

SCHOOL DISTRICT
OF
LEBANON TOWNSHIP

Lebanon Township School District
Board of Education
Califon, Hunterdon County
New Jersey

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

Comprehensive Annual

Financial Report

of the

Lebanon Township School District

Board of Education

Califon, New Jersey

For the Fiscal Year Ending June 30, 2017

Prepared by

Lebanon Township School District

Board of Education

Finance Department

OUTLINE OF CAFR

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Introductory Section

LEBANON TOWNSHIP SCHOOL DISTRICT

70 BUNNVALE ROAD CALIFON, NJ 07830-4199

PHONE: (908) 638-4521 FAX: (908) 638-5511

Jason Kornegay, Superintendent

Valley View School

400 Rt. 513

Califon, NJ 07830-4199

Phone: 832-2175

Fax: 832-6280

Patricia Bell, Principal

Abigail J. Postma, School Business Admin/Brd Sec

Colleen Andrade, Coordinator of Special Services

Phone: 832-2174

Fax: 832-5068

Woodglen School

70 Bunnvale Rd.

Califon, NJ 07830-4199

Phone: 638-4111

Fax: 638-8418

Michael B. Rubright, Principal

August 22, 2017

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

Dear Board Members:

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

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and schedules, as well as the auditor's report thereon. The financial section also includes the Management's Discussion and Analysis. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) **REPORTING ENTITY AND ITS SERVICES:** The Lebanon Township School District is an independent reporting entity within the criteria adopted by the GASB as established NCGA Statement No. 3. All funds and account groups of the District are included in this report. The Lebanon Township Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels pre-K through 8. These include regular instruction, as well as special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an average daily enrollment of 624.2 students. The following details the changes in the student enrollment of the District over the past several years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>ADE Student Enrollment</u>	<u>Percent Change</u>
1996-97	826.7	6.42%
1997-98	819.9	(0.82%)
1998-99	817.7	(0.27%)
1999-00	810.0	(0.94%)
2000-01	873.3	7.81%
2001-02	884.9	1.33%
2002-03	872.5	(1.40%)
2003-04	842.8	(3.40%)
2004-05	834.3	(1.01%)
2005-06	816.2	(2.17%)
2006-07	813.0	(0.39%)
2007-08	824.2	1.38%
2008-09	818.0	(0.75%)
2009-10	773.9	(5.39%)
2010-11	763.8	(1.3%)
2011-12	734.2	(3.9%)
2012-13	709.9	(3.3%)
2013-14	723.9	2.0%
2014-15	687.5	(5.6%)
2015-16	659.5	(4.08%)
2016-17	624.2	(5.6%)

The District has been experiencing decreased enrollment over the past few years. This trend is expected to continue mainly due to lower birthrates. Development of tracts of land has not occurred within the township, in light of the restrictions imposed by the NJ Highlands Act. The recent economic downturn has affected the local job market resulting in reduced house sales to new families.

School Choice students accounted for increased student enrollment in 2013-14. The overall District enrollment continues to decline due to local economic conditions.

Lebanon Township students in grades 9-12 attend Voorhees High School, which is physically located in Lebanon Township, and which serves five other municipalities. Voorhees High School is one of two schools in the North Hunterdon-Voorhees Regional High School District.

2) **ECONOMIC CONDITION AND OUTLOOK:** The Lebanon Township area is largely residential. Recent re-sales of homes have been slow largely due to economic conditions. There are relatively few business enterprises on the tax rolls. The Township enjoys the benefit of gross receipt taxes from an electrical power plant, and funds the municipal budget to a significant degree through use of those taxes, in lieu of levying additional property taxes for municipal purposes.

The Lebanon Township School District is in a sound financial position with reserves sufficient to maintain its facilities and provide a strong educational program for the benefit of all township residents.

3) **MAJOR INITIATIVES:** The Lebanon Township School District continues to dedicate our resources towards providing the best possible education for our students. We have made a commitment to continue to use a balance of responsible assessment programs, current technology, and sound instructional methods. In order to support these initiatives, the district has dedicated resources for professional development activities for staff members.

In an effort to ensure that our students are able to compete in an increasingly complex work world, we continue to invest in technology for our classrooms. Our students have access to individual electronic devices as well as classroom based technology. Investing in hardware and human resources for the teaching of technology will serve our students well as they enter high school and ultimately, the world of work.

Our district has for many years sought opportunities to share services with other districts in order to maintain program efficacy and to act in a fiscally responsible manner. We continue this commitment with shared services agreements for the Superintendent's office, child study team services, and most recently facility services with the Township of Lebanon. We are proud of our schools and continue to look for new ways to share our expertise.

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

As a recipient of federal and state financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with

applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the District management.

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

5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated general fund budget, which is approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for within any capital projects fund, when applicable. 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-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated were reported as reservations of fund balance.

6) **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7) **DEBT ADMINISTRATION:** Lebanon Township School District has no outstanding debt.

8) **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

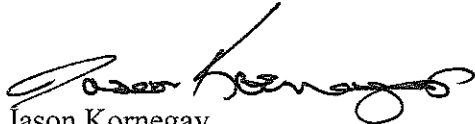
9) **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, vehicle liability, hazard and theft insurance on property and contents, and fidelity bonds. Wherever possible, the Board's major policies are pooled with other public schools of similar make-up in order to reduce experience ratings and premiums. Excess liability insurance is held under a joint insurance fund.

10) OTHER INFORMATION:

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

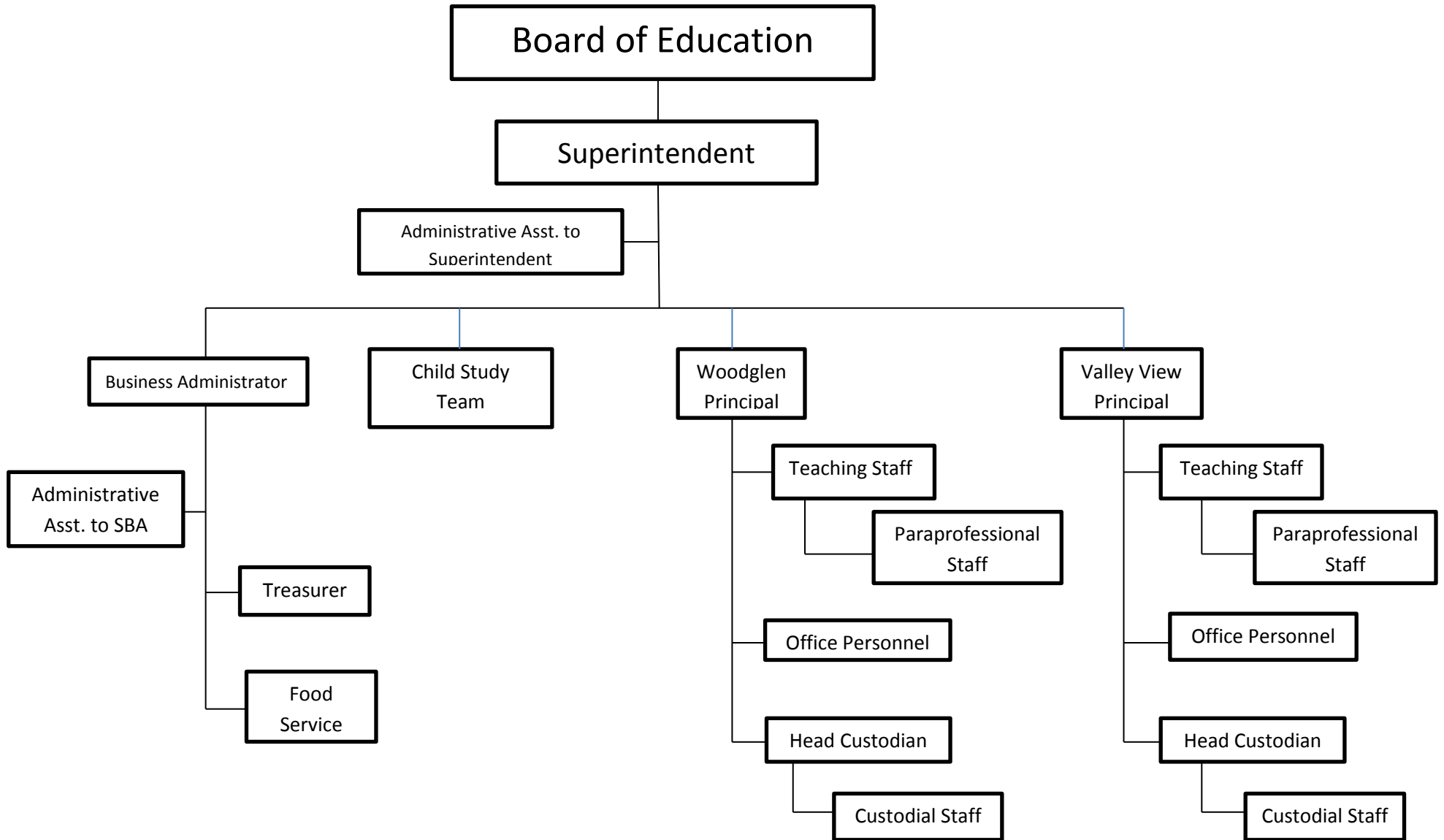
11) ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Lebanon Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance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

Respectfully submitted,



Jason Kornegay,
Superintendent

Lebanon Township School District Organizational Chart



**LEBANON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

ROSTER OF OFFICIALS

JUNE 30, 2017

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Stephanie Cahill, <i>President</i>	2019
Kiersten Robbins, <i>Vice-President</i>	2017
Kathleen Walsh	2017
Ronald Pojedinec	2017
Kelley Weiler	2018
Michele Korfin	2018
Dana Pierro	2018
Daniel Kerr	2019
Vacant	2019

Other Officials

Jason Kornegay, *Superintendent*

Abigail J. Postma, *School Business Administrator/Board Secretary*

Gregory Della Pia, *Treasurer*

**LEBANON TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

CONSULTANTS AND ADVISORS

AUDIT FIRM

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

BOARD ATTORNEY

Schwartz Simon Edelstein & Celso, LLC
100 South Jefferson Road, Suite 200
Whippany, NJ 07981

OFFICIAL DEPOSITORIES

PNC Bank
431 County Road 513
Califon, NJ 07882

Investors Bank
431 County Road 513
Califon, NJ 07882

Financial Section

Independent Auditor's Report



ARDITO & Co., LLP

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

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

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Lebanon Township School District
County of Hunterdon
Califon, New Jersey 07830

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 Lebanon Township School District Board of Education, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

-Continued-

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

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

Other Matters

Required Supplementary Information

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

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lebanon Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, 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.

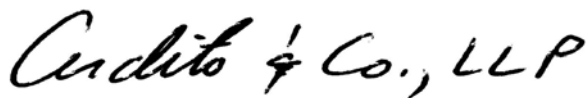
The combining and individual fund financial statement information and the schedule of state financial assistance, as required by New Jersey OMB's Circular 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are the responsibility of management and were derived 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 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.

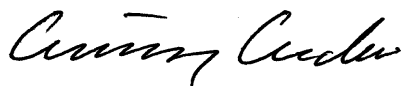
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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



ARDITO & CO., LLP
August 31, 2017



Licensed Public School Accountant No. 2369

**Required Supplementary Information -
Part I**

Management's Discussion and Analysis

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

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- ◆ In total, Net Position decreased \$19,517 which represents a 0.4% decrease from 2016.
- ◆ General revenues accounted for \$9,850,152 in revenue or 58.0% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$7,122,407 or 42.0% of total revenues of \$16,972,559.
- ◆ Total assets of governmental activities increased by \$311,801, as cash and cash equivalents increased by \$711,653, receivables decreased by \$162,513, and capital assets decreased by \$235,106.
- ◆ The School District had \$16,992,076 in expenses; only \$7,122,407 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$9,850,152 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$14,017,643 in revenues and \$13,466,409 in expenditures. The General Fund's surplus balance increased \$551,234 over 2016, which compares favorably to the budgeted decrease of \$773,566.

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 Lebanon Township School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities. The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail.

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 24. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Special Revenue Fund, and Capital Projects Fund.

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

Governmental Funds

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

The School District as a Whole

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

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

	<u>2017</u>	<u>2016</u>
Table 1 Net Position		
Assets		
Current and Other Assets	\$ 4,500,133	\$ 3,953,226
Capital Assets	<u>4,715,662</u>	<u>4,950,768</u>
Total Assets	<u>9,215,795</u>	<u>8,903,994</u>
 Deferred Outflows of Resources	 <u>1,618,364</u>	 <u>762,525</u>
 Liabilities		
Long-Term Liabilities	182,258	164,583
Other Liabilities	<u>5,373,366</u>	<u>4,182,434</u>
Total Liabilities	<u>5,555,624</u>	<u>4,347,017</u>
 Deferred Inflows of Resources	 <u>49,552</u>	 <u>71,002</u>
 Net Position		
Invested in Capital Assets, Net of Debt	4,715,662	4,950,768
Restricted	3,616,418	1,884,059
Unrestricted	<u>(3,103,097)</u>	<u>(1,586,327)</u>
Total Net Position	<u>\$ 5,228,983</u>	<u>\$ 5,248,500</u>

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

Total assets of governmental activities increased by \$311,801, as cash and cash equivalents increased by \$711,653, receivables decreased by \$162,513, and capital assets decreased by \$235,106.

The cash increase was mainly due to budget operational efficiencies and collection of prior year receivables. The decrease in capital assets was 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	\$ 379,412	\$ 501,126
Operating Grants and Contributions	6,742,995	6,197,713
General Revenues:		
Property Taxes	9,731,820	9,541,000
Investment Earnings	24,367	14,833
Other	<u>93,965</u>	<u>150,806</u>
Total Revenues	<u>16,972,559</u>	<u>16,405,478</u>
 Program Expenses		
Instruction	9,977,119	9,604,933
Support Services:		
Tuition	149,320	379,272
Pupils and Instructional Staff	2,490,155	2,755,646
General Administration, School Administration, Business	1,700,110	1,658,512
Operations and Maintenance of Facilities	1,660,550	1,008,798
Pupil Transportation	551,316	566,871
Business-Type Activities	198,178	191,856
Interest and Fiscal Charges	<u>265,328</u>	<u>2,165</u>
Total Expenses	<u>16,992,076</u>	<u>16,168,053</u>
 Increase in Net Position	 <u>\$ (19,517)</u>	 <u>\$ 237,425</u>

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

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 57.3% percent of revenues for governmental activities for the Lebanon Township School District for the fiscal year 2017.

Instruction comprises 58.7% of district expenses. Support services expenses make up 38.6% 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	\$ 9,977,119	\$ 5,639,145	\$ 9,604,933	\$ 9,254,676
Support Services:				
Tuition	149,320	90,488	379,272	227,752
Pupils and Instructional Staff	2,490,155	1,494,771	2,755,646	2,715,587
General Admin., School Admin., Business	1,700,110	1,030,264	1,658,512	1,658,512
Operation and Maintenance of Facilities	1,660,550	1,006,291	1,008,798	1,003,416
Pupil Transportation	551,316	334,097	566,871	558,435
Business-Type Activities	198,178	9,285	191,856	3,557
Interest and Fiscal Charges	<u>265,328</u>	<u>265,328</u>	<u>2,165</u>	<u>2,165</u>
Total Expenses	<u>\$ 16,992,076</u>	<u>\$ 9,869,669</u>	<u>\$ 16,168,053</u>	<u>\$ 15,424,100</u>

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

Tuition activities are for those expenditures related to sending district resident students to other special schools.

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.

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

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

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

The dependence upon tax revenues is apparent. Over 56.5% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 60.4%. The community, as a whole, is the primary support for the Lebanon Township School District.

The School District's Funds

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$14,198,693 and expenditures of \$13,647,459. The General Fund's surplus balance increased \$551,234 over 2016, which compares favorably to the budgeted decrease of \$773,566.

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 \$12,532,694, \$125,520 over original budgeted estimates of \$12,407,174. This difference was due primarily to non-budgeted extraordinary aid and tuition revenue over budgeted amounts.

General fund revenues exceeded expenditures by \$552,806. Again this surplus compares to a budgeted deficit of \$773,566, which was due to the budgeted use of surplus and capital reserve withdrawal needed to balance the 2016-2017 budget. The budgeted deficit was reduced due to cost savings in the areas of instruction, administration, capital outlay, and benefits.

Overall general fund balance (budget basis) was \$4,677,314, and amounts ear-marked and reserved for future purposes were \$4,338,809, creating a surplus in unreserved fund balance of \$338,505. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

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

Capital Assets

At the end of the fiscal year 2017, the School District had \$4,676,844 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	\$ 73,982	\$ 73,982
Land Improvements	156,001	170,998
Buildings and Improvements	4,272,814	4,485,162
Machinery and Equipment	174,047	176,124
 Totals	 <u>\$ 4,676,844</u>	 <u>\$ 4,906,266</u>

Overall capital assets decreased \$229,422 from fiscal year 2016 to fiscal year 2017. The decrease in capital assets was due to capital projects fund spending, net of depreciation expense for the year.

Capital improvements of \$39,338 were purchased during fiscal year 2017. Capital items included the security project and a tractor and mower.

Debt Administration

At June 30, 2017, the School District had \$182,258 as outstanding long term debt. Of this amount, \$182,258 is for compensated absences.

At June 30, 2017, the School District's overall legal debt margin was \$26,859,556 and the unvoted debt margin was the same.

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

For the Future

The Lebanon Township School District is in very good financial condition presently. A major concern is the continued reliance on local property taxes in light of possible state funding decreases. However, future finances are not without challenges as the community continues to grow and state funding is expected to decrease.

It has been increasingly difficult to balance educational needs with increases in property tax rates. The frozen state aid to offset local property taxes in a predominately bedroom community is thought to be the main reason for the problem. This problem seems to be statewide and is not exclusive to the Lebanon Township School District. The Lebanon Township School District is primarily a residential community, with very few ratables, thus the burden is focused on homeowners to bear the tax burden.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact the School Business Administrator/ Board Secretary at Lebanon Township School District, 70 Bunnvale Road, Califon, NJ 07830.

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.

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents	\$ 4,353,126	\$ 18,391	\$ 4,371,517
Receivables from Other Governments	107,121	2,860	109,981
Other Receivables	8,265	15	8,280
Interfund Receivables	8,065		8,065
Inventory		2,290	2,290
Capital Assets, Net (Note 5):	4,676,844	38,818	4,715,662
Total Assets	9,153,421	62,374	9,215,795
DEFERRED OUTFLOWS OF RESOURCES			
Pension Deferred Outflows	1,618,364		1,618,364
LIABILITIES			
Accounts Payable	27,253	10,097	37,350
Unearned Revenue	7,469	878	8,347
Net Pension Liability (Note 7)	5,327,669		5,327,669
Noncurrent Liabilities (Note 6):			
Due Within One Year			
Due Beyond One Year	182,258		182,258
Total Liabilities	5,544,649	10,975	5,555,624
DEFERRED INFLOWS OF RESOURCES			
Pension Deferred Inflows	49,552		49,552
NET POSITION			
Invested in Capital Assets, Net of Related Debt	4,676,844	38,818	4,715,662
Reserved for:			
Other Purposes	3,616,418		3,616,418
Unrestricted	(3,115,678)	12,581	(3,103,097)
Total Net Position	\$ 5,177,584	\$ 51,399	\$ 5,228,983

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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	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	
Functions/Programs						
Governmental Activities:						
Instruction:						
Regular	\$ 6,578,228	\$ 242,462	\$ 2,756,345		\$ (3,579,421)	\$ (3,579,421)
Special Education	2,992,046		1,178,870		(1,813,176)	(1,813,176)
Other Special Instruction	229,805		90,543		(139,262)	(139,262)
School Sponsored Cocurricular	177,040		69,754		(107,286)	(107,286)
Support Services:						
Tuition	149,320		58,832		(90,488)	(90,488)
Student & Instruction Related Serv.	2,490,155		995,384		(1,494,771)	(1,494,771)
School Administrative Services	913,303		359,843		(553,460)	(553,460)
General and Business Admin. Serv.	786,807		310,003		(476,804)	(476,804)
Plant Operations and Maintenance	1,660,550		654,259		(1,006,291)	(1,006,291)
Pupil Transportation	551,316		217,219		(334,097)	(334,097)
Interest and Other Fiscal Charges	2,165		-		(2,165)	(2,165)
Unallocated Depreciation	263,163				(263,163)	(263,163)
Total Governmental Activities	16,793,898	242,462	6,691,052		(9,860,384)	(9,860,384)
Business-Type Activities:						
Food Service	198,178	136,950	51,943		\$ (9,285)	(9,285)
Total Business-Type Activities	198,178	136,950	51,943	-	(9,285)	(9,285)
Total Primary Government	\$ 16,992,076	\$ 379,412	\$ 6,742,995		\$ (9,860,384)	\$ (9,285)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				\$ 9,731,820		\$ 9,731,820
Investment Earnings				24,367		24,367
Miscellaneous Income				91,054	\$ 2,911	93,965
Total General Revenues, Special Items, Extraor. Items and Transfers				9,847,241	2,911	9,850,152
Change in Net Position				(13,143)	(6,374)	(19,517)
Net Position—Beginning				5,190,727	57,773	5,248,500
Net Position—Ending				\$ 5,177,584	\$ 51,399	\$ 5,228,983

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.

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET
GOVERNMENTAL FUNDS
 JUNE 30, 2017

	<u>GENERAL</u> <u>FUND</u>	<u>SPECIAL</u> <u>REVENUE</u> <u>FUND</u>	<u>TOTAL</u> <u>GOVERNMENTAL</u> <u>FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 4,345,657	\$ 7,469	\$ 4,353,126
Interfund Receivables	8,065		8,065
Other Receivables	8,265		8,265
Receivables from Other Governments	107,121		107,121
TOTAL ASSETS	\$ 4,469,108	\$ 7,469	\$ 4,476,577
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 27,253		\$ 27,253
Unearned Revenue	-	\$ 7,469	7,469
Total Liabilities	27,253	7,469	34,722
Fund Balances:			
<u>Restricted for:</u>			
Capital Reserve Account	1,338,895		1,338,895
Maintenance Reserve Account	542,211		542,211
Excess Surplus	801,507		801,507
Excess Surplus - Designated for Subsequent Year's Expenditures	933,805		933,805
<u>Assigned to:</u>			
Year-End Encumbrances	722,391		722,391
<u>Unassigned:</u>			
General Fund	103,046		103,046
Total Fund Balances	4,441,855	-	4,441,855
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,469,108	\$ 7,469	\$ 4,476,577

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 \$10,654,677 and the accumulated depreciation is \$5,977,833.	4,676,844
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 7)	1,618,364
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 7)	(49,552)
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 7)	(5,327,669)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 6)	(182,258)
Net Position of governmental activities	<u>\$5,177,584</u>

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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

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

	<u>General</u>	<u>Special</u>	<u>Total</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
REVENUES			
Local sources:			
Local Tax Levy	\$ 9,731,820		\$ 9,731,820
Tuition	242,462		242,462
Interest on Capital Reserve	4,547		4,547
Miscellaneous	108,596	\$ 2,278	110,874
Total - Local Sources	10,087,425	2,278	10,089,703
State Sources	3,930,218		3,930,218
Federal Sources		178,772	178,772
Total Revenues	14,017,643	181,050	14,198,693
EXPENDITURES			
Current:			
Regular Instruction	3,458,958	166,791	3,625,749
Special Education Instruction	1,650,527		1,650,527
Other Special Instruction	126,769		126,769
School Sponsored Activities	97,662		97,662
Support services and undistributed costs:			
Tuition	149,320		149,320
Student and Instruction Related Services	1,358,993	14,259	1,373,252
School Administrative Services	503,607		503,607
Other Administrative Services	405,937		405,937
Plant Operations and Maintenance	914,511		914,511
Pupil Transportation	551,316		551,316
Unallocated Benefits	4,179,623		4,179,623
Transfer to Charter School			-
Capital Outlay	69,186	-	69,186
Total Expenditures	13,466,409	181,050	13,647,459
Excess (Deficiency) of Revenues Over Expenditures	551,234		551,234
Net Change in Fund Balances	551,234	-	551,234
Fund Balance—July 1	3,890,621		3,890,621
Fund Balance—June 30	\$ 4,441,855	-	\$ 4,441,855

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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

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

Total Net Change in Fund Balances - Governmental Funds (from B-2) \$ 551,234

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	\$ (268,760)	
Capital Outlays	<u>39,338</u>	(229,422)

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.

(349,575)

In the statement of activities, compensated absence debt is accrued, regardless of when paid. In the governmental funds, the related expense is reported when paid. This is the amount by which current year's debt amount of exceeds the prior year's amount.

14,620

Change in Net Position of Governmental Activities \$ (13,143)

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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2017

	Business-Type Activities- Enterprise Funds	
	<u>Food Service</u>	<u>Totals</u>
ASSETS		
Current assets:		
Cash and Cash Equivalents	\$ 18,391	\$ 18,391
Accounts Receivable-Governmental	2,860	2,860
Accounts Receivable-Other	15	15
Inventories	2,290	2,290
Total Current Assets	23,556	23,556
Noncurrent Assets:		
Furniture, Machinery and Equipment	100,082	100,082
Less Accumulated Depreciation	(61,264)	(61,264)
Total Noncurrent Assets	38,818	38,818
Total Assets	62,374	62,374
LIABILITIES		
Current liabilities:		
Accounts Payable	10,097	10,097
Deferred Revenue	878	878
Total Current Liabilities	10,975	10,975
Total Liabilities	10,975	10,975
NET POSITION		
Invested in Capital Assets Net of Related Debt	38,818	38,818
Unrestricted	12,581	12,581
Total Net Position	\$ 51,399	\$ 51,399

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	Total
	Service	Enterprise
Operating Revenues:		
Charges for Services:		
Daily Sales - Reimbursable	\$ 124,488	\$ 124,488
Daily Sales - Non-Reimb. Programs	12,462	12,462
Miscellaneous	2,911	2,911
Total Operating Revenues	139,861	139,861
Operating Expenses:		
Cost of Sales - Reimbursable Programs	83,727	83,727
Cost of Sales - Non-reimbursable Programs	10,215	10,215
Salaries	64,066	64,066
Employee Benefits	15,175	15,175
Utilities	2,086	2,086
Supplies	887	887
Miscellaneous	3,629	3,629
Purchased Property Services	7,410	7,410
Other Purchased Professional Services	5,300	5,300
Depreciation	5,683	5,683
Total Operating Expenses	198,178	198,178
Operating Income (Loss)	(58,317)	(58,317)
Nonoperating Revenues (Expenses):		
State Sources:		
State School Lunch Program	1,826	1,826
Federal Sources:		
National School Lunch Program	35,246	35,246
Food Distribution Program	14,871	14,871
Total Nonoperating Revenues (Expenses)	51,943	51,943
Income (Loss) Before Contributions and Transfers	(6,374)	(6,374)
Transfers In (Out)		
Change in Net Position	(6,374)	(6,374)
Total Net Position—Beginning	57,773	57,773
Total Net Position—Ending	\$ 51,399	\$ 51,399

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

LEBANON TOWNSHIP 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	\$ 139,846	\$ 139,846
Payments to Employees and Benefits	(170,766)	(170,766)
Payments to Suppliers	(8,272)	(8,272)
Net Cash Provided by (used for) Operating Activities	(39,192)	(39,192)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Sources	1,832	1,832
Federal Sources	34,983	34,983
Operating Subsidies and Transfers from Other Funds	3,714	3,714
Net Cash Provided by (used for) Non-Capital Financing Activities	40,529	40,529
Net Increase (Decrease) in Cash and Cash Equivalents	1,337	1,337
Balances—Beginning of Year	17,054	17,054
Balances—End of Year	\$ 18,391	\$ 18,391
Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Operating Income (Loss)	\$ (58,317)	\$ (58,317)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:		
Depreciation Expense	5,683	5,683
Federal Commodities	14,871	14,871
(Increase) Decrease in Accounts Receivable, Net	(15)	(15)
(Increase) Decrease in Inventories	2,233	2,233
Increase (Decrease) in Accounts Payable	(3,647)	(3,647)
Total Adjustments	19,125	19,125
Net Cash Provided by (used for) Operating Activities	\$ (39,192)	\$ (39,192)

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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit B-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2017

	Unemployment Compensation Trust	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 139,703	\$ 25,480
Total Assets	<u>\$ 139,703</u>	<u>\$ 25,480</u>
LIABILITIES		
Payroll Deductions and Accrued Salaries		\$ (4,944)
Interfund Payables		8,065
Payable to Student Groups		<u>22,359</u>
Total Liabilities		<u>\$ 25,480</u>
NET POSITION		
Held in Trust for Unemployment Claims & Other Purposes	<u>\$ 139,703</u>	<u> </u>

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

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS**

For the Year Ended June 30, 2017

	Unemployment Compensation <u>Trust</u>
ADDITIONS	
Total Contributions	
Plan Member	\$ 12,465
Employer	<u>-</u>
Total Contributions	<u>12,465</u>
Investment Earnings:	
Interest	<u>653</u>
Net Investment Earnings	<u>653</u>
Total Additions	<u>13,118</u>
DEDUCTIONS	
Unemployment Claims	<u>1,278</u>
Total Deductions	<u>1,278</u>
Change in Net Position	11,840
Net Position—Beginning of the Year	<u>127,863</u>
Net Position—End of the Year	<u><u>\$ 139,703</u></u>

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

Notes to Financial Statements

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (Statement No.34). This Statement provided 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 Lebanon Township School District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Lebanon Township School District had an approximate enrollment at June 30, 2017, of 630 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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation, Basis of Accounting:

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

Basis of Presentation

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

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

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

GOVERNMENTAL FUNDS

The District reports the following governmental funds:

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

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

GOVERNMENTAL FUNDS (Continued)

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

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

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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the District reports the following fund type:

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

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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgets/Budgetary Control:

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

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

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

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

D. Encumbrance Accounting:

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

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

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

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity:

Cash and Cash Equivalents:

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

Interfund Transactions:

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

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

Inventories:

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

Allowance for Uncollectible Accounts:

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

Capital Assets:

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

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

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

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

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

Compensated Absences:

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

District employees are granted sick leave in varying amounts under the District's personnel contractual agreed policies. Sick leave benefits provide for ordinary sick pay begin vesting with the employee after twenty years of service and payable at set limits upon retirement in the state pension system.

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.

Unearned (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 unearned revenue. Grants and entitlement received before the eligible requirements are met are also recorded as unearned 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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Net Position:

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

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (Continued):

Operating Revenues and Expenses:

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

Allocation of Indirect Expenses:

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

Extraordinary and Special Items:

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

Management Estimates:

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

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.

LEBANON TOWNSHIP
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 of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (H-1)</u>	<u>Total</u>
Checking Accounts	<u>\$4,371,517</u>	<u>\$165,183</u>	<u>\$4,536,700</u>
	<u>\$4,371,517</u>	<u>\$165,183</u>	<u>\$4,536,700</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2017, was \$4,536,700 and the bank balance was \$4,866,433. 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, \$268,391 was covered by federal depository insurances and \$4,598,042 was covered by collateral pool.

NOTE 3: RECEIVABLES

Receivables at June 30, 2017, consisted of transportation charges and intergovernmental state and federal awards. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	<u>Governmental Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
State Aid	\$107,121	\$107,259
Federal Aid	-	2,722
Other Receivables	8,265	8,280
Gross Receivable	115,386	118,261
Less: Allow. for Uncollectibles		
Total Receivables, Net	\$115,386	\$118,261

LEBANON TOWNSHIP
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	\$1,596
Supplies	<u>694</u>
	<u>\$2,290</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: CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land and Construction in Progress	\$ 73,982			\$ 73,982
Total Capital Assets Not Being Depreciated	<u>73,982</u>			<u>73,982</u>
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	373,247			373,247
Buildings and Building Improvements	9,596,052			9,596,052
Furniture and Equipment	572,058	\$ 39,338		611,396
Total at Historical Cost	<u>10,541,357</u>	<u>39,338</u>	-	<u>10,580,695</u>
Less Accumulated Depreciation for:				
Land Improvements	(202,249)	(14,997)		(217,246)
Building and Improvements	(5,110,890)	(212,348)		(5,323,238)
Furniture and Equipment	(395,934)	(41,415)		(437,349)
Total Accumulated Depreciation	<u>(5,709,073)</u>	<u>(268,760)</u>	-	<u>(5,977,833)</u>
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	<u>4,832,284</u>	<u>(229,422)</u>	-	<u>4,602,862</u>
Government Activity Capital Assets, Net	<u>\$ 4,906,266</u>	<u>\$ (229,422)</u>	<u>-</u>	<u>\$ 4,676,844</u>

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 5: 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:

Instruction :		
Regular	\$	3,053
Support Services:		
Student & Instruction		413
General & Business Admin		413
School Administration		206
Plant & Maintenance		1,512
Unallocated		263,163
Total	\$	<u>268,760</u>

NOTE 6: LONG-TERM OBLIGATIONS

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

A. Long-Term Obligation Activity:

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

	Balance <u>7/1/16</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/17</u>	Amounts Due Within <u>One Year</u>
Governmental Activities:					
Other Liabilities:					
Compensated Absences Payable	\$ 196,878		\$ (14,620)	\$ 182,258	
Total	<u>\$ 196,878</u>	<u>-</u>	<u>\$ (14,620)</u>	<u>\$ 182,258</u>	<u>-</u>

Compensated absences have been liquidated in the General Fund.

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

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: PENSION PLANS

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

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

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$42,482,641 as measured on June 30, 2016 and \$33,834,792 as measured on June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,191,979 and revenue of \$3,191,979 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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: PENSION PLANS (Continued)

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

	<u>6/30/2015</u>	<u>6/30/2016</u>
Collective deferred outflows of resources	\$7,521,378,257	\$17,440,003,201
Collective deferred inflows of resources	\$554,399,005	\$195,027,919
Collective net pension liability (Nonemployer-State of New Jersey)	\$63,204,270,305	\$78,666,367,052
State's portion of the net pension liability that was associated with the district	\$33,834,792	\$42,482,641
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.053532%	0.054004%

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:

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: 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>.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: 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 \$5,327,669 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 0.01799% which was a decrease of 0.00028% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$512,746. 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	\$ 99,078	-
Changes of assumptions	1,103,608	
Net difference between projected and actual earnings on pension plan investments	203,149	
Changes in proportion and differences between District contributions and proportionate share of contributions	52,099	\$ 49,552
District contributions subsequent to the measurement date	160,430	
Total	<u>\$ 1,618,364</u>	<u>\$ 49,552</u>

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: PENSION PLANS (Continued)

\$160,430 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	\$317,084
2018	317,084
2019	367,353
2020	308,630
2021	<u>98,230</u>
Total	<u>\$1,408,382</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	\$4,100,805	\$5,327,669
District's proportion %	0.01826802%	0.01798847%

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

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

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:

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: 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	\$ 6,528,437	\$5,327,669	\$ 4,336,331

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: 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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: PENSION PLANS (Continued)

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

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

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

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

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 Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2017	\$160,430	100 %	-0-
6/30/2016	\$157,056	100	-0-
6/30/2015	\$150,862	100	-0-

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 7: PENSION PLANS (Continued)

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2017	\$609,917	100 %	-0-
6/30/2016	\$432,373	100	-0-
6/30/2015	\$289,416	100	-0-

During the fiscal year ended June 30, 2017, the State of New Jersey did contribute \$1,117,294 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 \$369,227 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 8: 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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 9: 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:

Lincoln National Life
AXA Equitable
The Equitable Life Insurance Co.
Financial Resources & Retirement Advisory, Inc.
Lincoln Investment Planning

NOTE 10: COMPENSATED ABSENCES

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

District employees are granted sick leave in varying amounts under the District's personnel contractual agreed policies. Sick leave benefits provide for ordinary sick pay begin vesting with the employee after twenty years of service and payable at set limits upon retirement in the state pension system.

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 11: RISK MANAGEMENT

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

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

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

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 11: RISK MANAGEMENT - (Continued)

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$653	\$12,465	\$1,278	\$139,703
2015-2016	\$449	\$12,954	\$16,790	\$127,863
2014-2015	\$484	\$13,413	\$30,555	\$131,250

NOTE 12: 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 any disputes incidental to its operations.

NOTE 13: FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1)- Of the \$4,441,855 General Fund fund balance at June 30, 2017, \$722,391 is reserved for encumbrances; \$542,211 is reserved as maintenance reserve in accordance with P.L. 2007 c.62; \$1,338,895 is reserved for Capital Reserve; \$1,735,312 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$933,805 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2018); and \$103,046 is unreserved and undesignated.

NOTE 15: CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the Lebanon Township School District Board of Education 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.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 15: CAPITAL RESERVE ACCOUNT - (Continued)

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

Beginning Balance, July 1, 2016	\$ 1,341,848
Interest Earnings	4,547
Budgeted Withdrawal	(482,500)
Deposits (PL 2007 c.62 (A1)): Board Resolution 6/20/2017	475,000
Ending Balance, June 30, 2017	\$ 1,338,895

NOTE 14: MAINTENANCE RESERVE ACCOUNT

A maintenance reserve account is used to accumulate funds for the required maintenance of a facility in accordance with the EFCFA (N.J.S.A. 18A:7G-9). EFCFA requires that upon district completion of a school facilities project, the district must submit a plan for the maintenance of that facility. All such plans must include a provision for a maintenance reserve fund.

A maintenance reserve account was established by the Lebanon Township School District Board for the accumulation of funds for use as maintenance reserve expenditures in subsequent fiscal years. The maintenance reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

Beginning Balance, July 1, 2016	\$ 542,211
Ending Balance, June 30, 2017	\$ 542,211

NOTE 15: INTERFUND RECEIVABLES AND PAYABLES

An general fund interfund receivable of \$8,065 is due from the payroll agency fund. The payroll agency fund receivables represent cash advances which will be liquidated in the subsequent year.

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 \$801,507.

LEBANON TOWNSHIP
SCHOOL DISTRICT

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

NOTE 17: 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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 9,731,820		\$ 9,731,820	\$ 9,731,820	
Tuition	174,800	\$ 1,102	175,902	242,462	\$ 66,560
Interest Earned on Capital Reserve	500		500	4,547	4,047
Miscellaneous	143,290		143,290	108,596	(34,694)
Total - Local Sources	10,050,410	1,102	10,051,512	10,087,425	35,913
State Sources:					
Equalization Aid	1,058,133		1,058,133	1,058,133	
School Choice Aid	277,650		277,650	277,650	
Transportation Aid	335,006		335,006	335,006	
Special Education Aid	429,461		429,461	429,461	
Security Aid	54,166		54,166	54,166	
Adjustment Aid	126,718		126,718	126,718	
Addl Adjustment Aid	55,530		55,530	55,530	
PARCC Readiness Aid	6,940		6,940	6,940	
Per Pupil Growth Aid	6,940		6,940	6,940	
Prof Learning Comm Aid	6,220		6,220	6,220	
Other State Aid			-	88,505	88,505
TPAF Social Security (Reimbursed - Non-Budgeted)				369,227	369,227
TPAF Pension (On-Behalf - Non-Budgeted)				608,930	608,930
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				507,377	507,377
TPAF Pension LTD Insurance (On-Behalf - Non-Budgeted)				987	987
Total State Sources	2,356,764	-	2,356,764	3,931,790	1,575,026
TOTAL REVENUES	12,407,174	1,102	12,408,276	14,019,215	1,610,939

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	58,343	100	58,443	57,902	541
Kindergarten - Salaries of Teachers	202,888	71	202,959	198,086	4,873
Grades 1-5 - Salaries of Teachers	1,697,872	(75,378)	1,622,494	1,485,172	137,322
Grades 6-8 - Salaries of Teachers	1,522,633	(35,304)	1,487,329	1,248,217	239,112
Regular Programs - Home Instruction:					
Salaries of Teachers	3,617	-	3,617	1,515	2,102
Purchased Professional - Educational Services		926	926	917	9
Other Purchased Services (400-500 series)	140	-	140		140
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	129,261	(52,075)	77,186	75,610	1,576
Purchased Professional - Educational Services	10,000	(7,420)	2,580	2,576	4
Purchased Technical Services	39,427	(2,040)	37,387	37,340	47
Other Purchased Services (400-500 series)	19,956	7,080	27,036	27,014	22
General Supplies	272,600	96,087	368,687	317,835	50,852
Textbooks	-	6,700	6,700	6,564	136
Other Objects	1,474	(1,264)	210	210	
TOTAL REGULAR PROGRAMS - INSTRUCTION	3,958,211	(62,517)	3,895,694	3,458,958	436,736
SPECIAL EDUCATION - INSTRUCTION					
Learning and/or Language Disabilities:					
Salaries of Teachers	156,774	(3,325)	153,449	150,302	3,147
Other Salaries for Instruction	96,313	916	97,229	82,540	14,689
General Supplies	3,650	2,409	6,059	3,878	2,181
Total Learning and/or Language Disabilities	256,737	-	256,737	236,720	20,017

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
Resource Room/Resource Center:					
Salaries of Teachers	789,964	(23,387)	766,577	748,401	18,176
Other Salaries for Instruction	281,245	5,925	287,170	219,985	67,185
Purchased Professional - Educational Services		145,000	145,000	136,149	8,851
Other Purchased Services (400-500 series)		2,400	2,400	2,400	
General Supplies	6,000	7,496	13,496	13,392	104
Total Resource Room/Resource Center	1,077,209	137,434	1,214,643	1,120,327	94,316
Autisim:					
Salaries of Teachers	59,163	60,627	119,790	119,786	4
Other Salaries for Instruction	31,960	15,760	47,720	46,999	721
General Supplies	1,000	1,917	2,917	2,904	13
Total Autisim	92,123	78,304	170,427	169,689	738
Preschool Disabilities - Part-Time:					
Salaries of Teachers	75,763	29,405	105,168	104,462	706
Other Salaries for Instruction	31,960	(15,000)	16,960	16,226	734
General Supplies	1,200	2,180	3,380	3,103	277
Total Preschool Disabilities - Part-Time	108,923	16,585	125,508	123,791	1,717
TOTAL SPECIAL EDUCATION - INSTRUCTION	1,534,992	232,323	1,767,315	1,650,527	116,788
Basic Skills/Remedial - Instruction					
Salaries of Teachers	87,047	37,420	124,467	123,538	929
General Supplies	2,400	4,103	6,503	2,145	4,358
Total Basic Skills/Remedial - Instruction	89,447	41,523	130,970	125,683	5,287
Bilingual Education - Instruction:					
Salaries of Teachers	1,200	-	1,200	1,086	114
General Supplies	350	-	350	-	350
Total Bilingual Education - Instruction	1,550	-	1,550	1,086	464
TOTAL INSTRUCTION	5,584,200	211,329	5,795,529	5,236,254	559,275

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
UNDISTRIBUTED EXPENDITURES					
School-Sponsored Co/Extra Curricular Activities - Instruction:					
Salaries	65,000	22,878	87,878	87,357	521
Purchased Services (300-500 series)	6,000	-	6,000	5,149	851
Supplies and Materials	3,981	1,506	5,487	4,307	1,180
Other Objects	1,145	(282)	863	849	14
Total School-Spon.Co/Extra Curric. Activities - Instruc. Instruction:	76,126	24,102	100,228	97,662	2,566
Tuition to Other LEAs within the State-Special	50,998	54,316	105,314	105,314	
Tuition to Private Schools for the Disabled - Within State	244,852	(78,813)	166,039	44,006	122,033
Total Instruction	295,850	(24,497)	271,353	149,320	122,033
Attendance & Social Work:					
Purchased Professional and Technical Services		14,000	14,000	13,852	148
Total Attendance & Social Work		14,000	14,000	13,852	148
Health Services:					
Salaries	154,320	950	155,270	147,622	7,648
Purchased Professional and Technical Services	2,441	(250)	2,191	2,000	191
Supplies and Materials	4,500	(700)	3,800	3,295	505
Total Health Services	161,261	-	161,261	152,917	8,344
Other Supp. Services Students-Speech/OT/PT Related Services:					
Salaries	177,982	-	177,982	170,561	7,421
Purchased Professional - Educational Services	148,750	(1,000)	147,750	132,547	15,203
Supplies and Materials	4,000	1,000	5,000	4,981	19
Total Other Supp. Svsc Students-Spech/OT/PT Rel. Services	330,732	-	330,732	308,089	22,643
Other Supp. Services Students-Extra Serv:					
Salaries	156,098	(71,902)	84,196	71,640	12,556
Purchased Professional - Educational Services	3,000	(2,783)	217	-	217
Supplies and Materials	6,000	-	6,000	3,255	2,745
Total Other Supp. Services Students-Extra Serv	165,098	(74,685)	90,413	74,895	15,518

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Other Supp. Services Students-Regular:					
Salaries of Other Professional Staff	132,115	-	132,115	130,550	1,565
Other Purchased Prof. and Tech. Services	500	-	500	-	500
Supplies and Materials	1,000	-	1,000	500	500
Total Other Supp. Services Students-Regular	133,615	-	133,615	131,050	2,565
Other Supp. Services Students-Child Study Teams:					
Salaries of Other Professional Staff	326,156	7,040	333,196	331,083	2,113
Salaries of Secretarial and Clerical Assistants	42,780	209	42,989	42,989	
Other Purchased Prof. and Tech. Services	12,811	(4,139)	8,672	7,246	1,426
Other Purchased Services (400-500 series)	14,272	(2,369)	11,903	11,902	1
Supplies and Materials	4,000	259	4,259	4,259	
Total Other Supp. Services Students-Child Study Teams	400,019	1,000	401,019	397,479	3,540
Improvement of Instruction Services :					
Other Purchased Services (400-500 series)	8,975	-	8,975	90	8,885
Supplies and Materials	800	(96)	704	115	589
Total Improvement of Instruction Services	9,775	(96)	9,679	205	9,474
Educational Media Services/School Library:					
Salaries	141,264	1,736	143,000	142,620	380
Salaries of Technology Coordinators	94,095	-	94,095	93,865	230
Supplies and Materials	17,000	7,083	24,083	23,468	615
Total Educational Media Services/School Library	252,359	8,819	261,178	259,953	1,225
Instructional Staff Training Services:					
Purchased Professional - Educational Services	4,500	(500)	4,000	750	3,250
Other Purchased Prof. and Tech. Services	12,500	(100)	12,400	11,693	707
Other Purchased Services (400-500 series)	8,800	500	9,300	7,631	1,669
Supplies and Materials	300	100	400	364	36
Other Objects	200	-	200	115	85
Total Instructional Staff Training Services	26,300	-	26,300	20,553	5,747

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Final to Actual Favorable/ (Unfavorable)
Supp. Services - General Administration:					
Salaries	150,568	(4,400)	146,168	136,654	9,514
Legal Services	-	16,829	16,829	15,997	832
Audit Fees	16,000	100	16,100	16,100	
Purchased Technical Services	6,880	(2,788)	4,092	4,040	52
Communications/Telephone	24,678	-	24,678	22,598	2,080
BOE Other Purchased Services	2,000	(1,050)	950	-	950
Other Purchased Services (400-500 series)	33,724	(3,550)	30,174	26,360	3,814
General Supplies	3,000	(1,000)	2,000	1,067	933
BOE In-house Training/Meeting Supplies	300	-	300	181	119
Miscellaneous Expenditures	3,300	(750)	2,550	2,550	
BOE Membership Dues & Fees	7,057	(250)	6,807	6,787	20
Total Supp. Services - General Administration	247,507	3,141	250,648	232,334	18,314
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	260,197	-	260,197	259,872	325
Salaries of Secretarial and Clerical Assistants	235,574	-	235,574	229,008	6,566
Purchased Professional and Technical Services	4,019	9,900	13,919	-	13,919
Other Purchased Services (400-500 series)	2,500	-	2,500	41	2,459
Supplies and Materials	14,370	1,886	16,256	13,757	2,499
Other Objects	1,790	-	1,790	929	861
Total Support Services - School Administration	518,450	11,786	530,236	503,607	26,629

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Central Services:					
Salaries	152,175	-	152,175	145,305	6,870
Purchased Technical Services	24,210	1,971	26,181	23,581	2,600
Misc. Purchased Services (400-500 series)	1,675	(481)	1,194	551	643
Supplies and Materials	2,000	250	2,250	2,179	71
Other Objects	1,800	(140)	1,660	1,360	300
Total Central Services	181,860	1,600	183,460	172,976	10,484
Admin Info. Technology:					
Purchased Technical Services	-	6,682	6,682	-	6,682
Supplies and Materials	6,265	(4,475)	1,790	627	1,163
Total Admin Info. Technology	6,265	2,207	8,472	627	7,845
Required Maintenance for School Facilities:					
Salaries	67,201	475	67,676	67,676	
Cleaning, Repair and Maintenance Services	71,322	162,366	233,688	163,684	70,004
General Supplies	4,000	7,812	11,812	11,694	118
Other Objects	1,906	(1,299)	607	607	-
Total Required Maintenance for School Facilities	144,429	169,354	313,783	243,661	70,122
Other Operations and Maintenance of Plant:					
Salaries	319,899	7,806	327,705	316,056	11,649
Purchased Professional and Technical Services	6,100	17,400	23,500	23,416	84
Cleaning, Repair and Maintenance Services	13,861	(1,475)	12,386	12,278	108
Insurance	41,227	(4,888)	36,339	36,339	
Misc. Purchased Services	325	460	785	779	6
General Supplies	43,305	20,819	64,124	57,300	6,824
Energy (Natural Gas)	40,000	(6,000)	34,000	33,994	6
Energy (Electricity)	95,000	(9,395)	85,605	80,780	4,825
Energy (Oil)	105,000	(54,963)	50,037	49,711	326
Other Objects	100	-	100	-	100
Total Other Operations and Maintenance of Plant	664,817	(30,236)	634,581	610,653	23,928
Care and Upkeep of Grounds:					

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Salaries	18,475	-	18,475	18,422	53
Cleaning, Repair and Maintenance Services	2,950	22,865	25,815	25,815	
General Supplies	800	2,095	2,895	2,894	1
Total Care and Upkeep of Grounds	22,225	24,960	47,185	47,131	54
Security:					
Cleaning, Repair and Maintenance Services	9,250	16,438	25,688	8,896	16,792
General Supplies	-	4,434	4,434	4,170	264
Total Security	9,250	20,872	30,122	13,066	17,056
Student Transportation Services:					
Other Purchased Prof. and Tech. Services	-	28,700	28,700	28,427	273
Management Fee - ESC & CTSA Trans. Program	17,705	(238)	17,467	7,425	10,042
Other Purchased Prof. and Tech. Services	12,485	238	12,723	12,723	
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	21,216	-	21,216	16,354	4,862
Contracted Services - Aid in Lieu of Payments-Choice Sch.	5,304	1,800	7,104	7,072	32
Contract Services - (Between Home and School) - Vendors	-	120	120	120	
Contract Services (Other than Between Home & School)-Vendors	16,500	(120)	16,380	14,256	2,124
Contract Services (Other than Between Home & School)-Joint Agrmts	328,300	(21,800)	306,500	305,459	1,041
Contr Serv (Spl. Ed. Students) - Vendors	10,500	5,600	16,100	14,250	1,850
Contr Serv (Regular Students) - ESCs & CTSA	1,599	4,570	6,169	2,383	3,786
Contracted Services (Special Education Students)-ESCs & CTSA	196,212	(34,300)	161,912	142,847	19,065
Total Student Transportation Services	609,821	(15,430)	594,391	551,316	43,075

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable/ (Unfavorable)
UNALLOCATED BENEFITS:					
Social Security Contributions	181,092	-	181,092	147,560	33,532
Other Retirement Contributions - PERS	174,142	-	174,142	160,430	13,712
Other Retirement Contributions - Regular	9,627	-	9,627	5,960	3,667
Workman's Compensation	48,412	(1,500)	46,912	42,819	4,093
Health Benefits	2,834,971	(304,841)	2,530,130	2,238,832	291,298
Tuition Reimbursement	49,109	5,250	54,359	46,998	7,361
Other Employee Benefits	7,263	207	7,470	5,023	2,447
Unused Sick Payment to Terminated/Retired Staff	34,000	11,500	45,500	45,480	20
TOTAL UNALLOCATED BENEFITS	3,338,616	(289,384)	3,049,232	2,693,102	356,130
Reimbursed TPAF Social Security Contrib. (non-budgeted)				369,227	(369,227)
On-behalf TPAF pension Contrib. (non-budgeted)				608,930	(608,930)
On-behalf TPAF PRM Contrib. (non-budgeted)				507,377	(507,377)
On-behalf TPAF pension LTD Ins. (non-budgeted)				987	(987)
TOTAL ON-BEHALF CONTRIBUTIONS				1,486,521	(1,486,521)
TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS	3,338,616	(289,384)	3,049,232	4,179,623	(1,130,391)
TOTAL UNDISTRIBUTED EXPENDITURES	7,594,375	(152,487)	7,441,888	8,160,969	(719,081)
TOTAL GENERAL CURRENT EXPENSE	13,178,575	58,842	13,237,417	13,397,223	(159,806)
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures - Instruction		153,000	153,000		153,000
Undistributed Expenditures - Required for Sch. Maintenance		11,912	11,912	11,912	
Total Equipment	-	164,912	164,912	11,912	153,000

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
Facilities Acquisition and Construction Services					
Architectural/Engineering Services		63,200	63,200	26,176	37,024
Other Purchased Prof. and Tech. Services		1,800	1,800	1,507	293
Construction Services		477,426	477,426	27,426	450,000
Assessment for Debt Service on SDA Funding	2,165	-	2,165	2,165	
Total Facilities Acquisition and Construction Services	2,165	542,426	544,591	57,274	487,317
TOTAL CAPITAL OUTLAY	2,165	707,338	709,503	69,186	640,317
TOTAL EXPENDITURES	13,180,740	766,180	13,946,920	13,466,409	480,511
Excess (Deficiency) of Revenues Over (Under) Expenditures	(773,566)	(765,078)	(1,538,644)	552,806	2,091,450
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	(773,566)	(765,078)	(1,538,644)	552,806	2,091,450
Fund Balance, July 1	4,124,508		4,124,508	4,124,508	
Fund Balance, June 30	\$ 3,350,942	\$ (765,078)	\$ 2,585,864	\$ 4,677,314	\$ 2,091,450

LEBANON TOWNSHIP SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

Exhibit C-1

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)
Recapitulation:					
 Restricted for:					
Capital Reserve				\$ 1,338,895	
Maintenance Reserve				542,211	
Excess Surplus				801,507	
Excess Surplus - Designated for Subsequent Year's Expenditures				933,805	
 Assigned to:					
Year-End Encumbrances				722,391	
 Unassigned:					
Unrestricted Fund Balance				<u>338,505</u>	
Fund Balance, June 30				<u>\$ 4,677,314</u>	
 Fund Balance per Governmental Funds(Budgetary Basis)				 \$ 4,677,314	
 Reconciliation to Governmental Funds Statement(GAAP Basis):					
Last State Aid Payment not recognized on GAAP basis				<u>(235,459)</u>	
Fund Balance per Governmental Funds(GAAP Basis)				<u>\$ 4,441,855</u>	

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
Local Sources		\$ 8,755	\$ 8,755	\$ 8,755	-
Federal Sources	\$ 155,645	23,127	178,772	178,772	-
Total Revenues	155,645	31,882	187,527	187,527	-
EXPENDITURES:					
Instruction					
Tuition	132,608	15,963	148,571	148,571	
General Supplies	12,686	13,002	25,688	25,688	
Total Instruction	145,294	28,965	174,259	174,259	
Support Services					
Purchased Prof. & Tech. Services	10,351	2,908	13,259	13,259	
Supplies and Materials		9	9	9	
Total Support Services	10,351	2,917	13,268	13,268	
Total Expenditures	155,645	31,882	187,527	187,527	
Total Outflows	\$ 155,645	\$ 31,882	\$ 187,527	\$ 187,527	-
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					(660)
Fund Balance per Governmental Funds(GAAP Basis)					<u>(660)</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
	<hr/>	<hr/>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 14,019,215	\$ 187,527
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	992
Current Year Encumbrances	N/A	(7,469)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	233,887	-
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	<u>(235,459)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 14,017,643</u>	<u>\$ 181,050</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 13,466,409	\$ 187,527
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	992
Current Year Encumbrances	N/A	(7,469)
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	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 13,466,409</u>	<u>\$ 181,050</u>

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

Exhibit L-3

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
District's proportionate share of the net pension liability (asset) **	N/A	N/A	N/A	N/A						
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 42,482,641</u>	<u>\$ 33,834,792</u>	<u>\$ 29,777,099</u>	<u>\$ 28,627,267</u>						
Total	<u>\$ 42,482,641</u>	<u>\$ 33,834,792</u>	<u>\$ 29,777,099</u>	<u>\$ 28,627,267</u>						
District's covered employee payroll	\$ 5,292,535	\$ 5,454,550	\$ 5,349,284	\$ 5,362,213						
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)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.017988470%	0.018268023%	0.0182999320%	0.0177895997%						
District's proportionate share of the net pension liability (asset)	<u>\$ 5,327,669</u>	<u>\$ 4,100,805</u>	<u>\$ 3,426,248</u>	<u>\$ 3,399,946</u>						
District's covered employee payroll	\$ 1,164,431	\$ 1,283,165	\$ 1,220,679	\$ 1,256,197						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	457.53%	319.59%	280.68%	270.65%						
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.

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

Exhibit L-2

Teachers' Pension and Annuity Fund (TPAF)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contribution **	\$ 609,917	\$ 432,373	\$ 289,416	\$ 235,691	\$ 355,672	\$ 190,689	\$ 18,311	\$ 19,256	\$ 18,672	\$ 414,361
Contributions in relation to the contractually required contribution **	(609,917)	(432,373)	(289,416)	(235,691)	(355,672)	(190,689)	(18,311)	(19,256)	(18,672)	(414,361)
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered employee payroll	\$ 5,292,535	\$ 5,091,375	\$ 5,454,550	\$ 5,349,284	\$ 5,362,213	\$ 5,468,705	\$ 5,562,089	\$ 5,918,789	\$ 5,711,188	\$ 5,389,635
Contributions as a percentage of covered-employee payroll	11.52%	8.49%	5.31%	4.41%	6.63%	3.49%	0.33%	0.33%	0.33%	7.69%

** 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	\$ 160,430	\$ 157,056	150,862	134,041	142,960	147,742	139,542	106,262	98,017	70,167
Contributions in relation to the contractually required contribution	<u>(160,430)</u>	<u>(157,056)</u>	<u>(150,862)</u>	<u>(134,041)</u>	<u>(142,960)</u>	<u>(147,742)</u>	<u>(139,542)</u>	<u>(106,262)</u>	<u>(98,017)</u>	<u>(70,167)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered employee payroll	\$ 1,164,431	\$ 1,250,681	\$ 1,283,165	\$ 1,220,679	\$ 1,256,197	\$ 1,206,157	\$ 1,260,352	\$ 1,289,596	\$ 1,264,991	\$ 1,170,518
Contributions as a percentage of covered-employee payroll	13.78%	12.56%	11.76%	10.98%	11.38%	12.25%	11.07%	8.24%	7.75%	5.99%

LEBANON TOWNSHIP SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PART III
Pension Schedules

For the Fiscal Year Ended June 30, 2017

Teachers' Pension and Annuity Fund (TPAF)

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

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

Public Employees' Retirement System (PERS)

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

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

OTHER SUPPLEMENTARY INFORMATION

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

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

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2017

	Title I	Title I I Part A	Title I I I	IDEA Basic	IDEA Pre-School	Local	Totals
REVENUES							
Local Sources						\$ 8,755	\$ 8,755
Federal Sources	\$ 16,459	\$ 13,259	\$ 483	\$ 144,047	\$ 4,524		178,772
TOTAL REVENUES	16,459	13,259	483	144,047	4,524	8,755	187,527
EXPENDITURES:							
Instruction:							
Tuition				144,047	4,524		148,571
General Supplies	16,459		483			8,746	25,688
Total Instruction	16,459	-	483	144,047	4,524	8,746	174,259
Support Services:							
Purchased Professional & Tech. Serv.		13,259					13,259
Supplies and Materials						9	9
Total Support Services	-	13,259	-	-	-	9	13,268
TOTAL EXPENDITURES	16,459	13,259	483	144,047	4,524	8,755	187,527
Total Outflows	16,459	13,259	483	144,047	4,524	8,755	187,527
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.

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

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

	UNEMPLOYMENT COMPENSATION		AGENCY FUNDS		<u>TOTALS</u>
	INSURANCE <u>TRUST</u>	STUDENT <u>ACTIVITY</u>	PAYROLL <u>AGENCY</u>		
ASSETS:					
Cash and Cash Equivalents	\$ 139,703	\$ 22,359	\$ 3,121	\$	165,183
TOTAL ASSETS	<u>\$ 139,703</u>	<u>\$ 22,359</u>	<u>\$ 3,121</u>	<u>\$</u>	<u>165,183</u>
LIABILITIES:					
Liabilities:					
Payroll Deductions and Withholdings			\$ (4,944)	\$	(4,944)
Interfund Payable			8,065		8,065
Payable to Student Groups		\$ 22,359			22,359
Total Liabilities		<u>22,359</u>	<u>3,121</u>		<u>25,480</u>
NET POSITION					
Held in Trust for Unemployment Claims and Other Purposes	\$ 139,703				139,703
TOTAL LIABILITIES AND NET POSITION	<u>\$ 139,703</u>	<u>\$ 22,359</u>	<u>\$ 3,121</u>	<u>\$</u>	<u>165,183</u>

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit H-2

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

	UNEMPLOYMENT COMPENSATION INSURANCE <u>TRUST</u>	<u>TOTALS</u>
ADDITIONS		
Contributions:		
Plan Member	\$ 12,465	\$ 12,465
Employer	<u>-</u>	<u>-</u>
Total Contributions	<u>12,465</u>	<u>12,465</u>
Investment Earnings:		
Interest	<u>653</u>	<u>653</u>
Net Investment Earnings	<u>653</u>	<u>653</u>
Total Additions	<u>13,118</u>	<u>13,118</u>
DEDUCTIONS		
Unemployment Claims	<u>1,278</u>	<u>1,278</u>
Total Deductions	<u>1,278</u>	<u>1,278</u>
Change in Net Position	11,840	11,840
Net Position—Beginning of the Year	<u>127,863</u>	<u>127,863</u>
Net Position—End of the Year	<u>\$ 139,703</u>	<u>\$ 139,703</u>

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

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

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>TRANSFERS</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
LEBANON TOWNSHIP FUNDS	\$ 30,040		\$ 73,617	\$ 81,298	\$ 22,359
Totals	<u>\$ 30,040</u>	<u>\$ -</u>	<u>\$ 73,617</u>	<u>\$ 81,298</u>	<u>\$ 22,359</u>

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

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

	<u>BALANCE</u> <u>JULY 1, 2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2017</u>
ASSETS:				
Cash and Cash Equivalents	\$ 59,817	\$ 7,973,275	\$ 8,029,971	\$ 3,121
Total Assets	<u>\$ 59,817</u>	<u>\$ 7,973,275</u>	<u>\$ 8,029,971</u>	<u>\$ 3,121</u>
LIABILITIES:				
Payroll Deductions and Withholdings	\$ 55,339	\$ 3,566,045	\$ 3,626,328	\$ (4,944)
Interfund Payable	4,478	3,587		8,065
Salaries and Wages	<u>-</u>	<u>4,403,643</u>	<u>4,403,643</u>	<u>-</u>
Total Liabilities	<u>\$ 59,817</u>	<u>\$ 7,973,275</u>	<u>\$ 8,029,971</u>	<u>\$ 3,121</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.

N/A

Lebanon Township School District
Statistical Section

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

Sources:

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

**Lebanon Township 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	\$ 4,069,578	\$ 4,156,714	\$ 4,449,939	\$ 4,477,929	\$ 4,551,241	\$ 4,940,904	\$ 4,940,663	\$ 4,930,901	\$ 4,906,266	\$ 4,676,844
Restricted	421,504	556,107	876,370	1,155,470	1,659,534	1,117,960	1,762,133	1,701,163	1,884,059	3,616,418
Unrestricted	962,161	1,338,700	1,381,457	1,964,510	2,390,445	2,960,197	(1,514,378)	(1,682,319)	(1,599,598)	(3,115,678)
Total governmental activities net position	<u>\$ 5,453,243</u>	<u>\$ 6,051,521</u>	<u>\$ 6,707,766</u>	<u>\$ 7,597,909</u>	<u>\$ 8,601,220</u>	<u>\$ 9,019,061</u>	<u>\$ 5,188,418</u>	<u>\$ 4,949,745</u>	<u>\$ 5,190,727</u>	<u>\$ 5,177,584</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 12,879	\$ 11,516	\$ 10,185	\$ 11,016	\$ 12,574	\$ 32,680	\$ 55,869	\$ 50,185	\$ 44,502	38,818
Restricted										-
Unrestricted	35,824	44,880	52,419	60,310	60,814	53,485	18,605	11,145	13,271	\$ 12,581
Total business-type activities net position	<u>\$ 48,703</u>	<u>\$ 56,396</u>	<u>\$ 62,604</u>	<u>\$ 71,326</u>	<u>\$ 73,388</u>	<u>\$ 86,165</u>	<u>\$ 74,474</u>	<u>\$ 61,330</u>	<u>\$ 57,773</u>	<u>\$ 51,399</u>
District-wide										
Invested in capital assets, net of related debt	\$ 4,082,457	\$ 4,168,230	\$ 4,460,124	\$ 4,488,945	\$ 4,563,815	\$ 4,973,584	\$ 4,996,532	\$ 4,981,086	\$ 4,950,768	\$ 4,715,662
Restricted	421,504	556,107	876,370	1,155,470	1,659,534	1,117,960	1,762,133	1,701,163	1,884,059	3,616,418
Unrestricted	997,985	1,433,580	1,433,876	2,024,820	2,451,259	3,013,682	(1,495,773)	(1,671,174)	(1,586,327)	(3,103,097)
Total district net position	<u>\$ 5,501,946</u>	<u>\$ 6,157,917</u>	<u>\$ 6,770,370</u>	<u>\$ 7,669,235</u>	<u>\$ 8,674,608</u>	<u>\$ 9,105,226</u>	<u>\$ 5,262,892</u>	<u>\$ 5,011,075</u>	<u>\$ 5,248,500</u>	<u>\$ 5,228,983</u>

Source: CAFR Schedule A-1

Lebanon Township 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	\$ 5,345,663	\$ 5,362,897	\$ 5,514,367	\$ 5,363,751	\$ 5,518,904	\$ 5,887,139	\$5,885,932	\$6,533,194	\$6,526,788	\$ 6,578,228
Special education	1,928,685	2,013,346	2,078,765	2,115,683	2,121,094	2,272,114	2,273,426	2,490,425	2,795,503	2,992,046
Other special education	308,073	272,549	291,423	132,108	132,959	119,278	124,697	89,518	138,946	229,805
School sponsored cocurricular	78,102	84,642	80,644	141,299	106,561	103,361	126,630	120,121	143,696	177,040
Support Services:										
Tuition	162,470	205,804	141,425	109,139	55,167	129,655	288,322	376,397	379,272	149,320
Student & instruction related services	2,087,523	2,142,892	2,176,309	2,125,452	2,081,507	2,035,380	2,029,359	2,648,636	2,755,646	2,490,155
School administrative services	624,084	614,757	621,827	625,411	683,479	724,079	760,430	815,851	817,775	913,303
General and business administrative service:	716,631	709,695	728,841	708,959	746,309	715,354	709,186	740,540	840,737	786,807
Plant operations and maintenance	1,155,278	1,106,652	1,179,840	1,077,859	1,033,704	1,025,581	1,101,846	1,009,734	1,008,798	1,660,550
Pupil transportation	756,759	853,317	670,888	670,448	641,285	548,118	518,280	595,215	566,871	551,316
Transfer to charter schools	9,311		12,255	12,361						
Interest on long-term debt	41,252	26,607	11,489	758	441	1,404	2,165	2,165	2,165	2,165
Unallocated depreciation										263,163
Total governmental activities expenses	<u>13,213,831</u>	<u>13,393,158</u>	<u>13,508,073</u>	<u>13,083,228</u>	<u>13,121,410</u>	<u>13,561,463</u>	<u>13,820,273</u>	<u>15,421,796</u>	<u>15,976,197</u>	<u>16,793,898</u>
Business-type activities:										
Food service	194,116	187,507	186,129	188,398	194,480	186,324	194,925	186,003	191,856	198,178
Total business-type activities expense	<u>194,116</u>	<u>187,507</u>	<u>186,129</u>	<u>188,398</u>	<u>194,480</u>	<u>186,324</u>	<u>194,925</u>	<u>186,003</u>	<u>191,856</u>	<u>198,178</u>
Total district expenses	<u>\$ 13,407,947</u>	<u>\$ 13,580,665</u>	<u>\$ 13,694,202</u>	<u>\$ 13,271,626</u>	<u>\$ 13,315,890</u>	<u>\$ 13,747,787</u>	<u>\$ 14,015,198</u>	<u>\$ 15,607,799</u>	<u>\$ 16,168,053</u>	<u>\$ 16,992,076</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction-regular	\$ 24,357	\$ 32,812	\$ 64,084	\$ 77,958	\$ 170,573	\$ 255,681	226,335	252,878	358,428	\$ 242,462
Tuition										
Operating grants and contributions	195,936	185,075	288,232	292,809	232,700	215,747	190,769	188,806	197,226	6,691,052
Capital grants and contributions			10,037	82,284						
Total governmental activities program revenues	<u>220,293</u>	<u>217,887</u>	<u>362,353</u>	<u>453,051</u>	<u>403,273</u>	<u>471,428</u>	<u>417,104</u>	<u>441,684</u>	<u>555,654</u>	<u>6,933,514</u>
Business-type activities:										
Charges for services										
Food service	159,152	159,632	154,849	155,834	154,637	139,159	144,884	135,070	142,698	136,950
Operating grants and contributions	34,983	35,034	36,772	41,025	41,859	34,942	38,350	37,789	45,601	51,943
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business type activities program revenues	<u>194,135</u>	<u>194,666</u>	<u>191,621</u>	<u>196,859</u>	<u>196,496</u>	<u>174,101</u>	<u>183,234</u>	<u>172,859</u>	<u>188,299</u>	<u>188,893</u>
Total district program revenues	<u>\$ 414,428</u>	<u>\$ 412,553</u>	<u>\$ 553,974</u>	<u>\$ 649,910</u>	<u>\$ 599,769</u>	<u>\$ 645,529</u>	<u>\$ 600,338</u>	<u>\$ 614,543</u>	<u>\$ 743,953</u>	<u>\$ 7,122,407</u>
Net (Expense)/Revenue										
Governmental activities	\$ (12,993,538)	\$ (13,175,271)	\$ (13,145,720)	\$ (12,630,177)	\$ (12,718,137)	\$ (13,090,035)	\$ (13,403,169)	\$ (14,980,112)	\$ (15,420,543)	\$ (9,860,384)
Business-type activities	19	7,159	5,492	8,461	2,016	(12,223)	(11,691)	(13,144)	(3,557)	(9,285)
Total district-wide net expense	<u>\$ (12,993,519)</u>	<u>\$ (13,168,112)</u>	<u>\$ (13,140,228)</u>	<u>\$ (12,621,716)</u>	<u>\$ (12,716,121)</u>	<u>\$ (13,102,258)</u>	<u>\$ (13,414,860)</u>	<u>\$ (14,993,256)</u>	<u>\$ (15,424,100)</u>	<u>\$ (9,869,669)</u>

Continued

Lebanon Township 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
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 10,123,582	\$ 10,349,525	\$ 10,686,595	\$ 10,606,595	\$ 10,356,595	\$ 10,037,176	9,284,388	9,400,000	9,541,000	\$ 9,731,820
Unrestricted grants and contributions	3,683,670	3,430,199	2,866,679	2,880,928	3,340,762	3,463,915	3,534,880	5,324,981	5,954,886	
Investment earnings	66,036	37,434	36,431	17,062	23,643	12,714	16,521	15,209	14,833	24,367
Miscellaneous income	7,686	6,391	162,260	15,735	448	19,071	2,642	1,249	150,806	91,054
Transfers						(25,000)				
Total governmental activities	<u>13,880,974</u>	<u>13,823,549</u>	<u>13,751,965</u>	<u>13,520,320</u>	<u>13,721,448</u>	<u>13,507,876</u>	<u>12,838,431</u>	<u>14,741,439</u>	<u>15,661,525</u>	<u>9,847,241</u>
Business-type activities:										
Miscellaneous Income	1,143	534	716	261	46					2,911
Transfers						25,000				
Total business-type activities	<u>1,143</u>	<u>534</u>	<u>716</u>	<u>261</u>	<u>46</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,911</u>
Total district-wide	<u>\$ 13,882,117</u>	<u>\$ 13,824,083</u>	<u>\$ 13,752,681</u>	<u>\$ 13,520,581</u>	<u>\$ 13,721,494</u>	<u>\$ 13,532,876</u>	<u>12,838,431</u>	<u>14,741,439</u>	<u>15,661,525</u>	<u>\$ 9,850,152</u>
Change in Net Position										
Governmental activities	\$ 887,436	\$ 648,278	\$ 606,245	\$ 890,143	\$ 1,003,311	\$ 417,841	\$ (564,738)	\$ (238,673)	\$ 240,982	\$ (13,143)
Business-type activities	1,162	7,693	6,208	8,722	2,062	12,777	(11,691)	(13,144)	(3,557)	(6,374)
Total district	<u>\$ 888,598</u>	<u>\$ 655,971</u>	<u>\$ 612,453</u>	<u>\$ 898,865</u>	<u>\$ 1,005,373</u>	<u>\$ 430,618</u>	<u>\$ (576,429)</u>	<u>\$ (251,817)</u>	<u>\$ 237,425</u>	<u>\$ (19,517)</u>

Source: CAFR Schedule A-2

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

Exhibit J-3

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,515,117	\$ 2,194,945	\$ 2,143,479	\$ 3,072,700	\$ 3,948,816	\$ 4,098,094	\$ 3,546,915	\$ 3,298,118	\$ 3,644,997	\$ 4,338,809
Unreserved	204,734	110,995	345,494	385,114	382,176	280,728	249,267	261,089	245,624	103,046
Total general fund	<u>\$ 1,719,851</u>	<u>\$ 2,305,940</u>	<u>\$ 2,488,973</u>	<u>\$ 3,457,814</u>	<u>\$ 4,330,992</u>	<u>\$ 4,378,822</u>	<u>\$ 3,796,182</u>	<u>\$ 3,559,207</u>	<u>\$ 3,890,621</u>	<u>\$ 4,441,855</u>
All Other Governmental Funds										
Reserved										
Unreserved, reported in:										
Special revenue fund										
Capital projects fund			\$ 132,537							-
Debt service fund										
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Source: CAFR Schedule B-1

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

Exhibit J-4

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Tax levy	\$ 10,123,582	\$ 10,349,525	\$ 10,686,595	\$ 10,606,595	\$ 10,356,595	\$ 10,037,176	\$ 9,284,388	\$ 9,400,000	\$ 9,541,000	\$ 9,731,820
Tuition charges	13,231	54,734	30,357	49,300	103,100	127,367	111,100	131,710	297,748	242,462
Miscellaneous	102,401	63,057	223,100	69,070	61,171	64,107	100,899	86,450	176,140	115,421
State sources	3,670,439	3,374,902	2,598,960	2,963,212	3,259,742	3,463,915	3,534,880	3,722,394	3,888,967	3,930,218
Federal sources	173,599	173,201	548,253	262,912	278,115	184,958	170,663	182,059	186,725	178,772
Total revenue	14,083,252	14,015,419	14,087,265	13,951,089	14,058,723	13,877,523	13,201,930	13,522,613	14,090,580	14,198,693
Expenditures										
Instruction										
Regular Instruction	3,526,557	3,699,233	3,777,125	3,600,814	3,607,286	3,813,094	4,034,402	3,851,074	3,467,183	3,625,749
Special education instruction	1,099,793	1,260,116	1,273,291	1,239,095	1,348,439	1,438,200	1,501,049	1,458,580	1,520,152	1,650,527
Other special instruction	247,058	235,975	248,880	106,924	85,713	76,051	75,615	44,870	62,666	126,769
Other instruction	60,214	60,597	62,439	58,174	58,294	57,570	73,455	71,414	82,197	97,662
Support Services:										
Tuition	139,444	192,683	59,444	109,139	25,403	33,105	146,046	223,742	227,752	149,320
Student & instruction related services	1,317,640	1,338,960	1,404,978	1,343,897	1,249,400	1,237,957	1,391,350	1,589,078	1,529,618	1,373,252
School administrative services	308,503	300,917	315,595	309,418	315,754	281,078	297,086	276,638	320,862	503,607
Other administrative services	415,008	433,826	424,990	424,033	439,953	460,049	517,832	501,258	467,849	405,937
Plant operations and maintenance	1,187,831	1,144,405	1,215,032	1,114,043	1,026,254	1,039,681	1,121,332	1,007,351	984,523	914,511
Pupil transportation	756,759	853,316	670,888	670,448	641,285	548,118	496,555	573,254	558,435	551,316
Unallocated employee benefits	3,692,789	3,402,658	3,518,647	3,607,971	3,881,166	3,989,686	3,693,167	3,725,713	4,100,647	4,179,623
Special Revenue	195,936	185,075	288,232	292,809	232,700	215,747	190,769	188,806	197,226	-
Charter Schools	-	-	-	-	-	-	-	-	-	-
Capital Outlay	16,837	11,200	199,580	224,901	273,457	612,953	243,747	245,645	237,891	69,186
Debt service:										
Principal	270,000	280,000	285,000	-	-	-	-	-	-	-
Interest and other charges	44,881	30,369	15,319	758	441	1,404	2,165	2,165	2,165	-
Transfer of funds to charter schools	9,311	-	12,255	12,361	-	-	-	-	-	-
Total expenditures	13,288,561	13,429,330	13,771,695	13,114,785	13,185,545	13,804,693	13,784,570	13,759,588	13,759,166	13,647,459
Excess (Deficiency) of revenues over (under) expenditures	794,691	586,089	315,570	836,304	873,178	72,830	(582,640)	(236,975)	331,414	551,234
Other Financing Sources (uses)										
Capital leases (non-budgeted)	-	-	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Proceeds of refunding debt	-	-	-	-	-	-	-	-	-	-
Payment to refunded debt escrow agent	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(25,000)	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	(25,000)	-	-	-	-
Net change in fund balances	\$ 794,691	\$ 586,089	\$ 315,570	\$ 836,304	\$ 873,178	\$ 47,830	\$ (582,640)	\$ (236,975)	\$ 331,414	\$ 551,234
Debt service as a percentage of noncapital expenditures	2.37%	2.31%	2.21%	0.01%	0.00%	0.01%	0.02%	0.02%	0.02%	0.00%

Source: CAFR Schedule B-2

LEBANON TOWNSHIP SCHOOL DISTRICT

Exhibit J-5

GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

<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>Rentals</u>	<u>Tuition</u>	<u>Prior Year</u> <u>A/P cancelled</u>	<u>Miscellaneous</u>	<u>Total</u>
2008	\$ 66,036		\$ 6,342	\$ 13,231	\$ 521	\$ 7,165	\$ 93,295
2009	54,734	\$ 10,610	2,365	37,434		211	105,354
2010	36,431	170	6,549	30,357		162,215	235,722
2011	17,062		6,367	49,300		15,744	88,473
2012	23,643	447	1,475	103,100		1	128,666
2013	12,714	19,000	1,533	127,367		71	160,685
2014	16,521	2,470	1,630	111,100	172	60,000	191,893
2015	15,209	570	1,445	131,710	458	61,721	211,113
2016	14,833	590	1,240	297,748		148,978	463,389
2017	24,367			242,462		88,776	355,605

SOURCE: District Records

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

Exhibit J-6

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2008	\$13,153,100	\$617,869,700	\$73,636,500	\$2,000,945	\$34,995,900	\$3,410,900	1,857,800	\$930,670,873	\$182,631,500	\$1,114,528	\$748,039,373	\$1.350	\$1,141,925,288
2009	11,955,500	621,807,400	74,728,800	2,020,910	33,751,300	4,441,300	2,197,100	934,550,282	182,631,500	1,016,472	751,918,782	1.370	1,129,472,950
2010	11,449,400	625,940,900	74,591,100	2,030,885	34,138,500	3,487,500	1,935,700	936,320,073	181,906,000	840,088	754,414,073	1.420	1,082,074,508
2011	11,189,700	630,542,400	74,457,119	1,977,653	33,797,200	3,410,900	1,935,700	960,628,454	202,237,200	1,080,582	758,391,254	1.400	1,033,089,843
2012	10,509,500	621,168,900	75,978,600	2,066,637	33,645,100	3,410,900	1,935,700	928,129,058	178,186,900	1,226,821	749,942,158	1.380	966,420,307
2013	10,576,000	613,879,400	78,536,600	2,049,179	33,568,500	3,340,100	1,935,700	923,448,624	178,236,200	1,326,945	745,212,424	1.350	932,914,902
2014	9,484,500	606,741,700	78,980,056	2,038,683	34,324,900	3,340,100	1,912,400	915,640,670	178,730,800	87,531	736,909,870	1.260	890,310,342
2015	9,672,500	609,183,900	76,537,900	2,007,849	34,186,300	3,340,100	1,912,400	914,493,129	177,582,700	69,480	736,910,429	1.270	857,870,116
2016	9,509,700	617,692,700	71,112,500	1,976,112	34,982,300	3,340,100	1,912,400	919,091,088	178,497,000	68,276	740,594,088	1.288	876,546,441
2017	9,361,300	619,632,200	71,448,900	2,199,467	35,886,800	3,213,500	1,912,400	923,590,830	179,870,200	66,063	743,720,630	1.309	910,392,090

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 Taxator

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	LEBANON TOWNSHIP Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Regional School District	Lebanon Township	Hunterdon County	
2008	\$1.310	\$0.040	\$1.350	\$0.750	\$0.060	\$0.510	\$2.670
2009	\$1.340	\$0.030	\$1.370	\$0.710	\$0.080	\$0.500	\$2.660
2010	\$1.390	\$0.030	\$1.420	\$0.720	\$0.080	\$0.490	\$2.710
2011	\$1.400	\$0.000	\$1.400	\$0.690	\$0.100	\$0.470	\$2.660
2012	\$1.380	\$0.000	\$1.380	\$0.720	\$0.100	\$0.440	\$2.640
2013	\$1.350	\$0.000	\$1.350	\$0.700	\$0.110	\$0.440	\$2.600
2014	\$1.260	\$0.000	\$1.260	\$0.720	\$0.160	\$0.430	\$2.570
2015	\$1.270	\$0.000	\$1.270	\$0.670	\$0.180	\$0.430	\$2.550
2016	\$1.288	\$0.000	\$1.288	\$0.675	\$0.244	\$0.439	\$2.646
2017	\$1.309	\$0.000	\$1.309	\$0.716	\$0.290	\$0.453	\$2.768

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.

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

Exhibit J-8

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Columbia Gas Transmission Corp	\$3,916,300	1	0.53%	\$ 3,916,300	1	0.52%
JJM Realty Enterprises LLC	3,161,400	2	0.43%	-		
Individual Taxpayer #1	2,908,453	3	0.39%	-		
Trimmer Road Co LLC	2,455,589	4	0.33%	2,303,100	2	0.31%
Davara Industrial Center LLC	2,019,700	5	0.27%	1,948,100	3	0.26%
Individual Taxpayer #2	2,000,100	6	0.27%	2,334,500	4	0.31%
Eastern Concrete Materials Inc	1,750,000	7	0.24%	1,750,000	5	0.23%
Individual Taxpayer #3	1,361,000	8	0.18%	-		
Genon Rema NJ	1,311,400	9	0.18%	-		
Individual Taxpayer #4	1,276,602	10	0.17%	-		
Individual Taxpayer #5				1,710,737	6	0.23%
Individual Taxpayer #6				1,670,815	7	0.22%
Individual Taxpayer #7				1,620,575	8	0.22%
High Bridge Quartet				1,255,800	9	0.17%
Individual Taxpayer #8				1,252,200	10	0.17%
Total	\$ 22,160,544		2.98%	\$ 19,762,127		2.64%

Source: District CAFR & Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$10,123,582	\$10,123,582	100.00%	-
2009	\$10,349,525	\$10,349,525	100.00%	-
2010	\$10,686,595	\$10,686,595	100.00%	-
2011	\$10,606,595	\$10,606,595	100.00%	-
2012	\$10,356,595	\$10,356,595	100.00%	-
2013	\$10,037,176	\$10,037,176	100.00%	-
2014	\$9,284,388	\$9,284,388	100.00%	-
2015	\$9,400,000	\$9,400,000	100.00%	-
2016	\$9,541,000	\$9,541,000	100.00%	-
2017	\$9,731,820	\$9,731,820	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.

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

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 565,000	-0-	\$ 11,291	-0-	-0-	\$ 576,291	0.13%	\$92.76	
2009	\$ 285,000	-0-	-0-	-0-	-0-	\$ 285,000	0.07%	\$45.86	
2010		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2011		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2012		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2013		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2014		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2015		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2016		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	
2017		-0-	-0-	-0-	-0-	\$ -	0.00%	\$0.00	

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

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

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

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 565,000	-0-	\$ 565,000	0.08%	\$ 91
2009	\$ 285,000	-0-	\$ 285,000	0.04%	\$ 46
2010		-0-	-	0.00%	-
2011		-0-	-	0.00%	-
2012		-0-	-	0.00%	-
2013		-0-	-	0.00%	-
2014		-0-	-	0.00%	-
2015		-0-	-	0.00%	-
2016		-0-	-	0.00%	-
2017		-0-	-	0.00%	-

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.

R Revised

* Current data unavailable

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

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Lebanon Township	\$ 5,346,509	100.00%	\$ 5,346,509
Other debt			
North Hunterdon Regional School District	1,475,000	11.047%	162,942
Hunterdon County	75,793,752	4.206%	<u>3,187,563</u>
Subtotal, overlapping debt			8,697,014
LEBANON TOWNSHIP School District Direct Debt			<u> </u>
Total direct and overlapping debt			<u><u>\$ 8,697,014</u></u>

Sources: Finance Officer, Hunterdon 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.

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

Exhibit J-13

Legal Debt Margin Calculation for Fiscal Year 2017

	Equalized valuation basis
	2014 872,104,331
	2015 904,293,335
	2016 909,557,934
	[A] <u>\$ 2,685,955,600</u>
Average equalized valuation of taxable property	[A/3] \$ 895,318,533
Debt limit (3 % of average equalization value)	[B] 26,859,556
Net bonded school debt	[C] -
Legal debt margin	[B-C] <u>\$ 26,859,556</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	\$31,058,983	\$32,280,625	\$32,045,626	\$30,900,772	\$29,397,436	\$28,119,540	\$26,938,057	\$26,286,099	\$26,341,652	\$26,859,556
Total net debt applicable to limit	<u>565,000</u>	<u>285,000</u>								-
Legal debt margin	<u>\$30,493,983</u>	<u>\$31,995,625</u>	<u>\$32,045,626</u>	<u>\$30,900,772</u>	<u>\$29,397,436</u>	<u>\$28,119,540</u>	<u>\$26,938,057</u>	<u>\$26,286,099</u>	<u>\$26,341,652</u>	<u>\$26,859,556</u>
Total net debt applicable to the limit as a percentage of debt limit	1.82%	0.88%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

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

**Lebanon Township 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	6,213	\$ 429,044,928	\$69,056 R	7.0%
2009	6,215	\$ 409,754,950	\$65,930 R	12.4%
2010	6,583	\$ 437,223,111	\$66,417 R	12.7%
2011	6,510	\$ 457,607,430	\$70,293 R	12.4%
2012	6,469	\$ 482,729,718	\$74,622 R	12.4%
2013	6,429	\$ 478,047,582	\$74,358 R	6.3%
2014	6,414	\$ 499,932,816	\$77,944 R	4.8%
2015	6,393	\$ 516,292,287	\$80,759 R	4.4%
2016	6,091	\$ 491,903,069	\$80,759 *	4.1%
2017	6,091	\$ 491,903,069	\$80,759 *	*

Source:

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

^b Personal Income provided by US Dept of Commerce

^c Per Capita provided by US Dept of Commerce

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

P =Projected

R =Revised

* Current data unavailable

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

Exhibit J-16

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	56.2	59.7	60.6	54.5	56.2	53.8	53.8	52.5	50.7	48.0
Special Education	25.0	22.0	25.5	30.0	28.0	30.3	31.8	24.9	32.5	29.7
Other Special Education										
Other Instruction	2.5	3.5	3.3	1.8	1.0	1.1	1.1	0.6	0.5	0.0
Support Services:										
Student & Other Related Services	25.9	25.0	24.5	21.5	21.2	20.5	21.0	27.4	22.9	15.4
General administrative services	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.5
School administrative services	6.2	6.2	6.3	6.3	6.3	6.8	6.8	7.0	7.0	7.0
Business administrative services	2.0	2.0	2.0	1.8	1.8	1.8	1.8	2.0	2.0	1.5
Plant operations and maintenance	9.0	9.0	8.8	8.0	8.0	8.0	8.0	8.0	7.6	7.6
Pupil transportation										
Total	128.8	129.5	133.1	126.0	124.6	124.4	126.4	124.5	125.2	111.7

Source: District Personnel Records

Lebanon Township School District
 Operating Statistics
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio 1:	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2008	832	\$12,956,843	15,573	-1.03%	74	11.2	824.2	791.1	1.38%	95.98%
2009	819	\$13,107,761	16,005	2.77%	75	10.9	810.2	774.6	-1.70%	95.61%
2010	782	\$13,271,796	16,972	6.04%	75	10.5	773.9	741.9	-4.48%	95.87%
2011	767	\$12,889,126	16,805	-0.98%	70	10.93	763.8	731.2	-1.31%	95.73%
2012	734	\$12,911,647	17,591	4.68%	69	10.69	734.2	704.7	-3.88%	95.98%
2013	719	\$13,190,336	18,345	4.29%	67	10.78	709.9	677.0	-3.31%	95.37%
2014	729	\$13,538,658	18,572	1.23%	67	10.92	724.6	694.6	2.07%	95.86%
2015	698	\$13,511,778	19,358	4.23%	62	11.26	687.5	657.5	-5.12%	95.64%
2016	663	\$13,519,110	20,391	5.34%	62	10.66	659.5	631.1	-4.07%	95.69%
2017	630	\$13,578,273	21,553	5.70%	64	9.8	624.2	594.0	-5.35%	95.16%

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-
- 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)

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

Exhibit J-18

<u>District Building</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2017</u>
<u>Valley View Elementary (1974)</u>										
Square Feet	43,741	43,741	43,741	43,741	43,741	43,741	43,741	43,741	43,741	43,741
Capacity (students)	404	404	404	404	404	404	404	404	404	404
Enrollment	455	434	423	411	392	350	367	332	341	335
<u>Woodglen Middle School (1954)</u>										
Square Feet	51,060	51,060	51,060	51,060	51,060	51,060	51,060	51,060	51,060	51,060
Capacity (students)	301	301	301	301	301	301	301	301	301	301
Enrollment	380	384	357	353	354	365	366	350	318	295

Number of Schools at June 30, 2017

Source: District records, ASSA

Elementary = 1
Middle School = 1

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

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

Exhibit J-19

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

<u>School Facilities</u>	<u>Project #</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
Valley View School	N/A	72,741	\$68,815	\$69,895	\$83,007	\$64,235	\$47,005	\$63,815	\$83,807	\$52,121	\$129,140	\$734,581
Woodglen School	N/A	100,001	77,624	136,126	53,069	47,973	46,010	55,174	71,328	154,311	114,521	856,137
Total School Facilities		172,742	146,439	206,021	136,076	112,208	93,015	118,989	155,135	206,432	243,661	1,590,718
Other Facilities		NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE
Grand Total		\$172,742	\$146,439	\$206,021	\$136,076	\$112,208	\$93,015	\$118,989	\$155,135	\$206,432	\$243,661	\$1,590,718

LEBANON TOWNSHIP SCHOOL DISTRICT

INSURANCE SCHEDULE
JUNE 30, 2017
UNAUDITED

Exhibit J-20

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
SCHOOL PACKAGE POLICY - New Jersey Schools Insurance Group (NJSIG):		
Property-Blanket Building and Contents	\$ 350,000,000	\$ 5,000
Comprehensive General Liability	11,000,000	
Comprehensive Automotive Liability	11,000,000	
Blanket Employee Dishonesty (per loss)	100,000	1,000
School Leaders Errors and Omissions Liability	11,000,000	5,000
PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE		
BLANKET POSITION BOND - Selective Insurance Company		
Treasurer Position Bond	200,000	
Board Secretary/School Business Administrator Position	200,000	
WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY -	Statutory	

SOURCE: District Records

Single Audit Section



ARDITO & Co., LLP

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

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

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
 Lebanon Township School District
 County of Hunterdon
 Califon, New Jersey 07830

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 Lebanon Township School District Board of Education in the County of Hunterdon, 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 Lebanon Township School District Board of Education's basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

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

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

-Continued-

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

Compliance and Other Matters

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

Purpose of this Report

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

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2017

Carmen Corder

Licensed Public School Accountant No.2369



ARDITO & Co., LLP

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

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

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
 Lebanon Township School District
 County of Hunterdon
 Califon, New Jersey 07830

Report on Compliance for Each Major State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

-Continued-

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

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

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

ARDITO & Co., LLP

ARDITO & CO., LLP
August 31, 2017

Anthony Ardit

Licensed Public School Accountant No.2369

LEBANON TOWNSHIP SCHOOL DISTRICT

K-4

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

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2016	CARRY- OVER AMOUNT	CASH RECEIVED	BUDGET. EXPEND.	ADJUST.	REPAYMENT OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2017			MEMO		
										(ACCTS. RECEIV.)	INTERFUND PAYABLE/ DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
State Department of Education															
General Fund:															
Equalization Aid	17-495-034-5120-078	7/1/16-6/30/17	\$ 1,058,133			\$ 1,058,133	\$ (1,058,133)							* \$ 105,716	\$ 1,058,133
School Choice Aid	17-495-034-5120-068	7/1/16-6/30/17	277,650			277,650	(277,650)							* 27,739	277,650
Transportation Aid	17-495-034-5120-014	7/1/16-6/30/17	335,006			335,006	(335,006)							* 33,470	335,006
Special Education Aid	17-495-034-5120-089	7/1/16-6/30/17	429,461			429,461	(429,461)							* 42,906	429,461
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	54,166			54,166	(54,166)							* 5,412	54,166
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	126,718			126,718	(126,718)							* 12,660	126,718
Additional Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	55,530			55,530	(55,530)							* 5,548	55,530
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	6,940			6,940	(6,940)							* 693	6,940
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	6,940			6,940	(6,940)							* 693	6,940
Prof Learning Comm Aid	17-495-034-5120-101	7/1/16-6/30/17	6,220			6,220	(6,220)							* 621	6,220
Non-Public Transportation Aid	17-100-034-5120-068	7/1/16-6/30/17	3,541				(3,541)			\$ (3,541)				* 3,541	3,541
Non-Public Transportation Aid	16-100-034-5120-068	7/1/15-6/30/16	4,570	\$ (4,570)		4,570								* 4,570	4,570
Extraordinary Aid	16-495-034-5120-057	7/1/15-6/30/16	224,941	(224,941)		224,941								* 224,941	224,941
Extraordinary Aid	17-495-034-5120-057	7/1/16-6/30/17	84,964				(84,964)			(84,964)				* 84,964	84,964
On-Behalf TPAF Pension	17-495-034-5094-002	7/1/16-6/30/17	608,930			608,930	(608,930)							* 608,930	608,930
On-Behalf TPAF Pension PMR	17-495-034-5094-001	7/1/16-6/30/17	507,377			507,377	(507,377)							* 507,377	507,377
On-Behalf TPAF Pension LTD Ins	17-495-034-5094-004	7/1/16-6/30/17	987			987	(987)							* 987	987
Reimbursed TPAF Soc.Secur.Contrib.	17-495-034-5094-003	7/1/16-6/30/17	369,227	(18,175)		368,786	(369,227)			(18,616)				* 369,227	369,227
Total General Fund				(247,686)	-	4,072,355	(3,931,790)	-	-	(107,121)	-	-	-	* 235,458	4,161,301
State Department of Agriculture:															
Enterprise Fund:															
Nat.School Lunch Prog.(State Share)	16-100-010-3350-023	7/1/15-6/30/16		(143)		143								* 1,826	1,826
Nat.School Lunch Prog.(State Share)	17-100-010-3350-023	7/1/16-6/30/17	1,826			1,688	(1,826)			(138)				* 1,826	1,826
Total Enterprise Fund				(143)	-	1,831	(1,826)	-	-	(138)	-	-	-	* 1,826	1,826
Total State Financial Assistance				\$ (247,829)	-	\$ 4,074,186	\$ (3,933,616)	-	-	\$ (107,259)	-	-	-	* \$ 235,458	\$ 4,163,127

Less: On-behalf TPAF Pension Amounts 1,117,294

Total State Expenditures Subject to Major Program Determination \$ (2,816,322)

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,572) for the general fund and (\$6,477) 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:

LEBANON TOWNSHIP
SCHOOL DISTRICT

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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		\$ 3,930,218	\$ 3,930,218
Special Revenue Fund	\$ 178,772	-	178,772
Food Service Fund	<u>50,117</u>	<u>1,826</u>	<u>51,943</u>
Total Financial Assistance	<u>\$ 228,889</u>	<u>\$ 3,932,044</u>	<u>\$ 4,160,933</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

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

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

17-495-034-5120-068

School Choice Aid

17-495-034-5120-078

Equalization Aid

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

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

