

SCHOOL DISTRICT
OF
WASHINGTON BOROUGH

Washington Borough School District
Board of Education
Washington, Warren County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Washington Borough School District

Board of Education

Washington, New Jersey

For the Fiscal Year Ending June 30, 2017

Prepared by

Washington Borough School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

WASHINGTON BOROUGH PUBLIC SCHOOLS
Lance S. Rozsa, Superintendent of Schools
Tim Mantz, Business Administrator

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Tel (908) 689-0241 ~ Fax (908) 689-8269
Taylor Street School ~ 16-24 Taylor Street ~ Washington, NJ 07882
Tel (908) 689-0091 ~ Fax (908) 689-8273

Honorable President and
Members of the Board of Education
Washington Borough School District
Warren County, Washington, N.J. 07882

November, 2017

Dear Board Members:

The comprehensive annual financial report of the Washington Borough School District for the fiscal year ended June 30, 2017 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material aspects and is reported in a manner designed to fairly present the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introduction, financial, statistical, and single audit. The introductory section includes this transmittal letter, the District's organizational chart, and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report there on. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. This District is required to under go an annual single audit in conformity with the provisions of the single Audit Action of 1996 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments" and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aide Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws, regulations, findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** Washington Borough School District is an independent reporting entity within the criteria adopted by the GASB as

established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Washington Borough Board of Education and all of its schools constitute the District's reporting entity.

The District provided a full range of educational services appropriate to grade level K through 6. This included regular, as well as special education for handicapped youngsters. The District completed the 2016-17 fiscal year with an enrollment of 502 students. The following details the changes in the student enrollment of the District over the last twenty years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
1997-98	653	(.078%)
1998-99	635	(2.71%)
1999-00	629	(.99%)
2000-01	622	(1.1%)
2001-02	604	(1.0%)
2002-03	594	(.98%)
2003-04	560	(5.80%)
2004-05	499	(10.78%)
2005-06	505	1.14%
2006-07	520	1.05%
2007-08	513	(1.36%)
2008-09	546	6.5%
2009-10	551	5.0%
2010-11	543	(4.34%)
2011-12	556	2.4%
2012-13	550	(1.08%)
2013-14	560	1.8%
2014-15	566	1.07%
2015-16	548	(3.18%)
2016-17	502	(8.39%)

2) **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 the 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 control should not exceed the benefits likely to be derived:
- (2) The valuation of costs and benefits requires estimated and judgments by management.

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

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

3) **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 votes of the municipality.

Annual appropriated budgets are adopted for the general fund, project length budgets are approved to 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 canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of Fund Balance at June 30, 2017.

4) **ACCOUNTING SYSTEM AND REPORTS:** The districts account records reflect generally accepted account principals, as promulgated by the governmental accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account programs. These funds and account groups.

5) **FINANCIAL INFORMATION AT FISCAL YEAR - END:** As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

6) **DEBT ADMINISTRATION:** At June 30, 2017 the district's outstanding debt is \$ 3,270,269.75.

7) **CASH MANAGEMENT:** The investment policy of the district is guided in large part by state a statute as detailed in Notes of the Financial Statements, Note 2. The District had adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Government 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.

9) **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.

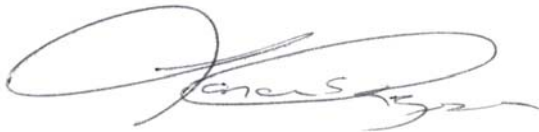
10) **OTHER INFORMATION**:

(A) Independent Audit: State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The accounting firm of Ardito and Company, L.L.P., Accountants and Auditors was appointed by the Washington Borough Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1996 and the related OMB circular A-133 and State Treasury Circular Letter 04-04 OMB. The auditor's report on the general purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

11) **ACKNOWLEDGMENTS**:

We would like to express our appreciation to the members of the Washington Borough 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 accounting and secretarial staff.

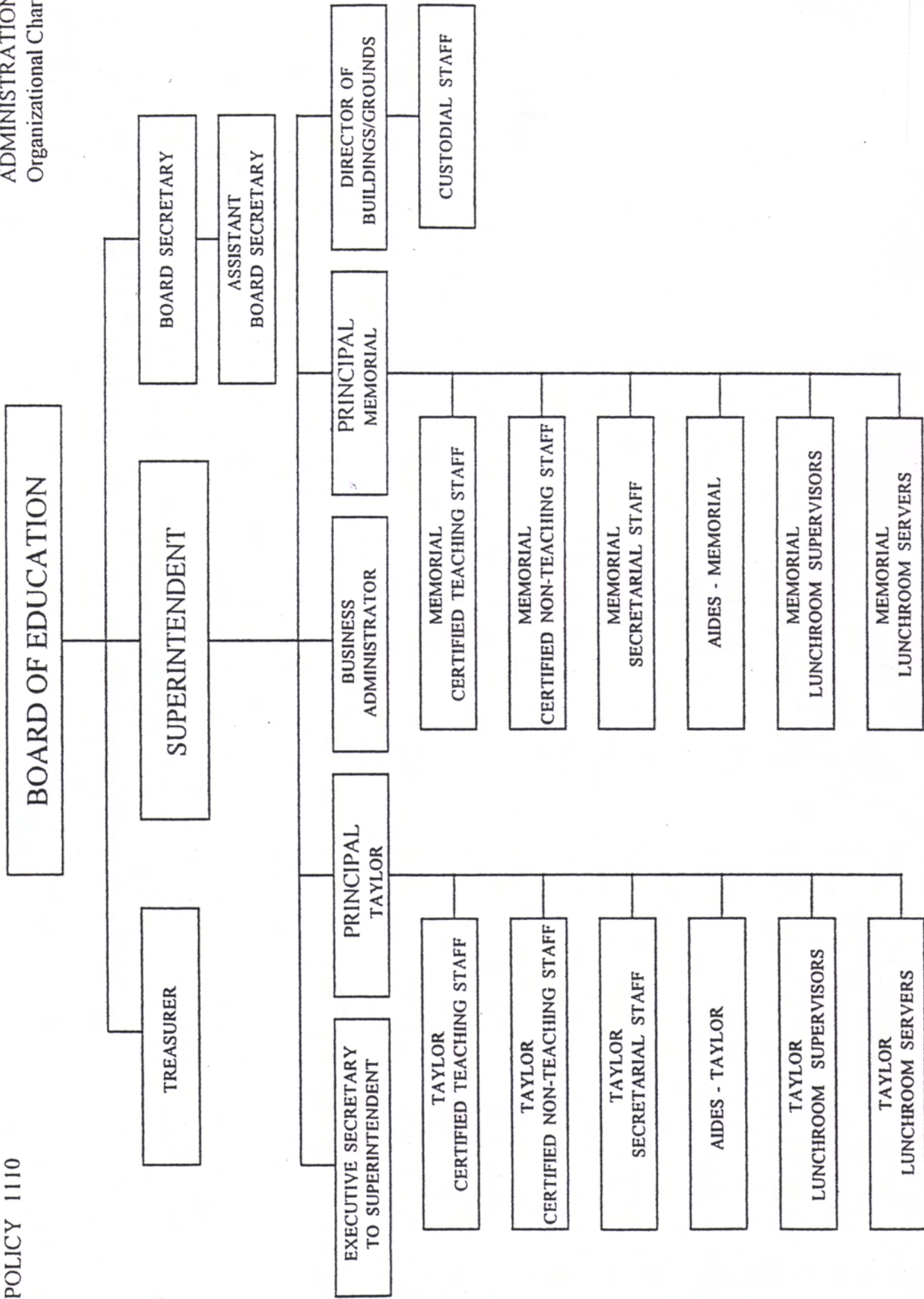
Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lance S. Rozsa". The signature is fluid and cursive, with a large initial "L" and "R".

Mr. Lance S. Rozsa, Superintendent

A handwritten signature in black ink, appearing to read "Tim Mantz". The signature is fluid and cursive, with a large initial "T" and "M".

Tim Mantz, Business Administrator/Board Secretary



* The Board Attorney, while not represented on organizational chart, reports directly to the Board of Education.

WASHINGTON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION

ROSTER OF OFFICIALS

June 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Christopher Reyes, <i>President</i>	2017
Maryanne Andreula, <i>Vice-President</i>	2017
Melissa Vitalos	2018
Bartley Howley	2017
Katherine Moore	2018
Kristin Dufner	2018
Conner Hartl	2019
Lisa Eller	2019
Michelle Wydner	2019

Other Officials

Lance S. Rozsa, *Superintendent*

Tim Mantz, *Business Administrator/Board Secretary*

Cindy L. Hanics, *Treasurer*

John M. Zaiter, Esquire, *Solicitor*

**WASHINGTON BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

ARCHITECT

The Spiegle Architectural Group
120 Sanhican Drive
Trenton, NJ 08618

AUDIT FIRM

Ardito & Co., LLP
1110 Harrison Street, Suite C
Frenchtown, New Jersey 08825-1192

ATTORNEY

BROSCIOUS & FISCHER
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Washington, New Jersey 07882

OFFICIAL DEPOSITORIES

PNC Bank
Washington, New Jersey 07882

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Washington Borough School District
County of Warren
Washington, New Jersey 07882

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Washington Borough School District Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

-Continued-

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation

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 Washington Borough School District Board of Education, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Washington Borough School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

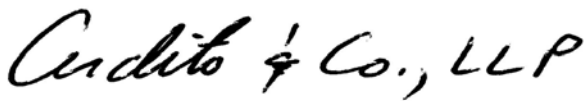
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

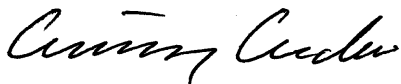
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the Washington Borough School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP
August 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

WASHINGTON BOROUGH SCHOOL DISTRICT

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

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position decreased \$169,189 which represents a 17.4% increase from 2016.
- ◆ General revenues accounted for \$4,898,994 in revenue or 44.4% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$6,136,069 or 55.6% of total revenues of \$11,035,063.
- ◆ Total assets of governmental activities decreased by \$21,923, as cash and cash equivalents increased by \$182,552, receivables increased by \$24,180, and capital assets decreased by \$227,042.
- ◆ The School District had \$11,204,252 in expenses; only \$6,136,069 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$4,898,994 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$8,527,189 in revenues and \$8,334,116 in expenditures. The General Fund's surplus balance increased \$193,073 over 2016, which compares favorably to the budgeted decrease of \$489,940.

Using this Generally Accepted Accounting Principals Report (GAAP)

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Net Position and the Statement of Activities, the School District is divided into two distinct kinds of activities:

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 26. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

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

Governmental Funds

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

The School District as a Whole

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

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

	<u>2017</u>	<u>2016</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 1,484,188	\$ 1,279,069
Capital Assets	<u>1,799,448</u>	<u>2,026,490</u>
Total Assets	<u>3,283,636</u>	<u>3,305,559</u>
Deferred Outflows of Resources	<u>1,032,361</u>	<u>455,202</u>
Liabilities		
Long-Term Liabilities	5,315,551	4,579,476
Other Liabilities	<u>107,917</u>	<u>77,554</u>
Total Liabilities	<u>5,423,468</u>	<u>4,657,030</u>
Deferred Inflows of Resources	<u>33,408</u>	<u>75,421</u>
Net Position		
Invested in Capital Assets, Net of Debt	(595,552)	(478,510)
Restricted	1,233,143	1,104,167
Unrestricted	<u>(1,778,470)</u>	<u>(1,597,347)</u>
Total Net Position	<u>\$ (1,140,879)</u>	<u>\$ (971,690)</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

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

Total assets of governmental activities decreased by \$21,923, as cash and cash equivalents increased by \$182,552, receivables increased by \$24,180, and capital assets decreased by \$227,042.

The cash increase was mainly due operational results of expenditures over revenues. The decrease in capital assets was entirely due to depreciation expense.

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

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 98,552	\$ 112,929
Operating Grants and Contributions	6,037,517	5,248,107
General Revenues:		
Property Taxes	4,895,348	4,660,394
Federal & State Aid on Capital Asset Projects	-	-
Investment Earnings	912	776
Other	<u>2,734</u>	<u>92,005</u>
Total Revenues	<u>11,035,063</u>	<u>10,114,211</u>
Program Expenses		
Instruction	6,694,716	6,039,808
Support Services:		
Tuition	75,736	39,886
Pupils and Instructional Staff	2,025,948	1,656,121
General Administration, School Administration, Business	902,960	823,663
Operations and Maintenance of Facilities	984,812	814,248
Pupil Transportation	184,437	167,745
Business-Type Activities	212,774	220,553
Interest and Fiscal Charges	<u>122,869</u>	<u>125,065</u>
Total Expenses	<u>11,204,252</u>	<u>9,887,089</u>
Increase in Net Position	<u>\$ (169,189)</u>	<u>\$ 227,122</u>

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

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 44.4% percent of revenues for governmental activities for the Washington Borough School District for the fiscal year 2017.

Instruction comprises 59.8% of district expenses. Support services expenses make up 37.3% of the expenses.

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

Table 3

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 6,694,716	\$ 3,025,063	\$ 6,039,808	\$ 2,763,249
Support Services:				
Tuition	75,736	36,462	39,886	19,795
Pupils and Instructional Staff	2,025,948	874,016	1,656,121	712,708
General Admin., School Admin., Business	902,960	434,718	823,663	408,784
Operation and Maintenance of Facilities	984,812	474,124	814,248	404,112
Pupil Transportation	184,437	88,795	167,745	83,252
Business-Type Activities	212,774	12,136	220,553	9,088
Interest and Fiscal Charges	<u>122,869</u>	<u>122,869</u>	<u>125,065</u>	<u>125,065</u>
Total Expenses	<u>\$ 11,204,252</u>	<u>\$ 5,068,183</u>	<u>\$ 9,887,089</u>	<u>\$ 4,526,053</u>

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

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

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

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

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

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

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

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

The dependence upon tax revenues is apparent. Over 45.2% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 45.7%. The community, as a whole, is the primary support for the Washington Borough School District.

The School District's Funds

Information about the School District's major funds starts on page 26. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$8,993,610 and expenditures of \$8,807,726. The General Fund's surplus balance increased \$193,073 over 2016, which compares favorably to the budgeted decrease of \$489,940.

General Fund Budgeting Highlights

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

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

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$7,523,519, \$6,450 over original budgeted estimates of \$7,517,069. This difference was due primarily to an increase in extraordinary aid and non-public transportation aid.

General fund revenues exceeded expenditures by \$190,106. Again this surplus compares to a budgeted deficit of \$489,940, which was due to the budgeted use of surplus required to balance the 2016-2017 budget. The budgeted deficit was reduced due to revenue increases and cost savings in the areas of instruction, transportation, maintenance, and benefits.

Overall general fund balance (budget basis) was \$1,608,884, and amounts ear-marked and reserved for future purposes were \$1,356,606, creating a surplus in unreserved fund balance of \$252,278. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

WASHINGTON BOROUGH SCHOOL DISTRICT

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

Capital Assets

At the end of the fiscal year 2017, the School District had \$1,799,448 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2017 balances compared to 2016.

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

	<u>2017</u>	<u>2016</u>
Land Improvements	\$ 127,239	\$ 127,239
Buildings and Improvements	1,621,231	1,833,548
Machinery and Equipment	<u>50,978</u>	<u>65,703</u>
Totals	<u>\$ 1,799,448</u>	<u>\$ 2,026,490</u>

Overall capital assets decreased \$227,042 from fiscal year 2016 to fiscal year 2017. The decrease in capital assets was due to depreciation expense for the year.

No capital improvements were purchased during fiscal year 2017.

Debt Administration

At June 30, 2017, the School District had \$2,425,000 as outstanding long term debt. Of this amount, \$30,000 is for compensated absences and \$2,395,000 is for bonds payable.

At June 30, 2017, the School District's overall legal debt margin was \$8,710,961 and the unvoted debt margin was the same.

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

For the Future

The Washington Borough School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes.

In conclusion, the Washington Borough School District has committed itself to financial excellence for many years. In addition, the School District's system for financial planning, budgeting, and internal financial controls are well regarded. The School District plans to continue its sound fiscal management to meet the challenge of the future.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/ Board Secretary at Washington Borough School District, 300 W.Stewart Street, Washington, NJ, 07882.

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.

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 1,369,922	\$ 39,645	\$ 1,409,567
Receivables from Other Governments	63,795	6,587	70,382
Interfunds Receivable		2,991	2,991
Inventory		1,247	1,247
Restricted Assets:			
Capital Reserve Cash	1		1
Capital Assets, Net (Note 6):	1,799,448		1,799,448
Total Assets	<u>3,233,166</u>	<u>50,470</u>	<u>3,283,636</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	<u>1,032,361</u>		<u>1,032,361</u>
LIABILITIES			
Accounts Payable			
Interfunds Payable	2,991		2,991
Unearned Revenue	64,630	151	64,781
Accrued Interest	40,145		40,145
Net Pension Liability (Note 8)	2,890,551		2,890,551
Noncurrent Liabilities (Note 7):			
Due Within One Year	110,000		110,000
Due Beyond One Year	2,315,000		2,315,000
Total Liabilities	<u>5,423,317</u>	<u>151</u>	<u>5,423,468</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	<u>33,408</u>		<u>33,408</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	(595,552)		(595,552)
Restricted for:			
Other Purposes	1,233,143		1,233,143
Unrestricted	(1,828,789)	50,319	(1,778,470)
Total Net Position	<u>\$ (1,191,198)</u>	<u>\$ 50,319</u>	<u>\$ (1,140,879)</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
Governmental Activities:						
Instruction:						
Regular	\$ 4,802,697	\$ 24,439	\$ 2,664,081		\$ (2,114,177)	\$ (2,114,177)
Special Education	1,332,721		691,101		(641,620)	(641,620)
Other Special Instruction	559,298		290,032		(269,266)	(269,266)
Support Services:						
Tuition	75,736		39,274		(36,462)	(36,462)
Student & Instruction Related Serv.	2,025,948		1,151,932		(874,016)	(874,016)
School Administrative Services	217,721		112,902		(104,819)	(104,819)
General and Business Admin. Serv.	685,239		355,340		(329,899)	(329,899)
Plant Operations and Maintenance	984,812		510,688		(474,124)	(474,124)
Pupil Transportation	184,437		95,642		(88,795)	(88,795)
Interest on Long-Term Debt	100,165				(100,165)	(100,165)
Unallocated Depreciation	22,704				(22,704)	(22,704)
Total Governmental Activities	10,991,478	24,439	5,910,992		(5,056,047)	(5,056,047)
Business-Type Activities:						
Food Service	212,774	74,113	126,525			(12,136)
Total Business-Type Activities	212,774	74,113	126,525			(12,136)
Total Primary Government	\$ 11,204,252	\$ 98,552	\$ 6,037,517	-	\$ (5,056,047)	\$ (12,136)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 4,703,849		\$ 4,703,849
Taxes Levied for Debt Service				191,499		191,499
Investment Earnings				912		912
Miscellaneous Income				2,734		2,734
Total General Revenues, Special Items, Extraor. Items and Transfers				4,898,994		4,898,994
Change in Net Position				(157,053)	(12,136)	(169,189)
Net Position—Beginning(As Restated)				(1,034,145)	62,455	(971,690)
Net Position—Ending				\$ (1,191,198)	\$ 50,319	\$ (1,140,879)

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

FUND FINANCIAL STATEMENTS

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2017

	GENERAL FUND	SPECIAL REVENUE FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 1,339,922		\$ 30,001	\$ 1,369,923
Receivables from Other Governments	18,134	\$ 45,661		63,795
Interfund Receivables	7,335	26,304		33,639
TOTAL ASSETS	\$ 1,365,391	\$ 71,965	\$ 30,001	\$ 1,467,357
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payables	\$ 29,295	\$ 7,335		\$ 36,630
Deferred Revenue	-	64,630		64,630
Total Liabilities	29,295	71,965	-	101,260
Fund Balances:				
<u>Restricted for:</u>				
Capital Reserve Account	1			1
Excess Surplus	613,734			613,734
Excess Surplus - Designated for Subsequent Year's Expenditures	614,226			614,226
<u>Assigned to:</u>				
Year-End Encumbrances	123,463			123,463
Designated for Subsequent Year's Expenditures	5,182			5,182
<u>Unassigned:</u>				
Debt Service Fund			\$ 30,001	30,001
General Fund	(20,510)			(20,510)
Total Fund Balances	1,336,096	-	30,001	1,366,097
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,365,391	\$ 71,965	\$ 30,001	\$ 1,467,357

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 \$6,814,003 and the accumulated depreciation is \$5,014,555.	\$1,799,448
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)	1,032,361
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(33,408)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(2,890,551)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(40,145)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(2,425,000)
Net Position of governmental activities	(<u>\$1,191,198</u>)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-2

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources:				
Local Tax Levy	\$ 4,703,849		\$ 191,499	\$ 4,895,348
Tuition	24,439			24,439
Miscellaneous	3,646			3,646
Total - Local Sources	<u>4,731,934</u>	-	191,499	<u>4,923,433</u>
State Sources	3,795,255	\$ 18		3,795,273
Federal Sources	-	274,904		274,904
Total Revenues	<u>8,527,189</u>	<u>274,922</u>	191,499	<u>8,993,610</u>
EXPENDITURES				
Current:				
Regular Instruction	2,331,239	173,574		2,504,813
Special Education Instruction	751,774			751,774
Other Special Instruction	315,494			315,494
Support services and undistributed costs:				
Tuition	42,722			42,722
Student and Instruction Related Services	1,041,468	101,348		1,142,816
School Administrative Services	122,814			122,814
Other Administrative Services	386,536			386,536
Plant Operations and Maintenance	555,522			555,522
Pupil Transportation	104,039			104,039
Unallocated Benefits	2,622,954			2,622,954
Transfer to Charter School	47,069			47,069
Debt Service:				
Principal			110,000	110,000
Interest and Other Charges			88,688	88,688
Capital Outlay	12,485	-		12,485
Total Expenditures	<u>8,334,116</u>	<u>274,922</u>	198,688	<u>8,807,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>193,073</u>	-	<u>(7,189)</u>	<u>185,884</u>
Net Change in Fund Balances	193,073	-	(7,189)	185,884
Fund Balance—July 1	1,143,023		37,190	1,180,213
Fund Balance—June 30	<u>\$ 1,336,096</u>	-	<u>\$ 30,001</u>	<u>\$ 1,366,097</u>

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

**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) \$ 185,884

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	\$ (227,042)	
	Capital Outlays	<u> -</u>	(227,042)

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.

(216,903)

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

110,000

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

(10,000)

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

1,008

Change in Net Position of Governmental Activities (A-2) \$ (157,053)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2017

		Business-Type Activities- Enterprise Funds	
		Food	
		<u>Service</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents		\$ 39,645	\$ 39,645
Accounts Receivable		6,587	6,587
Interfund Receivables		2,991	2,991
Inventories		1,247	1,247
Total Current Assets		50,470	50,470
		<hr/>	
Total Assets		50,470	50,470
<hr/>			
LIABILITIES			
Current liabilities:			
Deferred Revenue		151	151
Total Current Liabilities		151	151
		<hr/>	
Total Liabilities		151	151
<hr/>			
NET POSITION			
Unrestricted		50,319	50,319
Total Net Position		\$ 50,319	\$ 50,319
		<hr/>	

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

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

	Business-type Activities- Enterprise Fund	
	Food Service	Total Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable Programs	\$ 60,092	\$ 60,092
Daily Sales - Non-Reimb. Programs	14,021	14,021
Miscellaneous	-	-
Total Operating Revenues	<u>74,113</u>	<u>74,113</u>
Operating Expenses:		
Cost of Sales - Reimbursable Programs	102,521	102,521
Cost of Sales - Non-reimbursable Programs	7,327	7,327
Salaries	54,314	54,314
Employee Benefits	13,185	13,185
Supplies	2,940	2,940
Administrative Expenses	27,079	27,079
Other Purchased Professional Services	5,408	5,408
Total Operating Expenses	<u>212,774</u>	<u>212,774</u>
Operating Income (Loss)	<u>(138,661)</u>	<u>(138,661)</u>
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	2,313	2,313
Federal Sources:		
National School Lunch Program	93,138	93,138
National School Breakfast Program	19,781	19,781
Food Distribution Program	11,293	11,293
Total Nonoperating Revenues (Expenses)	<u>126,525</u>	<u>126,525</u>
Income (Loss) Before Contributions and Transfers	(12,136)	(12,136)
Transfers In (Out)		-
Change in Net Position	<u>(12,136)</u>	<u>(12,136)</u>
Total Net Position—Beginning	62,455	62,455
Total Net Position—Ending	<u>\$ 50,319</u>	<u>\$ 50,319</u>

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2017

	Business-Type Activities- Enterprise Funds	
	Food Service	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 74,113	\$ 74,113
Payments to Employees	(54,314)	(54,314)
Payments for Employee Benefits	(13,185)	(13,185)
Payments to Suppliers	(133,197)	(133,197)
Net Cash Provided by (used for) Operating Activities	(126,583)	(126,583)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	2,296	2,296
Federal Sources	111,745	111,745
Operating Subsidies and Transfer from Other Funds	-	-
Net Cash Provided by (used for) Non-Capital Financing Activities	114,041	114,041
Net Increase (Decrease) in Cash and Cash Equivalents	(12,542)	(12,542)
Balances—Beginning of Year	52,187	52,187
Balances—End of Year	\$ 39,645	\$ 39,645
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (138,661)	\$ (138,661)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Operating Transfers (Non-Cash)		-
Federal Commodities	11,293	11,293
(Increase) Decrease in Accounts Receivable	-	-
(Increase) Decrease in Inventories	1,612	1,612
Increase (Decrease) in Accounts Payable	(827)	(827)
Total Adjustments	12,078	12,078
Net Cash Provided by (used for) Operating Activities	\$ (126,583)	\$ (126,583)

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit B-7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

JUNE 30, 2017

	<u>Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	<u>\$6,090</u>	<u>\$253,269</u>
Total Assets	<u>6,090</u>	<u>253,269</u>
LIABILITIES		
Accrued Salaries and Wages and Payroll Taxes Payable to Student Groups		\$248,033 <u>5,236</u>
Total Liabilities		<u>\$253,269</u>
NET POSITION		
Held in Trust for Scholarships & Other Purposes	<u>\$6,090</u>	<u> </u>

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

Notes to Financial Statements

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity:

The Washington Borough School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-6. The Washington Borough School District had an approximate enrollment at June 30, 2017, of 502 students.

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

District-wide Statements: The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activity of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees and charged to external parties. The statement of net position presents the financial condition of the governmental and business-type activity of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and,

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

As required by the New Jersey State Department of Education, the District includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

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

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

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

PROPRIETARY FUNDS

The District reports the following proprietary fund:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

Measurement Focus-Basis of Accounting

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

District-wide, Proprietary, and Fiduciary Fund Financial Statements: The District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year.

The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

Inventory purchases, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase. Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are not allowed to accrue vacation time beyond the current period. The District's policy allow all district teaching staff employees to accrue sick leave. At present, the District pays stipends for sick leave based upon attendance. There is no other provision for the accrual of sick leave.

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

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

Deferred Revenue:

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

Accrued Liabilities and Long-Term Obligations:

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

Net Position represent the difference between assets and liabilities. Net Position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction or improvement of those assets. Net Position are 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 are available.

Fund Balance Reserves:

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

Revenues—Exchange and Nonexchange Transactions

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

NOTE 2: CASH AND CASH EQUIVALENTS

Deposits:

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

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.

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

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

	Cash and Cash Equivalents (A-1)	Cash and Cash Equivalents (H-1)	Total
Capital Reserve	\$ 1		\$ 1
Checking Accounts	1,409,567	\$ 259,359	1,668,926
	<u>\$ 1,409,568</u>	<u>\$ 259,359</u>	<u>\$ 1,668,927</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$1,668,927 and the bank balance was \$1,869,203. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,619,203 was covered by collateral pool.

NOTE 3: RECEIVABLES

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

	Governmental Fund Financial Statements	Government-Wide Financial Statements
Federal Aid	\$ 44,619	\$ 51,074
State Aid	18,134	18,266
Other	<u>1,042</u>	<u>1,042</u>
Gross Receivable	63,795	70,382
Less: Allow. for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, Net	<u>\$ 63,795</u>	<u>\$ 70,382</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 4: INVENTORY

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

Food	\$	695
Supplies		<u>552</u>
	\$	<u>1,247</u>

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

NOTE 5: DEFERRED BOND ISSUANCE COSTS

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

NOTE 6: CAPITAL ASSETS

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	Ending <u>Balance</u>
Governmental Activities:				
Total Capital Assets Not Being Depreciated	-	-	-	-
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 127,239			\$ 127,239
Buildings and Building Improvements	6,512,020			6,512,020
Machinery and Equipment	174,744			174,744
Total at Historical Cost	6,814,003	-		6,814,003
Less Accumulated Depreciation for:				
Building and Improvements	(4,678,472)	\$ (212,317)		(4,890,789)
Equipment	(109,041)	(14,725)		(123,766)
Total Accumulated Depreciation	(4,787,513)	(227,042)		(5,014,555)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	2,026,490	(227,042)		1,799,448
Government Activity Capital Assets, Net	\$ 2,026,490	\$ (227,042)		\$ 1,799,448

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 6: CAPITAL ASSETS - (CONTINUED)

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 204,338
Unallocated	<u>22,704</u>
Total	<u>\$ 227,042</u>

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

NOTE 7: LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity:

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

	Balance <u>7/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/2017</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Debt	\$2,505,000		\$110,000	\$2,395,000	\$110,000
Other Liabilities:					
Compensated Absences Payable	20,000	\$10,000		30,000	
Total	<u>\$2,525,000</u>	<u>\$10,000</u>	<u>\$110,000</u>	<u>\$2,425,000</u>	<u>\$110,000</u>

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

On December 28, 2011, \$2,885,000 in School Bonds were issued to advance refund \$2,666,000 of the board's outstanding callable series 2002 bonds, maturing on July 15 in the years 2012 through 2033, at a redemption price of 100% of the principal amount on the call date, and when due, interest accrued on the refunded bonds. The balance on deposit with Wells Fargo Servicing Paying Agent for the future redeption of the 2002 bonds was \$2,331,000 at June 30, 2017.

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 7: LONG-TERM OBLIGATIONS- (CONTINUED)

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

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

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

	Government Activities			Balance
	<u>Issue</u> <u>Dates</u>	<u>Interest</u> <u>Rates</u>	<u>Date of</u> <u>Maturity</u>	<u>6/30/17</u>
Refunding School Bonds Series 2016	12/28/11	3.41%-4.23%	7/15/33	\$ 2,395,000
Total Bonds				<u>\$ 2,395,000</u>

B. Debt Service Requirements:

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 110,000	\$ 86,487	\$ 196,487
2019	115,000	83,662	198,662
2020	110,000	80,287	190,287
2021	115,000	76,912	191,912
2022	120,000	72,787	192,787
Thereafter	<u>1,825,000</u>	<u>475,134</u>	<u>2,300,134</u>
	<u>\$ 2,395,000</u>	<u>\$ 875,269</u>	<u>\$ 3,270,269</u>

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

NOTE 8: PENSION PLANS

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$29,953,449 as measured on June 30, 2016 and \$23,152,287 as measured on June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,250,585 and revenue of \$2,250,585 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2017 is based upon changes in the collective net pension liability with a measurement period of June 30, 2015 through June 30, 2016. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2015 and June 30, 2016.

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$23,152,287	\$29,953,449
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.036631%	0.038077%

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

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

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

At June 30, 2017, the District reported a liability of \$2,890,551 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2016 and 2015. At June 30, 2016, the District's proportion was 0.00976% which was an increase of 0.00061% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$312,722. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 53,755	-
Changes of assumptions	598,768	
Net difference between projected and actual earnings on pension plan investments	110,219	
Changes in proportion and differences between District contributions and proportionate share of contributions	181,814	\$ 33,408
District contributions subsequent to the measurement date	87,805	
Total	<u>\$ 1,032,361</u>	<u>\$ 33,408</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

\$87,805 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability measured as of June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>
2017	\$205,137
2018	205,137
2019	237,658
2020	199,667
2021	<u>63,550</u>
Total	<u>\$911,148</u>

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$3,578,755,666	\$8,685,338,380
Collective deferred inflows of resources	993,410,455	870,133,595
Collective net pension liability (Non State - Local Group)	\$22,447,996,119	\$29,617,131,759
District's portion of net pension liability	\$2,054,476	\$2,890,551
District's proportion %	0.00915216%	0.00975973%

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

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(2.98%)</u>	<u>(3.98%)</u>	<u>(4.98%)</u>
District's proportionate share of the net pension liability	\$ 3,542,033	\$2,890,551	\$ 2,352,696

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

The TPAF and PERS provides for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

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

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

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

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

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

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

Three-Year Trend Information for PERS

Year <u>Funding</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2017	\$88,435	100 %	-0-
6/30/2016	\$78,684	100	-0-
6/30/2015	\$77,649	100	-0-

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

Year <u>Funding</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/2017	\$409,770	100 %	-0-
6/30/2016	\$304,855	100	-0-
6/30/2015	\$198,040	100	-0-

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 8: PENSION PLANS (Continued)

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$750,296 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$250,407 during the year ended June 30, 2017, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

NOTE 9: POST-RETIREMENT BENEFITS

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

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

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide post-employment benefits other than pension. Healthcare provided to eligible TPAF and PERS board of education retirees through the NJ State Health Benefits Program are paid by the the State of New Jersey and as such, no district OPEB liability exists.

NOTE 10: DEFERRED COMPENSATION

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

Prudential Financial Planning

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 11: COMPENSATED ABSENCES

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

District employees are not allowed to accrue vacation time beyond the current period. The District's policy allow all district teaching staff employees to accrue sick leave. At present, the District pays stipends for sick leave based upon attendance. There is no other provision for the accrual of sick leave.

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

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

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.

NOTE 13: CONTINGENT LIABILITIES

GRANT PROGRAMS

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

LITIGATION

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

NOTE 14: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1) - Of the \$1,336,096 General Fund fund balance at June 30, 2017, \$123,463 is reserved for encumbrances; \$1,227,960 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$614,226 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2018); \$1. has been reserved in the Capital Reserve Account; \$5,182 is designated for subsequent year's expenditures and has been appropriated and included as anticipated revenue for the year ending June 30, 2018, and (\$20,510) is unreserved and undesignated.

WASHINGTON BOROUGH SCHOOL DISTRICT

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

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Washington Borough School District Board of Education by inclusion of \$1. on September 26, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

There was no activity in the capital reserve account for the year ended June 30, 2017.

NOTE 16: CALCULATION OF EXCESS SURPLUS

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2017 is \$613,734.

NOTE 17: INTERFUND RECEIVABLES AND PAYABLES

The amount of \$2,991 interfund receivable in the Food Service Fund represents state and federal lunch reimbursements received in the general fund and not yet transferred to the food service fund. The amount of \$26,304 interfund receivable in the special revenue account is for cash advances to the general fund.

NOTE 18: TAX ABATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 4,703,849		\$ 4,703,849	\$ 4,703,849	-
Tuition	10,000		10,000	24,439	\$ 14,439
Miscellaneous	750		750	3,646	2,896
Total - Local Sources	<u>4,714,599</u>		<u>4,714,599</u>	<u>4,731,934</u>	<u>17,335</u>
State Sources:					
Equalization Aid	2,437,988		2,437,988	2,437,988	
Transportation Aid	11,162		11,162	11,162	
Special Education Aid	295,434		295,434	295,434	
Security Aid	23,302		23,302	23,302	
PARCC Readiness Aid	5,260		5,260	5,260	
Per Pupil Growth Aid	5,260		5,260	5,260	
Professional Learning Comm Aid	5,460		5,460	5,460	
Host District Aid	1,887		1,887	1,887	
Other State Aid	16,717		16,717	5,832	(10,885)
TPAF Pension (On-Behalf - Non-Budgeted)				408,683	408,683
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				340,526	340,526
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				1,087	1,087
TPAF Social Security (Reimbursed - Non-Budgeted)				250,407	250,407
Total State Sources	<u>2,802,470</u>		<u>2,802,470</u>	<u>3,792,288</u>	<u>989,818</u>
TOTAL REVENUES	<u>7,517,069</u>		<u>7,517,069</u>	<u>8,524,222</u>	<u>1,007,153</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Kindergarten - Salaries of Teachers	228,225		228,225	174,315	53,910
Grades 1-5 - Salaries of Teachers	1,775,405	(40,000)	1,735,405	1,732,116	3,289
Grades 6-8 - Salaries of Teachers	323,961	(35,000)	288,961	262,389	26,572
Regular Programs - Home Instruction:					
Salaries of Teachers	6,000		6,000	527	5,473

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Regular Programs - Undistributed Instruction					
Purchased Professional-Educational Services	88,350	6,635	94,985	58,396	36,589
Other Purchased Services (400-500 series)	26,700		26,700	13,088	13,612
General Supplies	96,422	57,289	153,711	88,859	64,852
Textbooks	65,000	(64,999)	1		1
Other Objects	5,000	100	5,100	1,549	3,551
TOTAL REGULAR PROGRAMS - INSTRUCTION	2,615,063	(75,975)	2,539,088	2,331,239	207,849
SPECIAL EDUCATION - INSTRUCTION					
Learning/Language Disabilities:					
Salaries of Teachers	204,696		204,696	200,523	4,173
Other Salaries for Instruction	57,971		57,971	53,773	4,198
General Supplies	800		800	799	1
Total Learning/Language Disabilities	263,467		263,467	255,095	8,372
Resource Room/Resource Center:					
Salaries of Teachers	204,835	39,749	244,584	243,649	935
Other Salaries for Instruction	26,487		26,487	6,444	20,043
General Supplies	2,500	(452)	2,048	859	1,189
Total Resource Room/Resource Center	233,822	39,297	273,119	250,952	22,167
Autism:					
Other Salaries for Instruction	26,157	(541)	25,616	25,616	
Purchased Professional - Educational Services	192,500	1,995	194,495	194,495	
General Supplies	750	(750)			
Total Autism	219,407	704	220,111	220,111	
Preschool Disabilities - Part-Time:					
Other Salaries for Instruction	26,157	19	26,176	25,616	560
General Supplies	750	(19)	731		731
Total Preschool Disabilities - Part-Time	26,907		26,907	25,616	1,291
TOTAL SPECIAL EDUCATION - INSTRUCTION	743,603	40,001	783,604	751,774	31,830

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Basic Skills/Remedial - Instruction					
Salaries of Teachers	271,550	(13,020)	258,530	219,438	39,092
General Supplies	1,000		1,000	906	94
Total Basic Skills/Remedial - Instruction	<u>272,550</u>	<u>(13,020)</u>	<u>259,530</u>	<u>220,344</u>	<u>39,186</u>
Bilingual Education - Instruction					
Salaries of Teachers	67,290	37,340	104,630	95,150	9,480
General Supplies	1,000	(1,000)			
Total Bilingual Education - Instruction	<u>68,290</u>	<u>36,340</u>	<u>104,630</u>	<u>95,150</u>	<u>9,480</u>
TOTAL INSTRUCTION	<u>3,699,506</u>	<u>(12,654)</u>	<u>3,686,852</u>	<u>3,398,507</u>	<u>288,345</u>
UNDISTRIBUTED EXPENDITURES					
Instruction:					
Tuition to Other LEAs Within the State - Special	8,000		8,000	4,698	3,302
Tuition to CSSD & Regional Day Schools	13,955	24,069	38,024	38,024	
Tuition to Private Schools for the Disabled - Within State	31,788	(29,069)	2,719		2,719
Total Instruction	<u>53,743</u>	<u>(5,000)</u>	<u>48,743</u>	<u>42,722</u>	<u>6,021</u>
Health Services:					
Salaries	143,715		143,715	138,500	5,215
Purchased Professional and Technical Services	5,000	(1,569)	3,431	2,256	1,175
Supplies and Materials	2,600	1,744	4,344	4,187	157
Total Health Services	<u>151,315</u>	<u>175</u>	<u>151,490</u>	<u>144,943</u>	<u>6,547</u>
Other Supp. Services Students-Related Services:					
Salaries	69,270	(10,373)	58,897	58,897	
Purchased Professional - Educational Services	173,000	53,305	226,305	224,305	2,000
Supplies and Materials	500		500	403	97
Total Other Supp. Services Students-Related Services	<u>242,770</u>	<u>42,932</u>	<u>285,702</u>	<u>283,605</u>	<u>2,097</u>
Other Supp. Services Students-Extra Services:					
Salaries	52,161	2,424	54,585	53,407	1,178
Total Other Supp. Services Students-Extra Services	<u>52,161</u>	<u>2,424</u>	<u>54,585</u>	<u>53,407</u>	<u>1,178</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	50,405		50,405	50,405	
Salaries of Secretarial and Clerical Assistants	102,784		102,784	102,445	339
Supplies and Materials	15,000	(4,270)	10,730	7,349	3,381
Total Other Supp. Services Students-Regular	168,189	(4,270)	163,919	160,199	3,720
Other Supp. Services Students-Special:					
Salaries of Other Professional Staff	228,823		228,823	223,735	5,088
Purchased Professional - Educational Services	2,000		2,000	476	1,524
Supplies and Materials	4,000	(262)	3,738	3,034	704
Other Objects	1,000		1,000	543	457
Total Other Supp. Services Students-Special	235,823	(262)	235,561	227,788	7,773
Educational Media Services/School Library:					
Salaries	59,425	2,225	61,650	61,365	285
Supplies and Materials	7,000	(613)	6,387	5,617	770
Total Educational Media Services/School Library	66,425	1,612	68,037	66,982	1,055
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	96,337		96,337	94,950	1,387
Purchased Professional - Educational Services	1,500		1,500	1,400	100
Other Purchased Services (400-500 series)	10,000	1,650	11,650	8,194	3,456
Total Instructional Staff Training Services	107,837	1,650	109,487	104,544	4,943
Supp. Services - General Administration:					
Salaries	210,890		210,890	209,615	1,275
Legal Services	8,000	5,000	13,000	9,469	3,531
Audit Services	16,000	99	16,099	16,099	
Other Purchased Professional Services	12,000	(91)	11,909	10,852	1,057
Communications/Telephone	5,320		5,320	4,979	341
BOE Other Purchased Services	500		500		500
Other Purchased Services (400-500 series)	13,550	(826)	12,724	12,618	106
General Supplies	1,000		1,000	884	116
Miscellaneous Expenditures	7,620	986	8,606	8,606	
Total Supp. Services - General Administration	274,880	5,168	280,048	273,122	6,926

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	86,572	78	86,650	86,650	
Salaries of Secretarial and Clerical Assistants	34,865	17	34,882	34,882	
General Supplies	2,000	(28)	1,972	77	1,895
Other Objects	1,300		1,300	1,205	95
Total Support Services - School Administration	124,737	67	124,804	122,814	1,990
Central Services:					
Salaries	44,870		44,870	44,225	645
Purchased Professional Services	65,000		65,000	65,000	
Purchased Technical Services	4,500		4,500	3,820	680
General Supplies	750		750	369	381
Total Central Services:	115,120		115,120	113,414	1,706
Required Maintenance for School Facilities:					
Salaries	35,948	29,672	65,620	51,748	13,872
Cleaning, Repair and Maintenance Services	30,000	16,115	46,115	28,703	17,412
General Supplies	6,000	4,000	10,000	7,565	2,435
Total Required Maintenance for School Facilities	71,948	49,787	121,735	88,016	33,719
Other Operations and Maintenance of Plant:					
Salaries	201,432	426	201,858	188,301	13,557
Cleaning, Repair and Maintenance Services	40,000	3,008	43,008	41,001	2,007
Other Purchased Property Services	34,000	(4,009)	29,991	25,396	4,595
Insurance	47,159	(7,000)	40,159	40,073	86
Miscellaneous Purchased Services	1,000		1,000	835	165
General Supplies	20,000	9,360	29,360	29,360	
Energy (Natural Gas)	24,750	461	25,211	19,296	5,915
Energy (Electricity)	94,750	(18,000)	76,750	71,591	5,159
Energy (Gasoline)	500		500	434	66
Other Objects	1,500	(1,215)	285	260	25
Total Other Operations and Maintenance of Plant	465,091	(16,969)	448,122	416,547	31,575
Undist. Expend. -Care and Upkeep of Grounds:					
Purchased Professional and Technical Services	65,000		65,000	50,959	14,041
Total Undist. Expend. -Care and Upkeep of Grounds	65,000		65,000	50,959	14,041

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Student Transportation Services					
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	17,680	(277)	17,403	14,144	3,259
Contracted Services (Oth. Than Bet.Home and Sch)-Vendors	5,000	663	5,663	1,283	4,380
Contracted Services (Bet.Home and School)-Joint Agrmts.	1,500		1,500		1,500
Contracted Services (Special Ed. Students)-Vendors	101,000		101,000	70,535	30,465
Contr Serv (Regular Students) - ESCs & CTSA	20,000	(308)	19,692	18,077	1,615
Total Student Transportation Services	145,180	78	145,258	104,039	41,219
ALLOCATED BENEFITS					
Health Benefits	574,570	(17,736)	556,834	304,969	251,865
Tuition Reimbursement	20,000		20,000	2,024	17,976
Health Benefits-Special Programs	429,395	(8,809)	420,586	413,111	7,475
Health Benefits-Health services	62,291		62,291	62,291	
Health Benefits-Speech/OT/PT	13,829		13,829	13,829	
Health Benefits-Other Supp Serv - Stud - Extraord.	86,533		86,533	86,533	
Health Benefits-Other Supp Serv - Guidance	134,995		134,995	134,995	
Health Benefits-Other Supp Serv - Child Study Team	96,947		96,947	96,947	
Health Benefits-Other Supp Serv - School Library	13,829		13,829	13,829	
Health Benefits-Operations and Maintenance of Plant	159,237		159,237	159,237	
TOTAL ALLOCATED BENEFITS	1,591,626	(26,545)	1,565,081	1,287,765	277,316
UNALLOCATED BENEFITS					
Social Security Contributions	85,000	1,505	86,505	86,505	
Other Retirement Contributions - Regular	95,000	(6,565)	88,435	88,435	
Unemployment Compensation	9,250	9,673	18,923	18,923	
Workmen's Compensation	40,986	(2,893)	38,093	38,093	
Health Benefits	98,643		98,643	98,643	
Other Employee Benefits	2,500	1,387	3,887	3,887	
TOTAL UNALLOCATED BENEFITS	331,379	3,107	334,486	334,486	
On-behalf TPAF pension Contrib. (non-budgeted)				408,683	(408,683)
On-behalf TPAF PRM Contrib. (non-budgeted)				340,526	(340,526)
On-behalf TPAF pension LTD Ins. (non-budgeted)				1,087	(1,087)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				250,407	(250,407)
TOTAL ON-BEHALF CONTRIBUTIONS				1,000,703	(1,000,703)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	1,923,005	(23,438)	1,899,567	2,622,954	(723,387)
TOTAL UNDISTRIBUTED EXPENDITURES	4,263,224	53,954	4,317,178	4,876,055	(558,877)
TOTAL GENERAL CURRENT EXPENSE	7,962,730	41,300	8,004,030	8,274,562	(270,532)

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Facilities Acquisition and Construction Services					
Assessment for Debt Service on SDA Funding	12,485		12,485	12,485	
Total Facilities Acquisition and Construction Services	<u>12,485</u>		<u>12,485</u>	<u>12,485</u>	
Transfer of Funds to Charter Schools	31,794	18,129	49,923	47,069	2,854
TOTAL EXPENDITURES	<u>8,007,009</u>	<u>59,429</u>	<u>8,066,438</u>	<u>8,334,116</u>	<u>(267,678)</u>
Excess (Deficiency) of Revenues Over(Under) Expenditures	<u>(489,940)</u>	<u>(59,429)</u>	<u>(549,369)</u>	<u>190,106</u>	<u>739,475</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(489,940)	(59,429)	(549,369)	190,106	739,475
Fund Balance, July 1	1,418,778		1,418,778	1,418,778	
Fund Balance, June 30	<u>\$ 928,838</u>	<u>\$ (59,429)</u>	<u>\$ 869,409</u>	<u>\$ 1,608,884</u>	<u>\$ 739,475</u>
Recapitulation:					
Restricted for:					
Capital Reserve				\$ 1	
Excess Surplus				613,734	
Excess Surplus - Designated for Subsequent Year's Expenditures				614,226	
Assigned to:					
Year-End Encumbrances				123,463	
Designated for Subsequent Year's Expenditures				5,182	
Unassigned:					
Unrestricted Fund Balance				<u>252,278</u>	
Fund Balance per Governmental Funds(Budgetary Basis)				1,608,884	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(272,788)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 1,336,096</u>	

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
State Sources	\$ 18	\$ -	\$ 18	\$ 18	-
Federal Sources	324,324	3,145	327,469	284,438	\$ (43,031)
Total Revenues	324,342	3,145	327,487	284,456	(43,031)
EXPENDITURES:					
Instruction					
Salaries of Teachers	52,230	-	52,230	52,230	
Tuition	145,376	-	145,376	119,584	25,792
Textbooks	18	-	18	18	
General Supplies	4,880	-	4,880	4,780	100
Total Instruction	202,504	-	202,504	176,612	25,892
Support Services					
Salaries of Supervisors	85,580	-	85,580	73,935	11,645
Personal Services - Employee Bene.	15,989	-	15,989	15,989	
Supplies & Materials	18,039	3,145	21,184	16,347	4,837
Total Support Services	119,608	3,145	122,753	106,271	16,482
Facilities Acq. & Construction Svs					
Instructional Equipment	2,230	-	2,230	1,573	657
Total Facilities & Construction Svs	2,230	-	2,230	1,573	657
Total Expenditures	324,342	3,145	327,487	284,456	43,031
Other Financing Sources (Uses)					
Total Other Financing Sources (Uses)					
Total Outflows	324,342	3,145	327,487	284,456	43,031
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)					
Fund Balance per Governmental Funds(Budgetary Basis)				None	
Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>None</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2017

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 8,524,222	\$ 284,456
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year Encumbrances	N/A	23,276
Current Year Encumbrances	N/A	(11,066)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	275,755	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(272,788)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 8,527,189</u>	<u>\$ 296,666</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 8,334,116	\$ 284,456
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year Encumbrances	N/A	23,276
Current Year Encumbrances	N/A	(11,066)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 8,334,116</u>	<u>\$ 296,666</u>

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

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	\$ 29,953,449	\$ 23,152,287	\$ 19,249,269	\$ 17,454,111						
Total	\$ 29,953,449	\$ 23,152,287	\$ 19,249,269	\$ 17,454,111						
District's covered employee payroll	\$ 3,559,593	\$ 3,645,121	\$ 3,956,625	\$ 3,798,293						
District's proportionate share of the of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A						
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%	33.76%						

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

Exhibit L-1

Public Employees' Retirement System (PERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.00975972%	0.00915216%	0.00941901%	0.00860793%						
District's proportionate share of the net pension liability (asset)	\$ 2,890,551	\$ 2,054,476	\$ 1,763,497	\$ 1,645,147						
District's covered employee payroll	\$ 692,891	\$ 977,890	\$ 783,314	\$ 912,374						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	417.17%	210.09%	225.13%	180.31%						
Plan fiduciary net position as a percentage of the total pension liability (Local)	40.14%	47.92%	52.08%	48.72%						

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

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

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution **	N/A	N/A	N/A	N/A						
Contributions in relation to the contractually required contribution **	N/A	N/A	N/A	N/A						
Contribution deficiency (excess)	N/A	N/A	N/A	N/A						
District's covered employee payroll	\$ 3,559,593	\$ 3,645,121	\$ 3,956,625	\$ 3,798,293						
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A						

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

Public Employees' Retirement System (PERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution	\$ 87,805	\$ 78,684	\$ 77,649	\$ 67,827						
Contributions in relation to the contractually required contribution	<u>(87,805)</u>	<u>(78,684)</u>	<u>(77,649)</u>	<u>(67,827)</u>						
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>						
District's covered employee payroll	\$ 692,891	\$ 977,890	\$ 783,314	\$ 912,374						
Contributions as a percentage of covered-employee payroll	12.67%	8.05%	9.91%	7.43%						

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

WASHINGTON BOROUGH SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

**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.

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

For the Fiscal Year Ended June 30, 2017

	Title I Part A	Title I I Part A	Title III	IDEA Basic	IDEA Preschool	Non- Public Text Aid	Totals
REVENUES							
State Sources						\$ 18	18
Federal Sources	\$ 135,694	\$ 18,457	\$ 3,145	\$ 119,584	\$ 7,558		\$ 284,438
TOTAL REVENUES	135,694	18,457	3,145	119,584	7,558	18	284,456
EXPENDITURES:							
Instruction:							
Salaries of Teachers	44,793	3,437			4,000		52,230
Tuition				119,584			119,584
Textbooks						18	18
General Supplies	3,000	871			909		4,780
Total Instruction	47,793	4,308		119,584	4,909	18	176,612
Support Services:							
Salaries of Supervisors	73,935						73,935
Personal Services - Employee Bene.	13,966	947			1,076		15,989
Supplies and Materials		13,202	3,145				16,347
Total Support Services	87,901	14,149	3,145		1,076		106,271
Facilities Acq. & Construction Svs							
Instructional Equipment					1,573		1,573
Total Facilities & Construction Svs					1,573		1,573
TOTAL EXPENDITURES	135,694	18,457	3,145	119,584	7,558	18	284,456
Other Financing Sources (Uses)							
Total Other Financing Sources (Uses)							
Total Outflows	135,694	18,457	3,145	119,584	7,558	18	284,456
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)							

**CAPITAL PROJECTS FUND
DETAIL STATEMENTS**

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

N/A

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

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

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

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

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

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

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

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

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-1

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

	<u>TRUST FUNDS</u>	<u>AGENCY FUNDS STUDENT ACTIVITY</u>	<u>PAYROLL AGENCY</u>	<u>TOTALS</u>
ASSETS:				
Cash and Cash Equivalents	\$ 6,090	\$ 5,236	\$ 248,033	\$ 259,359
TOTAL ASSETS	<u>\$ 6,090</u>	<u>\$ 5,236</u>	<u>\$ 248,033</u>	<u>\$ 259,359</u>
LIABILITIES:				
Liabilities:				
Accrued Salaries and Payroll Taxes			\$ 248,033	\$ 248,033
Payable to Student Groups	-	\$ 5,236	-	5,236
Total Liabilities	<u>-</u>	<u>5,236</u>	<u>248,033</u>	<u>253,269</u>
NET POSITION				
Held in Trust for Other Purposes	\$ 6,090			6,090
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,090</u>	<u>\$ 5,236</u>	<u>\$ 248,033</u>	<u>\$ 259,359</u>

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-2

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS
TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
Mary T. Harle Scholarship Fund	\$5,065	\$10		\$5,075
AB Davidson Scholarship Fund	1,013	2		1,015
	<hr/>			
Totals	\$6,078	\$12		\$6,090
	<hr/> <hr/>			

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-3

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

<u>ACTIVITY</u>	<u>BALANCE JULY 1, 2016</u>	<u>CASH RECEIPTS</u>	<u>CASH DISBURSEMENTS</u>	<u>BALANCE JUNE 30, 2017</u>
Student Activity Funds	\$5,326	\$9,626	\$9,716	\$5,236
Totals	\$5,326	\$9,626	\$9,716	\$5,236

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 213,840	\$ 5,377,326	\$ 5,343,133	\$ 248,033
Total Assets	<u>\$ 213,840</u>	<u>\$ 5,377,326</u>	<u>\$ 5,343,133</u>	<u>\$ 248,033</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 1,387	\$ 2,557,817	\$ 2,557,778	\$ 1,426
Accrued Salaries and Wages	212,453	2,819,509	2,785,355	246,607
Total Liabilities	<u>\$ 213,840</u>	<u>\$ 5,377,326</u>	<u>\$ 5,343,133</u>	<u>\$ 248,033</u>

LONG-TERM DEBT SCHEDULES

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

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit I-1

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

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES DATE</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>BALANCE JULY 1, 2016</u>	<u>REFUNDED</u>	<u>RETIRED</u>	<u>BALANCE JUNE 30, 2017</u>
School Refunding Bonds Series 2016	12/28/11	2,885,000	7/15/17	\$ 110,000	3.410% to 4.25%	\$ 2,505,000		\$ 110,000	\$ 2,395,000
			7/15/18	115,000					
			7/15/19	110,000					
			7/15/20	115,000					
			7/15/21	120,000					
			7/15/22	125,000					
			7/15/23	125,000					
			7/15/24	135,000					
			7/15/25	140,000					
			7/15/26	140,000					
			7/15/27	145,000					
			7/15/28	155,000					
			7/15/29	160,000					
			7/15/30	165,000					
			7/15/31	170,000					
			7/15/32	180,000					
7/15/33	185,000								
Total						\$ 2,505,000	\$ -	\$ 110,000	\$ 2,395,000

WASHINGTON BOROUGH SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 191,499	-	\$ 191,499	\$ 191,499	
Total - Local Sources	191,499	-	191,499	191,499	-
TOTAL REVENUES	191,499		191,499	191,499	
EXPENDITURES:					
Regular Debt Service:					
Interest	88,688		88,688	88,688	
Redemption of Principal	110,000		110,000	110,000	
Total Regular Debt Service	198,688		198,688	198,688	
TOTAL EXPENDITURES	198,688		198,688	198,688	
Excess (Deficiency) of Revenues Over Expenditures	(7,189)		(7,189)	(7,189)	-
Fund Balance, July 1	37,190		37,190	37,190	
Fund Balance, June 30	30,001	-	30,001	\$ 30,001	\$ -
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted Fund Balance	30,001	-	30,001	\$ 30,001	\$ -

Washington Borough School District
Statistical Section

<u>Contents</u>	<u>Page</u>
Financial Trends (J-1 thru J-5) These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	86-91
Revenue Capacity (J-6 thru J-9) These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	92-95
Debt Capacity (J-10 thru J-13) These schedules present information to help the reader assess the affordability of the district's current levels of outstanding debt and the district's ability to issue additional debt in the future.	96-99
Demographic and Economic Information (J-14 and J-15) These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	100-101
Operating Information (J-16 thru J-20) These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	102-106

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.

**Washington Borough School District
Net Position by Component,
Last Ten Fiscal Years**

(accrual basis of accounting)

Exhibit J-1

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 1,555,418	\$ 1,189,124	\$ 827,830	\$ 474,745	\$ 144	\$ (180,457)	\$ (401,058)	\$ (626,659)	\$ (478,510)	\$ (595,552)
Restricted	1,075,200	1,069,733	729,421	1,039,992	972,446	929,643	862,622	729,162	1,104,167	1,233,143
Unrestricted	104,024	(32,856)	12,088	5,827	185,259	(24,640)	(28,318)	(1,643,049)	(1,659,802)	(1,828,789)
Total governmental activities net position	\$ 2,734,642	\$ 2,226,001	\$ 1,569,339	\$ 1,520,564	\$ 1,157,849	\$ 724,546	\$ 433,246	\$ (1,540,546)	\$ (1,034,145)	\$ (1,191,198)
Business-type activities										
Invested in capital assets, net of related debt	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	\$ 14,790	\$ 15,232	\$ 26,751	\$ 44,329	\$ 62,364	\$ 66,333	\$ 62,828	\$ 71,543	\$ 62,455	\$ 50,319
Total business-type activities net position	\$ 14,790	\$ 15,232	\$ 26,751	\$ 44,329	\$ 62,364	\$ 66,333	\$ 62,828	\$ 71,543	\$ 62,455	\$ 50,319
District-wide										
Invested in capital assets, net of related debt	\$ 1,555,418	\$ 1,189,124	\$ 827,830	\$ 474,745	\$ 144	\$ (180,457)	\$ (401,058)	\$ (626,659)	\$ (478,510)	\$ (595,552)
Restricted	1,075,200	1,069,733	729,421	1,039,992	972,446	929,643	862,622	729,162	1,104,167	1,233,143
Unrestricted	118,814	(17,624)	38,839	50,156	247,623	41,693	34,510	(1,571,506)	(1,597,347)	(1,778,470)
Total district net position	\$ 2,749,432	\$ 2,241,233	\$ 1,596,090	\$ 1,564,893	\$ 1,220,213	\$ 790,879	\$ 496,074	\$ (1,469,003)	\$ (971,690)	\$ (1,140,879)

Source: CAFR Schedule A-1

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

Exhibit J-2

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 3,998,000	\$ 3,796,231	\$ 3,975,060	\$ 3,478,325	\$ 3,863,484	\$ 4,231,902	\$ 4,199,465	\$ 4,656,902	\$ 4,572,490	\$ 4,802,697
Special education	768,618	920,067	854,518	837,710	1,081,042	969,494	1,021,393	1,047,021	1,193,727	1,332,721
Other special education	248,301	205,416	222,314	259,936	116,706	347,273	200,665	344,822	273,591	559,298
Support Services:										
Tuition	158,504	113,588	74,927	158,997	112,151	60,104	260,742	334,847	39,886	75,736
Student & instruction related services	1,156,341	1,104,507	1,102,063	1,014,479	1,154,146	1,245,220	1,172,728	1,388,812	1,656,121	2,025,948
General administrative services	482,721	503,200	515,963	473,803	760,079	508,881	510,034	590,892	598,602	685,239
School administrative services	176,111	178,628	185,840	179,619	179,768	179,272	182,555	208,167	225,061	217,721
Business administrative services										
Plant operations and maintenance	732,989	698,515	661,825	698,111	628,099	671,418	659,959	753,041	814,248	984,812
Pupil transportation	143,015	129,778	129,245	200,286	189,493	236,847	255,637	234,473	167,745	184,437
Interest on long-term debt	145,336	142,484	139,683	151,459	56,298	110,694	106,460	104,456	102,361	100,165
Unallocated depreciation	42,629	42,629	42,629	42,629	32,560	32,560	32,560	32,560	22,704	22,704
Total governmental activities expenses	<u>8,052,565</u>	<u>7,835,043</u>	<u>7,904,067</u>	<u>7,495,354</u>	<u>8,173,826</u>	<u>8,593,665</u>	<u>8,602,198</u>	<u>9,695,993</u>	<u>9,666,536</u>	<u>10,991,478</u>
Business-type activities:										
Food service	130,900	148,395	146,330	150,061	158,528	173,317	199,082	200,158	220,553	212,774
Total business-type activities expense	<u>130,900</u>	<u>148,395</u>	<u>146,330</u>	<u>150,061</u>	<u>158,528</u>	<u>173,317</u>	<u>199,082</u>	<u>200,158</u>	<u>220,553</u>	<u>212,774</u>
Total district expenses	<u>\$ 8,183,465</u>	<u>\$ 7,983,438</u>	<u>\$ 8,050,397</u>	<u>\$ 7,645,415</u>	<u>\$ 8,332,354</u>	<u>\$ 8,766,982</u>	<u>\$ 8,801,280</u>	<u>\$ 9,896,151</u>	<u>\$ 9,887,089</u>	<u>#####</u>
Program Revenues										
Governmental activities:										
Charges for services						28720	\$ 10,251	\$ 20,500	\$ 33,392	24,439
Operating grants and contributions	\$ 3,798,112	\$ 3,426,627	\$ 3,228,927	\$ 3,294,355	\$ 3,582,754	\$ 3,822,675	3,742,773	4,691,883	5,116,179	5,910,992
Capital grants and contributions										
Total governmental activities program revenues	<u>3,798,112</u>	<u>3,426,627</u>	<u>3,228,927</u>	<u>3,294,355</u>	<u>3,582,754</u>	<u>3,851,395</u>	<u>3,753,024</u>	<u>4,712,383</u>	<u>5,149,571</u>	<u>5,935,431</u>
Business-type activities:										
Charges for services										
Food service	61,866	68,064	66,795	69,026	70,670	73,327	76,221	82,831	79,537	74,113
Operating grants and contributions	62,209	80,743	91,054	95,513	105,893	103,959	119,356	126,042	131,928	126,525
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>124,075</u>	<u>148,807</u>	<u>157,849</u>	<u>164,539</u>	<u>176,563</u>	<u>177,286</u>	<u>195,577</u>	<u>208,873</u>	<u>211,465</u>	<u>200,638</u>
Total district program revenues	<u>\$ 3,922,187</u>	<u>\$ 3,575,434</u>	<u>\$ 3,386,776</u>	<u>\$ 3,458,894</u>	<u>\$ 3,759,317</u>	<u>\$ 4,028,681</u>	<u>\$ 3,948,601</u>	<u>\$ 4,921,256</u>	<u>\$ 5,361,036</u>	<u>\$ 6,136,069</u>

-Continued-

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

Exhibit J-2

	<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>
Net (Expense)/Revenue										
Governmental activities	\$ (4,254,453)	\$ (4,408,416)	\$ (4,675,140)	\$ (4,200,999)	\$ (4,591,072)	\$ (4,742,270)	\$ (4,849,174)	\$ (4,983,610)	\$ (4,516,965)	\$ (5,056,047)
Business-type activities	(6,825)	412	11,519	14,478	18,035	3,969	(3,505)	8,715	(9,088)	(12,136)
Total district-wide net expense	<u>\$ (4,261,278)</u>	<u>\$ (4,408,004)</u>	<u>\$ (4,663,621)</u>	<u>\$ (4,186,521)</u>	<u>\$ (4,573,037)</u>	<u>\$ (4,738,301)</u>	<u>\$ (4,852,679)</u>	<u>\$ (4,974,895)</u>	<u>\$ (4,526,053)</u>	<u>\$ (5,068,183)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 3,507,666	\$ 3,647,973	\$ 3,793,892	\$ 3,904,892	\$ 3,982,989	\$ 4,062,649	\$ 4,291,193	\$ 4,377,018	\$ 4,464,558	\$ 4,703,849
Taxes levied for debt service	206,639	203,972	205,823	140,534	204,292	200,074	183,399	192,888	195,836	191,499
Unrestricted grants and contributions	59,751									
Investment earnings	59,724	22,607	6,010	2,016	1,468	1,130	854	593	776	912
Miscellaneous income	9,067	25,223	12,753	104,783	39,608	45,114	82,428	3,809	92,005	2,734
Transfers										
Total governmental activities	<u>3,842,847</u>	<u>3,899,775</u>	<u>4,018,478</u>	<u>4,152,225</u>	<u>4,228,357</u>	<u>4,308,967</u>	<u>4,557,874</u>	<u>4,574,308</u>	<u>4,753,175</u>	<u>4,898,994</u>
Business-type activities:										
Miscellaneous income	1,589	30	-	3,100	-	-	-	-	-	-
Transfers										
Total business-type activities	<u>1,589</u>	<u>30</u>	<u>-</u>	<u>3,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total district-wide	<u>\$ 3,844,436</u>	<u>\$ 3,899,805</u>	<u>\$ 4,018,478</u>	<u>\$ 4,155,325</u>	<u>\$ 4,228,357</u>	<u>\$ 4,308,967</u>	<u>\$ 4,557,874</u>	<u>\$ 4,574,308</u>	<u>\$ 4,753,175</u>	<u>\$ 4,898,994</u>
Change in Net Position										
Governmental activities	\$ (411,606)	\$ (508,641)	\$ (656,662)	\$ (48,774)	\$ (362,715)	\$ (433,303)	\$ (291,300)	\$ (409,302)	\$ 236,210	\$ (157,053)
Business-type activities	(5,236)	442	11,519	17,578	18,035	3,969	(3,505)	8,715	(9,088)	(12,136)
Total district	<u>\$ (416,842)</u>	<u>\$ (508,199)</u>	<u>\$ (645,143)</u>	<u>\$ (31,196)</u>	<u>\$ (344,680)</u>	<u>\$ (429,334)</u>	<u>\$ (294,805)</u>	<u>\$ (400,587)</u>	<u>\$ 227,122</u>	<u>\$ (169,189)</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Fiscal Year Ending June 30,</u>		<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
					<u>2012</u>	<u>2013</u>				
General Fund										
Reserved	\$ 949,203	\$ 1,004,763	\$ 761,680	\$ 1,074,348	\$ 1,147,166	\$ 960,694	\$ 905,058	\$ 758,172	\$ 1,163,596	\$ 1,356,606
Unreserved	235,042	30,282	(23,143)	33,783	16,857	(3,237)	(2,724)	(1,401)	(20,573)	(20,510)
Total general fund	<u>\$ 1,184,245</u>	<u>\$ 1,035,045</u>	<u>\$ 738,537</u>	<u>\$ 1,108,131</u>	<u>\$ 1,164,023</u>	<u>\$ 957,457</u>	<u>\$ 902,334</u>	<u>\$ 756,771</u>	<u>\$ 1,143,023</u>	<u>\$ 1,336,096</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund	\$ (5,365)									
Capital projects fund	66,902	66,902								
Debt service fund	-	181	67,083		\$ 64,534	\$ 16,540	\$ 2	\$ 2	\$ 37,190	\$ 30,001
Total all other governmental funds	<u>\$ 61,537</u>	<u>\$ 67,083</u>	<u>\$ 67,083</u>		<u>\$ 64,534</u>	<u>\$ 16,540</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 37,190</u>	<u>\$ 30,001</u>

Source: CAFR Schedule B-1

**Washington Borough School District
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years**

Exhibit J-4

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Tax levy	\$ 3,714,305	\$ 3,851,945	\$ 3,999,715	\$ 4,045,426	\$ 4,187,281	\$ 4,262,723	\$ 4,474,592	\$ 4,569,906	\$ 4,660,394	\$ 4,895,348
Interest earnings										
Miscellaneous	68,791	47,830	18,763	106,798	41,076	74,964	93,533	24,902	126,173	28,085
State sources	3,594,317	3,170,175	2,409,269	3,017,497	3,193,621	3,505,849	3,458,277	3,563,676	3,697,234	3,795,273
Federal sources	263,546	256,452	819,658	276,858	389,133	316,826	284,496	290,456	310,144	274,904
Total revenue	7,640,959	7,326,402	7,247,405	7,446,579	7,811,111	8,160,362	8,310,898	8,448,940	8,793,945	8,993,610
Expenditures										
Instruction										
Regular Instruction	2,513,191	2,415,160	2,519,926	2,245,646	2,601,008	2,781,254	2,775,343	2,779,655	2,648,219	2,504,813
Special education instruction	556,922	678,332	624,270	633,236	812,945	706,379	746,292	688,101	744,709	751,774
Other special instruction	179,913	151,446	162,412	196,489	87,763	253,025	146,618	227,519	170,680	315,494
Other instruction										
Support Services:										
Tuition	114,848	83,744	54,738	120,188	84,338	43,792	190,514	220,937	24,883	42,722
Student & instruction related services	837,857	814,313	805,115	766,858	867,919	907,275	856,866	916,360	1,033,174	1,142,816
School administrative services	127,606	131,696	135,766	135,776	135,186	130,619	133,386	137,352	140,405	122,814
Other administrative services	349,768	370,991	376,938	358,154	352,580	370,774	372,662	389,880	373,439	386,536
Plant operations and maintenance	531,106	514,990	483,498	527,711	472,331	489,199	482,206	496,868	507,970	555,522
Pupil transportation	103,625	95,681	94,420	151,399	142,499	172,568	186,784	154,709	104,648	104,039
Unallocated employee benefits	2,166,099	2,009,912	2,080,607	1,782,144	1,983,063	2,281,687	2,258,878	2,374,516	2,414,055	2,622,954
Transfer to Charter School						8,702	20,588	493	-	47,069
Special Revenue										
Capital Outlay	-	-	400	18,850	11,295	21,580	12,485	15,225	12,485	12,485
Debt service:										
Principal	60,000	60,000	65,000	70,000	70,000	145,000	105,000	100,000	105,000	110,000
Interest and other charges	146,642	143,791	140,823	137,617	69,758	103,068	94,937	92,888	90,838	88,688
Total expenditures	7,687,577	7,470,056	7,543,913	7,144,068	7,690,685	8,414,922	8,382,559	8,594,503	8,370,505	8,807,726
Excess (Deficiency) of revenues over (under) expenditures	(46,618)	(143,654)	(296,508)	302,511	120,426	(254,560)	(71,661)	(145,563)	423,440	185,884
Other Financing Sources (uses)										
Bond proceeds										
Accrued interest										
Transfers in			66,902				-	-	-	-
Transfers out	-	-	(66,902)				-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (46,618)	\$ (143,654)	\$ (296,508)	\$ 302,511	\$ 120,426	\$ (254,560)	\$ (71,661)	\$ (145,563)	\$ 423,440	\$ 185,884
Debt service as a percentage of noncapital expenditures	2.7%	2.7%	2.7%	2.9%	1.8%	3.0%	2.4%	2.2%	2.3%	2.3%

Source: CAFR Schedule B-2

WASHINGTON BOROUGH SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Refund</u> <u>Prior Year</u> <u>Expenditures</u>	<u>Tuition</u>	<u>Other</u> <u>State</u> <u>Aid</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 59,724	\$ 1,108			\$ 5,258	\$ 66,090
2009	22,607	4,225	\$ 5,772		13,060	45,664
2010	6,010		3,240	\$ 5,220	4,134	18,604
2011	2,018	98,143		3,546	3,094	106,801
2012	1,468	2,318	19,927	3,700	6,260	33,673
2013	1,130		5,916	41,124	(1,926)	46,244
2014	854	10,086	10,251	63,247	9,095	93,533
2015	593	881	20,500		2,928	24,902
2016	776	7,348	33,392	47,662	1,202	90,380
2017	912		24,439		2,734	28,085

SOURCE: District Records

**Washington Borough School District
Assessed Value and Actual Value of Taxable Property,
Last Ten Fiscal Years**

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$5,960,300	\$282,165,460	\$437,600	\$5,300	\$48,804,000	\$16,823,900	\$23,083,000	\$409,737,532	\$30,395,825	\$2,062,147	\$379,341,707	\$1.005	\$575,868,580
2009	9,560,900	283,120,180	437,600	5,300	48,586,900	16,823,900	22,783,000	413,338,635	29,975,825	2,045,030	383,362,810	1.063	595,390,516
2010	8,457,100	278,216,160	437,600	5,300	48,064,100	16,823,900	22,283,000	410,238,951	33,852,325	2,099,466	376,386,626	1.081	587,949,681
2011	6,827,300	278,559,460	437,600	5,300	47,575,200	16,823,900	21,890,900	407,186,249	32,932,625	2,133,964	374,253,624	1.125	583,927,229
2012	5,350,500	278,666,860	437,600	5,300	47,429,000	16,323,400	21,890,900	404,055,686	31,906,225	2,045,901	372,149,461	1.147	577,042,195
2013	5,303,400	278,655,460	437,600	5,300	46,893,500	16,323,400	21,890,900	403,100,524	31,331,625	2,259,339	371,768,899	1.206	521,268,396
2014	3,861,800	283,660,960	437,600	5,300	45,295,800	16,323,400	19,350,900	401,645,750	30,736,425	1,973,565	370,909,325	1.227	475,996,770
2015	3,519,500	285,790,960	437,600	5,300	45,255,400	16,323,400	19,350,900	404,384,507	31,893,625	1,807,822	372,490,882	1.255	463,639,899
2016	2,340,900	290,037,560		10,100	43,632,300	14,766,600	18,450,900	405,151,573	33,944,425	1,968,788	371,207,148	1.329	443,330,536
2017	1,792,100	287,893,160	437,600	10,100	44,069,600	13,894,600	18,389,700	401,702,392	33,266,625	1,948,907	368,435,767	1.329	441,651,116

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

**Washington Borough School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Washington Borough Board of Education			Warren Hills Regional School District	Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct		Washington Borough	Warren County	
2008	\$0.926	\$0.054	\$0.980	\$1.138	\$1.005	\$0.847	\$3.970
2009	\$0.952	\$0.053	\$1.005	\$1.104	\$1.054	\$0.864	\$4.027
2010	\$1.008	\$0.055	\$1.063	\$1.106	\$1.240	\$0.864	\$4.273
2011	\$1.026	\$0.055	\$1.081	\$1.118	\$1.415	\$0.873	\$4.487
2012	\$1.070	\$0.055	\$1.125	\$1.141	\$1.443	\$0.961	\$4.670
2013	\$1.093	\$0.054	\$1.147	\$1.098	\$1.495	\$0.859	\$4.599
2014	\$1.157	\$0.049	\$1.206	\$1.094	\$1.475	\$0.850	\$4.625
2015	\$1.175	\$0.052	\$1.227	\$1.123	\$1.455	\$0.890	\$4.695
2016	\$1.192	\$0.063	\$1.255	\$1.077	\$1.460	\$0.864	\$4.656
2017	\$1.277	\$0.052	\$1.329	\$1.154	\$1.471	\$0.845	\$4.799

Source: District Records and Municipal Tax Collector

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

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.

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

**Washington Borough School District
Principal Property Tax Payers,
Current Year and Nine Years Ago**

Exhibit J-8

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Warren Washington Assn.	\$ 5,500,000	1	1.49%	\$ 5,800,000	2	2.02%
BASF Corporation	4,722,000	2	1.28%	4,114,400	3	1.43%
Twist Beauty Packaging	4,052,900	3	1.10%			
Washington Plaza Assoc.	3,400,000	4	0.92%			1.08%
Bell Atlantic	3,266,765	5	0.89%	1,499,500	5	
Washington Gardens LOC	2,950,000	6	0.80%	1,700,000	7	0.59%
Washington Heights, LLC	2,000,000	7	0.54%	3,438,100	4	0.54%
Individual Taxpayer #1	1,939,800	8	0.53%	1,547,000	8	1.20%
Midtown/Limited, Inc.	1,755,200	9	0.48%			
Rural Housing Service (Westgate Apts)	1,740,000	10	0.47%			
American National Can Co.				6,060,000	1	2.11%
Total	\$ 31,326,665		8.50%	\$ 24,159,000		8.97%

Washington Gardens LOC

Source: District CAFR & Municipal Tax Assessor

**Washington Borough School District
Property Tax Levies and Collections,
Last Ten Fiscal Years**

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$3,507,666	\$3,507,666	100.00%	-
2009	\$3,647,973	\$3,647,973	100.00%	-
2010	\$3,793,892	\$3,793,892	100.00%	-
2011	\$3,904,892	\$3,904,892	100.00%	-
2012	\$3,982,989	\$3,982,989	100.00%	-
2013	\$4,062,649	\$4,062,649	100.00%	-
2014	\$4,291,193	\$4,291,193	100.00%	-
2015	\$4,377,018	\$4,377,018	100.00%	-
2016	\$4,464,558	\$4,464,558	100.00%	-
2017	\$4,703,849	\$4,703,849	100.00%	-

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

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

**Washington Borough School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2008	\$ 3,006,000	-0-	-0-	-0-	-0-	\$ 3,006,000	1.05%	\$448.32
2009	\$ 2,946,000	-0-	-0-	-0-	-0-	\$ 2,946,000	1.02%	\$441.15
2010	\$ 2,881,000	-0-	-0-	-0-	-0-	\$ 2,881,000	0.99%	\$446.67
2011	\$ 2,811,000	-0-	-0-	-0-	-0-	\$ 2,811,000	0.95%	\$437.85
2012	\$ 2,960,000	-0-	-0-	-0-	-0-	\$ 2,960,000	0.99%	\$458.42
2013	\$ 2,815,000	-0-	-0-	-0-	-0-	\$ 2,815,000	0.90%	\$435.96
2014	\$ 2,710,000	-0-	-0-	-0-	-0-	\$ 2,710,000	0.86%	\$416.92
2015	\$ 2,610,000	-0-	-0-	-0-	-0-	\$ 2,610,000	0.83%	\$401.66
2016	\$ 2,505,000	-0-	-0-	-0-	-0-	\$ 2,505,000	0.76%	\$385.50
2017	\$ 2,395,000	-0-	-0-	-0-	-0-	\$ 2,395,000	0.72%	\$368.92

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-13 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

* Current data unavailable

**Washington Borough School District
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years**

Exhibit J-11

<u>General Bonded Debt Outstanding</u>					
Fiscal Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
2008	\$ 3,006,000	-0-	\$ 3,006,000	0.79%	\$ 448
2009	\$ 2,946,000	-0-	\$ 2,946,000	0.77%	\$ 441
2010	\$ 2,881,000	-0-	\$ 2,881,000	0.77%	\$ 447
2011	\$ 2,811,000	-0-	\$ 2,811,000	0.75%	\$ 438
2012	\$ 2,960,000	-0-	\$ 2,960,000	0.80%	\$ 458
2013	\$ 2,815,000	-0-	\$ 2,815,000	0.76%	\$ 436
2014	\$ 2,710,000	-0-	\$ 2,710,000	0.73%	\$ 417
2015	\$ 2,610,000	-0-	\$ 2,610,000	0.70%	\$ 402
2016	\$ 2,505,000	-0-	\$ 2,505,000	0.67%	\$ 386
2017	\$ 2,395,000	-0-	\$ 2,395,000	0.65%	\$ 369

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

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

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

* Current data unavailable

**Washington Borough School District
Ratios of Overlapping Governmental Activities Debt
As of June 30, 2017**

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Borough of Washington	\$ 6,784,411	100.000%	\$ 6,784,411
Other debt Warren County	3,435,000	4.241%	<u>145,689</u>
Subtotal, overlapping debt			6,930,100
Washington Borough School District Direct Debt			<u>2,395,000</u>
Total direct and overlapping debt			<u><u>\$ 9,325,100</u></u>

Sources: Borough Finance Officer, Warren County Finance Office and Utility Authorities

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

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

Washington Borough School District
 Legal Debt Margin Information,
 Last Ten Fiscal Years

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2014 \$ 439,875,472
	2015 \$ 439,883,679
	2016 \$ 452,956,198
	[A] <u>\$ 1,332,715,349</u>
Average equalized valuation of taxable property	[A/3] \$ 444,238,450
Debt limit (2.5% of average equalization value)	[B] 11,105,961
Net bonded school debt	[C] 2,395,000
Legal debt margin	[B-C] <u>\$ 8,710,961</u>

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$13,723,978	\$14,481,900	\$14,627,832	\$14,556,276	\$13,920,572	\$13,006,676	\$12,026,816	\$11,393,914	\$11,134,004	\$11,105,961
Total net debt applicable to limit	<u>3,006,000</u>	<u>2,946,000</u>	<u>2,881,000</u>	<u>2,811,000</u>	<u>2,960,000</u>	<u>2,815,000</u>	<u>2,710,000</u>	<u>2,610,000</u>	<u>2,505,000</u>	<u>2,395,000</u>
Legal debt margin	<u>\$10,717,978</u>	<u>\$11,535,900</u>	<u>\$11,746,832</u>	<u>\$11,745,276</u>	<u>\$10,960,572</u>	<u>\$10,191,676</u>	<u>\$9,316,816</u>	<u>\$8,783,914</u>	<u>\$8,629,004</u>	<u>\$8,710,961</u>
Total net debt applicable to the limit as a percentage of debt limit	21.90%	20.34%	19.70%	19.31%	21.26%	21.64%	22.53%	22.91%	22.50%	21.56%

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

a Limit set by NJSA 18A:24-19 for a K through 6 district; other % limits would be applicable for other districts

**Washington Borough School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income (thousands of dollars) ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2008	6,702	\$ 293,929,614	\$43,857 R	4.7%
2009	6,705	\$ 286,256,565	\$42,693 R	8.3%
2010	6,678	\$ 288,402,786	\$43,187 R	8.6%
2011	6,450	\$ 289,714,650	\$44,917 R	7.9%
2012	6,420	\$ 296,424,240	\$46,172 R	7.7%
2013	6,457	\$ 300,218,215	\$46,495 R	6.1%
2014	6,457	\$ 314,100,765	\$48,645 R	6.4%
2015	6,500	\$ 316,192,500	\$50,902 R	5.7%
2016	6,498	\$ 316,095,210	\$50,902 *	5.3%
2017	6,492	\$ 330,455,784	\$50,902 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

Washington Borough School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15
N/A

Employer	2017			2008		
	Employees	Rank (Optional)	Percentage of Total Employment	Employees	Rank (Optional)	Percentage of Total Employment
		1	0.00%	-		0.00%
		2	0.00%	-		0.00%
		3	0.00%	-		0.00%
		4	0.00%	-		0.00%
		5	0.00%	-		0.00%
		6	0.00%	-		0.00%
		7	0.00%	-		0.00%
		8	0.00%	-		0.00%
		9	0.00%	-		0.00%
		10	0.00%	-		0.00%
	-			-		0.00%
	-			-		0.00%
	-			-		0.00%
	-		0.00%	-		0.00%

Source:
No reliable information is available at the local or county level.

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

Exhibit J-16

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	37.0	36.0	36.0	35.0	35.0	37.8	38.6	38.6	37.0	37.0
Special education	10.0	12.0	12.0	11.0	11.0	11.0	12.5	12.5	12.0	12.0
Other special education	9.5	10.0	5.0	5.0	5.0	5.0	4.0	4.0	4.0	4.0
Other instruction	6.2	6.2	5.2	5.2	5.2	10.0	10.0	10.0	10.0	10.0
Support Services:										
Tuition										
Student & instruction related services	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
General administrative services	3.6	3.6	3.6	3.6	3.6	5.0	5.0	5.0	5.0	5.0
School administrative services	1.2	1.2	1.2	1.2	1.2	2.0	2.0	2.0	2.0	2.0
Central services	5.2	5.2	4.0	4.0	3.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0
Special Schools										
Total	<u>77.7</u>	<u>79.2</u>	<u>72.0</u>	<u>70.0</u>	<u>69.0</u>	<u>77.8</u>	<u>79.1</u>	<u>79.1</u>	<u>77.0</u>	<u>76.0</u>

Source: District Personnel Records

Washington Borough School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2008	513	\$7,480,935	\$ 14,583	4.96%	63	12.3:1	505.1	478.0	-3.97%	94.63%
2009	548	\$7,266,265	\$ 13,260	-9.07%	63	8.7:1	546.5	517.0	8.20%	94.60%
2010	551	\$7,337,690	\$ 13,317	0.43%	58	9.5:1	551.0	522.0	0.82%	94.74%
2011	535	\$6,917,601	\$ 12,930	-2.91%	56	9.6:1	536.3	509.9	-2.67%	95.08%
2012	568	\$7,539,632	\$ 13,274	2.66%	56	10.1:1	556.2	528.9	3.71%	95.09%
2013	555	\$8,136,572	\$ 14,660	10.45%	55	10.1:1	543.3	515.5	-2.32%	94.88%
2014	560	\$8,149,549	\$ 14,553	-0.73%	56	10.0:1	550.8	525.8	1.38%	95.47%
2015	577	\$8,385,897	\$ 14,534	-0.13%	56	9.7:1	566.2	536.6	2.80%	94.77%
2016	548	\$8,162,182	\$ 14,894	2.48%	56	9.8:1	548.3	520.4	-3.16%	94.91%
2017	502	\$8,549,484	\$ 17,031	14.34%	56	9.0:1	505.0	479.4	-7.90%	94.92%

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-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

**Washington Borough School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>District Building</u>										
<u>Elementary</u>										
Taylor School										
Square Feet	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512	42,512
Capacity (students)	268	268	268	268	268	268	268	268	268	268
Enrollment	239	252	248	241	244	248	249	262	236	201
Memorial School										
Square Feet	48,708	48,708	48,708	48,708	48,708	48,708	48,708	48,708	48,708	48,708
Capacity (students)	358	358	358	358	358	358	358	358	358	358
Enrollment ^a	274	296	303	294	324	302	311	315	313	301
Total Enrollment	513	548	551	535	568	550	560	577	549	502

Nur

7 **Source:** District records, ASSA

Elementary = 2

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

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

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Washington Memorial School	055	\$33,629	\$21,852	\$16,980	\$18,286	\$26,623	\$74,969	\$50,202	\$50,478	\$48,084	\$42,952	\$384,054
Taylor Street School	060	35,282	22,927	17,816	19,185	27,932	78,655	52,671	52,960	50,448	45,064	402,941
Total School Facilities		68,911	44,779	34,796	37,471	54,555	153,624	102,873	103,438	98,532	88,016	786,995
Other Facilities												
Grand Total		\$68,911	\$44,779	\$34,796	\$37,471	\$54,555	\$153,624	\$102,873	\$103,438	\$98,532	\$88,016	\$786,995

WASHINGTON BOROUGH SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
COMMERCIAL PACKAGE POLICY - New Jersey School Boards Ins. Group		
Property-Blanket Building and Contents	\$500,000,000	\$1,000
Comprehensive General Liability:		
General Aggregate	11,000,000	
Occurrence Limit	11,000,000	
Comprehensive Automobile Liability - Blanket	11,000,000	
Theft, Disappearance and Destruction:	100,000	1,000
BOILER AND MACHINERY - New Jersey School Boards		
Property Damage	Not Limited	1,000
SCHOOL BOARD LEGAL LIABILITY - New Jersey School Boards		
Limit Each Loss	11,000,000	5,000
Limit Each Policy Year	11,000,000	
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND-New Jersey School Boards		
Blanket Employee Limit	100,000	1,000
PUBLIC OFFICIAL BOND-Selective Insurance Company		
School Board Secretary	30,000	
Treasurer of School Monies	175,000	

SOURCE: District Records

Single Audit Section



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

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

Independent Auditor's Report

The Honorable President and
 Members of the Board of Education
 Washington Borough School District
 County of Warren
 Washington, New Jersey 07882

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

Internal Control Over Financial Reporting

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

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

-Continued-

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

Compliance and Other Matters

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

Purpose of this Report

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

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2017

Cynthia Corder

Licensed Public School Accountant No.2369



ARDITO & Co., LLP

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

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

Independent Auditor's Report

The Honorable President and
 Members of the Board of Education
 Washington Borough School District
 County of Warren
 Washington, New Jersey 07882

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

-Continued-

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2017

Cumy Cedar

Licensed Public School Accountant No.2369

WASHINGTON BOROUGH SCHOOL DISTRICT

K-4

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

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE AT JUNE 30, 2017			REPAYMENT OF PRIOR YEARS' BALANCES			BALANCE AT JUNE 30, 2017			MEMO		
				AT JUNE 30, 2016	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER.	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.		
State Department of Education															
General Fund:															
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 2,437,988			\$ 2,437,988	\$ (2,437,988)							* \$ 238,734	\$ 2,437,988
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	11,162			11,162	(11,162)							* 1,093	11,162
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	295,434			295,434	(295,434)							* 28,930	295,434
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	23,302			23,302	(23,302)							* 2,282	23,302
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	5,260			5,260	(5,260)							* 515	5,260
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	5,260			5,260	(5,260)							* 515	5,260
Prof Learning Comm Aid	17-495-034-5120-101	7/1/16-6/30/17	5,460			5,460	(5,460)							* 535	5,460
Host District Aid	17-495-034-5120-102	7/1/16-6/30/17	1,887			1,887	(1,887)							* 184	1,887
Extraordinary Aid	16-495-034-5120-044	7/1/15-6/30/16		\$ (20,252)		20,252								*	
Extraordinary Aid	17-495-034-5120-044	7/1/16-6/30/17	3,554				(3,554)		\$ (3,554)					*	3,554
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16		(2,430)		2,430								*	
Non-Public Transportation Aid	17-100-034-5120-068	7/1/16-6/30/17	2,278				(2,278)		(2,278)					*	2,278
On Behalf TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	408,683			408,683	(408,683)							*	408,683
On Behalf TPAF Pension PRM	17-495-034-5094-001	7/1/16-6/30/17	340,526			340,526	(340,526)							*	340,526
On Behalf TPAF Pension LTD Ins	17-495-034-5094-004	7/1/16-6/30/17	1,087			1,087	(1,087)							*	1,087
Reimbursed TPAF Soc. Secur. Contrib.	17-495-034-5094-003	7/1/16-6/30/17	250,407	(12,245)		250,350	(250,407)			(12,302)				*	250,407
Total General Fund				(34,927)		3,809,081	(3,792,288)			(18,134)				* 272,788	3,792,288
Special Revenue Fund:															
N.J. Nonpublic Aid:															
Nonpublic Textbook Aid	12-100-034-5120-064	7/1/11-6/30/12	684	18			(18)							*	
Total Special Revenue Fund				18			(18)							*	
State Department of Agriculture															
Enterprise Fund:															
Nat. School Lunch Prog.(State Share)	16-100-010-3350-023	7/1/15-6/30/16		(115)		115								*	
Nat. School Lunch Prog.(State Share)	17-100-010-3350-023	7/1/16-6/30/17	2,313			2,181	(2,313)			(132)				*	2,313
Total Enterprise Fund				(115)		2,296	(2,313)			(132)				* 2,313	
Total State Financial Assistance				\$ (35,024)		\$ 3,811,377	\$ (3,794,619)			\$ (18,266)				* \$ 272,788	\$ 3,794,601

Less: On-behalf TPAF Pension Amounts 750,296

Total State Expenditures Subject to Major Program Determination \$ (3,044,323)

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

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

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying state schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$2,967 for the general fund and \$12,210 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

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

NOTE 3. (Continued)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 3,795,255	\$ 3,795,255
Special Revenue Fund	\$ 274,904	18	274,922
Food Service Fund	<u>124,212</u>	<u>2,313</u>	<u>126,525</u>
Total Financial Assistance	<u>\$ 399,116</u>	<u>\$ 3,797,586</u>	<u>\$ 4,196,702</u>

NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5. OTHER

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

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

Section I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

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

Reported

Noncompliance material to financial statements noted? ___ Yes __x__ No

Federal Awards

N/A

Internal control over major programs:

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

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

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

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

Identification of major programs:

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

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

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

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

State Financial Assistance Section

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

Auditee qualified as low-risk auditee? x yes no

Internal Control over major programs:
1) Material weakness(es) identified? yes x no

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

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

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

Identification of major programs:

State Grant/Project Number(s)

Name of State Program

17-495-034-5120-078

Equilization Aid

17-495-034-5094-003

Reimbursed TPAF Soc. Security Contribution

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

Section II-Financial Statement Findings

N/A

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

Section III - State Financial Assistance Findings and Questioned Costs

N/A

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

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

STATUS OF PRIOR YEAR FINDINGS

N/A

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