 2,078,585 | 2,056,917 | 2,088,860 | 2,488,476 | 2,311,740 | 2,114,386 |
| Student and Instruction Related Services | 364,290 | 516,604 | 548,251 | 487,681 | 353,810 | 529,147 | 518,863 | 532,332 | 672,099 | 671,537 |
| General Administrative Services | 196,482 | 192,050 | 194,566 | 180,532 | 180,090 | 179,550 | 165,174 | 216,215 | 197,640 | 174,384 |
| School Administrative Services | 144,521 | 149,339 | 161,760 | 161,643 | 171,161 | 148,177 | 158,146 | 156,081 | 118,310 | 115,887 |
| Central Services and Administrative Info. Tech. | 114,946 | 123,709 | 128,008 | 121,797 | 119,188 | 133,449 | 133,441 | 137,554 | 126,137 | 117,853 |
| Plant Operations and Maintenance | 364,438 | 380,310 | 375,098 | 397,715 | 444,658 | 560,265 | 450,654 | 434,024 | 446,653 | 347,864 |
| Pupil Transportation | 435,180 | 370,171 | 369,543 | 334,941 | 348,789 | 377,295 | 390,306 | 419,370 | 415,328 | 440,296 |
| Unallocated Employee Benefits | 1,291,098 | 1,114,385 | 1,119,872 | 1,126,101 | 1,258,022 | 1,388,656 | 1,454,366 | 2,014,832 | 2,303,563 | 2,931,375 |
| Unallocated Depreciation Expense | 232,493 | 232,580 | 229,904 | 234,465 | 237,739 | 271,531 | 259,430 | 245,703 | 234,178 | 210,396 |
| Interest on Long-Term Debt | 108,844 | 92,399 | 75,130 | 64,488 | 42,144 | 23,046 | 14,817 | 14,341 | 11,756 | 10,013 |
| Amortization of Debt Issue Costs | 2,667 | 2,667 | 2,667 | 2,666 | 2,667 | | | | | |
| Total Governmental Activities Expenses | 7,664,376 | 7,317,472 | 7,514,610 | 7,276,307 | 7,690,783 | 7,922,326 | 8,050,613 | 8,991,565 | 9,300,352 | 9,616,513 |
| Business-Type Activities | | | | | | | | | | |
| Food Service | 126,633 | 123,612 | 122,974 | - | 89,050 | 150,999 | 135,311 | 131,097 | 119,239 | 172,001 |
| School Care | 24,985 | 30,654 | 33,165 | - | 47,466 | 38,839 | 42,006 | 46,044 | 40,650 | 42,336 |
| Total Business-Type Activities Expense | 151,618 | 154,266 | 156,139 | - | 136,516 | 189,838 | 177,317 | 177,141 | 159,889 | 214,337 |
| Total District Expenses | \$ 7,815,994 | 7,471,738 | 7,670,749 | 7,276,307 | 7,827,299 | 8,112,164 | 8,227,930 | 9,168,706 | 9,460,241 | 9,830,850 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Instruction (Tuition) | | | | | | | | | | |
| Pupil Transportation | | | | | | | | | | |
| Operating Grants and Contributions | | | | | | | | | | |
| | 761,526 | 531,570 | 606,172 | 566,557 | 609,289 | 673,978 | 657,949 | 692,932 | 835,596 | 882,543 |
| Total Governmental Activities Program Revenues | 761,526 | 531,570 | 606,172 | 566,557 | 609,289 | 673,978 | 657,949 | 692,932 | 835,596 | 882,543 |
| Business-Type Activities | | | | | | | | | | |
| Charges for Services | | | | | | | | | | |
| Food Service | | | | | | | | | | |
| School Care | | | | | | | | | | |
| Operating Grants and Contributions | | | | | | | | | | |
| | 63,707 | 70,786 | 69,766 | 90,236 | 89,050 | 88,063 | 83,633 | 77,410 | 77,458 | 78,162 |
| | 30,861 | 33,410 | 33,014 | 43,240 | 47,466 | 44,939 | 37,980 | 37,929 | 32,453 | 39,494 |
| | 37,977 | 47,130 | 46,829 | 40,589 | 51,717 | 63,686 | 57,377 | 66,957 | 62,536 | 64,915 |
| Total Business-Type Activities Program Revenues | 132,545 | 151,326 | 149,609 | 174,065 | 188,233 | 196,688 | 178,990 | 182,296 | 172,447 | 182,571 |
| Total District Program Revenues | \$ 894,071 | 682,896 | 755,781 | 740,622 | 797,522 | 870,666 | 836,939 | 875,228 | 1,008,043 | 1,065,114 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | \$ (6,902,850) | (6,785,902) | (6,908,438) | (6,709,750) | (7,081,494) | (7,248,348) | (7,392,664) | (8,298,633) | (8,464,756) | (8,733,970) |
| Business-Type Activities | (19,073) | (2,940) | (6,530) | 174,065 | 51,717 | 6,850 | 1,673 | 5,155 | 12,558 | (31,766) |
| Total District-Wide Net Expense | \$ (6,921,923) | (6,788,842) | (6,914,968) | (6,535,685) | (7,029,777) | (7,241,498) | (7,390,991) | (8,293,478) | (8,452,198) | (8,765,736) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities | | | | | | | | | | |
| Property Taxes Levied for General Purposes, Net \$ | | | | | | | | | | |
| Taxes Levied for Debt Service | | | | | | | | | | |
| Unrestricted Grants and Contributions | | | | | | | | | | |
| Investment Earnings | | | | | | | | | | |
| Tuition and Transportation Revenue | | | | | | | | | | |
| Miscellaneous Income | | | | | | | | | | |
| Fixed Asset Adjustment | | | | | | | | | | |
| Transfers and Other Adjustments | | | | | | | | | | |
| | 3,135,382 | 3,260,797 | 3,477,394 | 3,547,690 | 3,547,690 | 3,547,690 | 3,776,190 | 3,965,591 | 4,043,102 | 4,063,102 |
| | 296,338 | 295,169 | 301,906 | 335,168 | 330,656 | 324,813 | 67,800 | 70,353 | 71,600 | 72,800 |
| | 3,423,550 | 3,329,619 | 3,423,393 | 3,171,541 | 3,436,320 | 3,456,959 | 3,448,467 | 4,045,238 | 4,143,422 | 4,644,364 |
| | 15,733 | 4,540 | 2,255 | 3,090 | 2,930 | 3,075 | 4,094 | 4,339 | 4,704 | 4,959 |
| | 59,057 | 89,031 | 96,258 | 73,129 | 102,179 | 75,907 | 82,716 | 98,099 | 109,044 | 75,433 |
| | 44,763 | 36,200 | 31,151 | 41,695 | 48,714 | 36,606 | 91,761 | 59,942 | 59,597 | 57,823 |
| | (39,983) | | (9,621) | (5,756) | | | | | 6,226 | |
| Total Governmental Activities | 6,934,840 | 7,015,356 | 7,322,736 | 7,166,557 | 7,468,489 | 7,445,050 | 7,471,028 | 8,243,562 | 8,437,695 | 8,918,481 |
| Business-Type Activities | | | | | | | | | | |
| Transfer and Other Adjustments | | | | | | | | | | |
| Investment Earnings | | | | | | | | | | |
| | (5,724) | | (4,512) | 5,816 | 73 | 52 | 59 | 55 | 75 | 82 |
| | 29 | 37 | 22 | | | | | | | |
| Total Business-Type Activities | (5,695) | 37 | (4,490) | 5,816 | 73 | 52 | 59 | 55 | 75 | 82 |
| Total District-Wide | \$ 6,929,145 | 7,015,393 | 7,318,246 | 7,172,373 | 7,468,562 | 7,445,102 | 7,471,087 | 8,243,617 | 8,437,770 | 8,918,563 |
| Change in Net Position | | | | | | | | | | |
| Governmental Activities | \$ 31,990 | 229,454 | 414,298 | 456,807 | 386,995 | 196,702 | 78,364 | (55,071) | (27,061) | 184,511 |
| Business-Type Activities | (24,768) | (2,903) | (11,020) | 179,881 | 51,790 | 6,902 | 1,732 | 5,210 | 12,633 | (31,684) |
| Total District-Wide | \$ 7,222 | 226,551 | 403,278 | 636,688 | 438,785 | 203,604 | 80,096 | (49,861) | (14,428) | 152,827 |

Source: CAFR Schedule A-2

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

| | <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> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|
| General Fund | | | | | | | | | | |
| Restricted | \$ 71,776 | \$ 211,780 | \$ 482,484 | \$ 599,216 | \$ 567,091 | \$ | \$ | \$ | \$ | \$ |
| Capital Reserve | | | | | | 28,603 | 28,828 | 29,053 | 79,278 | 259,503 |
| Maintenance Reserve | | | | | | 100,000 | 200,000 | 200,000 | 300,000 | 300,000 |
| Excess Surplus | | | | | | 164,137 | 170,920 | 173,713 | 174,948 | 74,307 |
| Tuition Reserve | | | | | | 60,000 | 60,000 | 60,000 | 60,000 | 100,000 |
| Committed to Encumbrances | | | | | | 39,677 | 140,086 | 9,686 | 2,986 | 77,868 |
| Assigned: | | | | | | | | | | |
| Capital Reserve | | | | | | | | | | 70,000 |
| Tuition Reserve | | | | | | | | | | 60,000 |
| Excess surplus | | | | | | 165,076 | 164,137 | 170,920 | 173,713 | 174,948 |
| Designated fro Subsequent Year's Expenditures | | | | | | 4,002 | 5,165 | 6,796 | 6,075 | 5,469 |
| Unrestricted | 112,690 | 9,026 | (67,270) | (30,514) | (49,996) | (58,910) | (78,684) | (74,790) | (90,741) | (61,010) |
| Total General Fund | \$ 184,466 | \$ 220,806 | \$ 415,214 | \$ 568,702 | \$ 517,095 | \$ 502,585 | \$ 690,452 | \$ 575,378 | \$ 706,259 | \$ 1,061,085 |
| All Other Governmental Funds | | | | | | | | | | |
| Restricted | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Unrestricted, Reported in: | | | | | | | | | | |
| Special Revenue Fund (Deficit) | (787) | (1,650) | (1,650) | (1,650) | | (1,650) | (1,650) | (1,650) | (1,650) | (1,650) |
| Capital Projects Fund | 20,599 | | | | | | | 9,228 | | |
| Debt Service Fund | 2,600 | 1,800 | 1,800 | | | 47 | 1,247 | 1,200 | | 72,800 |
| Total All Other Governmental Funds | \$ 22,412 | \$ 150 | \$ 150 | \$ (1,650) | \$ | \$ (1,603) | \$ (403) | \$ 8,778 | \$ (1,650) | \$ 71,150 |

Source: CAFR Schedule B-1

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (UNAUDITED)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|--------------------|------------------|-------------------|-------------------|------------------|--------------------|-------------------|---------------------|-------------------|-------------------|
| Revenues | | | | | | | | | | |
| Tax Levy | \$ 3,431,720 | \$ 3,555,966 | \$ 3,779,300 | \$ 3,882,858 | \$ 3,878,346 | \$ 3,872,503 | \$ 3,843,990 | \$ 4,035,944 | \$ 4,114,702 | \$ 4,135,902 |
| Transportation | 40,802 | 53,884 | 32,689 | 32,079 | 57,450 | 54,703 | 61,094 | 63,780 | 72,348 | 51,111 |
| Tuition Charges | 18,255 | 35,147 | 63,569 | 41,050 | 44,729 | 21,204 | 21,622 | 34,319 | 36,696 | 24,322 |
| Interest Earnings | 15,733 | 4,540 | 2,255 | 3,090 | 2,930 | 3,075 | 4,094 | 4,339 | 4,704 | 4,959 |
| Rental | 15,000 | 36,200 | 31,231 | 32,448 | 33,096 | 33,758 | 51,600 | 52,632 | 57,446 | 52,632 |
| Miscellaneous | 29,763 | | | 9,247 | 15,618 | 2,848 | 40,161 | 7,310 | 2,151 | 5,191 |
| State Sources | 3,967,696 | 3,634,314 | 3,299,676 | 3,500,909 | 3,695,917 | 3,933,806 | 3,876,069 | 4,036,008 | 4,087,658 | 4,203,273 |
| Federal Sources | 217,380 | 226,875 | 729,889 | 237,189 | 349,692 | 197,131 | 230,347 | 201,702 | 240,105 | 221,270 |
| Total Revenues | 7,736,349 | 7,546,926 | 7,938,609 | 7,738,870 | 8,077,778 | 8,119,028 | 8,128,977 | 8,436,034 | 8,615,810 | 8,698,660 |
| Expenditures | | | | | | | | | | |
| Instruction | | | | | | | | | | |
| Regular Instruction | 1,629,796 | 1,607,999 | 1,714,229 | 1,613,172 | 1,877,092 | 1,690,606 | 1,824,169 | 1,727,278 | 1,854,515 | 1,875,979 |
| Special Education Instruction | 363,080 | 356,273 | 377,818 | 411,831 | 417,478 | 410,947 | 436,865 | 428,787 | 433,709 | 438,123 |
| Other Instruction | 187,018 | 147,793 | 132,971 | 143,205 | 159,360 | 152,740 | 155,522 | 176,572 | 174,724 | 168,420 |
| Support Services | | | | | | | | | | |
| Tuition | 2,229,523 | 2,031,193 | 2,084,793 | 1,996,070 | 2,078,585 | 2,056,917 | 2,088,860 | 2,488,476 | 2,311,740 | 2,114,386 |
| Student and Instruction Related Services | 364,290 | 516,604 | 548,251 | 487,681 | 353,810 | 529,147 | 518,863 | 532,332 | 672,099 | 671,537 |
| General Administrative Services | 196,482 | 192,050 | 194,566 | 185,055 | 189,590 | 188,050 | 175,982 | 232,298 | 203,376 | 174,384 |
| School Administrative Services | 144,521 | 149,339 | 166,084 | 161,643 | 171,935 | 148,177 | 158,146 | 156,081 | 118,310 | 115,887 |
| Central Services | 114,946 | 123,709 | 128,008 | 121,797 | 119,188 | 124,949 | 122,633 | 121,471 | 120,401 | 117,853 |
| Plant Operations and Maintenance | 364,438 | 380,310 | 375,098 | 397,715 | 444,658 | 560,265 | 450,654 | 434,024 | 446,653 | 347,864 |
| Pupil Transportation | 435,180 | 373,230 | 368,968 | 334,941 | 348,789 | 377,295 | 390,306 | 419,370 | 415,328 | 440,296 |
| Unallocated Employee Benefits | 1,281,828 | 1,106,804 | 1,089,304 | 1,129,930 | 1,247,963 | 1,369,357 | 1,444,553 | 1,484,315 | 1,555,479 | 1,684,683 |
| Capital Outlay | 27,366 | 210,876 | 228,328 | 92,574 | 164,034 | 98,728 | 301,381 | 270,523 | 122,449 | 121,622 |
| Debt Service | | | | | | | | | | |
| Principal | 375,000 | 390,000 | 415,000 | 440,000 | 450,000 | 460,000 | 60,000 | 65,000 | 70,000 | |
| Interest | 116,548 | 100,426 | 83,653 | 65,812 | 46,903 | 26,313 | 6,600 | 5,400 | 2,800 | |
| Total Expenditures | 7,830,016 | 7,686,606 | 7,907,071 | 7,581,426 | 8,069,385 | 8,193,491 | 8,134,534 | 8,541,927 | 8,501,583 | 8,271,034 |
| Excess (Deficiency) of Revenues | | | | | | | | | | |
| Over (Under) Expenditures | (93,667) | (139,680) | 31,538 | 157,444 | 8,393 | (74,463) | (5,557) | (105,893) | 114,227 | 427,626 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Cancellation of Prior Year Receivable | | | | | | | | | | |
| Transfer | | | | (5,756) | | | | | | |
| Capital Lease Proceeds | | | | | | | 194,624 | | | |
| Capital Leases (Non-Budgeted) | | 153,758 | 162,950 | | | | | | | |
| Adjustment to State Aid | | | | | | | | | 6,226 | |
| Total Other Financing Sources (Uses) | | 153,758 | 162,950 | (5,756) | | | 194,624 | | 6,226 | |
| Net Change in Fund Balances | \$ (93,667) | \$ 14,078 | \$ 194,488 | \$ 151,688 | \$ 8,393 | \$ (74,463) | \$ 189,067 | \$ (105,893) | \$ 120,453 | \$ 427,626 |
| Debt Service as a Percentage of | | | | | | | | | | |
| Noncapital Expenditures | 6.3% | 6.4% | 6.3% | 6.7% | 6.2% | 5.9% | 0.8% | 0.8% | 0.8% | 0.0% |

Source: CAFR Schedule B-2

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(UNAUDITED)

| Fiscal Year Ended June 30, | Interest on Investments | Tuition Revenue | Transportation | Sale of Assets | Rentals | Prior Year Adjustments | Utility Company Rebate | Misc. | Total |
|---|------------------------------------|----------------------------|-----------------------|---------------------------|----------------|---------------------------------------|---------------------------------------|--------------|--------------|
| 2017 | \$ 4,959 | \$ 24,322 | \$ 51,111 | \$ | \$ 52,632 | \$ | \$ | \$ 5,191 | \$ 138,215 |
| 2016 | 4,704 | 36,696 | 72,348 | | 57,446 | | | 2,151 | 173,345 |
| 2015 | 4,339 | 34,319 | 63,780 | | 52,632 | | | 7,310 | 162,380 |
| 2014 | 4,094 | 21,622 | 61,094 | | 51,600 | 898 | | 39,263 | 178,571 |
| 2013 | 3,075 | 21,204 | 54,703 | | 33,758 | | | 2,848 | 115,588 |
| 2012 | 2,930 | 44,729 | 57,450 | | 33,096 | 5,159 | | 10,459 | 153,823 |
| 2011 | 3,090 | 41,050 | 32,079 | | 32,448 | 977 | | 8,270 | 117,914 |
| 2010 | 2,255 | 63,569 | 32,689 | | 31,151 | | | | 129,664 |
| 2009 | 4,540 | 35,147 | 53,884 | | 36,200 | | | | 129,771 |
| 2008 | 15,733 | 18,255 | 40,802 | 2,369 | 15,000 | | | 27,394 | 119,553 |

Source: District Records

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
 (UNAUDITED)

| Fiscal Year Ended June 30, | Vacant Land | Residential | Farm Regular | Qfarm | Commercial | Industrial | Total Assessed Value | Public Utilities ^a | Net Valuation Taxable | Total Direct School Tax Rate ^b | Estimated Actual (County Equalized Value) |
|-----------------------------------|--------------------|--------------------|---------------------|---------------|-------------------|-------------------|-----------------------------|--------------------------------------|------------------------------|--|--|
| 2017 | \$ 7,735,201 | \$ 210,800,800 | \$ 83,397,000 | \$ 11,025,300 | \$ 23,794,400 | \$ 1,480,000 | \$ 338,232,701 | \$ 869,843 | \$ 339,102,544 | \$ 1.241 | \$ 316,341,845 |
| 2016 | 8,817,800 | 212,154,800 | 83,088,100 | 11,006,800 | 23,411,100 | 1,480,000 | 339,958,600 | 899,152 | 340,857,752 | 1.213 | 315,272,744 |
| 2015 | 8,898,400 | 213,983,700 | 82,275,100 | 10,961,500 | 23,411,100 | 1,480,000 | 341,009,800 | 915,624 | 341,925,424 | 1.204 | 304,697,278 |
| 2014 | 9,150,100 | 214,662,600 | 80,934,000 | 10,962,200 | 22,776,100 | 1,480,000 | 339,965,000 | 1,088,069 | 341,053,069 | 1.184 | 300,386,187 |
| 2013 | 9,270,100 | 214,371,400 | 80,722,000 | 10,947,700 | 23,024,800 | 1,480,000 | 339,816,000 | 1,226,464 | 341,042,464 | 1.128 | 306,252,213 |
| 2012 | 9,833,300 | 216,939,700 | 80,071,200 | 10,940,100 | 22,961,800 | 1,480,000 | 342,226,100 | 1,354,299 | 343,580,399 | 1.128 | 329,316,878 |
| 2011 | 9,974,400 | 218,658,600 | 78,941,600 | 10,913,400 | 21,761,000 | 1,480,000 | 341,729,000 | 1,437,138 | 343,166,138 | 1.129 | 363,172,724 |
| 2010 | 12,001,800 | 221,694,700 | 76,886,200 | 10,887,500 | 21,861,000 | | 343,331,200 | 1,725,480 | 345,056,680 | 1.120 | 358,641,421 |
| 2009 | 12,420,800 | 222,030,000 | 77,345,000 | 10,798,000 | 22,890,000 | | 345,483,800 | 1,809,844 | 347,293,644 | 1.088 | 362,404,388 |
| 2008 | 13,606,900 | 212,031,600 | 84,964,000 | 10,849,900 | 21,970,000 | | 343,422,400 | 1,564,914 | 344,987,314 | 1.004 | 324,799,697 |

Source: District records Tax list summary & Municipal Tax Assessor

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

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

b Tax rates are per \$100

c Estimate

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate Per \$100 of Assessed Value)
(UNAUDITED)**

| Year Ended June 30, | Upper Pittsgrove Township Board of Education | | | Overlapping Rates | | Total Direct and Overlapping Tax Rate |
|---------------------|--|--|---------------------------------------|---------------------------|--------------|---------------------------------------|
| | Basic Rate ^a | General Obligation Debt Service ^b | From J-6 Total Direct School Tax Rate | Upper Pittsgrove Township | Salem County | |
| 2017 | \$ 1.241 | \$ 0.000 | \$ 1.241 | \$ 0.173 | \$ 1.015 | \$ 2.429 |
| 2016 | 1.192 | 0.021 | 1.213 | 0.173 | 1.015 | 2.401 |
| 2015 | 1.183 | 0.021 | 1.204 | 0.169 | 0.891 | 2.264 |
| 2014 | 1.163 | 0.021 | 1.184 | 0.169 | 0.834 | 2.187 |
| 2013 | 1.033 | 0.095 | 1.128 | 0.147 | 0.873 | 2.148 |
| 2012 | 1.032 | 0.096 | 1.128 | 0.118 | 0.912 | 2.158 |
| 2011 | 1.032 | 0.097 | 1.129 | 0.099 | 0.872 | 2.100 |
| 2010 | 1.031 | 0.089 | 1.120 | 0.091 | 0.923 | 2.134 |
| 2009 | 0.998 | 0.090 | 1.088 | 0.076 | 0.936 | 2.100 |
| 2008 | 0.943 | 0.089 | 1.032 | 0.083 | 0.882 | 1.997 |

Source: District Records and Municipal Tax Collector

Note:

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

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

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
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 |
| Round About Equipment LLC | \$ 1,750,000 | 0.52% | \$ | |
| Third Garden Park Limited Partners | 1,950,000 | 0.58% | 1,650,000 | 0.48% |
| Atlantic City Electric Co | 1,480,000 | 0.44% | | |
| Taxpayer #1 | 1,884,400 | 0.56% | 2,000,000 | 0.58% |
| Larchmont Farms, Inc | 1,894,000 | 0.56% | 1,725,000 | 0.50% |
| Taxpayer #2 | 1,200,800 | 0.35% | 1,600,000 | 0.46% |
| NJ Bell Telephone | | | 1,564,914 | 0.45% |
| Bell Atlantic- New Jersey, Inc | 2,208,843 | 0.65% | 1,200,000 | 0.35% |
| Avis Garage Inc. | | | 1,025,000 | 0.30% |
| Farm-Rite | | | 1,000,000 | 0.29% |
| DWA LLC | | | 875,000 | 0.25% |
| Taxpayer #3 | | | 870,000 | 0.25% |
| R M Sickler Sons Farm, LLC | 1,488,000 | 0.44% | | |
| Holly View Corp % N Perlmutter | 1,171,000 | 0.35% | | |
| Wilson Brothers Farm Corp | 1,128,200 | 0.33% | | |
| Total | \$ 16,155,243 | 4.76% | \$ 13,509,914 | 3.91% |

Source: District CAFR & Municipal Tax Assessor

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

| <u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u> | <u>Taxes Levied</u> <u>for the Fiscal</u> <u>Year</u> | <u>Collected Within the Fiscal</u> <u>Year of the Levy</u> | | <u>Collections in</u> <u>Subsequent</u> <u>Years</u> |
|---|---|---|------------------|--|
| | | <u>Amount</u> | <u>% of Levy</u> | |
| 2017 | \$ 4,063,102 | \$ 4,063,102 | 100% | \$ |
| 2016 | 4,043,102 | 4,043,102 | 100% | |
| 2015 | 3,965,591 | 3,965,591 | 100% | |
| 2014 | 3,776,190 | 3,776,190 | 100% | |
| 2013 | 3,872,503 | 3,872,503 | 100% | |
| 2012 | 4,114,702 | 4,114,702 | 100% | |
| 2011 | 3,882,858 | 3,882,858 | 100% | |
| 2010 | 3,779,300 | 3,779,300 | 100% | |
| 2009 | 3,555,966 | 3,555,966 | 100% | |
| 2008 | 3,431,720 | 3,431,720 | 100% | |

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

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

| Fiscal Year Ended June 30, | Governmental Activities | | | Business-Type Activities | Total District | Percentage of | |
|----------------------------------|---|-------------------|--------------------------------------|-----------------------------|----------------|---------------------------------|-------------------------|
| | General Obligation Bonds ^b | Capital Leases | Bond Anticipation Notes (BANs) | Capital Leases | | Personal Income ^a | Per Capita ^a |
| 2017 | \$ | \$ 60,427 | \$ | \$ | \$ 60,427 | 0.04% | \$ 18 |
| 2016 | | | | | 127,190 | 0.09% | 37 |
| 2015 | 70,000 | 210,912 | | | 280,912 | 0.19% | 81 |
| 2014 | 135,000 | 291,532 | | | 426,532 | 0.29% | 123 |
| 2013 | 195,000 | 161,187 | | | 356,187 | 0.25% | 103 |
| 2012 | 655,000 | 127,189 | | | 782,189 | 0.55% | 224 |
| 2011 | 1,105,000 | 301,542 | | | 1,406,542 | 0.99% | 402 |
| 2010 | 1,545,000 | 380,133 | | | 1,925,133 | 1.33% | 523 |
| 2009 | 1,960,000 | 122,931 | | | 2,082,931 | 1.48% | 574 |
| 2008 | 2,350,000 | 154,962 | | | 2,504,962 | 1.83% | 711 |

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

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

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
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 | | | |
| 2017 | \$ | \$ | \$ | \$ | |
| 2016 | | | | | |
| 2015 | 70,000 | | 70,000 | 0.02% | 20 * |
| 2014 | 135,000 | | 135,000 | 4.00% | 39 |
| 2013 | 195,000 | | 195,000 | 0.06% | 56 |
| 2012 | 655,000 | | 655,000 | 0.20% | 188 |
| 2011 | 1,105,000 | | 1,105,000 | 0.30% | 316 |
| 2010 | 1,545,000 | | 1,545,000 | 0.45% | 441 |
| 2009 | 1,960,000 | | 1,960,000 | 0.56% | 546 |
| 2008 | 2,350,000 | | 2,350,000 | 0.68% | 654 |

* Estimate

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

a See Exhibit NJ J-6 for property tax data.

b Population data can be found in Exhibit NJ J-14.

If a district has resources that are restricted to repaying the principal of debt outstanding, these amounts should be shown in a separate column "Deductions" and be subtracted from the total, and the schedule should be named ratios of net general bonded debt outstanding.

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
(UNAUDITED)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> a | <u>Estimated Share of Overlapping Debt</u> |
|---|-------------------------|--|--|
| Debt repaid with property taxes | | | |
| Upper Pittsgrove Township | \$ - | 100% | \$ - |
| Salem County | 39,534,364 | 6.47% | 2,557,391 |
| Other debt | | | |
| Subtotal, Overlapping Debt | | | 2,557,391 |
| Upper Pittsgrove Township School District Direct Debt | | | b - |
| Total Direct and Overlapping Debt | | | \$ 2,557,391 |

Sources: Upper Pittsgrove Township Finance Officer, Salem County Finance Office

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

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

b Includes Capital Leases

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
 (UNAUDITED)

Legal Debt Margin Calculation for Fiscal Year 2016

| | |
|---|-----------------------------|
| | Equalized Valuation Basis |
| 2016 | \$ 317,956,042 |
| 2015 | 316,247,612 |
| 2014 | 300,951,075 |
| | [A] \$ 935,154,729 |
| Average Equalized Valuation of Taxable Property | [A/3] \$ 311,718,243 |
| Debt Limit (3% of Average Equalization Value) | [B] 9,351,547 a |
| Net Bonded School Debt | [C] - |
| Legal Debt Margin | [B-C] \$ 9,351,547 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|--------------|--------------|---------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|
| Debt Limit | \$ 6,331,177 | \$ 9,887,914 | \$ 10,328,012 | \$ 10,365,246 | \$ 10,096,895 | \$ 6,361,536 | \$ 9,331,696 | \$ 9,052,822 | \$ 9,142,147 | \$ 9,351,547 |
| Total Net Debt Applicable to Limit | 2,350,000 | 1,960,000 | 1,545,000 | 1,105,000 | 655,000 | 195,000 | 135,000 | 70,000 | | |
| Legal Debt Margin | \$ 3,981,177 | \$ 7,927,914 | \$ 8,783,012 | \$ 9,260,246 | \$ 9,441,895 | \$ 6,166,536 | \$ 9,196,696 | \$ 8,982,822 | \$ 9,142,147 | \$ 9,351,547 |
| Total Net Debt Applicable to the Limit as a Percentage of Debt Limit | 37.1% | 19.8% | 15.0% | 10.7% | 6.5% | 3.1% | 1.4% | 0.8% | 0.0% | 0.0% |

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

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

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)**

| Year | Population ^a | Personal Income (thousands of dollars) ^b | Per Capita Personal Income ^c | Unemployment Rate ^d |
|-------------|--------------------------------|--|--|---|
| 2017 | ** 3,371 | \$ 152,350,695 | \$ 45,195 | 4.10% |
| 2016 | 3,390 | 151,119,966 | 44,747 | 4.90% |
| 2015 | 3,423 | 151,652,592 | 44,304 | 5.80% |
| 2014 | 3,436 | 149,562,676 | 42,850 | 6.70% |
| 2013 | 3,455 | 142,560,210 | 41,262 | 8.80% |
| 2012 | 3,486 | 142,288,062 | 40,817 | 9.70% |
| 2011 | 3,495 | 142,658,910 | 40,818 | 8.90% |
| 2010 | 3,500 | 138,110,000 | 39,460 | 11.90% |
| 2009 | 3,590 | 139,345,850 | 38,815 | 4.40% |
| 2008 | 3,595 | 139,816,740 | 38,892 | 2.50% |

** Estimate

Source:

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

^b Personal income

^c Per Capita

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

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
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 Employment</u> | <u>Employees</u> | <u>Percentage of Total Employment</u> |
| PSEG Nuclear | 1,500 | 2.28% | | |
| El duPont | 685 | 1.04% | | |
| Mannington Mills | 800 | 1.22% | | |
| Memorial Hospital of Salem County | 720 | 1.09% | | NOT AVAILABLE |
| RE Pierson Construction | 400 | 0.61% | | |
| Anchor Glass | 376 | 0.57% | | |
| McLane NJ | 401 | 0.61% | | |
| Inspira Health Network | 400 | 0.61% | | |
| Walmart | 250 | 0.38% | | |
| B & B Poultry Co., Inc | 175 | 0.27% | | |
| Atlantis Rehabilitation | 170 | 0.26% | | |
| Southgate Healthcare Center | 170 | 0.26% | | |
| Home Care & Hospice Care of SJ | 160 | 0.24% | | |
| Ross Fogg Fuel Oil, Inc. | 160 | 0.24% | | |
| CFJ Properties | 150 | 0.23% | | |
| Larchmont Farms | 275 | 0.42% | | |
| Salem County College | 180 | 0.27% | | |

Source: Salem County Economic Resource Guide

* Salem County

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
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 | 31.0 | 31.0 | 31.0 | 30.0 | 25.5 | 25.5 | 30 | 30 | 27 | 29 |
| Special Education | 9.0 | 9.0 | 9.0 | 6.0 | 13.0 | 12.0 | 6.0 | 5.0 | 6.0 | 5.0 |
| Other Special Education | 3.0 | 3.0 | 3.0 | 0.0 | | | | | | |
| Other Instruction | | | | | | | | | 2.0 | 3.0 |
| Support Services: | | | | | | | | | | |
| Tuition | | | | | | | | | | |
| Student & Instruction Related Services | 11.0 | 11.0 | 11.0 | 9.0 | 7.2 | 7.3 | 11 | 10 | 9.0 | 8.0 |
| General Administrative Services | 4.0 | 4.0 | 4.0 | 4.0 | 3.6 | 3.6 | 3.6 | 3.6 | 3.0 | 3.0 |
| School Administrative Services | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 2.0 | 2.0 |
| Business Administrative Services | | | | | | | 3 | | | |
| Plant Operations and Maintenance | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 8.5 | 8.5 | 3.0 | 3.0 |
| Pupil Transportation | 8.5 | 8.5 | 8.0 | 8.0 | 8.0 | 8.0 | | | 2.0 | 2.0 |
| Food Service | | | | | | | | | 7.0 | 0.0 |
| Total | 70.0 | 70.0 | 69.5 | 60.5 | 60.9 | 60.0 | 62.7 | 57.7 | 61.0 | 55.0 |

Source: District Personnel Records

UPPER PITTSBURGH TOWNSHIP SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
 (UNAUDITED)

| Fiscal Year | Enrollment | Operating Expenditures ^a | Cost Per Pupil | Percentage Change | Teaching Staff ^b | Pupil/Teacher Ratio | | Average Daily Enrollment (ADE) ^c | Average Daily Attendance (ADA) ^c | % Change in Average Daily Enrollment | Student Attendance Percentage |
|-------------|------------|-------------------------------------|----------------|-------------------|-----------------------------|---------------------|---------------|---|---|--------------------------------------|-------------------------------|
| | | | | | | Elementary | Middle School | | | | |
| 2017 | 339 | \$ 8,149,412 | \$ 24,040 | 0.08 | 37.0 | 11.7 : 1 | 10.1 : 1 | 339.3 | 322.7 | -5.038% | 95.11% |
| 2016 | 338 | 8,306,334 | 24,575 | 0.10 | 33.0 | 8.7:1 | 11:4:1 | 354.0 | 329.3 | -0.924% | 93.02% |
| 2015 | 367 | 8,201,004 | 22,346 | 0.14 | 35.0 | 8.5:1 | 6.5:1 | 357.3 | 333.9 | 1.853% | 93.45% |
| 2014 | 373 | 7,766,553 | 20,822 | 0.06 | 36.0 | 8.6:1 | 6.5:1 | 350.8 | 335.4 | -3.890% | 95.61% |
| 2013 | 388 | 7,608,450 | 19,609 | 0.00 | 37.5 | 9.5 : 1 | 7.5 : 1 | 365.0 | 354.2 | 10.539% | 97.04% |
| 2012 | 379 | 7,408,448 | 19,547 | 0.08 | 38.5 | 9.72 : 1 | 9.71 : 1 | 330.2 | 315.6 | -12.738% | 95.58% |
| 2011 | 383 | 6,920,489 | 18,069 | 0.04 | 37 | 6.3 : 1 | 4 : 1 | 378.4 | 361.2 | -3.247% | 95.45% |
| 2010 | 415 | 7,180,090 | 17,301 | (0.02) | 43 | 11.6 : 1 | 10.4 : 1 | 391.1 | 373.1 | 0.205% | 95.40% |
| 2009 | 395 | 6,985,304 | 17,684 | (0.08) | 43 | 11 : 1 | 10 : 1 | 390.3 | 374.0 | 1.193% | 95.82% |
| 2008 | 381 | 7,311,102 | 19,189 | 0.15 | 39 | 11 : 1 | 9 : 1 | 385.7 | 368.7 | -6.9032% | 95.59% |

Sources: District records, ASSA and Schedules J-12, J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-4
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>District Building</u> | | | | | | | | | | |
| <u>Elementary</u> | | | | | | | | | | |
| Square Feet | 64,828 | 64,828 | 64,828 | 64,828 | 64,828 | 64,828 | 64,828 | 64,828 | 64,828 | 64,828 |
| Capacity (students) | 375 | 375 | 375 | 375 | 375 | 375 | 375 | 375 | 375 | 375 |
| Enrollment | 381 | 395 | 415 | 383 | 379 | 388 | 373 | 367 | 338 | 339 |

Number of Schools at June 30, 2017
Elementary = 1

Source: District records, ASSA

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
(UNAUDITED)

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

| <u>School Facilities</u> | <u>Gross Square Footage</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|----------------------------------|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Upper Pittsgrove Township School | 64,828 | \$ 61,834 | \$ 55,093 | \$ 48,103 | \$ 37,282 | \$ 43,219 | \$ 42,917 | \$ 24,775 | \$ 25,061 | \$ 26,414 | \$ 32,053 |
| Total School Facilities | | <u>61,834</u> | <u>55,093</u> | <u>48,103</u> | <u>37,282</u> | <u>43,219</u> | <u>42,917</u> | <u>24,775</u> | <u>25,061</u> | <u>26,414</u> | <u>32,053</u> |
| Other Facilities | | | | | | | | | | | |
| Grand Total | | <u>\$ 61,834</u> | <u>\$ 55,093</u> | <u>\$ 48,103</u> | <u>\$ 37,282</u> | <u>\$ 43,219</u> | <u>\$ 42,917</u> | <u>\$ 24,775</u> | <u>\$ 25,061</u> | <u>\$ 26,414</u> | <u>\$ 32,053</u> |

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
 (UNAUDITED)

| Company | Type of Coverage | Coverage | Deductible |
|--|---|---------------|------------|
| NJ School Board Assoc Insurance Group | Property Blanket Building & Contents | \$ 17,406,362 | \$ 5,000 |
| | Commercial Inland Marine Blanket Hardware and Software | 520,000 | 1,000 |
| | Commercial General Liability | | |
| | Products Completed Operations Aggregate Limit | 6,000,000 | 1,000 |
| | Personal and Advertising Injury Limit | 6,000,000 | |
| | Bodily Injury & Property Damage | 6,000,000 | |
| | Boiler and Machinery Section | | |
| | Limit per Accident for Property Damage and Business Income | 100,000,000 | 5,000 |
| | Commercial Crime Section | | |
| | Employee Dishonesty Coverage | 100,000 | 1,000 |
| | Commercial Automobile/General Liability | | |
| | Combined Single Limit | 6,000,000 | 1,000 |
| | Board of Education Legal Liability | | |
| | Aggregate for Each Annual Policy Year | 6,000,000 | |
| | Insured Retained Limit (each loss) | 5,000 | |
| Workmen's' Compensation | | | |
| Bodily Injury - Each Accident/Disease | 2,000,000 | | |
| Bodily Injury - Each Employee | 2,000,000 | | |
| Maximum Coverage | 2,000,000 | | |
| Student Accident Policies | | | |
| United States Fire Insurance Company | Catastrophic Medical Expense - Max Benefit Amount | 5,000,000 | 25,000 |
| | Catastrophic Cash Benefit - Max Benefit Amount | 500,000 | |
| Berkley Insurance Co. | Compulsory - Maximum Benefit Amount | | |
| Ohio Casualty Insurance Company | Surety Bonds | | |
| | Treasurer | 185,000 | |
| | Business Administrator | 35,000 | |

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

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

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Upper Pittsgrove Township School District
County of Salem, New Jersey 08079

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 Board of Education of the Upper Pittsgrove Township School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board of Education of the Upper Pittsgrove Township's basic financial statements and have issued our report thereon dated October 27, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Pittsgrove Township Board of Education's internal control over financial reporting 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 Upper Pittsgrove Township Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Upper Pittsgrove Township Board of Education's internal control over financial reporting.

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

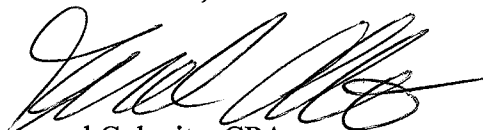
Purpose of this Report

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

This report is intended solely for the information and use of management, the Upper Pittsgrove Township Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
October 27, 2017

NIGHTLINGER, COLAVITA & VOLPA

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND NEW JERSEY OMB CIRCULAR 15-08

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Education
Upper Pittsgrove Township School District
County of Salem, New Jersey 08079

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Upper Pittsgrove Township School District, in the County of Salem, State of New Jersey, compliance with the types of compliance requirements described in the *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Upper Pittsgrove Township School District's major federal and state programs for the fiscal year ended June 30, 2017. The Upper Pittsgrove Township Board of Education's 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 statutes, regulations, and the terms and conditions of its grants applicable to each of its major federal and state programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of Upper Pittsgrove Township Board of Education's compliance with those requirements.

Opinion on Each Major Program

In our opinion, the Board of Education of the Upper Pittsgrove Township School District, in the County of Salem, State of New Jersey, complied, in all material respects, with the 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.

Report on Internal Control Over Compliance

Management of the Upper Pittsgrove Township School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to major federal and state programs. In planning and performing our audit, we considered Upper Pittsgrove Township Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB 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 Upper Pittsgrove Township School District Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major 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.

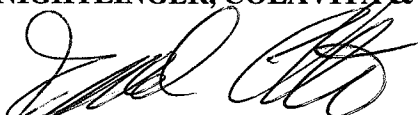
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above or any instance of deficiency in internal control over compliance that we have to report to the Board of Education in a separate report entitled *Auditors' Management Report on Administrative Findings-Financial, Compliance and Performance* dated October 27, 2017. 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 Uniform Guidance and New Jersey OMB 15-08.

This report is intended solely for the information and use of the audit committee, management, the Upper Pittsgrove Township Board of Education, the New Jersey State Department of Education, other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA


Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
October 27, 2017

**TOWNSHIP OF UPPER PITTSBURGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

| Federal Grantor/Pass-Through Grantor/ Program Title | Federal CFDA Number | Federal FAIN Number | Grant or State Project Number | Program or Award Amount | Grant Period | | Balance at June 30, 2016 | | Carryover/ (Walkover) Amount | Cash Received | Budgetary Expenditures Pass Through Funds | Budgetary Expenditures Direct | Total Budgetary Expenditures (A) | Adjusmt | Balance at June 30, 2017 | | |
|--|---------------------------|---------------------------|-------------------------------------|----------------------------------|--------------|---------|--------------------------|---------------------|------------------------------------|------------------|---|-------------------------------------|--|---------|--------------------------|---------------------|-------------------|
| | | | | | From | To | (Accounts Receivable) | Unearned Revenue | | | | | | | (Accounts Receivable) | Unearned Revenue | Due to Grantor |
| U.S. Department of Education | | | | | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | | | | | |
| Special Revenue Fund: | | | | | | | | | | | | | | | | | |
| Title I, Part A | 84.010A | S010A160030 | NCLB532017 | \$ 80,970 | 7/1/16 | 6/30/17 | | | | \$80,970 | (\$80,970) | | (\$80,970) | | | | |
| Title I, Part A | 84.010A | S010A150030 | NCLB532016 | 83,192 | 7/1/15 | 6/30/16 | (\$38,831) | | | 38,831 | | | | | | | |
| Title II, Part A | 84.367A | S367A160029 | NCLB532017 | 6,327 | 7/1/16 | 6/30/17 | | | | 6,327 | (6,327) | | | | | | |
| Title II, Part A | 84.367A | S367A150029 | NCLB532016 | 7,504 | 7/1/15 | 6/30/16 | (3,514) | | | 3,514 | | | | | | | |
| IDEA Cluster: | | | | | | | | | | | | | | | | | |
| I.D.E.A. Part B, Basic Regular | 84.027 | H027A160100 | IDEA532017 | 99,745 | 7/1/16 | 6/30/17 | | | | 99,745 | (99,745) | | | | | | |
| I.D.E.A. Part B, Pre-School | 84.173 | H173A160114 | IDEA532017 | 3,584 | 7/1/16 | 6/30/17 | | | | 3,584 | (3,584) | | | | | | |
| REAP | 84.358A | S358A153592 | REAP532016 | 30,644 | 7/1/15 | 9/30/16 | | | | 30,644 | (30,644) | | | | | | |
| REAP | 84.358A | S358A143592 | REAP532015 | 31,232 | 7/1/14 | 9/30/15 | (23,742) | | | 23,742 | | | | | | | |
| Total Special Revenue Fund | | | | | | | (66,087) | | | 287,357 | (221,270) | | (221,270) | | | | |
| U.S. Department of Agriculture | | | | | | | | | | | | | | | | | |
| Passed-through State Department of Education: | | | | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | | | | |
| Non-Cash Assistance: | | | | | | | | | | | | | | | | | |
| Food Distribution Program | 10.565 | Unknown | N/A | 12,651 | 7/1/16 | 6/30/17 | | | | 12,651 | (10,563) | | (10,563) | | | | \$2,088 |
| Food Distribution Program | 10.565 | Unknown | N/A | 12,678 | 7/1/15 | 6/30/16 | | \$2,250 | | | (2,250) | | (2,250) | | | | |
| Child Nutrition Cluster: | | | | | | | | | | | | | | | | | |
| Cash Assistance: | | | | | | | | | | | | | | | | | |
| National School Lunch Program | 10.555 | 171NJ304N1099 | N/A | 39,903 | 7/1/16 | 6/30/17 | | | | 37,828 | (39,903) | | (39,903) | | | | (\$2,075) |
| National School Lunch Program | 10.555 | 16161NJ304N1099 | N/A | 36,984 | 7/1/15 | 6/30/16 | (1,823) | | | 1,823 | | | | | | | |
| School Breakfast Program | 10.553 | 171NJ304N1099 | N/A | 11,086 | 7/1/16 | 6/30/17 | | | | 10,417 | (11,086) | | (11,086) | | | | (669) |
| School Breakfast Program | 10.553 | 16161NJ304N1099 | N/A | 12,802 | 7/1/15 | 6/30/16 | (848) | | | 848 | | | | | | | |
| Total Enterprise Fund | | | | | | | (2,671) | 2,250 | | 63,567 | (63,802) | | (63,802) | | | (2,744) | 2,088 |
| Total Federal Financial Awards | | | | | | | (\$68,758) | \$2,250 | | \$350,924 | (\$285,072) | | (\$285,072) | | | (\$2,744) | \$2,088 |

(A) There were no awards passed through to sub-recipients.

See accompanying notes to schedules of financial assistance

These funds were not audited in accordance with the Uniform Guidance since the total of all grant expenditures did not exceed \$750,000.

TOWNSHIP OF UPPER PITTSBURGH SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

| State Grantor/Program Title | Grant or State Project Number | Program or Award Amount | Grant Period From To | | Balance at June 30, 2016 | | | Balances at June 30, 2017 | | | MEMO | | | |
|--|-------------------------------|-------------------------|----------------------|---------|--|----------------|---------------------|---------------------------|------------|-----------------------|-------------------------------------|----------------|----------------------|-------------------------------|
| | | | | | Unearned Revenue (Accounts Receivable) | Due to Grantor | Cash Received | Budgetary Expenditures | Adjustment | (Accounts Receivable) | Unearned Revenue/ Interfund Payable | Due to Grantor | Budgetary Receivable | Cumulative Total Expenditures |
| State Department of Education | | | | | | | | | | | | | | |
| General Fund: | | | | | | | | | | | | | | |
| Equalization Aid | 17-495-034-5120-078 | \$2,602,252 | 7/2/16 | 6/30/17 | | | \$ 2,344,451 | \$(2,602,252) | | (\$257,801) | \$ | * | \$257,801 | \$ 2,602,252 |
| Equalization Aid | 16-495-034-5120-078 | 2,602,252 | 7/2/15 | 6/30/16 | (\$257,256) | | 257,256 | | | | | | | |
| Special Education Categorical Aid | 17-495-034-5120-089 | 300,139 | 7/1/16 | 6/30/17 | | | 270,405 | (300,139) | | (29,734) | | * | 29,734 | 300,139 |
| Special Education Categorical Aid | 16-495-034-5120-089 | 300,139 | 7/1/15 | 6/30/16 | (29,672) | | 29,672 | | | | | | | |
| Transportation Aid | 17-495-034-5120-014 | 316,928 | 7/1/16 | 6/30/17 | | | 285,530 | (316,928) | | (31,398) | | * | 31,398 | 316,928 |
| Transportation Aid | 16-495-034-5120-014 | 316,928 | 7/1/15 | 6/30/16 | (31,331) | | 31,331 | | | | | | | |
| Security Aid | 17-495-034-5120-084 | 55,469 | 7/1/16 | 6/30/17 | | | 49,974 | (55,469) | | (5,495) | | * | 5,495 | 55,469 |
| Security Aid | 16-495-034-5120-084 | 55,469 | 7/1/15 | 6/30/16 | (5,484) | | 5,484 | | | | | | | |
| School Choice | 17-495-034-5120-068 | 163,240 | 7/1/16 | 6/30/17 | | | 147,068 | (163,240) | | (16,172) | | * | 16,172 | 163,240 |
| School Choice | 16-495-034-5120-068 | 142,835 | 7/1/15 | 6/30/16 | (17,752) | | 17,752 | | | | | | | |
| Under Adequacy Aid | 17-495-034-5120-096 | 37,291 | 7/1/16 | 6/30/17 | | | 33,597 | (37,291) | | (3,694) | | * | 3,694 | 37,291 |
| Under Adequacy Aid | 16-495-034-5120-096 | 37,291 | 7/1/15 | 6/30/16 | (3,687) | | 3,687 | | | | | | | |
| PARCC Readiness Aid | 17-495-034-5120-098 | 5,200 | 7/1/16 | 6/30/17 | | | 4,685 | (5,200) | | (515) | | * | 515 | 5,200 |
| PARCC Readiness Aid | 16-495-034-5120-098 | 5,200 | 7/1/15 | 6/30/16 | (514) | | 514 | | | | | | | |
| Per Pupil Growth Aid | 17-495-034-5120-097 | 5,200 | 7/1/16 | 6/30/17 | | | 4,685 | (5,200) | | (515) | | * | 515 | 5,200 |
| Per Pupil Growth Aid | 16-495-034-5120-097 | 5,200 | 7/1/15 | 6/30/16 | (514) | | 514 | | | | | | | |
| Additional Adjustment Aid | 17-495-034-5120-085 | 16,324 | 7/1/16 | 6/30/17 | | | 14,707 | (16,324) | | (1,617) | | * | 1,617 | 16,324 |
| Professional Learning Comm Aid | 17-495-034-5120-101 | 4,400 | 7/1/16 | 6/30/17 | | | 3,964 | (4,400) | | (436) | | * | 436 | 4,400 |
| Nonpublic Transportation Aid | 17-495-034-5120-014 | 5,469 | 7/1/16 | 6/30/17 | | | 5,469 | (5,469) | | (5,469) | | * | | 5,469 |
| Nonpublic Transportation Aid | 16-495-034-5120-014 | 5,469 | 7/1/15 | 6/30/16 | (5,469) | | 5,469 | | | | | | | |
| Extraordinary Aid | 17-495-034-5120-244 | 30,898 | 7/1/16 | 6/30/17 | | | | (30,898) | | (30,898) | | * | | 30,898 |
| Reimbursed TPAF Social Security Contrib. | 17-495-034-5094-003 | 176,938 | 7/1/16 | 6/30/17 | | | 176,527 | (176,938) | | (411) | | * | | 176,938 |
| Reimbursed TPAF Social Security Contrib. | 16-495-034-5094-003 | 176,138 | 7/1/15 | 6/30/16 | (817) | | 817 | | | | | | | |
| Total General Fund | | | | | (352,496) | | 3,688,089 | (3,719,748) | | (384,155) | | | 347,377 | 3,719,748 |
| Special Revenue Fund: | | | | | | | | | | | | | | |
| Preschool Education Aid | 17-495-034-5120-086 | 16,500 | 7/1/16 | 6/30/17 | | | 14,850 | (16,500) | | (1,650) | | * | 1,650 | 16,500 |
| Preschool Education Aid | 16-495-034-5120-086 | 16,500 | 7/1/15 | 6/30/16 | (1,650) | | 1,650 | | | | | | | |
| Total Special Revenue Fund | | | | | (1,650) | | 16,500 | (16,500) | | (1,650) | | | 1,650 | 16,500 |
| State Department of Agriculture | | | | | | | | | | | | | | |
| Enterprise Fund: | | | | | | | | | | | | | | |
| State School Lunch Program | 17-100-010-3350-023 | 1,113 | 7/1/16 | 6/30/17 | | | 1,057 | (1,113) | | (56) | | * | | 1,113 |
| State School Lunch Program | 16-100-010-3350-023 | 1,104 | 7/1/15 | 6/30/16 | (52) | | 52 | | | | | | | |
| Total Enterprise Fund | | | | | (52) | | 1,109 | (1,113) | | (56) | | | | 1,113 |
| Total State Financial Assistance Subject to OMB 15-08 | | | | | \$ (354,198) | | \$ 3,705,698 | \$(3,737,361) | | \$ (385,861) | \$ | | \$ 349,027 | \$ 3,737,361 |
| State Financial Assistance Not Subject to OMB 15-08 | | | | | | | | | | | | | | |
| On Behalf TPAF Pension Contribution | 17-495-034-5094-002 | 255,197 | 7/1/16 | 6/30/17 | | | \$ 255,197 | \$(255,197) | | | | | | |
| On Behalf TPAF Post Retire Med'l. Contrib | 17-495-034-5094-001 | 212,638 | 7/1/16 | 6/30/17 | | | 212,638 | (212,638) | | | | | | |
| On Behalf TPAF LTDI (non-budgeted) | 17-495-034-5094-004 | 357 | 7/1/16 | 6/30/17 | | | 357 | (357) | | | | | | |
| Total State Financial Assistance | | | | | | | \$ 4,173,890 | \$(4,205,553) | | | | | | |

See accompanying notes to schedules of financial assistance

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2017

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The District has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A., 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June 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, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,167) for the general fund and \$0 for the special revenue fund. See Note 1 (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 basic financial statements on a GAAP basis as presented on the following page:

UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2017
(Continued)

| | <u>Federal</u> | <u>State</u> | <u>Total</u> |
|----------------------------|-------------------|---------------------|---------------------|
| General Fund | \$ | \$ 4,186,773 | \$ 4,186,773 |
| Special Revenue Fund | 221,270 | 16,500 | 237,770 |
| Food Service Fund | <u>63,802</u> | <u>1,113</u> | <u>64,915</u> |
| Total Financial Assistance | \$ <u>285,072</u> | \$ <u>4,204,386</u> | \$ <u>4,489,458</u> |

NOTE 4: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5: FEDERAL AND STATE LOANS OUTSTANDING

The District did not have any outstanding loans.

NOTE 6: OTHER

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

NOTE 7: SCHOOLWIDE PROGRAM FUNDS

As the District's Federal Programs are on a targeted student group basis, there are no schoolwide programs in the District.

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified? _____ yes X none reported

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

Federal Awards N/A

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes _____ no
- 2) Significant deficiencies identified? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section .516(a) of Uniform Guidance? _____ yes _____ no

| CFDA Number(s) | FAIN Number(s) | Name of Federal Program or Cluster |
|----------------|----------------|------------------------------------|
|----------------|----------------|------------------------------------|

No Major Programs

Dollar threshold used to distinguish between type A and type B programs (section .518): N/A

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

**UPPER PITTSBORO TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

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

State Awards

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

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

2) Significant deficiencies identified that are not considered to be material weaknesses? yes X none reported

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

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

Identification of major programs:

GMIS Number(s)

Name of State Program

17-495-034-5120-078

Equalization Aid

17-495-034-5120-089

Special Education Categorical Aid

17-495-034-5120-084

Security Aid

17-495-034-5120-068

School Choice Aid

17-495-034-5120-096

Under Adequacy Aid

17-495-034-5120-098

PARCC Readiness Aid

17-495-034-5120-097

Per Pupil Growth Aid

17-495-034-5120-014

Transportation Aid

17-495-034-5120-085

Additional Adjustment Aid

17-495-034-5120-101

Professional Learning Community Aid

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

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Circular 15-08 audit.

Finding: There were no matters to be reported.

Criteria or specific requirement:

Condition:

Context:

Effect:

Cause:

Recommendation:

Management's response:

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

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

This section identifies the audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, as applicable, for State Financial Assistance.

FEDERAL AWARDS

NONE

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Effect:

Cause:

Recommendation:

Management's response:

STATE AWARDS

NONE

Information on the state program:

Finding:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a)(b) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

Finding: 2016-1

Condition: Net cash resources in the Food Service Fund exceeded three months average expenditures.

Current Status: Resolved