

METUCHEN SCHOOL DISTRICT

Metuchen, New Jersey

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**



BAKER TILLY

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METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017

Prepared by:
Vincent Caputo
Superintendent of Schools
Michael Harvier
Business Administrator/Board Secretary

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE METUCHEN SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION

**The Metuchen Schools
16 Simpson Place
Metuchen, New Jersey 08840**

December 4, 2017

Honorable President and
Members of the Board of Education
Metuchen Public Schools
County of Middlesex
Metuchen, NJ 08840

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Metuchen School District (the "District") for the fiscal year ended June 30, 2017. 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 (the "Board"). To the best of our knowledge and belief, the data presented in the report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and the results of operations of the District. This report will provide the taxpayers of the Metuchen Public School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

The Introductory Section contains a Table of Contents, this Letter of Transmittal, Roster of Officials, and an Organizational Chart of the School District and a list of Consultants and Advisors.

The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information.

The Statistical Section includes selected financial trends information, revenue capacity information, debt capacity information, demographic and economic information, and operating information.

The Single Audit Section – 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 Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid". Information related to this Single Audit, including the independent auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the Single Audit section of this report.

School District Organization

The Metuchen School District has approximately 2,290 students. There are four school buildings: Pre K and Kindergarten, Elementary, Middle and High School. The population of the town is approximately 13,500.

An elected nine member Board of Education (the "Board") serves as the policy maker for the District. The Superintendent is the chief executive officer of the District, responsible to the Board for total educational and support operations. The Business Administrator / Board Secretary is chief financial officer of the District, responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the District, acting as custodian of all District funds, and investing idle funds as permitted by New Jersey law.

Reporting Entity

The Metuchen School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB) as established by Statement No. 14 as amended by GASB 39 and GASB 61. All funds of the District are included in this report. The Metuchen Board of Education and all of its schools constitute the District's reporting entity.

Economic Condition and Outlook

Due to its relatively small size, Metuchen has no real room for development or expansion. The tax base may increase slightly from year to year, but the basis for the increase is due, largely, to limited residential building. Since there is no room for major development or industrial growth, the Borough has no means to significantly expand the tax base.

The District completed the 2016-2017 fiscal year with an enrollment of 2257 students which is about 12 students greater than the previous year's enrollment. The forecast for student enrollment is for moderate growth over the next five years with 30 students projected in 2017-2018.

The District along with many other public school systems in the state, still face some difficult economic situations in the future since the primary funding source is property tax revenue. The proposed budget for the fiscal year 2017-2018 was passed by the voters. The District's administration is closely monitoring the cost of operations and continues to look for new funding sources in order to maintain the quality educational services that the school district has been accustomed to providing.

The School District attributes much of its past education success to the community's demand for, and support of, both a traditional and quality school system. The District will remain accountable to the residents and taxpayers who make the District their system of choice.

Educational Program

The Metuchen School District is based on successful collaboration among school personnel and community members and is dedicated to providing the highest quality of education to all students. Our mission statement conveys our strong commitment to excellence:

"The Metuchen Public School District will provide all students with a safe and nurturing environment in which to foster academic, social and emotional growth. The District is committed to allowing every student to develop to their fullest potential by providing a strong foundation of skills based on academic excellence and high performance standards. The District expects all students to achieve the New Jersey Core Curriculum Content Standards at all grade levels. The District will provide a curriculum which is fully inclusive and recognizes the high expectations of the community."

The early childhood elementary program promotes developmentally appropriate expectations to enhance the growth of the whole child, including cognitive, language, social, emotional and physical domains. A balanced literacy approach to reading, consisting of phonics, writing, oral language and readiness skills is

incorporated into the elementary programs. We believe that a strong elementary education includes project-oriented, interdisciplinary, hands on learning. A dedication to inclusion, a strong partnership between home and school, and the setting of high standards for students and teachers are the underpinnings of the District's philosophy.

The middle school offers a comprehensive program to students in grades five through eight. The academic program presents challenging learning experiences in core subjects which are enhanced with a cycle program offering enrichment courses in art, music, computers/technology and industrial arts. Students also participate in an extensive music program which includes ensemble performance groups in band, orchestra and chorus. An extensive co-curricular athletic program is offered.

The comprehensive high school includes students in grades nine through twelve. The high school curriculum emphasizes a strong college preparatory program with 92% of the Class of 2017 pursuing post-secondary education. Of the 153 graduates in the Class of 2017, 9 students were designated National Merit Commended Scholars. Our SAT scores exceeded state and national averages with the MHS Class of 2017 averaging 593 in Evidence Based Reading and Writing and 585 in Mathematics.

Metuchen School District employs highly competent teaching, supervisory and administrative staff with approximately 44% certified with a BA degree, 54% with a Master's Degree and 2% with a PhD/EdD. The professional staff continues to enhance their skills through curriculum development and strong, consistent professional development either through workshops or college level courses.

Financial Information

Internal Accounting Controls: The administration of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of general purpose financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the 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 recipient of federal awards and state financial assistance, the District also is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. The internal control system is also subject to periodic evaluation by the District's management.

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

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget 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. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year end are either canceled or are included as re-appropriation of fund

balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at fiscal year end.

Cash Management

The District is guided by state statutes as detailed in "Notes to Basic Financial Statements" Note 2. 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 laws require governmental units to deposit public funds only in public depositories located in New Jersey where the funds are secured in accordance with the Act.

Risk Management

The board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds. The Board Secretary oversees risk management for the District. A schedule of insurance coverage is found in J-20.

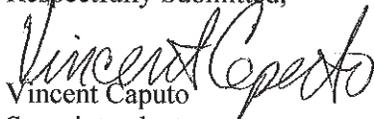
Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Baker Tilly Virchow Krause, LLP was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Uniform Guidance, and the State Treasury Circular Letter 15-08 OMB "Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid." The independent auditors' report on the basic financial statements and specific required supplemental information opines on the financial section of this report. The independent auditors' report related specifically to the single audit is included in the single audit section of this report.

Acknowledgements

We would like to express our appreciation to the Members of The Metuchen 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,


Vincent Caputo

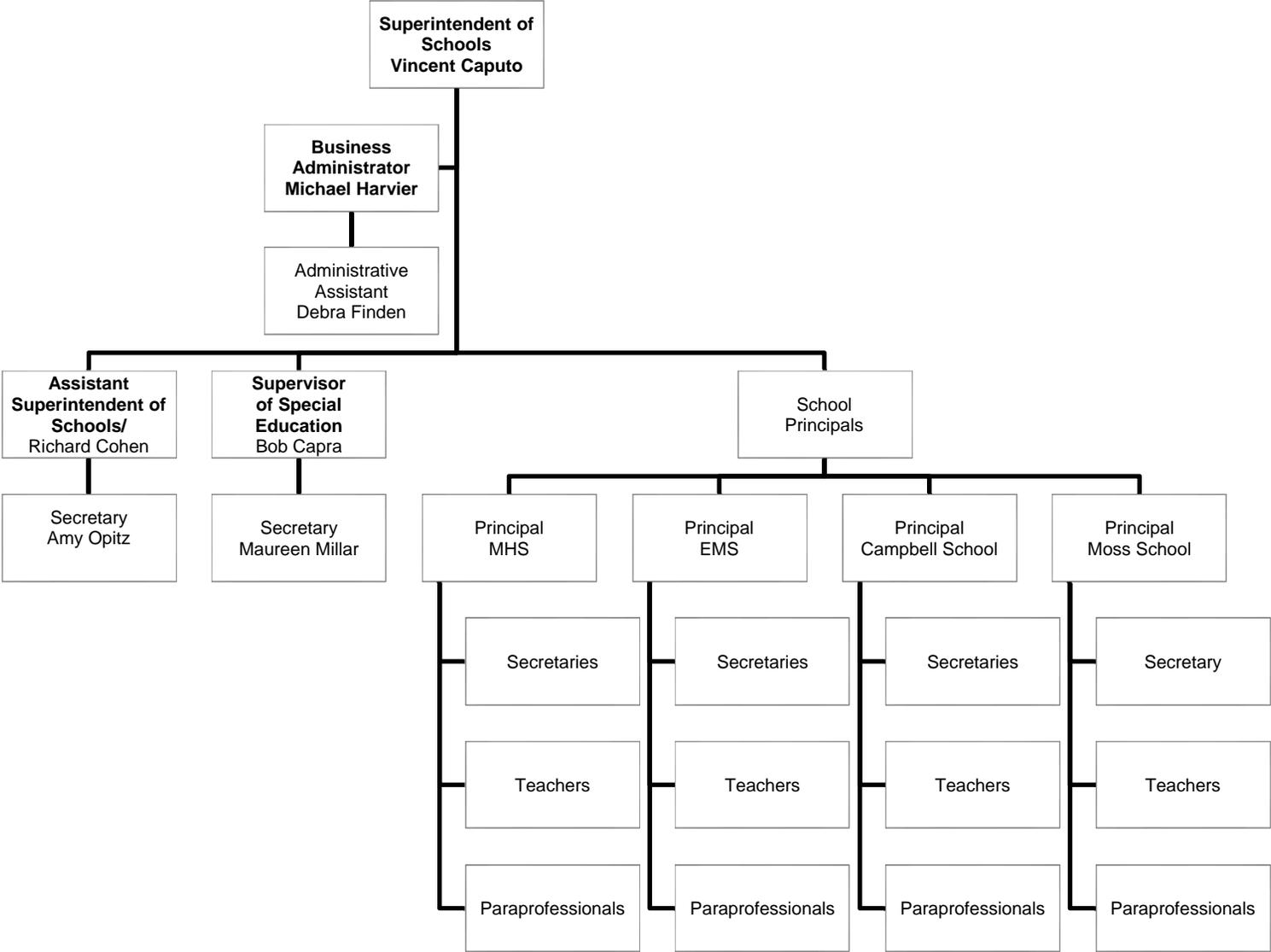
Superintendent



Michael Harvier

Business Administrator/Board Secretary

Metuchen School District Organizational Chart



**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**ROSTER OF OFFICIALS
JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Dan E. Benderly, President	2017
Merrill Lunt, Vice President	2018
Jacqueline Gibson	2017
Benjamin Small	2017
Justin Manley	2018
Aileen McGuire	2018
Jonathan Lifton	2019
Alicin Killean	2019
Eric Suss	2019

Other Officials

Vincent Caputo, Superintendent of Schools
Michael Harvier, Business Administrator/Board Secretary
Richard Cohen, Assistant Superintendent of Schools/Principal Moss School
Robert Capra, Supervisor of Student Personnel Services
Rebecca A. Cuthbert, Treasurer

METUCHEN SCHOOL DISTRICT
Consultants and Advisors

Architect

E I Associates
Eight Ridgedale Avenue
Cedar Knolls, New Jersey 07927

Audit Firm

Baker Tilly Virchow Krause LLP
99 Wood Avenue South
Suite 801
Iselin, NJ 08830-2734

Attorney

Busch Law Group, LLP
450 Main Street
Metuchen, NJ 08840

Official Depository

TD Bank, N.A.
2035 Limestone Drive
Wilmington, DE 19808

Bond Counsel

McManimon & Scotland, L.L.C.
Attorneys at Law
One Riverfront Plaza, Fourth Floor
Newark, New Jersey 07102-5408

FINANCIAL SECTION

Independent Auditors' Report

Honorable President and Members
of the Board of Education
Metuchen School District
County of Middlesex, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Metuchen School District, County of Middlesex, New Jersey (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 and requirements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of District's proportionate share of the net pension liability – PERS, schedule of the District's proportionate share of the net pension liability - TPAF, and schedule of District's contributions on pages 11-19, 57-62, and 63-65, respectively, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying introductory section on pages 1 - 7, the combining and individual fund financial statements on pages 66 - 81, the long-term debt schedules on pages 82 - 84, the statistical section on pages 85 - 108, the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on pages 114 - 115, and the schedule of expenditures of state financial assistance, as required by New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* on pages 116 - 117, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, long-term debt schedules, schedule of expenditures of federal awards, and schedule of expenditures of state awards 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 statements, long-term debt schedules, schedule of expenditures of federal awards, and schedule of expenditures of state awards 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 December 4, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500



Baker Tilly Virchow Krause, LLP

December 4, 2017
Iselin, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

As management of the Metuchen School District (the "District"), we offer readers of the District's financial statements this narrative discussion and analysis, which will provide a general overview of the District's financial performance and activities for the fiscal year ended June 30, 2017. While the intent of this discussion and analysis is to look at the District's financial performance as a whole, we encourage readers to review the basic financial statements and notes to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in Governmental Accounting Standards Boards (GASB) Statement No. 34 - "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments".

Financial Highlights

Key financial highlights for 2017 are as follows:

- ◆ In total, net position increased by \$501,090 which represents a 4.7% increase from 2016.
- ◆ General revenues accounted for \$36,848,704 in revenue or 82% percent of all revenues. Program specific revenues in the form of charges for services, operating and capital grants and contributions accounted for \$7,858,362 or 18% of total revenues of \$44,707,066.
- ◆ Total assets and deferred outflows of resources of governmental activities increased by \$1,131,665. Cash, cash equivalents and receivables increased by \$242,429, liabilities increased by \$682,710 and capital assets, net decreased by \$1,139,421.
- ◆ The School District had \$44,205,976 in expenses, of which \$7,858,362 was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$36,848,704 were adequate to provide for these programs.
- ◆ Among governmental funds, the General Fund had \$40,056,596 in revenues and \$39,422,510 in expenditures. The General Fund's fund balance increased by \$634,086 over 2016. The Board of Education did not anticipate this at the time the budget was prepared.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Metuchen 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 focus of governmental accounting differs from that of business enterprises. In government, the financial statement user is concerned with determining accountability for funds, evaluating operating results, and assessing the level of service that can be provided by the government along with its ability to meet obligations as they become due. In comparison, the primary emphasis in the private sector, from both an operational and reporting perspective, is on the maximization of profits.

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. In the case of Metuchen School District, the General Fund is by far the most significant fund.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**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 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 District's net position at June 30, 2017 and changes in net position for the year then ended. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, and some non-financial. Non-financial factors include the 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 District is divided into two distinct kinds of activities:

- ◆ Governmental Activities – With the exception of the business-type activities (described below), all of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ◆ Business-Type Activities - This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service, after-school program, integrated preschool program and Stream enterprise funds are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the District's funds begins on page 22. Fund financial statements provide detailed information about the District's funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds

The District's governmental 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 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 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.

Enterprise Fund

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the basic financial statements can be found on pages 30 to 56 of this report.

The District as a Whole

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

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

Table 1 provides a summary of the District's net position for 2017 and 2016.

	Table 1 – Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 5,815,660	\$ 5,500,807	\$ 228,727	\$ 187,273	\$ 6,044,387	\$ 5,688,080
Capital assets, net	36,336,890	37,476,311	80,003	101,822	36,416,893	37,578,133
Total assets	42,152,550	42,977,118	308,730	289,095	42,461,280	43,266,213
Deferred outflows of resources – pension	3,867,017	1,910,784	-	-	3,867,017	1,910,784
Total assets and deferred outflows of resources	46,019,567	44,887,902	308,730	289,095	46,328,297	45,176,997
Long-term liabilities	32,278,930	33,300,227	-	-	32,278,930	33,300,227
Other liabilities	2,939,301	1,235,294	-	5,604	2,939,301	1,240,898
Total liabilities	35,218,231	34,535,521	-	5,604	35,218,231	34,541,125
Deferred inflows of resources – pension	125,925	152,821	-	-	125,925	152,821
Net position:						
Net investment in capital assets	15,418,400	14,831,779	80,003	101,822	15,498,403	14,933,601
Restricted	2,605,530	3,649,873	-	-	2,605,530	3,649,873
Unrestricted (deficit)	(7,348,519)	(8,282,092)	228,727	181,669	(7,119,792)	(8,100,423)
Total net position	\$ 10,675,411	\$ 10,199,560	\$ 308,730	\$ 283,491	\$ 10,984,141	\$ 10,483,051

The net increase of \$475,851 in net position for governmental activities can be primarily attributed to a decrease in long-term debt. The net increase of \$25,239 in net position of business-type activities can be primarily attributed to operating income of the enterprise funds.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

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

	Table 2 – Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for service	\$ 218,195	\$ -	\$ 656,491	\$ 783,964	\$ 874,686	\$ 783,964
Grants and contributions	6,849,179	1,532,451	134,497	150,013	6,983,676	1,682,464
General Revenues						
Property and other taxes	36,472,553	35,208,226	-	-	36,472,553	35,208,226
Grants and entitlements	364,651	5,087,035	-	-	364,651	5,087,035
Other	11,500	598,398	-	-	11,500	598,398
Total revenues	<u>43,916,078</u>	<u>42,426,110</u>	<u>790,988</u>	<u>933,977</u>	<u>44,707,066</u>	<u>43,360,087</u>
Expenses:						
Instruction	25,890,484	23,907,317	-	-	25,890,484	23,907,317
Support services:						
Pupils and instructional staff	7,157,883	6,967,105	-	-	7,157,883	6,967,105
General administration, school administration, business operations and maintenance of facilities	7,695,259	7,213,410	-	-	7,695,259	7,213,410
Pupil transportation	2,029,260	1,992,972	-	-	2,029,260	1,992,972
Debt service	667,341	1,040,251	-	-	667,341	1,040,251
Food service	-	-	569,943	616,215	569,943	616,215
After school program (the Zone)	-	-	119,311	144,458	119,311	144,458
Integrated pre-school	-	-	20,000	13,204	20,000	13,204
Stream	-	-	56,495	135,569	56,495	135,569
Total expenses	<u>43,440,227</u>	<u>41,121,055</u>	<u>765,749</u>	<u>909,446</u>	<u>44,205,976</u>	<u>42,030,501</u>
Change in net position	<u>\$ 475,851</u>	<u>\$ 1,305,055</u>	<u>\$ 25,239</u>	<u>\$ 24,531</u>	<u>\$ 501,090</u>	<u>\$ 1,329,586</u>

Governmental Activities

The District's total governmental activities revenues as they appear on A-2 were \$43,916,078 for the year ended June 30, 2017. Property taxes made up 83% of revenues for governmental activities for fiscal years 2016 and 2015. Property tax revenue increased from 2016 by \$1,264,327. The federal, state, and local grants totaled 16% of revenue for governmental activities for the Metuchen Public School District for fiscal years 2016 and 2017.

During 2017, the District began allocating its TPAF pension and social security on-behalf payments to the applicable functions where employee salaries were charged.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Business-Type Activities

Revenues for the District's business-type activities (food service program, after school program, integrated preschool and Stream) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service revenues exceeded expenses by \$8,390 in 2017 and expenses exceeded revenues by \$38,265 in 2016.
- ◆ The after school program revenues exceeded expenses by \$18,532 and \$4,016 in 2017 and 2016, respectively.
- ◆ The integrated preschool program revenues exceeded expenses by \$18,887 and \$26,521 in 2017 and 2016, respectively.
- ◆ The Stream expenses exceeded revenues by \$20,570 in 2017 and revenues exceeded expenses by \$32,259 in 2016.
- ◆ Charges for services represent \$656,491 of revenue in 2017 and \$783,964 in 2016. This represents amounts paid by patrons for daily food service, use of the after school program, and integrated preschool and Stream registration fees.
- ◆ Federal and state reimbursement for meals, including payments for free and reduced lunches and donated commodities was \$134,497 in 2017 and \$150,013 in 2016.

Governmental Activities

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. The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Governmental activities:				
Instruction	\$ 25,890,484	\$ 21,904,231	\$ 23,907,317	\$ 23,907,317
Support Services:				
Instruction	7,157,883	5,450,612	6,967,105	5,697,614
General administrative services	3,437,719	3,153,019	3,290,273	3,290,273
School administrative services:				
Plant operations and maintenance	4,257,540	3,737,349	3,923,137	3,923,137
Pupil transportation	2,029,260	1,696,639	1,992,972	1,992,972
Interest on long-term debt	667,341	431,003	1,040,251	777,291
	<u>\$ 43,440,227</u>	<u>\$ 36,372,853</u>	<u>\$ 41,121,055</u>	<u>\$ 39,588,604</u>

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

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

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.

Interest on debt involves the transactions associated with the payment of interest and other related charges to debt of the District, including any costs of issuance of new or refunding debt during the year.

The District's Funds

Information about the District's funds are presented in the fund financial statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (general fund, special revenue fund, capital projects and debt service fund) are considered major funds, and had total revenues of \$43,916,078 and expenditures of \$43,292,770. The net change in fund balance for the year was an increase of \$623,308.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal years ended June 30, 2016 and 2017, and the amount and percentage of increases and decreases in relation to prior year revenues:

2017				
Revenue	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent Increase/ (Decrease)
Local source	\$ 36,472,553	83%	\$ 1,264,327	4 %
State sources	6,249,988	14%	524,120	9 %
Federal sources	963,842	2%	70,224	8 %
Miscellaneous	229,695	1%	(128,307)	(36)%
Total	\$ 43,916,078	100%	\$ 1,730,364	4 %
2016				
Revenue	Amount	Percent of Total	Increase/ (Decrease) From 2015	Percent Increase/ (Decrease)
Local source	\$ 35,208,226	83%	\$ 724,571	2%
State sources	5,725,868	14%	547,676	10%
Federal sources	893,618	2%	146,975	20%
Miscellaneous	358,002	1%	158,190	79%
Total	\$ 42,185,714	100%	\$ 1,577,412	4%

Rising salaries and special education costs necessitate the increase in Local Sources.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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The following schedule presents a summary of General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund expenditures for the fiscal years ended June 30, 2017 and 2016 and the amount and percentage of increases and decreases in relation to the prior year:

2017				
Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2016	Percent Increase/ (Decrease)
Current				
Instruction	\$ 16,986,910	39%	\$ 238,181	1 %
Undistributed expenditures	22,442,591	52%	1,331,603	6 %
Capital outlay	1,361,332	3%	515,164	61 %
Debt service				
Principal	1,720,000	4%	(275,000)	(14)%
Interest	781,937	2%	134,702	21 %
Total	<u>\$ 43,292,770</u>	<u>100%</u>	<u>\$ 1,944,650</u>	<u>5 %</u>
2016				
Expenditures	Amount	Percent of Total	Increase/ (Decrease) From 2015	Percent Increase/ (Decrease)
Current				
Instruction	\$ 16,748,729	40%	\$ 1,032,803	7 %
Undistributed expenditures	21,110,988	51%	105,454	1 %
Capital outlay	846,168	2%	(200,445)	(19)%
Debt service				
Principal	1,995,000	5%	330,000	20 %
Interest	647,235	2%	(339,605)	(34)%
Total	<u>\$ 41,348,120</u>	<u>100%</u>	<u>\$ 928,207</u>	<u>2 %</u>

The increase in Current - Instruction is attributed to the increase in salaries.

The increase in Current - Undistributed Expenditures is attributed to increase in salaries and special education costs.

The increase in capital outlay is attributed to the nature and number of capital projects undertaken each year at all four schools.

The decrease in debt service is due to the prior year refunding of bonds, which reduced future debt service payments.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

General Fund Budgeting Highlights

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

During the course of the fiscal year 2017, the District amended its General Fund budget as needed. The District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Revisions in the budget were made to recognize revenues that were not anticipated and to prevent over-expenditures in specific line items. Several of these revisions bear notation:

- ◆ Staffing changes based on student needs resulting in the increase in the number of special aids needed.
- ◆ On-behalf TPAF pension and social security benefits are not required to be included in the original budget; however, both items must be reflected as revenue and expenditures in the basic financial statements.
- ◆ Changes in the allocation of transportation costs.
- ◆ Tuition costs for out-of-district special education students are budgeted based on the actual students known when the budget is completed. Transfers are made between the tuition line items based on actual placements during the year.
- ◆ Changes in appropriations to prevent budget overruns.

Capital Assets

At the end of the fiscal year 2017, the District had \$36,416,893 invested in land, buildings and improvement, furniture and equipment, and vehicles. Table 4 shows fiscal 2016 balances compared to 2017.

Table 4 - Capital Assets (Net of Depreciation)

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Land	\$ 178,952	\$ 178,952
Construction in progress		
Buildings and improvements	34,842,352	35,951,010
Machinery and equipment	1,395,589	1,448,171
	<u>36,416,893</u>	<u>37,578,133</u>
Totals	<u>\$ 36,416,893</u>	<u>\$ 37,578,133</u>

The overall cost of the capital assets decreased \$1,161,240 from fiscal year 2017 to fiscal year 2016. Depreciation expenses for the District totaled \$2,232,295 for the fiscal year 2017, of which \$2,197,445 related to governmental activities and was allocated across all functions. The remaining depreciation expense of \$34,850 was recorded in the business type activities. In addition, during the fiscal year 2017, the District added 1,071,055 in additional capital assets. The notes to the basic financial statements provide the reader with more detailed information.

**METUCHEN SCHOOL DISTRICT
METUCHEN, NEW JERSEY**

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

Debt and Other Long-Term Liability Administration

At June 30, 2017, the District had \$34,267,666 as outstanding long-term liabilities. Of this amount \$12,311,644 is for the District's proportionate share of the PERS net pension liability, \$1,037,532 is for compensated absences, \$132,310 for capital leases and the balance, \$20,786,180, for bonds for school construction. The notes to the basic financial statements provide more detailed information relating to the District's outstanding long-term liabilities.

For the Future

The Metuchen School District is in very good financial condition presently. The unassigned, unrestricted General Fund balance is \$853,098 this year. A major concern is the reliance of local property taxes to fund the budget.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, bondholders, and creditors with a general overview of the District's finances and to show the District's accountability for the revenue it receives. If you have questions about this report or need additional information, contact Michael Harvier, Business Administrator at Metuchen Board of Education, 16 Simpson Place, Metuchen, NJ 08840 or email at <mailto:maharvier@metboe.k12.nj.us>.

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.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017**

A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,593,763	\$ 383,619	\$ 1,977,382
Account receivables	4,053,747	5,958	4,059,705
Internal balances	168,150	(168,150)	-
Inventory	-	7,300	7,300
Capital assets, net	36,336,890	80,003	36,416,893
Total Assets	42,152,550	308,730	42,461,280
DEFERRED OUTFLOW OF RESOURCES			
Pension	3,867,017	-	3,867,017
Total Assets and Deferred Outflow of Resources	46,019,567	308,730	46,328,297
LIABILITIES			
Cash overdraft	127,111	-	127,111
Accounts payable	357,730	-	357,730
Unearned revenue	223,676	-	223,676
Accrued interest payable	242,048	-	242,048
Noncurrent liabilities:			
Due within one year	1,988,736	-	1,988,736
Due beyond one year	32,278,930	-	32,278,930
Total Liabilities	35,218,231	-	35,218,231
DEFERRED INFLOW OF RESOURCES			
Pension	125,925	-	125,925
NET POSITION			
Net investment in capital assets	15,418,400	80,003	15,498,403
Restricted for:			
Other purposes	2,605,530	-	2,605,530
Unrestricted (deficit)	(7,348,519)	228,727	(7,119,792)
Total Net Position	\$ 10,675,411	\$ 308,730	\$ 10,984,141

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction:							
Regular programs	\$ 19,477,119	\$ 88,648	\$ 2,404,138	\$ -	\$ (16,984,333)		\$ (16,984,333)
Special education programs	4,880,066	-	1,382,750	-	(3,497,316)		(3,497,316)
Other instructional programs	1,533,299	-	110,717	-	(1,422,582)		(1,422,582)
Support services:							
Instruction	1,866,313	-	1,232,770	-	(633,543)		(633,543)
Student and instruction related services	5,291,570	-	474,501	-	(4,817,069)		(4,817,069)
General administrative services	2,557,993	-	31,633	-	(2,526,360)		(2,526,360)
School administrative services	710,065	-	173,984	-	(536,081)		(536,081)
Plant operations and maintenance	4,257,540	-	395,417	124,774	(3,737,349)		(3,737,349)
Pupil transportation	2,029,260	129,547	203,074	-	(1,696,639)		(1,696,639)
Business and other support services	169,661	-	79,083	-	(90,578)		(90,578)
Interest on long-term debt	667,341	-	236,338	-	(431,003)		(431,003)
Total governmental activities	43,440,227	218,195	6,724,405	124,774	(36,372,853)		(36,372,853)
Business-type activities:							
Food service	569,943	443,836	134,497	-		\$ 8,390	8,390
After school program (the Zone)	119,311	137,843	-	-		18,532	18,532
Integrated Pre School	20,000	38,887	-	-		18,887	18,887
Stream	56,495	35,925	-	-		(20,570)	(20,570)
Total business-type activities	765,749	656,491	134,497	-		25,239	25,239
Total primary government	\$ 44,205,976	\$ 874,686	\$ 6,858,902	\$ 124,774	(36,372,853)	25,239	(36,347,614)
General revenues:							
Taxes:							
Property taxes, levied for general purposes, net					34,206,953	-	34,206,953
Taxes levied for debt service					2,265,600	-	2,265,600
Federal and state aid restricted					364,651	-	364,651
Miscellaneous income					11,500	-	11,500
Total general revenues					36,848,704	-	36,848,704
Change in Net Position					475,851	25,239	501,090
Net Position—beginning					10,199,560	283,491	10,483,051
Net Position—ending					\$ 10,675,411	\$ 308,730	\$ 10,984,141

The accompanying notes to the 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 funds in a format that segregates information by fund type.

**METUCHEN SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

B-1

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,082,637	\$ -	\$ 507,239	\$ 3,887	\$ 1,593,763
Due from other funds	932,810	-	104,255	-	1,037,065
Receivables from other governments	3,342,694	286,439	424,614	-	4,053,747
TOTAL ASSETS	\$ 5,358,141	\$ 286,439	\$ 1,036,108	\$ 3,887	\$ 6,684,575
LIABILITIES AND FUND BALANCES					
Liabilities:					
Cash overdraft	\$ -	\$ 127,111	\$ -	\$ -	\$ 127,111
Accounts payable	303,542	54,188	-	-	357,730
Due to other funds	104,259	-	764,656	-	868,915
Unearned revenue	118,536	105,140	-	-	223,676
Total liabilities	526,337	286,439	764,656	-	1,577,432
Fund Balances:					
Restricted for:					
Excess surplus	676,818	-	-	-	676,818
Emergency reserve	12,373	-	-	-	12,373
Maintenance reserve	438,000	-	-	-	438,000
Capital reserve account	1,203,000	-	271,452	-	1,474,452
Debt service	-	-	-	3,887	3,887
Committed to:					
Encumbrances	1,174,308	-	-	-	1,174,308
Assigned to:					
Subsequent year's expenditures	474,207	-	-	-	474,207
Unassigned	853,098	-	-	-	853,098
Total fund balances	4,831,804	-	271,452	3,887	5,107,143
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,358,141	\$ 286,439	\$ 1,036,108	\$ 3,887	

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 \$65,080,956 and the accumulated depreciation is \$28,744,066. 36,336,890

Deferred outflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position. 3,867,017

Deferred inflows related to net pension liability are not reported in the governmental funds, however, are reported in the statement of net position. (125,925)

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

Bonds payable	(20,786,180)
Accrued interest on bonds	(242,048)
Capital lease payable	(132,310)
Net pension liability	(12,311,644)
Compensated absences	(1,037,532)

Net position of governmental activities **\$ 10,675,411**

The accompanying notes to the basic financial statements are an integral part of this statement.

METUCHEN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

B-2

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local sources:					
Local tax levy	\$ 34,206,953	\$ -	\$ -	\$ 2,265,600	\$ 36,472,553
Transportation fees from Individuals	129,547	-	-	-	129,547
Miscellaneous	100,148	-	-	-	100,148
Total - Local Sources	34,436,648	-	-	2,265,600	36,702,248
State sources	5,595,290	418,360	-	236,338	6,249,988
Federal sources	24,658	814,410	124,774	-	963,842
TOTAL REVENUES	40,056,596	1,232,770	124,774	2,501,938	43,916,078
EXPENDITURES					
Current:					
Regular instruction	11,334,960	967,165	-	-	12,302,125
Special education instruction	3,478,234	-	-	-	3,478,234
Other special instruction	1,206,551	-	-	-	1,206,551
Support services:					
Tuition	1,866,313	-	-	-	1,866,313
Student & instruction related services	3,623,794	260,714	-	-	3,884,508
School administrative services	628,384	-	-	-	628,384
Other administrative services	2,042,687	-	-	-	2,042,687
Plant operations and maintenance	2,782,766	-	-	-	2,782,766
Pupil transportation	1,655,835	-	-	-	1,655,835
Employee benefits	9,582,098	-	-	-	9,582,098
Debt service:					
Principal	-	-	-	1,720,000	1,720,000
Interest and other charges	-	-	-	781,937	781,937
Capital outlay	1,220,888	4,891	135,553	-	1,361,332
TOTAL EXPENDITURES	39,422,510	1,232,770	135,553	2,501,937	43,292,770
NET CHANGE IN FUND BALANCE	634,086	-	(10,779)	1	623,308
FUND BALANCE - July 1	4,197,718	-	282,231	3,886	4,483,835
FUND BALANCE - June 30	\$ 4,831,804	\$ -	\$ 271,452	\$ 3,887	\$ 5,107,143

The accompanying notes to the basic financial statements are an integral part of this statement.

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

Total net change in fund balances - governmental funds (from B-2) \$ 623,308

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 depreciation exceeded capital outlays in the period.

Depreciation expense	(2,197,445)	
Capital outlays	<u>1,058,024</u>	(1,139,421)

The issuance of long-term debt (e.g. school construction bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the government-wide net position. During the year ended June 30, 2017, the following transactions factor into this reconciliation:

Repayment of principal	1,720,000	
Repayment of extended term financing (leases)	63,967	
Amortization of bond issue premiums	<u>138,322</u>	1,922,289

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. This represents the change in accrued interest during the current period. (23,726)

Net pension liability is considered long-term in nature, and is not reported as a liability within the governmental funds. Such liability is, however, reported within the statement of net position, and changes in the liability, including changes in the related deferred outflow and deferred inflow, are reflected within the statement of activities. This represents the change in net pension liability, deferred outflow of resources, and deferred inflow of resources during the current period. (823,575)

In the statement of activities, certain operating expenses, e.g., compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (83,024)

Change in net position of governmental activities \$ 475,851

**METUCHEN SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

B-4

	<u>Enterprise Funds Totals</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 383,619
Accounts receivable	5,958
Inventories	<u>7,300</u>
Total current assets	<u>396,877</u>
Noncurrent assets:	
Furniture, machinery & equipment	483,754
Less accumulated depreciation	<u>403,751</u>
Total noncurrent assets	<u>80,003</u>
TOTAL ASSETS	<u>476,880</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Interfund payable	<u>168,150</u>
NET POSITION	
Net investment in capital assets	80,003
Unrestricted	<u>228,727</u>
Total net position	<u><u>\$ 308,730</u></u>

The accompanying notes to the basic financial statements are an integral part of this statement.

METUCHEN SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

B-5

	Enterprise Funds Totals
OPERATING REVENUES:	
Local sources:	
Food service sales	\$ 443,836
Registration fees	212,655
Total operating revenues	656,491
OPERATING EXPENSES:	
Salaries	329,778
Employee benefits	54,294
Cost of sales	258,146
Supplies and materials	54,329
Repairs and maintenance	7,398
Insurance	6,767
Management service fee	20,971
Miscellaneous	(784)
Depreciation	34,850
Total operating expenses	765,749
OPERATING LOSS	(109,258)
NONOPERATING REVENUES:	
State sources:	
State school lunch program	4,677
Federal sources:	
National school lunch program	93,523
Food distribution program	36,297
TOTAL NONOPERATING REVENUES	134,497
CHANGE IN NET POSITION	25,239
TOTAL NET POSITION - BEGINNING	283,491
TOTAL NET POSITION - ENDING	\$ 308,730

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

B-6

	<u>Enterprise Funds Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 656,491
Payments to employees	(329,778)
Payments for employee benefits	(54,294)
Payments to suppliers	<u>(352,838)</u>
Net cash used in operating activities	<u>(80,419)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Sources	5,181
Federal Sources	141,645
Local Sources - Interfund changes	<u>424</u>
Net cash provided by non-capital financing activities	<u>147,250</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	<u>(13,031)</u>
Net increase in cash and cash equivalents	53,800
Cash and cash equivalents	
Balances—beginning of year	<u>329,819</u>
Balances—end of year	<u><u>\$ 383,619</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (109,258)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	34,850
Decrease in inventories	(407)
Decrease in accounts payable	<u>(5,604)</u>
Total adjustments	<u>28,839</u>
Net cash used in operating activities	<u><u>\$ (80,419)</u></u>

Noncash Noncapital Financing Activities:

During the year, the District received \$36,297 of food commodities, within its Food Service Fund, from the U.S. Department of Agriculture.

The accompanying notes to the basic financial statements are an integral part of this statement.

**METUCHEN SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017**

B-7

	Unemployment Compensation Trust	Private Purpose Fund	Agency Fund
ASSETS			
Cash and cash equivalents	\$ 294,565	\$ 6,448	\$ 564,845
LIABILITIES			
Payable to student groups	\$ -	\$ -	\$ 228,631
Payroll deductions and withholdings	-	-	336,214
Total liabilities	-	-	\$ 564,845
NET POSITION			
Held in trust for unemployment claims and other purposes	\$ 294,565	\$ 6,448	

The accompanying notes to the basic financial statements are an integral part of this statement.

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

B-8

	Unemployment Compensation Trust	Private Purpose Fund
ADDITIONS		
Contributions:		
Plan members	\$ 59,154	\$ -
Other	-	19,817
	59,154	19,817
Total Contributions		
Investment earnings:		
Interest	237	-
	59,391	19,817
Total additions		
DEDUCTIONS		
Quarterly contribution reports	35,833	-
Scholarships awarded	-	17,580
	35,833	17,580
Total deductions		
Change in net position	23,558	2,237
Net position—beginning of the year	271,007	4,211
Net position—end of the year	\$ 294,565	\$ 6,448

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO THE BASIC FINANCIAL STATEMENTS

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Board of Education (the "Board") of Metuchen School District (the "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.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A Superintendent is appointed by the Board and is responsible for the administrative control of the District. The operations of the District include elementary, middle and high schools located in Metuchen, New Jersey.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools, a middle school, and a high school located in the Borough of Metuchen. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation, Basis of Accounting:

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

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 charged to external parties (the user).

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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

Fund Financial Statements: During the fiscal year, the District segregates transactions related to certain 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 government 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 Fund Types

The focus of governmental fund measurement is upon determination of financial position and changes in financial position, (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the District:

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution, if spending growth limitation adjustment had not been used.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

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

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

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 and loans issued to finance major property acquisition, construction and improvement programs.

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

Enterprise Fund: The enterprise fund accounts for all revenues and expenses pertaining to cafeteria operations, an after school program (the "Zone"), an integrated preschool program for 3 and 4 year olds, and an afterschool and summer program for students in grades 1 through 10, focusing on critical thinking skills ("Stream"). The enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports:

Fiduciary Funds: The fiduciary funds are used to account for assets held by the District on behalf of others and includes the student activities fund, payroll agency fund and unemployment compensation insurance 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 between the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under New Jersey State Statute a municipality or county 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 long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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

New Accounting Principles

The District adopted GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement 74 addresses the financial reports of defined benefit Other Postemployment Benefit ("OPEB") plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and required supplementary information ("RSI") related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. This implementation did not materially change the District's accounting and reporting policies.

The District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. A tax abatement is an agreement between a government and an individual or entity in which the government promises to forego 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 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 District. The District was not impacted by any tax abatement agreements and thus such agreements are not disclosed.

The District adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. Statement No. 80 amends the blending requirements related to not-for-profit corporations for which the primary government is the sole corporate member. This implementation did not materially change the District's accounting and reporting policies.

The District adopted GASB Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered-employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure. This implementation did not materially change the District's accounting and reporting policies.

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. Budgets are prepared using the modified accrual basis of accounting, except for special revenue funds as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be approved by Board resolution. Budgetary transfers were made during the current and prior fiscal years; however, such transfers were not of a material amount. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

C. Budgets/Budgetary Control: (Continued)

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

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

The General Fund budgetary revenue differs from the GAAP revenue due to the difference in revenue recognition of the final two state aid payments. These payments, which are recognized as revenue for budgeting purposes, must be excluded from revenue on the GAAP financial statements since the State records the payments in the subsequent fiscal year. N.J.S.A. 18A:22-44.2 provides that, in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year.

However, for intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the final two state aid payments in subsequent fiscal year, school districts cannot recognize this revenue on the GAAP financial statements until the year the State records the payable.

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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to the difference in revenue recognition of Schools Development Authority ("SDA") grant funds. On the budgetary basis, SDA grants are recognized in full when the grant is awarded. On the GAAP financial statement, SDA funds are recognized as they are expended and requested for reimbursement.

GASB 34 requires a reconciliation of inflows and outflows from the budgetary comparison schedules to the GAAP basis funds statements. The reconciliation between budgetary inflows and outflows and GAAP revenues and expenditures is detailed on Schedules C-3 in the required supplementary information section of this report.

D. Assets, Liabilities, and Equity:

Cash, Cash Equivalents and Investments: Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act from a loss of funds on deposit with a failed banking institution in New Jersey.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

Cash, Cash Equivalents and Investments: (Continued)

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks where the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units.

If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

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

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities or governmental and agency funds, which are presented as internal balances and due to/from other funds.

Allowance for Uncollectible Accounts: No allowance for uncollectible accounts has been recorded as management believes all amounts are collectible.

Encumbrance Accounting: Under encumbrance accounting, purchase orders, contracts and/or other commitments that are issued in the current year that will be honored in the subsequent year are considered reservations of fund balance in order to reserve a portion of the applicable appropriation. Open encumbrances do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. Open encumbrances in the governmental funds, other than the Special Revenue Fund, are reported as restricted, committed, and/or assigned fund balances at fiscal year-end, depending on their level of restriction. 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 at the end of the current fiscal year.

Open encumbrances in the Special Revenue Fund are reflected in the balance sheet as unearned revenue at fiscal year-end in accordance with grant accounting procedures.

Inventories: Inventories, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method.

Capital Assets: The District has established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1993 are recorded at original cost. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date received. The capitalization threshold used by school districts in the State of New Jersey is \$2,000. Capital assets are reflected as expenditures in the applicable governmental funds. Expenditures which enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities and Equity: (Continued)

Capital Assets: (Continued)

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:

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

In the fund financial statements, capital 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 liability for compensated absences reported in the District-wide statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The entire compensated absence liability is reported on the District-wide financial statements.

District employees are granted personal days and vacation and sick leave in varying amounts under the District's employment contracts.

In the district-wide Statement of Net Position, compensated absences are reported as liabilities and are broken down between those that are due within one year and those payable beyond one year.

Pension: The District provides eligible employees with retirement benefits through the Public Employer's Retirement System (PERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PERS was established as of January 1, 1955, pursuant to the provisions of N.J.S.A 43:15A.

In addition, the District is a participant in the Teacher's Pension and Annuity Fund ("TPAF"), a governmental cost-sharing multiple-employer defined benefit plan with a special funding situation (the State of New Jersey is legally responsible for making 100% of the required employer contributions directly to the plan). TPAF was established as of January 1, 1955, pursuant to the provisions of N.J.S.A. 18A:66.

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 PERS and TPAF's and additions to/deductions from PERS's and TPAF's fiduciary net position have been determined on the same basis as they are reported by PERS and TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

Unearned Revenue: Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility 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. Bonds are recognized as a liability on the fund financial statements when due and paid.

Fund Balance Restrictions, Commitments, and Assignments:

The *restricted* fund balance category includes amounts constrained for specific purposes as stipulated by external parties, constitutional provision, or enabling legislation. At June 30, 2017, the District had restricted fund balances for capital reserve, emergency reserve, and maintenance reserve.

The *committed* fund balance classification includes amounts that can be used only for specific purposes as determined by formal action of the District's highest level of decision-making authority. The Board of Education has the authority to formally commit resources for specific purposes through a formal motion or resolution that is passed by a majority of the members for the Board of Education at a public meeting. Such process must also be used to remove or change the commitment of resources. At June 30, 2017, the District had committed resources for year-end encumbrances.

Amounts in the *assigned* fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. In governmental funds other than the General Fund, assigned fund balances represent the remaining amount that is not restricted or committed. At June 30, 2017, the District had assigned resources for amounts designated for subsequent year's expenditures.

Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In funds other than the General Fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The following is an analysis of the June 30, 2017 fund balance classifications:

General Fund: Of the \$4,831,804 fund balance at June 30, 2017, \$1,203,000 is restricted for capital reserve; \$12,373 is restricted for emergency reserve, \$438,000 is restricted for maintenance reserve; \$474,207 is assigned for subsequent year's expenditures; and \$1,174,308 has been committed for year-end encumbrances, \$676,818 is restricted for excess surplus and \$853,098 is unassigned.

Capital Projects Fund: The \$271,452 fund balance at June 30, 2017 is restricted for future capital expenditure.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to unrestricted resources.

When an expenditure is incurred that can be paid using either committed, assigned, or unassigned amounts, the District's policy is generally to apply the expenditure to committed resources, then to assigned resources, and then to unassigned resources.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Assets, Liabilities, and Equity: (Continued)

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

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 is defined as within sixty days of the fiscal year end.

Nonexchange transactions, in which the 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 for the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under 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 both measurable and available at fiscal year-end; property taxes available as an advance, interest and tuition.

Operating Revenues and Expenses: Proprietary Funds distinguish operating revenues/expenses from non-operating items. Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the District, these revenues are sales for food service and registration fees for special programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund. All revenues and expenses not meeting this definition are reported as non-operating.

Allocation of Indirect Expenses: The District reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are not reported separately in the statement of activities. Employee benefits, including the employer's share of social security, workers compensation and medical and dental benefits, were allocated based on salaries of the related program. Depreciation expense, where practicable, is specifically identified by function. Depreciation expenses that could not be attributed to a specific function are considered an indirect expense and are reported separately on the statement of activities as unallocated depreciation expense.

E. Management Estimates:

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

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Management Estimates: (Continued)

On-behalf TPAF Pensions and Social Security Payments: The District's contribution to the Teachers Pension and Annuity Fund (TPAF) and the District's share of social security related to TPAF members is made by the State of New Jersey on behalf of the Board. On-behalf payments have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24. On-behalf payments made by the State of New Jersey are not budgeted. These amounts are offset by related revenues and, as such, do not represent budgetary over expenditures.

F. Operating Costs - Enterprise Fund:

Certain operating costs, which are borne by the Board of Education, such as utilities, custodial and maintenance costs, general facility costs, etc. are not charged or otherwise allocated to the enterprise fund since these costs are not readily determinable.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS:

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the governmental units.

Deposits:

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

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

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

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

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS: (Continued)

Deposits: (Continued)

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. The District's cash and cash equivalents are classified below to inform financial statement users about the extent to which a government's deposits and investments are exposed to custodial credit risk. Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" (GASB 40), the District's operating cash 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 District would not be able to recover the value of its deposits and investments). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. As of June 30, 2017, all of the District's deposits, except as noted below, were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk.

As of June 30, 2017, the carrying amount of the District's deposits for all funds was \$2,716,129 and the bank balance was \$3,808,479. All bank deposits, as of the balance sheet date are entirely insured or collateralized by a collateral pool maintained by public depositories as required by GUDPA.

Permissible Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external fact;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Certain agreements for the repurchase of fully collateralized securities, provided they meet specific criteria detailed in the statute.

Custodial Credit Risk: The investments are held separately from bank assets, at the Federal Reserve Bank. The District does not have a policy for custodial credit risk.

Credit Risk: The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed above.

Interest Rate Risk: In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is minimal interest rate risk. The average maturity of the District's investments is less than one year.

**METUCHEN SCHOOL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

3. CAPITAL RESERVE ACCOUNT:

A capital reserve account provides 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. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget times 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.

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	\$	613,000
Increased by deposit:		900,000
Decreased by withdraws:		<u>(310,000)</u>
Ending balance June 30, 2017	\$	<u>1,203,000</u>

4. RECEIVABLES:

The amount reported in the District's various governmental and proprietary funds at June 30, 2017 as due from other governments is summarized below:

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund	\$ -	\$ 301,785	\$ 3,040,909	\$ 3,342,694
Special Revenue Funds	275,469	10,970	-	286,439
Capital Projects Fund	141,777	282,837	-	424,614
Proprietary Funds	<u>5,661</u>	<u>297</u>	<u>-</u>	<u>5,958</u>
Total	<u>\$ 422,907</u>	<u>\$ 595,889</u>	<u>\$ 3,040,909</u>	<u>\$ 4,059,705</u>

Amounts due from the federal and state government are primarily federal grants and state subsidies receivable from the State of New Jersey, Department of Education at June 30, 2017. The amount due from local governments represents local real estate taxes owed to the District by the Borough of Metuchen as of June 30, 2017.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

5. INTERFUND BALANCES / TRANSFERS:

On the fund financial statements, interfund loans are classified as interfund accounts receivable/payable on the respective balance sheets. Interfund loans between the governmental fund types are eliminated in the statement of net position while interfund loans between the governmental fund types and the fiduciary funds are reflected in the statement of net position as interfund accounts receivable/payable. Interfund loans between the governmental fund types and the proprietary fund types are reflected on the statement of net position as internal balances between governmental and business type activities. The following is a summary of interfund receivable and payable balances at June 30, 2017:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 932,810	\$ 104,259
Capital Projects Fund	104,255	764,656
Debt Service Fund	-	-
Enterprise Fund	-	168,150
Total	\$ 1,037,065	\$ 1,037,065

The amounts due between funds are comprised of temporary interfund borrowings accumulated over time wherein a periodic "settling up" has yet to take place.

The following is a summary of internal balances at June 30, 2017:

Due to General Fund from Enterprise Fund	\$168,150
Due from Enterprise Fund to General Fund	168,150
Total Interfund Balance - Fund Financial Statements	
Elimination of Governmental Interfund Activities	<u>\$ -</u>

6. INVENTORY:

Inventory in the Food Service Fund at June 30, 2017 consisted of \$7,300 in food commodities.

The value of federal donated commodities as reflected on Schedule B-5 and K-3 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.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

7. CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not being depreciated:				
Land	\$ 178,952	\$ -	\$ -	\$ 178,952
Capital assets being depreciated:				
Site and site improvements	800,275	-	-	800,275
Building and building improvements	58,818,832	998,328	-	59,817,160
Machinery and equipment	4,224,873	59,696	-	4,284,569
Totals at historical cost	<u>63,843,980</u>	<u>1,058,024</u>	<u>-</u>	<u>64,902,004</u>
Less accumulated depreciation for:				
Site and site improvements	(800,275)	-	-	(800,275)
Building and improvements	(22,867,822)	(2,106,986)	-	(24,974,808)
Machinery and equipment	(2,878,524)	(90,459)	-	(2,968,983)
Total	<u>(26,546,621)</u>	<u>(2,197,445)</u>	<u>-</u>	<u>(28,744,066)</u>
Assets being depreciated - net	<u>37,297,359</u>	<u>(1,139,421)</u>	<u>-</u>	<u>36,157,938</u>
Government assets - net	<u>\$ 37,476,311</u>	<u>\$ (1,139,421)</u>	<u>\$ -</u>	<u>\$ 36,336,890</u>
Business-type activities:				
Equipment	\$ 470,723	\$ 13,031	\$ -	\$ 483,754
Accumulated depreciation	(368,901)	(34,850)	-	(403,751)
Business-type activities capital assets, net	<u>\$ 101,822</u>	<u>\$ (21,819)</u>	<u>\$ -</u>	<u>\$ 80,003</u>

Depreciation expense was charged to governmental functions as follows:

Regular programs instruction	\$ 1,237,080
Special education program	244,161
Other instructional programs	56,971
School administrative services	16,277
Student and instruction related services	244,161
General administrative services	130,219
Plant operations and maintenance	203,467
Pupil transportation	<u>65,109</u>
Total depreciation expense	<u>\$ 2,197,445</u>

Depreciation expense related to business-type activities, amounting to \$34,850, was charged solely to the food service fund.

At June 30, 2017, the District was in the process of completing a variety of capital projects. A summary of the projects underway is as follows:

<u>Project</u>	<u>Estimated Cost</u>	<u>Expended to Date</u>	<u>Remaining Purchase Commitment</u>
Cameras	\$ 213,529	\$ -	\$ 213,529
Network equipment	459,893	-	459,893
Security	64,382	-	64,382

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

8. LONG-TERM OBLIGATIONS:

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable					
School construction	\$ 9,420,000	\$ -	\$ 920,000	\$ 8,500,000	\$ 965,000
School refunding	11,820,000	-	800,000	11,020,000	820,000
Subtotal	21,240,000	-	1,720,000	19,520,000	1,785,000
Original issue premium	1,404,502	-	138,322	1,266,180	138,322
Total bonds payable, net	22,644,502	-	1,858,322	20,786,180	1,923,322
Other liabilities					
Compensated absences	954,508	183,368	100,344	1,037,532	-
Capital lease	196,277	-	63,967	132,310	65,414
Net pension liability	9,504,940	2,806,704	-	12,311,644	-
Total all governmental activities	<u>\$ 33,300,227</u>	<u>\$ 2,990,072</u>	<u>\$ 2,022,633</u>	<u>\$ 34,267,666</u>	<u>\$ 1,988,736</u>

Bonds:

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.

In September 2012, the District issued its Refunding School Bonds in the principal amount of \$8,620,000, bearing interest at rates ranging between 2.125% and 4.000% per annum, with final maturity scheduled for August 2024. The proceeds of these bonds were used to advance refund a portion of the outstanding callable principal and accrued interest on the District's 2004 Project School Bonds and to pay the costs of issuance.

In August 2015, the District issued its Refunding School Bonds in the principal amount of \$12,085,000, bearing interest at rates ranging between 4.00% and 5.00% per annum, with final maturity scheduled for 2027. The proceeds of the refunding school bonds were used towards (1) the current refunding of all of the outstanding callable refunding school bonds of the District issued in the principal amount of \$18,830,000, dated March 15, 2005 and maturing on or after September 15, 2016, and (2) to pay the costs of issuance of the refunding school bonds.

Debt Service Requirements:

	Issue Dates	Original Issue Amount	Interest Rates	Date of Maturity	Principal Balance June 30, 2017
Bonds Payable	10/1/2012	\$ 8,620,000	2.125-4.000%	8/15/2024	\$ 8,500,000
	8/15/2015	12,085,000	4.000-5.000%	9/15/2027	11,020,000
Total Bonds					<u>\$ 19,520,000</u>

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

8. LONG-TERM OBLIGATIONS: (Continued)

Debt service requirements on serial bonds payable at June 30, 2017 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,785,000	\$ 724,256	\$ 2,509,256
2019	1,845,000	661,431	2,506,431
2020	1,910,000	596,381	2,506,381
2021	1,975,000	529,031	2,504,031
2022	2,060,000	448,730	2,508,730
2023-2027	8,815,000	1,011,140	9,826,140
2028	1,130,000	16,950	1,146,950
	<u>\$ 19,520,000</u>	<u>\$ 3,987,919</u>	<u>\$ 23,507,919</u>

Total interest paid on long-term debt in 2017 was \$781,937. No interest was capitalized (i.e. added to the carrying value of capital assets) in 2017.

The District's bonds payable are all secured (guaranteed) by the New Jersey School Bond Reserve Act (N.J.S.A. 18A:56-17, et. Seq.) in full. Since issuance of each of the District's respective bonds payable, the District has met each of its periodic debt service payment requirements.

Capital Lease Obligations:

The District leases equipment under the terms of capital leases. The economic substance of the leases is that the District is financing the acquisition of the equipment through such leases. The following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments at June 30, 2017:

2018	\$ 67,422
2019	<u>67,764</u>
Total minimum lease payments	135,186
Less amount representing interest	<u>(2,876)</u>
Total present value of net minimum lease payments	132,310
Less amounts due within one year	<u>65,414</u>
Long-term	<u>\$ 66,896</u>

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS:

Description of Plans:

All required employees of the District are covered by either the Public Employees' Retirement System ("PERS") or the Teachers' Pension and Annuity Fund ("TPAF") (cost-sharing multiple-employer defined benefit pension plans) 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 comprehensive annual financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or by visiting <http://www.state.nj.us/treasury/pensions/annrpts.shtml>.

Teachers' Pension and Annuity Fund (TPAF)

Benefits Provided:

TPAF was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. 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. TPAF is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related noncontributing 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.

Service retirement benefits range from 1/55th of final average salary for each year of service credit is available to members upon reaching age 60 to 1/60th of final average salary for each year of service credit upon reaching age 62. Early retirement benefits are available to certain members before reaching age 60 with 25 or more years of service. Benefits are reduced by a fraction of a percentage for each month that a member retires prior to their retirement age. Deferred retirement is available to members who have at least 10 years of service credit and have not reached their service retirement age.

Contributions:

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

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers (e.g. the District) are 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 local participating employers generally do not contribute directly to the plan, there is no net pension liability, deferred outflows or deferred inflows of resources to report in the District's governmental activity financial statements.

The District's proportionate share of employer contributions paid by the State for each of the past three years was \$3,149,946, \$2,629,142, and \$2,075,453 for the years ended June 30, 2017, 2016 and 2015, respectively.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS: (Continued)

Contributions: (Continued)

During the fiscal year ended June 30, 2017, the State of New Jersey contributed \$3,149,946 to the TPAF for post-retirement medical benefits on behalf of the District. In accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$1,130,605 during the fiscal year ended June 30, 2017, for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District's proportionate share of the TPAF net pension liability was 0%, which was the same as the District's proportionate share at June 30, 2016. The TPAF collective components of the net pension liability, recorded by the State of New Jersey were as follows:

Total pension liability	\$ 101,746,770,000
Plan fiduciary net position	<u>22,717,862,967</u>
Net pension liability	<u>\$ 79,028,907,033</u>
District's proportionate share of net pension liability	\$ -
State's proportionate share of net pension liability	<u>79,028,907,033</u>
Net pension liability	<u><u>\$ 79,028,907,033</u></u>

Actuarial Assumptions:

The total pension liability as of 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 included in the measurement:

Inflation rate	2.50%
Salary increases	Vary based on experience
Investment rate of return	7.65%

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustment 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 improvements. 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 improvements.

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.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS: (Continued)

Long-Term Expected Rate of Return:

In accordance with State statute, the long-term expected rate of return on pension 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 class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	0.39 %
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 market equities	6.50	8.16
Private real estate property	5.25	3.64
Timber	1.00	3.86
Farmland	1.00	4.39
Private equity	9.00	8.97
Commodities	0.50	2.87
Hedge Funds - Multistrategy	5.00	3.70
Hedge Funds - Equity hedge	3.75	4.72
Hedge Funds - Distressed	3.75	3.49
	<u>100.00 %</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 3.22%. 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, 2015, 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 contribution rate and that contributions from employers will be made based on the average of the last five years. 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.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS: (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

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

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
Net pension liability	\$ 94,378,176,033	\$ 79,028,907,033	\$ 66,494,248,033

Public Employees' Retirement System (PERS)

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, as 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.

As of June 30, 2017, the District reported the following amounts in the accompanying financial statements related to their participation in PERS:

	Governmental Activities	Business Type Activity	Total
Deferred Outflow of Resources	\$ 3,867,017	\$ -	\$ 3,867,017
Net Pension Liability	12,311,644	-	12,311,644
Deferred Inflow of Resources	125,925	-	125,925

Vesting and Benefit Provisions:

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after 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. 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. 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 two percent 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.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS: (Continued)

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 and N.J.S.A. 18:66 and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of five percent of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. The District's contributions amounted to \$369,296, \$338,663, and \$345,376 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:

At June 30, 2017, the District reported a liability of \$12,311,644 for its proportionate share of the PERS net pension liability. The PERS net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by rolling forward the June 30, 2015 actuarial valuation to June 30, 2016. The District's proportion of the PERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2016, the District's proportion was .0209 %, which was a decrease from its proportion measured as of June 30, 2015 of .0394 %.

For the year ended June 30, 2016, the District recognized pension expense of \$847,322. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 469,454	\$ -
Changes in proportion and differences between District contributions and proportionate share of contributions	247,235	125,925
Changes in assumptions	2,550,315	-
Differences between expected and actual experience	228,959	-
District contributions subsequent to the measurement date	371,054	-
Total	\$ 3,867,017	\$ 125,925

The \$371,054 included in total deferred outflows of resources is related to pensions resulting from District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources: (Continued)

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

Years ending June 30:		
2018	\$	614,642
2019		614,642
2020		614,642
2021		614,642
2022		614,642
Thereafter		296,828
Total, net	\$	3,370,038

Actuarial Assumptions

The total pension liability as of 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 included in the measurement:

Inflation rate		3.08%
Salary increases	1.65 - 4.15% through 2026 and 2.65 - 5.15% thereafter,	
	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 males and females), with adjustment for mortality improvements from the base year of 2012 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.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Long-term Expected Rate of Return:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	0.87 %
US treasuries	1.50	1.74
Investment grade credit	8.00	1.79
Mortgages	2.00	1.67
High yield bonds	2.00	4.56
Inflation-indexed bonds	1.50	3.44
Broad U.S. equities	26.00	8.53
Developed foreign equities	13.25	6.83
Emerging market equities	6.50	9.95
Private equity	9.00	12.40
Hedge funds/absolute return	12.50	4.68
Real estate (property)	2.00	6.91
Commodities	0.50	5.45
Global debt ex U.S.	5.00	(0.25)
REIT	5.25	5.63
	<u>100.00 %</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 3.98%. This single blended discount rates 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. Based on those assumptions, the plans fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

9. PENSION PLANS (Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the District's proportionate share of the net pension liability, calculated using the discount rate of 3.98%, as well as what the District'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:

	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the net pension liability	\$ 14,754,320	\$ 12,311,644	\$ 10,297,168

10. POST-RETIREMENT BENEFITS:

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 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. Public Laws 2007, Chapter 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate fund 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 premiums changed from a pre-funding basis to a pay-as-you go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to 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 19,056 eligible retired members in fiscal year 2016.

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

11. DEFERRED COMPENSATION:

The Board offers its employees a choice of various deferred compensation plans, defined contribution plans, created in accordance with Internal Revenue Code Section 403(b). The authority for establishing and amending these plans and the related contributions rests with the District's Board of Education. All eligible employees are eligible to participate. Employees can voluntarily contribute up to 100% of their salary, not to exceed the Internal Revenue Code Section 415 maximum. Employer contributions are not permitted. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

11. DEFERRED COMPENSATION: (Continued)

Deferred compensation plans are available from the following providers:

Variable Life Insurance Co.	T.P.A.F. Supplemental Annuity
Equitable	P.E.R.S. Supplemental Annuity
Met Life	
USAA	

During 2017, employees contributed \$761,736 to the plans.

12. COMPENSATED ABSENCES:

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

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

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

There is no liability for vested compensated absences of the proprietary fund types.

13. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage or destruction of assets; errors or 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 unemployment insurance trust fund for the current and previous two years:

Fiscal Year	District Contributions	Employee Contributions	Interest Earned	Amount Reimbursed	Ending Balance
2016 - 2017	\$ -	\$ 59,124	\$ 237	\$ 35,833	\$ 294,535
2015 - 2016	-	57,883	15	37,616	271,007
2014 - 2015	-	51,651	11	27,517	250,725
2013 - 2014	-	52,013	10	33,913	226,580
2012 - 2013	-	52,090	89	54,016	208,470

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

14. OPERATING LEASES:

The District has a number of operating leases for copiers which expire at various dates in subsequent periods. Annual operating lease payments are based on usage is included in the General Fund budget and reflected as expenditures during the year of payment.

15. CONTINGENCIES:

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance that may result in the disallowance of program expenditures. Further, a significant reduction in the level of support, if this were to occur, may have an adverse effect on the District's programs and activities.

The District is involved, from time to time, in various legal actions. In the opinion of the District, these matters either are adequately covered by insurance or will not have a material effect on the District's financial statements.

16. CALCULATION OF EXCESS SURPLUS:

In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, c.73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve a portion of the 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. This District had \$676,818 in excess fund balance at June 30, 2017.

17. PENDING CHANGES IN ACCOUNTING PRINCIPLES:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. To the extent applicable, the District is required to adopt Statement No. 75 for its fiscal 2018 financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this statement is to improve guidance related to the identification of fiduciary activities for accounting and financial reporting purposes. This Standard establishes criteria for identifying fiduciary activities of all state and local governments, with the focus being on whether a government controls the assets of the fiduciary activity and the beneficiaries of the assets. In addition, for all fiduciary activities, both a statement of net position and statement of changes in net position will now be required. The District is required to adopt Statement No. 84 for its fiscal 2020 financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). To the extent applicable, the District is required to adopt Statement No. 85 for its fiscal 2018 financial statements.

**METUCHEN SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

17. PENDING CHANGES IN ACCOUNTING PRINCIPLES (Continued)

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources, resources other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. To the extent applicable, the District is required to adopt Statement No. 86 for its fiscal 2018 financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. The primary objective of this Statement is to enhance the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. This Statement establishes a single model for lease accounting based on the foundational principle that all long-term leases (those with lease terms greater than 12 months) are financings of the right to use an underlying asset. The District is required to adopt Statement No. 87 for its fiscal 2021 financial statements.

District management is in the process of analyzing these pending changes in accounting principles and the impact they will have on the financial reporting process.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local tax levy	\$ 34,206,953	\$ -	\$ 34,206,953	\$ 34,206,953	\$ -
Tuition	95,000	-	95,000	83,494	(11,506)
Transportation Fees from Individuals	110,000	-	110,000	129,547	19,547
Miscellaneous	10,000	-	10,000	16,654	6,654
Total - Local Sources	34,421,953	-	34,421,953	34,436,648	14,695
State Sources:					
Special education aid	908,249	-	908,249	908,249	-
Security	40,769	-	40,769	40,769	-
Transportation Aid	65,404	-	65,404	65,404	-
Other Aid	64,786	-	64,786	64,786	-
Extraordinary aid	-	-	-	234,438	234,438
Non Public Transportation Aid	-	-	-	11,136	11,136
TPAF pension (on-behalf - non-budgeted)	-	-	-	3,149,946	3,149,946
Reimbursed TPAF social security (reimbursed - non-budgeted)	-	-	-	1,130,605	1,130,605
Total State Sources	1,079,208	-	1,079,208	5,605,333	4,526,125
Federal Sources:					
Medicaid Reimbursement	18,665	-	18,665	24,658	5,993
Total - Federal Sources	18,665	-	18,665	24,658	5,993
TOTAL REVENUES	35,519,826	-	35,519,826	40,066,639	4,546,813
EXPENDITURES:					
CURRENT EXPENSE:					
Regular Programs - Instruction					
Preschool/Kindergarten - salaries of teachers	450,794	-	450,794	387,533	63,261
Grades 1-5 - salaries of teachers	3,540,965	-	3,540,965	3,409,093	131,872
Grades 6-8 - salaries of teachers	3,157,225	(15,000)	3,142,225	2,924,061	218,164
Grades 9-12 - salaries of teachers	3,960,480	(66,751)	3,893,729	3,843,810	49,919
General supplies	642,455	(21,154)	621,301	604,051	17,250
Textbooks	212,171	14,064	226,235	166,412	59,823
Total Regular Programs - Instruction	11,964,090	(88,841)	11,875,249	11,334,960	540,289
Special Education - Instruction					
Cognitive Mild	1,140,000	121,000	1,261,000	1,260,204	796
Other Salaries for instruction	-	-	-	-	-
Total Cognitive Mild	1,140,000	121,000	1,261,000	1,260,204	796
Resource Room/Resource Center:					
Salaries of teachers	1,823,528	-	1,823,528	1,801,013	22,515
General supplies	6,400	-	6,400	5,776	624
Textbooks	6,000	-	6,000	3,281	2,719
Other objects	2,000	-	2,000	1,312	688
Total Resource Room/Resource Center	1,837,928	-	1,837,928	1,811,382	26,546
Preschool Disabilities - Part-Time:					
Salaries of teachers	265,018	(3,000)	262,018	241,449	20,569
Purchased technical services	75,000	33,000	108,000	107,655	345
General supplies	6,500	-	6,500	5,544	956
Total Preschool Disabilities - Part-Time	346,518	30,000	376,518	354,648	21,870
Home Instruction					
Salaries of teachers	26,000	26,000	52,000	52,000	-
Total Special Education Instruction	3,350,446	177,000	3,527,446	3,478,234	49,212
Basic Skills/Remedial - Instruction					
Salaries of teachers	356,784	-	356,784	344,496	12,288
General supplies	3,000	-	3,000	-	3,000
Total Basic Skills/Remedial - Instruction	359,784	-	359,784	344,496	15,288

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Bilingual Education - Instruction					
Salaries of teachers	\$ 37,371	\$ -	\$ 37,371	\$ 36,833	\$ 538
General supplies	500	-	500	-	500
Total Bilingual Education - Instruction	<u>37,871</u>	<u>-</u>	<u>37,871</u>	<u>36,833</u>	<u>1,038</u>
School-Spon. Cocurricular Actvts. - Inst.					
Salaries	182,525	2,100	184,625	184,596	29
Supplies and materials	20,000	26,197	46,197	46,142	55
Total School-Spon. Cocurricular Actvts. - Inst.	<u>202,525</u>	<u>28,297</u>	<u>230,822</u>	<u>230,738</u>	<u>84</u>
School-Spon. Cocurricular Athletics - Inst.					
Salaries	411,262	(2,100)	409,162	403,981	5,181
Purchased services (300-500 series)	40,067	6,000	46,067	45,423	644
Supplies and materials	57,791	90	57,881	56,075	1,806
Other objects	91,122	2,200	93,322	89,005	4,317
Total School-Spon. Cocurricular Athletics - Inst.	<u>600,242</u>	<u>6,190</u>	<u>606,432</u>	<u>594,484</u>	<u>11,948</u>
Other Instructional Programs - Instruction					
Salaries	3,000	-	3,000	-	3,000
Total Other Special Instruction	<u>1,203,422</u>	<u>34,487</u>	<u>1,237,909</u>	<u>1,206,551</u>	<u>31,358</u>
TOTAL INSTRUCTION	<u>16,517,958</u>	<u>122,646</u>	<u>16,640,604</u>	<u>16,019,745</u>	<u>620,859</u>
UNDISTRIBUTED EXPENDITURES:					
Undistributed Expenditures - Instruction:					
Tuition to other LEAs within the state - regular	68,572	(27,000)	41,572	41,215	357
Tuition to other LEAs within the state - special	521,809	(89,000)	432,809	430,595	2,214
Tuition to private schools for the disabled - within state	1,387,840	(10,000)	1,377,840	1,364,646	13,194
Tuition - state facilities	70,000	(70,000)	-	-	-
Total Undistributed Expenditures - Instruction:	<u>2,048,221</u>	<u>(196,000)</u>	<u>1,852,221</u>	<u>1,836,456</u>	<u>15,765</u>
Undist. Expend. - Health Services					
Salaries	294,081	-	294,081	261,011	33,070
Purchased professional and technical services	550,000	(16,425)	533,575	514,569	19,006
Supplies and materials	5,500	3,500	9,000	8,387	613
Other objects	4,300	1,000	5,300	4,048	1,252
Total Undistributed Expenditures - Health Services	<u>853,881</u>	<u>(11,925)</u>	<u>841,956</u>	<u>788,015</u>	<u>53,941</u>
Undist. Expend. - Speech/Occupational Therapy, Physical Therapy & Related Services					
Salaries of other professional staff	186,880	14,000	200,880	200,391	489
Supplies and materials	1,800	-	1,800	1,800	-
Total Undist. Expend. - Speech/Occ Therapy, PT & Related Serv.	<u>188,680</u>	<u>14,000</u>	<u>202,680</u>	<u>202,191</u>	<u>489</u>
Undist. Expend. - Guidance Services					
Salaries of other professional staff	642,558	-	642,558	642,558	-
Salaries of secretaries and clerical assistants	51,000	2,445	53,445	49,962	3,483
Supplies and materials	56,133	-	56,133	42,616	13,517
Total Undist. Expend. - Guidance Services	<u>749,691</u>	<u>2,445</u>	<u>752,136</u>	<u>735,136</u>	<u>17,000</u>
Undist. Expend. - Child Study Teams					
Salaries of other professional staff	787,999	-	787,999	752,287	35,712
Salaries of secretarial and clerical assistants	62,807	-	62,807	62,730	77
Supplies and materials	9,800	-	9,800	6,912	2,888
Other objects	6,160	-	6,160	2,027	4,133
Total Undist. Expend. - Child Study Teams	<u>866,766</u>	<u>-</u>	<u>866,766</u>	<u>823,956</u>	<u>42,810</u>
Undist. Expend. - Improvement of Inst. Serv.					
Salaries of supervisor of instruction	545,991	34,135	580,126	527,344	52,782
Salaries of other professional staff	-	-	-	-	-
Salaries of Secr and Clerical Assist.	41,060	-	41,060	40,993	67
Other Salaries	45,135	(45,135)	-	39,200	(39,200)
Purchased prof- educational services	75,985	48,905	124,890	68,748	56,142
Other objects	20,750	(400)	20,350	19,400	950
Total Undist. Expend. - Improvement of Inst. Serv.	<u>728,921</u>	<u>37,505</u>	<u>766,426</u>	<u>695,685</u>	<u>70,741</u>

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undist. Expend. - Edu. Media Serv./Sch. Library					
Salaries	\$ 223,663	\$ 7,246	\$ 230,909	\$ 230,909	\$ -
Salaries - Tech Coordinator	90,236	5,505	95,741	95,741	-
Supplies and materials	57,150	-	57,150	49,393	7,757
Other objects	3,800	-	3,800	2,768	1,032
Total Undist. Expend. - Edu. Media Serv./Sch. Library	<u>374,849</u>	<u>12,751</u>	<u>387,600</u>	<u>378,811</u>	<u>8,789</u>
Total Student and Instruction Related Services	<u>3,762,788</u>	<u>54,776</u>	<u>3,817,564</u>	<u>3,623,794</u>	<u>193,770</u>
Undist. Expend. - Supp. Serv. - General Admin.					
Salaries	210,354	5,900	216,254	216,231	23
Legal services	90,000	22,000	112,000	111,455	545
Audit Services	44,500	-	44,500	44,400	100
Purchased technical services	20,500	38,000	58,500	55,222	3,278
Communications/telephone	148,760	(35,000)	113,760	131,903	(18,143)
Other purchased services (400-500 series)	450	-	450	-	450
Supplies and materials	16,500	-	16,500	16,090	410
Miscellaneous expenditures	77,000	5,000	82,000	53,083	28,917
Total Undist. Expend. - Supp. Serv. - General Admin.	<u>608,064</u>	<u>35,900</u>	<u>643,964</u>	<u>628,384</u>	<u>15,580</u>
Undist. Expend. - Support Serv. - School Admin.					
Salaries of principals/assistant principals	870,523	1,000	871,523	871,255	268
Salaries of secretarial and clerical assistants	526,443	-	526,443	495,647	30,796
Other purchased services (400-500 series)	43,000	450	43,450	42,110	1,340
Supplies and materials	8,100	-	8,100	5,269	2,831
Other objects	112,695	13,556	126,251	117,855	8,396
Total Undist. Expend. - Support Serv. - School Admin.	<u>1,560,761</u>	<u>15,006</u>	<u>1,575,767</u>	<u>1,532,136</u>	<u>43,631</u>
Undist. Expend. - Central Services					
Salaries	361,232	9,500	370,732	370,073	659
Interest on Current Loan	5,144	-	5,144	4,536	608
Miscellaneous expenditures	2,000	-	2,000	1,745	255
Total Undist. Expend. - Central Services	<u>368,376</u>	<u>9,500</u>	<u>377,876</u>	<u>376,354</u>	<u>1,522</u>
Undist. Expend. - Admin. Info Tech.					
Salaries	106,443	2,600	109,043	109,027	16
Other purchased services (400-500 series)	39,000	5,000	44,000	25,170	18,830
Total Undist. Expend. - Admin. Info Tech	<u>145,443</u>	<u>7,600</u>	<u>153,043</u>	<u>134,197</u>	<u>18,846</u>
Total Other Administrative Services	<u>2,074,580</u>	<u>32,106</u>	<u>2,106,686</u>	<u>2,042,687</u>	<u>63,999</u>
Undist. Expend. -Required Maintenance for School Facilities					
Salaries	110,832	10,000	120,832	120,063	769
Cleaning, repair, and maintenance services	223,000	342,548	565,548	378,842	186,706
General supplies	55,000	18,000	73,000	61,136	11,864
Total Undist. Expend. -Required Maintenance for School Facilities	<u>388,832</u>	<u>370,548</u>	<u>759,380</u>	<u>560,041</u>	<u>199,339</u>
Undist. Expend. - Custodial Services					
Salaries	1,159,036	(10,000)	1,149,036	1,120,975	28,061
Cleaning, repair and maintenance services	98,900	24,000	122,900	100,955	21,945
Other purchased property services	45,200	3,000	48,200	47,996	204
Insurance	225,000	(29,000)	196,000	153,048	42,952
General supplies	103,400	26,000	129,400	110,489	18,911
Energy (heat and electricity)	564,500	(38,000)	526,500	507,617	18,883
Other objects	39,500	(4,250)	35,250	27,590	7,660
Total Undist. Expend. - Custodial Services	<u>2,235,536</u>	<u>(28,250)</u>	<u>2,207,286</u>	<u>2,068,670</u>	<u>138,616</u>
Undistributed Expenses - Care and Upkeep of Grounds					
Salaries	118,720	120	118,840	118,840	-
Cleaning,Repair, and Maintenance Services	39,943	(120)	39,823	35,215	4,608
Total Undist. Expend. - Care and Upkeep of Grounds	<u>158,663</u>	<u>-</u>	<u>158,663</u>	<u>154,055</u>	<u>4,608</u>
Total Maintenance, Custodial and Grounds (plant operations and maintenance)	<u>2,783,031</u>	<u>342,298</u>	<u>3,125,329</u>	<u>2,782,766</u>	<u>342,563</u>
Undist. Expend. - Student Transportation Serv.					
Sal. for pup.trans. (bet. home and school) - special	71,020	33,900	104,920	104,441	479
Sal. For Pup. Trans. (Other than Bet. Home and School)	205,000	25,700	230,700	225,876	4,824
Management Fees - ESC & CTSA Transportation Programs	-	-	-	-	-
Other Purchased Professional and Technical Services	-	-	-	-	-
Cleaning, Repair and Maintenance Services	42,000	-	42,000	38,148	3,852
Contract services - (between home and school) - vendors	550,845	(79,100)	471,745	435,947	35,798
Contr Serv (Spl. Ed. Students) - Vendors	830,246	(53,500)	776,746	755,546	21,200
Contr services - aid in lieu payments	53,040	6,000	59,040	58,962	78
Misc. Purchased Serv. - Transportation	70,000	-	70,000	31,388	38,612
Supplies and Materials	4,200	1,500	5,700	5,527	173
Total Undist. Expend. - Student Transportation Serv.	<u>1,826,351</u>	<u>(65,500)</u>	<u>1,760,851</u>	<u>1,655,835</u>	<u>105,016</u>

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated benefits:					
Social security contributions	\$ 383,984	\$ 62,000	\$ 445,984	\$ 404,646	\$ 41,338
Other benefits	380,000	17,000	397,000	396,072	928
Workmen's compensation	175,301	-	175,301	159,774	15,527
Health benefits	4,893,209	(369,500)	4,523,709	4,223,171	300,538
Tuition Reimbursement	26,000	2,000	28,000	17,540	10,460
Other Employee Benefits	70,000	31,000	101,000	100,344	656
Total Unallocated benefits	<u>5,928,494</u>	<u>(257,500)</u>	<u>5,670,994</u>	<u>5,301,547</u>	<u>369,447</u>
On-behalf TPAF pension contributions (non- budgeted)	-	-	-	3,149,946	(3,149,946)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	1,130,605	(1,130,605)
Total On-Behalf Payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,280,551</u>	<u>(4,280,551)</u>
TOTAL PERSONAL SERVICES - EMPLOYEE BENEFITS	<u>5,928,494</u>	<u>(257,500)</u>	<u>5,670,994</u>	<u>9,582,098</u>	<u>(3,911,104)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>19,031,529</u>	<u>(53,920)</u>	<u>18,977,609</u>	<u>22,152,020</u>	<u>(3,174,411)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>35,549,487</u>	<u>68,726</u>	<u>35,618,213</u>	<u>38,171,765</u>	<u>(2,553,552)</u>
CAPITAL OUTLAY					
Equipment					
Undistributed expenditures equipment	265,159	664,696	929,855	59,696	870,159
Total Equipment	<u>265,159</u>	<u>664,696</u>	<u>929,855</u>	<u>59,696</u>	<u>870,159</u>
Facilities Acquisition and Construction Services					
Other Purchased Prof. & Tech. Serv.	-	47,500	47,500	-	47,500
Construction services	-	1,344	1,344	1,344	-
General Supplies	-	1,163,065	1,163,065	996,984	166,081
Land and Improvements	-	-	-	-	-
Lease Purchase Agreement - Principal	62,551	-	62,551	62,550	1
Buildings Other than Lease Purchase Agreement	-	-	-	-	-
Other Objects	100,314	-	100,314	100,314	-
Total Facilities Acquisition and Construction Services	<u>162,865</u>	<u>1,211,909</u>	<u>1,374,774</u>	<u>1,161,192</u>	<u>47,500</u>
TOTAL CAPITAL OUTLAY	<u>428,024</u>	<u>1,876,605</u>	<u>2,304,629</u>	<u>1,220,888</u>	<u>917,659</u>
Transfer of Funds to Charter Schools	33,159	-	33,159	29,857	3,302
TOTAL EXPENDITURES	<u>36,010,670</u>	<u>1,945,331</u>	<u>37,956,001</u>	<u>39,422,510</u>	<u>(1,632,591)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (490,844)</u>	<u>\$ (1,945,331)</u>	<u>\$ (2,436,175)</u>	<u>644,129</u>	<u>\$ 2,914,222</u>
Fund Balance, July 1				<u>4,282,714</u>	
Fund Balance, June 30				<u>\$ 4,926,843</u>	
Recapitulation:					
Restricted Fund Balance:					
Capital Reserve				\$ 1,203,000	
Maintenance Reserve				438,000	
Emergency reserve				12,373	
Excess Surplus- Current Year				676,548	
Committed Fund Balance					
Year- End Encumbrances				1,174,308	
Assigned Fund Balance					
Designated for Subsequent Year's Expenditures				474,207	
Unassigned Fund Balance				<u>948,407</u>	
				4,926,843	
Reconciliation to Governmental Funds Statements (GAAP):					
Last two State Aid Payment not recognized on GAAP basis				(95,039)	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,831,804</u>	

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ 418,360	\$ -	\$ 418,360	\$ 418,360	\$ -
Federal sources	814,410	-	814,410	814,410	-
TOTAL REVENUES	1,232,770	-	1,232,770	1,232,770	-
EXPENDITURES:					
Instruction					
Salaries of teachers	65,387	-	65,387	65,387	-
Other salaries for instruction	348	-	348	348	-
Purchased professional - educational services	231,336	-	231,336	231,336	-
Purchased professional and technical services	64,414	-	64,414	64,414	-
Tuition	453,683	-	453,683	453,683	-
Other purchased services (400-500 series)	34,701	-	34,701	34,701	-
General supplies	39,822	-	39,822	39,822	-
Textbooks	77,474	-	77,474	77,474	-
Total Instruction	967,165	-	967,165	967,165	-
Support Services					
Salaries of other professional staff	21,261	-	21,261	21,261	-
Personal services - employee benefits	5,711	-	5,711	5,711	-
Purchased professional - educational services	196,355	-	196,355	196,355	-
Other purchased professional services	13,258	-	13,258	13,258	-
Rentals	4,400	-	4,400	4,400	-
Other purchased Services (400-500 series)	10,435	-	10,435	10,435	-
Other Objects	9,294	-	9,294	9,294	-
Total Support Services	260,714	-	260,714	260,714	-
Facilities acquisition and const. serv.:					
Instructional Equipment	4,891	-	4,891	4,891	-
Total facilities acquisition and const. serv.	4,891	-	4,891	4,891	-
TOTAL EXPENDITURES	1,232,770	-	1,232,770	1,232,770	-
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -

NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

**METUCHEN SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 40,066,639	\$ 1,232,770
Difference - budget to GAAP:		
Current year state aid payment recognized for budgetary purposes, not recognized for GAAP statements	(95,039)	-
Prior year state aid payment recognized for GAAP statements not for budgetary purposes.	84,996	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	\$ 40,056,596	\$ 1,232,770
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 39,422,510	\$ 1,232,770
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 39,422,510	\$ 1,232,770

REQUIRED SUPPLEMENTARY INFORMATION - PART III

Schedule of the District's Proportionate Share of the Net Pension Liability - PERS
 Year Ended June 30, 2017

Last 10 Fiscal Years
 (Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0209%	0.0394%	0.0418%
District's proportionate share of the net pension liability	<u>\$ 12,311,644</u>	<u>\$ 9,504,940</u>	<u>\$ 7,834,707</u>
District's covered-employee payroll	<u>\$ 2,899,935</u>	<u>\$ 2,788,576</u>	<u>\$ 2,845,142</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	424.55%	340.85%	275.37%
Plan fiduciary net position as a percentage of the total pension liability	31.20%	38.21%	42.74%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Metuchen School DistrictSchedule of District Contributions - PERS
Year Ended June 30, 2017Last 10 Fiscal Years*
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 369,296	\$ 338,663	\$ 344,972	\$ 301,637
Contributions in relation to the contractually required contribution	<u>(369,296)</u>	<u>(338,663)</u>	<u>(344,972)</u>	<u>(301,637)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 2,899,935</u>	<u>\$ 2,788,576</u>	<u>\$ 2,845,142</u>	<u>\$ 2,839,397</u>
Contributions as a percentage of covered-employee payroll	<u>12.73%</u>	<u>12.14%</u>	<u>12.12%</u>	<u>10.62%</u>

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF
Year Ended June 30, 2017

Last 10 Fiscal Years
(Dollar amounts in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability	79,028,907,033	63,577,864,440	53,813,067,539
Total	<u>\$ 79,028,907,033</u>	<u>\$ 63,577,864,440</u>	<u>\$ 53,813,067,539</u>
District's covered-employee payroll	<u>\$ 15,742,326</u>	<u>\$ 15,455,439</u>	<u>\$ 14,910,351</u>
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	22.33%	28.71%	33.64%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

OTHER SUPPLEMENTARY INFORMATION

**SPECIAL REVENUE FUND
DETAIL STATEMENTS**

The Special Revenue Fund is used to account for the proceeds of special revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	New Jersey Nonpublic Aid			
	Textbooks	Technology Services	Security	Nursing Services
REVENUES:				
State sources	\$ 77,474	\$ 34,701	\$ 64,414	\$ 118,424
Federal sources	-	-	-	-
Total Revenues	77,474	34,701	64,414	118,424
EXPENDITURES:				
Instruction:				
Salaries of teachers	-	-	-	-
Other salaries for instruction	-	-	-	-
Purchased professional - educational services	-	-	-	118,424
Purchased professional and technical services	-	-	64,414	-
Tuition	-	-	-	-
Other purchased services (400 - 500 series)	-	34,701	-	-
General supplies	-	-	-	-
Other objects	-	-	-	-
Textbooks	77,474	-	-	-
Total instruction	77,474	34,701	64,414	118,424
Support services:				
Salaries of other professional staff	-	-	-	-
Other salaries	-	-	-	-
Personal services - employee benefits	-	-	-	-
Purchased professional - educational services	-	-	-	-
Other purchased professional services	-	-	-	-
Purchased technical services	-	-	-	-
Rentals	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-
Tuition	-	-	-	-
Supplies and materials	-	-	-	-
Total support services	-	-	-	-
Facilities acquisition and const. serv.:				
Instructional Equipment	-	-	-	-
Total facilities acquisition and const. serv.	-	-	-	-
TOTAL EXPENDITURES	77,474	34,701	64,414	118,424
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

New Jersey Nonpublic Aid

Chapter 192 Auxiliary Services				Chapter 193 Handicapped		
English as a Second Language	Home Instruction	Transp.	Compensatory Education	Examination and Classification	Corrective Speech	Supp. Instruction
\$ 2,741	\$ 3,624	\$ 10,435	\$ 26,874	\$ 42,872	\$ 20,322	\$ 16,479
-	-	-	-	-	-	-
<u>2,741</u>	<u>3,624</u>	<u>10,435</u>	<u>26,874</u>	<u>42,872</u>	<u>20,322</u>	<u>16,479</u>
-	-	-	-	-	-	-
2,741	3,624	-	26,874	42,872	20,322	16,479
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,741</u>	<u>3,624</u>	<u>-</u>	<u>26,874</u>	<u>42,872</u>	<u>20,322</u>	<u>16,479</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	10,435	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>10,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,741</u>	<u>3,624</u>	<u>10,435</u>	<u>26,874</u>	<u>42,872</u>	<u>20,322</u>	<u>16,479</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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	Title I Part A	Title I Part A CO	Title II Part A	Title IIA CO
REVENUES:				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	97,567	8,229	36,631	9,788
Total Revenues	97,567	8,229	36,631	9,788
EXPENDITURES:				
Instruction:				
Salaries of teachers	57,158	8,229	-	-
Other salaries for instruction	-	-	-	-
Purchased professional - educational services	-	-	-	-
Purchased professional and technical services	-	-	-	-
Tuition	-	-	-	-
Other purchased services (400 - 500 series)	-	-	-	-
General supplies	5,332	-	-	-
Other objects	-	-	-	-
Textbooks	-	-	-	-
Total instruction	62,490	8,229	-	-
Support services:				
Salaries of other professional staff	5,465	-	-	-
Other salaries	-	-	2,072	-
Personal services - employee benefits	5,711	-	-	-
Purchased professional - educational services	-	-	33,508	9,788
Other purchased professional services	13,258	-	-	-
Purchased technical services	4,400	-	-	-
Rentals	-	-	-	-
Other Purchased Services (400-500 series)	-	-	-	-
Tuition	-	-	-	-
Supplies and materials	6,243	-	1,051	-
Total support services	35,077	-	36,631	9,788
Facilities acquisition and const. serv.:				
Instructional Equipment	-	-	-	-
Total facilities acquisition and const. serv.	-	-	-	-
TOTAL EXPENDITURES	97,567	8,229	36,631	9,788
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ -	\$ -

**METUCHEN SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

I.D.E.A.

Title III Part A	Title III CO	Basic Regular	Basic Regular CO	Preschool	Preschool Current CO	Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 418,360
17,121	39	585,056	45,205	14,774	-	814,410
17,121	39	585,056	45,205	14,774	-	1,232,770
-	-	-	-	-	-	65,387
348	-	-	-	-	-	348
-	-	-	-	-	-	231,336
-	-	-	-	-	-	64,414
-	-	453,683	-	-	-	453,683
-	-	-	-	-	-	34,701
13,381	-	21,109	-	-	-	39,822
-	-	-	-	-	-	-
-	-	-	-	-	-	77,474
13,729	-	474,792	-	-	-	967,165
-	-	-	-	13,724	-	19,189
-	-	-	-	-	-	2,072
-	-	-	-	-	-	5,711
3,392	39	103,373	45,205	1,050	-	196,355
-	-	-	-	-	-	13,258
-	-	-	-	-	-	4,400
-	-	-	-	-	-	-
-	-	-	-	-	-	10,435
-	-	-	-	-	-	-
-	-	2,000	-	-	-	9,294
3,392	39	105,373	45,205	14,774	-	260,714
-	-	4,891	-	-	-	4,891
-	-	4,891	-	-	-	4,891
17,121	39	585,056	45,205	14,774	-	1,232,770
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CAPITAL PROJECTS FUND
DETAILS STATEMENT**

The Capital Projects fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, other than those financed by proprietary funds.

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Project Title/Issue</u>	<u>Approval Date</u>	<u>Revised Budgetary Appropriations</u>	<u>GAAP Expenditures to Date</u>		<u>Unexpended Appropriations June 30, 2017</u>
			<u>Prior Years</u>	<u>Current Year</u>	
Edgar Boiler Replacement	April 28th 2014	\$ 410,147	\$ 246,448	\$ -	\$ 163,699
Emergency Generator	April 13th 2015	157,530	17,003	135,553	4,974
Campbell Boiler Replacement	March 28th 2014	296,944	178,462	-	118,482
Totals		<u>\$ 864,621</u>	<u>\$ 441,913</u>	<u>\$ 135,553</u>	<u>\$ 287,155</u>

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Revenues and Other Financing Sources

Federal sources - grants	\$	124,774
State sources - grants		-
Bond proceeds and transfers		-
Lease proceeds		-
Contribution from private sources		-
Transfer from capital reserve		-
Transfer from capital outlay		-
Interest income		-
Total revenues		124,774

Expenditures and Other Financing Uses

Purchased professional and technical services		135,553
Construction services		135,553
State fees		-
Total expenditures		135,553
Excess (deficiency) of revenues over expenditures		(10,779)
Fund balance - beginning		282,231
Fund balance - ending	\$	271,452

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
EDGAR BOILERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Interest income	\$ -	\$ -	\$ -	\$ -
State sources - grants	164,059	-	164,059	164,059
Transfer capital outlay	60,473	-	60,473	60,473
Leasing proceeds	185,615	-	185,615	185,615
Total revenues	410,147	-	410,147	410,147
 Expenditures and Other Financing Uses				
Purchased professional and technical services	41,965	-	41,965	41,965
Construction services	204,483	-	204,483	204,483
Total expenditures	246,448	-	246,448	246,448
Excess (deficiency) of revenues over expenditures	\$ 163,699	\$ -	\$ 163,699	\$ 163,699

Additional Project Information:

Project Number	3120-070-14-1002
Grant Date/Letter of Notification	April 28 2014
Bond Authorization/Referendum Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Project Authorized Cost	\$410,147
Additional Authorized Cost	\$0
Revised Authorized Cost	\$410,147
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	5%
Original Target Completion Date	November 1 2014
Actual Completion Date	

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
CAMPBELL BOILERS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Interest income	\$ -	\$ -	\$ -	\$ -
State sources - grants	118,778	-	118,778	118,778
Transfer capital outlay	43,782	-	43,782	43,782
Leasing proceeds	134,384	-	134,384	134,384
Total revenues	296,944	-	296,944	296,944
Expenditures and Other Financing Uses				
Purchased professional and technical services	30,389	-	30,389	30,389
Construction services	148,073	-	148,073	148,073
Total expenditures	178,462	-	178,462	178,462
Excess (deficiency) of revenues over expenditures	\$ 118,482	\$ -	\$ 118,482	\$ 118,482

Additional Project Information:

Project Number	3120-060-14-1001
Grant Date/Letter of Notification	March 28 2014
Bond Authorization/Referendum Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Project Authorized Cost	\$296,944
Additional Authorized Cost	\$0
Revised Authorized Cost	\$296,944
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	5%
Original Target Completion Date	November 1 2014
Actual Completion Date	

**METUCHEN SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE, AND PROJECT STATUS - BUDGETARY BASIS
Emergency Generator
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
Interest income	\$ -	\$ -	\$ -	\$ -
State sources - grants	-	-	-	-
Transfer capital outlay	-	-	-	-
Federal grant	17,003	124,774	141,777	141,777
Total revenues	17,003	124,774	141,777	141,777
 Expenditures and Other Financing Uses				
Purchased professional and technical services	17,003	135,553	152,556	152,556
Construction services	-	-	-	-
Total expenditures	17,003	135,553	152,556	152,556
Excess (deficiency) of revenues over expenditures	\$ -	\$ (10,779)	\$ (10,779)	\$ (10,779)

Additional Project Information:

Project Number	PDMC-PJ-02NJ-1867-251R
Grant Date/Letter of Notification	4/13/2015
Bond Authorization/Referendum Date	4/18/2018
Bonds Authorized	\$0
Bonds Issued	\$0
Original Project Authorized Cost	\$157,530
Additional Authorized Cost	\$0
Revised Authorized Cost	\$157,530
Percentage Increase Over Original Authorized Cost	0%
Percentage Completion	0%
Original Target Completion Date	0
Actual Completion Date	

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

Enterprise 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 Service Fund - This fund provides for the operation of food services in all schools within the District.

After School Program Fund (The Zone) - This fund provides for the operation of an after-school program which was initially funded by an operating grant and is referred within the District as "The Zone."

Integrated preSchool Program - This fund provides for the operation of a preschool program for three and four year olds.

Stream - This fund provides for an afterschool and summer program for students in grades 1 - 10, focusing on critical thinking skills.

**METUCHEN SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2017**

G-1

	Enterprise Funds				Total
	Food Service	The Zone	Integrated PreSchool	Stream	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 44,306	\$ 221,039	\$ 78,612	\$ 39,662	\$ 383,619
Accounts receivable:					
Federal	5,660	-	-	-	5,660
State	298	-	-	-	298
Inventories	7,300	-	-	-	7,300
Total current assets	57,564	221,039	78,612	39,662	396,877
Noncurrent assets:					
Furniture, machinery & equipment	483,754	-	-	-	483,754
Less accumulated depreciation	403,751	-	-	-	403,751
Total noncurrent assets	80,003	-	-	-	80,003
TOTAL ASSETS	137,567	221,039	78,612	39,662	476,880
LIABILITIES AND NET POSITION					
Current liabilities,					
Interfund payable	-	106,973	33,204	27,973	168,150
NET POSITION					
Net investment in capital assets	80,003	-	-	-	80,003
Unrestricted	57,564	114,066	45,408	11,689	228,727
Total net position	\$ 137,567	\$ 114,066	\$ 45,408	\$ 11,689	\$ 308,730

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

G-2

	Enterprise Funds				Total
	Food Service	The Zone	Integrated preSchool	Stream	
OPERATING REVENUES:					
Local sources:					
Food service sales	\$ 443,836	\$ -	\$ -	\$ -	\$ 443,836
Registration fees	-	137,843	38,887	35,925	212,655
Total Operating revenues	443,836	137,843	38,887	35,925	656,491
OPERATING EXPENSES:					
Salaries	164,781	106,134	20,000	38,863	329,778
Employee benefits	53,454	840	-	-	54,294
Cost of sales	258,146	-	-	-	258,146
Supplies and materials	24,360	12,337	-	17,632	54,329
Repairs and maintenance	7,398	-	-	-	7,398
Insurance	6,767	-	-	-	6,767
Management service fee	20,971	-	-	-	20,971
Miscellaneous	(784)	-	-	-	(784)
Depreciation	34,850	-	-	-	34,850
Total operating expenses	569,943	119,311	20,000	56,495	765,749
OPERATING INCOME (LOSS)	(126,107)	18,532	18,887	(20,570)	(109,258)
NONOPERATING REVENUES:					
State sources:					
State school lunch program	4,677	-	-	-	4,677
Federal sources:					
National school lunch program	93,523	-	-	-	93,523
Food Distribution Program	36,297	-	-	-	36,297
TOTAL NONOPERATING REVENUES	134,497	-	-	-	134,497
CHANGE IN NET POSITION	8,390	18,532	18,887	(20,570)	25,239
TOTAL NET POSITION - BEGINNING	129,177	95,534	26,521	32,259	283,491
TOTAL NET POSITION - ENDING	\$ 137,567	\$ 114,066	\$ 45,408	\$ 11,689	\$ 308,730

**METUCHEN SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2017**

G-3

	Enterprise Funds				Total
	Food Service	The Zone	Integrated PreSchool	Stream	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 443,836	\$ 137,843	\$ 38,887	\$ 35,925	\$ 656,491
Payments to employees	(164,781)	(106,134)	(20,000)	(38,863)	(329,778)
Payments for employee benefits	(53,454)	(840)	-	-	(54,294)
Payments to suppliers	(322,869)	(12,337)	-	(17,632)	(352,838)
Net cash (used in) provided by operating activities	<u>(97,268)</u>	<u>18,532</u>	<u>18,887</u>	<u>(20,570)</u>	<u>(80,419)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
State Sources	5,181	-	-	-	5,181
Federal Sources	141,645	-	-	-	141,645
Local - Interfund change	-	(29,696)	20,000	10,120	424
Net cash provided by (used in) non-capital financing activities	<u>146,826</u>	<u>(29,696)</u>	<u>20,000</u>	<u>10,120</u>	<u>147,250</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(13,031)	-	-	-	(13,031)
Net increase (decrease) in cash and cash equivalents	36,527	(11,164)	38,887	(10,450)	53,800
Cash and cash equivalents—beginning of year	7,779	232,203	39,725	50,112	329,819
Cash and cash equivalents—end of year	<u>\$ 44,306</u>	<u>\$ 221,039</u>	<u>\$ 78,612</u>	<u>\$ 39,662</u>	<u>\$ 383,619</u>
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:					
Operating (loss) income	\$ (126,107)	\$ 18,532	\$ 18,887	\$ (20,570)	\$ (109,258)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities					
Depreciation	34,850	-	-	-	34,850
Increase in inventories	(407)	-	-	-	(407)
Decrease in accounts payable	(5,604)	-	-	-	(5,604)
Total adjustments	<u>28,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,839</u>
Net cash (used in) provided by operating activities	<u>\$ (97,268)</u>	<u>\$ 18,532</u>	<u>\$ 18,887</u>	<u>\$ (20,570)</u>	<u>\$ (80,419)</u>

Noncash Noncapital Financing Activities:

During the year, the District received \$36,297 of food commodities, within its Food Service Fund, from the U.S. Department of Agriculture.

**FIDUCIARY FUNDS
DETAIL STATEMENTS**

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

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

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

	Trust Funds			Agency Fund	Total
	Unemployment Compensation Trust	Private Purpose Fund	Total Trust Fund		
ASSETS					
Cash and cash equivalents	\$ 294,565	\$ 6,448	\$ 301,013	\$ 564,845	\$ 865,858
LIABILITIES					
Payable to student groups	\$ -	\$ -	\$ -	\$ 228,631	\$ 228,631
Payroll deductions and withholdings	-	-	-	336,214	336,214
Total liabilities	-	-	-	564,845	564,845
NET ASSETS					
Reserved	294,565	6,448	301,013	-	301,013
Total net position	294,565	6,448	301,013	-	301,013
Total liabilities and net position	\$ 294,565	\$ 6,448	\$ 301,013	\$ 564,845	\$ 865,858

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

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Fund</u>	<u>Total Trust Funds</u>
ADDITIONS			
Contributions:			
Plan members	\$ 59,154	\$ -	\$ 59,154
Other	-	19,817	19,817
Total Contributions	<u>59,154</u>	<u>19,817</u>	<u>78,971</u>
Investment earnings:			
Interest	<u>237</u>	-	<u>237</u>
Net investment earnings	<u>237</u>	-	<u>237</u>
Total additions	<u>59,391</u>	<u>19,817</u>	<u>79,208</u>
DEDUCTIONS			
Quarterly contribution reports	35,833	-	35,833
Projects Awarded	<u>-</u>	<u>17,580</u>	<u>17,580</u>
Total deductions	<u>35,833</u>	<u>17,580</u>	<u>53,413</u>
Change in net position	23,558	2,237	25,795
Net position—beginning of the year	<u>271,007</u>	<u>4,211</u>	<u>275,218</u>
Net position—end of the year	<u><u>\$ 294,565</u></u>	<u><u>\$ 6,448</u></u>	<u><u>\$ 301,013</u></u>

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

H-3

	Balance July 1, 2016	Cash Receipts	Cash Disbursements	Balance June 30, 2017
ELEMENTARY SCHOOLS:				
Campbell	\$ 32,681	\$ 36,892	\$ 20,349	\$ 49,224
Edgar	52,530	89,357	86,437	55,450
Moss	3,137	665	887	2,915
TOTAL ELEMENTARY SCHOOLS	88,348	126,914	107,673	107,589
SENIOR HIGH SCHOOL:				
General account	71,343	390,946	392,410	69,879
Staff account	39,787	93,623	86,409	47,001
Athletic account	337	63,702	59,877	4,162
TOTAL SENIOR HIGH SCHOOL	111,467	548,271	538,696	121,042
TOTAL ALL SCHOOLS	\$ 199,815	\$ 675,185	\$ 646,369	\$ 228,631

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$ 315,393	\$ 11,010,630	\$ 10,989,809	\$ 336,214
TOTAL ASSETS	<u>\$ 315,393</u>	<u>\$ 11,010,630</u>	<u>\$ 10,989,809</u>	<u>\$ 336,214</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 279,707	\$ 10,981,466	\$ 10,953,855	\$ 307,318
Section 125 Plan	35,686	29,164	35,954	28,896
TOTAL LIABILITIES	<u>\$ 315,393</u>	<u>\$ 11,010,630</u>	<u>\$ 10,989,809</u>	<u>\$ 336,214</u>

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes Serial Bonds outstanding.

**METUCHEN SCHOOL DISTRICT
LONG TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
AS OF JUNE 30, 2017**

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
			Date	Amount					
Construction of renovations and improvements to the High School and Edgar School	3/15/2005	\$ 17,247,000	8/15/2016	\$ 890,000	4.125%	\$ 890,000	\$ -	\$ 890,000	\$ -
Construction of renovations and improvements to the High School and Edgar School - Reissue	10/1/2012	8,620,000	8/15/2016	30,000	3.000%	8,530,000	-	30,000	8,500,000
			8/15/2017	965,000	3.000%				
			8/15/2018	990,000	3.000%				
			8/15/2019	1,020,000	3.000%				
			8/15/2020	1,050,000	3.000%				
			8/15/2021	1,090,000	4.000%				
			8/15/2022	1,125,000	2.125%				
			8/15/2023	1,125,000	4.000%				
			8/15/2024	1,135,000	2.500%				
Construction of renovations and improvements to the High School, Edgar School, Campbell School, and Moss School - Reissue	8/15/2015	12,085,000	9/15/2016	800,000	2.000%	11,820,000	-	800,000	11,020,000
			9/15/2017	820,000	4.000%				
			9/16/2018	855,000	4.000%				
			09/15/2019	890,000	4.000%				
			9/17/2020	925,000	4.000%				
			09/15/2021	970,000	5.000%				
			9/18/2022	1,010,000	5.000%				
			09/15/2023	1,065,000	5.000%				
			9/19/2024	1,105,000	5.000%				
			09/15/2025	1,165,000	5.000%				
			9/20/2026	1,085,000	5.000%				
			09/15/2027	1,130,000	3.000%				

**METUCHEN SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
YEAR ENDED JUNE 30, 2017**

Purpose	Date of Lease	Term of Lease	Amount of Original Lease		Interest Rate	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
			Principal	Interest					
Boilers	3/14/2014	5 Years	\$ 319,999	\$ 15,488	1.73%	\$ 196,277	\$ -	\$ 63,967	\$ 132,310

**METUCHEN SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual Favorable (Unfavorable)
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 2,265,600	\$ -	\$ 2,265,600	\$ 2,265,600	\$ -
State Sources:					
Debt Service Aid Type II	236,338	-	236,338	236,338	-
Total - State Sources	236,338	-	236,338	236,338	-
Total Revenues	2,501,938	-	2,501,938	2,501,938	-
EXPENDITURES:					
Regular Debt Service:					
Interest	781,938	-	781,938	781,937	1
Bond issuance costs	-	-	-	-	-
Redemption of Principal	1,720,000	-	1,720,000	1,720,000	-
Total Regular Debt Service	2,501,938	-	2,501,938	2,501,937	1
Total expenditures	2,501,938	-	2,501,938	2,501,937	1
Excess of Revenues Over Expenditures	-	-	-	1	1
Fund Balance, July 1	-	-	-	3,886	3,886
Fund Balance, June 30	\$ -	\$ -	\$ -	\$ 3,887	\$ 3,887

**STATISTICAL SECTION
(UNAUDITED)**

<u>Contents</u>	<u>Pages</u>
Financial Trends	85-90
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	
Revenue Capacity	91-95
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</p>	
Debt Capacity	96-99
<p>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.</p>	
Demographic and Economic Information	100-101
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
Operating Information	102-108
<p>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.</p>	

**METUCHEN SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 13,592,414	\$ 14,872,869	\$ 14,183,680	\$ 12,768,423	\$ 13,273,256	\$ 13,389,354	\$ 14,827,053	\$ 14,315,931	\$ 14,831,779	\$ 15,418,400
Restricted	2,284,305	1,132,758	1,886,269	1,564,181	2,242,985	1,756,385	1,993,016	2,086,947	3,649,873	2,605,530
Unrestricted (deficit)	(869,734)	(669,199)	(1,159,444)	1,477,386	760,551	719,470	(1,159,444)	(7,508,373)	(8,282,092)	(7,348,519)
Total governmental activities net position	\$ 15,006,985	\$ 15,336,428	\$ 14,910,505	\$ 15,809,990	\$ 16,276,792	\$ 15,865,209	\$ 15,660,625	\$ 8,894,505	\$ 10,199,560	\$ 10,675,411
Business-type activities										
Net investment in capital assets	\$ 3,763	\$ 7,314	\$ 10,077	\$ 7,510	\$ 68,823	87,943	\$ 81,345	\$ 95,040	\$ 101,822	\$ 80,003
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	140,608	140,608	172,571	211,489	139,668	123,352	170,497	163,920	181,669	228,727
Total business-type activities net position	\$ 144,371	\$ 147,922	\$ 182,648	\$ 218,999	\$ 208,491	\$ 211,295	\$ 251,842	\$ 258,960	\$ 283,491	\$ 308,730
District-wide										
Net investment in capital assets	\$ 13,596,177	\$ 14,880,183	\$ 14,193,757	\$ 12,775,933	\$ 13,342,079	\$ 13,477,297	\$ 14,908,398	\$ 14,410,971	\$ 14,933,601	\$ 15,498,403
Restricted	2,284,305	1,132,758	1,886,269	1,564,181	2,242,985	1,756,385	1,993,016	2,086,947	3,649,873	2,605,530
Unrestricted (deficit)	(729,126)	(528,591)	(986,873)	1,688,875	900,219	842,822	(988,947)	(7,344,453)	(8,100,423)	(7,119,792)
Total district net position	\$ 15,151,356	\$ 15,484,350	\$ 15,093,153	\$ 16,028,989	\$ 16,485,283	\$ 16,076,504	\$ 15,912,467	\$ 9,153,465	\$ 10,483,051	\$ 10,984,141

NOTE: During the District's fiscal year ended June 30, 2015, Governmental Accounting Standards Board Statement No 68, *Accounting and Financial Reporting for Pensions*. The impact added its proportionate share of its PERS Liability (\$7,834,707), which increased the governmental activities unrestricted net position deficit.

Source: CAFR Schedule A-1

**METUCHEN SCHOOL DISTRICT
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)**

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities		1,611,235	1,880,846	1,532,536	1,601,176	2,047,836	2,138,112	2,341,479	2,499,079	
Instruction										
Regular	\$ 14,436,619	\$ 14,502,213	\$ 14,958,271	\$ 15,185,472	\$ 15,197,916	\$ 16,350,357	\$ 16,395,357	\$ 17,325,592	\$ 18,275,035	\$ 19,477,119
Special education	2,362,289	2,609,258	2,722,563	2,792,351	3,342,126	3,478,398	3,575,539	3,792,555	4,162,846	4,880,066
Other special education	1,370,434	1,458,200	1,442,781	1,300,399	1,312,671	1,359,558	1,408,774	1,395,546	1,469,636	1,533,299
Support Services:										
Instruction	1,699,526	1,942,786	1,978,134	2,060,871	2,123,690	2,213,443	2,406,025	2,156,707	1,917,586	1,866,313
Student & instruction related services	4,951,068	5,054,313	5,501,557	5,292,895	5,565,989	5,729,187	5,787,180	5,134,970	5,049,519	5,291,570
General administrative services	1,567,883	1,611,235	1,880,846	1,532,536	1,601,176	2,047,836	2,138,112	2,341,479	2,499,079	2,557,993
School administrative services	940,459	676,491	704,007	674,779	594,523	686,105	820,142	725,554	699,323	710,065
Plant operations and maintenance	3,417,091	3,517,879	3,471,358	3,200,865	3,369,258	3,505,495	3,539,246	3,678,707	3,923,137	4,257,540
Pupil transportation	1,494,459	1,621,844	1,885,349	1,792,852	2,039,465	2,173,458	2,105,130	2,047,847	1,992,972	2,029,260
Business and other support services	119,880	398,759	96,212	435,726	488,338	158,114	153,072	154,165	91,871	169,661
Special Schools	-	-	18,665	-	-	-	-	-	-	-
Interest on long-term debt	1,732,811	1,298,436	1,847,096	1,670,129	1,693,164	1,337,057	1,090,274	970,012	1,040,251	667,341
Capital outlay	56,720	58,200	-	-	-	-	-	-	-	-
Unallocated depreciation	-	-	-	-	-	-	-	-	-	-
Total governmental activities expenses	<u>34,203,239</u>	<u>34,749,614</u>	<u>36,506,839</u>	<u>35,938,875</u>	<u>37,328,316</u>	<u>39,039,008</u>	<u>39,418,851</u>	<u>39,723,134</u>	<u>41,121,055</u>	<u>43,440,227</u>
Business-type activities:										
Food service	421,240	388,276	446,367	429,930	472,876	504,956	539,389	584,238	616,215	569,943
After school program	166,395	160,378	127,345	152,656	158,248	139,712	128,591	140,342	144,458	119,311
Stream	-	-	-	-	-	-	-	-	13,204	56,495
Integrated preschool program	-	-	-	-	-	-	-	-	-	20,000
Total business-type activities expense	<u>587,635</u>	<u>548,654</u>	<u>573,712</u>	<u>582,586</u>	<u>631,124</u>	<u>644,668</u>	<u>667,980</u>	<u>724,580</u>	<u>909,446</u>	<u>765,749</u>
Total district expenses	<u>\$ 34,790,874</u>	<u>\$ 35,298,268</u>	<u>\$ 37,080,551</u>	<u>\$ 36,521,461</u>	<u>\$ 37,959,440</u>	<u>\$ 39,683,676</u>	<u>\$ 40,086,831</u>	<u>\$ 40,447,714</u>	<u>\$ 42,030,501</u>	<u>\$ 44,205,976</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Regular programs	\$ 84,393	\$ -	\$ -	\$ 88,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,648
Special schools	-	-	-	-	-	-	-	-	-	-
Business and other support services	-	-	-	-	-	-	-	-	-	129,547
Operating grants and contributions	1,448,867	2,538,877	1,716,584	1,635,978	1,436,133	1,376,200	1,379,211	1,453,271	1,532,451	6,724,405
Capital grants and contributions	-	-	-	-	-	-	-	-	-	124,774
Total governmental activities program revenues	<u>1,533,260</u>	<u>2,538,877</u>	<u>1,716,584</u>	<u>1,724,626</u>	<u>1,436,133</u>	<u>1,376,200</u>	<u>1,379,211</u>	<u>1,453,271</u>	<u>1,532,451</u>	<u>7,067,374</u>
Business-type activities:										
Charges for services										
Food service	328,755	310,619	350,334	349,458	377,529	382,444	417,444	426,853	427,937	443,836
After school program	138,646	125,948	141,611	156,830	127,587	136,732	161,430	180,815	148,474	137,843
Stream	-	-	-	-	-	-	-	-	-	39,725
PreSchool program	-	-	-	-	-	-	-	-	-	167,828
Operating grants and contributions	84,303	114,152	116,240	112,649	115,500	128,296	125,707	124,030	150,013	134,497
Total business-type activities program revenues	<u>551,704</u>	<u>550,718</u>	<u>608,185</u>	<u>618,937</u>	<u>620,616</u>	<u>647,472</u>	<u>704,581</u>	<u>731,698</u>	<u>933,977</u>	<u>790,988</u>
Total district program revenues	<u>\$ 2,084,964</u>	<u>\$ 3,089,595</u>	<u>\$ 2,324,769</u>	<u>\$ 2,343,563</u>	<u>\$ 2,056,749</u>	<u>\$ 2,023,672</u>	<u>\$ 2,083,792</u>	<u>\$ 2,184,969</u>	<u>\$ 2,466,428</u>	<u>\$ 7,858,362</u>
Net (Expense)/Revenue										
Governmental activities	\$ (32,669,979)	\$ (32,210,737)	\$ (34,790,255)	\$ (34,214,249)	\$ (35,892,183)	\$ (37,662,808)	\$ (38,039,640)	\$ (38,269,863)	\$ (39,588,604)	\$ (36,372,853)
Business-type activities	(35,931)	2,064	34,473	36,351	(10,508)	2,804	36,601	7,118	24,531	25,239
Total district-wide net expense	<u>\$ (32,705,910)</u>	<u>\$ (32,208,673)</u>	<u>\$ (34,755,782)</u>	<u>\$ (34,177,898)</u>	<u>\$ (35,902,691)</u>	<u>\$ (37,660,004)</u>	<u>\$ (38,003,039)</u>	<u>\$ (38,262,745)</u>	<u>\$ (39,564,073)</u>	<u>\$ (36,347,614)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 26,278,575	\$ 27,170,726	\$ 28,194,381	\$ 29,272,156	\$ 29,819,545	\$ 30,367,802	\$ 30,972,158	\$ 32,181,436	\$ 32,825,065	\$ 34,206,953
Taxes levied for debt service	2,402,096	2,424,253	2,408,334	2,449,459	2,455,048	2,453,395	2,381,877	2,302,219	2,383,161	2,265,600
Federal and state aid not restricted	5,537,582	2,794,228	2,551,952	2,705,926	3,763,986	4,239,306	4,228,349	4,471,564	5,087,035	364,651
Payments in lieu of taxes	-	-	1,123,672	-	-	-	-	-	-	-
Investment earnings	1,149,890	5,417	63	-	-	-	-	-	-	-
Miscellaneous income	18,326	145,556	171,786	244,044	320,406	190,721	252,673	199,537	598,398	11,500
Transfers	-	-	444,941	-	-	-	-	-	-	-
Total governmental activities	<u>35,386,469</u>	<u>32,540,180</u>	<u>34,895,129</u>	<u>34,671,585</u>	<u>36,358,985</u>	<u>37,251,224</u>	<u>37,835,057</u>	<u>39,154,756</u>	<u>40,893,659</u>	<u>36,848,704</u>
Business-type activities:										
Investment earnings	2,938	275	253	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	<u>2,938</u>	<u>275</u>	<u>253</u>	<u>-</u>						
Total district-wide	<u>\$ 35,389,407</u>	<u>\$ 32,540,455</u>	<u>\$ 34,895,382</u>	<u>\$ 34,671,585</u>	<u>\$ 36,358,985</u>	<u>\$ 37,251,224</u>	<u>\$ 37,835,057</u>	<u>\$ 39,154,756</u>	<u>\$ 40,893,659</u>	<u>\$ 36,848,704</u>
Change in Net Position										
Governmental activities	\$ 2,716,490	\$ 329,443	\$ 104,874	\$ 457,336	\$ 466,802	\$ (411,584)	\$ (204,583)	\$ 884,893	\$ 1,305,055	\$ 475,851
Business-type activities	(32,993)	2,339	34,726	36,351	(10,508)	2,804	36,601	7,118	24,531	25,239
Total district	<u>\$ 2,683,497</u>	<u>\$ 331,782</u>	<u>\$ 139,600</u>	<u>\$ 493,687</u>	<u>\$ 456,294</u>	<u>\$ (408,780)</u>	<u>\$ (167,982)</u>	<u>\$ 892,011</u>	<u>\$ 1,329,586</u>	<u>\$ 501,090</u>

Source: CAFR Schedule A-2

**METUCHEN SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 1,931,833	\$ 677,009	\$ 985,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	965,231	1,372,867	580,509	-	-	-	-	-	-	-
Non-spendable	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	744,899	2,084,423	768,365	913,872	1,804,716	1,785,207	2,330,191
Committed	-	-	-	214,674	201,775	1,337,407	772,517	459,391	1,087,705	1,174,308
Assigned	-	-	-	600,000	357,706	497,230	220,000	280,000	490,844	474,207
Unassigned	-	-	-	794,281	760,551	719,470	821,473	821,663	833,962	853,098
Total general fund	\$ 2,897,064	\$ 2,049,876	\$ 1,565,722	\$ 2,353,854	\$ 3,404,455	\$ 3,322,472	\$ 2,727,862	\$ 3,365,770	\$ 4,197,718	\$ 4,831,804
All Other Governmental Funds										
Unreserved, reported in:										
Special revenue fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital projects fund	1,348,019	831,658	896,448	-	-	-	-	-	-	-
Debt service fund	-	-	86,627	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	86,629	86,629	282,231	286,117	275,339
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	621,698	617,090	-	645,092	-	-	-
Unassigned, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$ 1,348,019	\$ 831,658	\$ 983,075	\$ 621,698	\$ 617,090	\$ 86,629	\$ 731,721	\$ 282,231	\$ 286,117	\$ 275,339

Note: During 2011, the District adopted GASB Statement No. 54. Prior fund balances were not restated.

**METUCHEN SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 28,680,671	\$ 29,594,979	\$ 30,602,715	\$ 31,721,615	\$ 32,274,593	\$ 32,821,197	\$ 33,354,035	\$ 34,483,655	\$ 35,208,226	\$ 36,472,553
Tuition charges	84,383	-	-	-	165,825	-	-	-	-	-
Interest earnings	1,149,890	5,417	63	-	-	-	-	-	-	-
Adult school	-	-	-	-	-	-	-	-	-	-
Miscellaneous	18,326	145,556	171,786	244,045	154,581	252,546	252,432	199,842	358,002	229,695
State sources	5,419,843	4,615,993	4,319,030	3,242,836	4,027,530	4,862,983	4,851,808	5,178,192	5,725,868	6,249,988
Federal sources	716,654	717,112	994,262	1,018,714	890,389	752,523	755,752	746,643	893,618	963,842
Total revenue	36,069,767	35,079,057	36,087,856	36,227,210	37,512,918	38,689,249	39,214,027	40,608,332	42,185,714	43,916,078
Expenditures										
Instruction										
Regular Instruction	10,178,614	10,617,659	10,948,023	10,726,949	11,005,651	10,786,662	10,926,652	11,916,406	12,548,197	12,302,125
Special education instruction	1,584,167	1,894,829	1,985,999	1,930,022	2,344,905	2,359,733	2,494,205	2,701,516	3,037,488	3,478,234
Other special instruction	1,159,503	1,264,739	1,208,484	1,044,426	1,043,678	1,063,003	1,114,160	1,098,004	1,163,044	1,206,551
Support Services:										
Tuition	1,699,526	1,942,786	1,978,134	2,060,871	2,123,690	2,213,443	2,406,025	2,156,707	1,917,586	1,866,313
Student & instruction related services	4,041,024	4,280,292	4,449,665	4,092,461	3,580,722	4,373,107	4,447,183	3,780,917	3,664,566	3,884,508
School administrative services	622,787	604,480	589,327	552,171	585,593	553,730	555,737	583,522	558,538	628,384
Other administrative services	1,459,235	1,603,381	1,460,782	1,492,134	1,525,306	1,598,850	1,658,896	1,854,484	2,015,991	2,042,687
Plant operations and maintenance	2,723,357	2,845,886	2,562,907	2,309,343	2,442,222	2,478,228	2,544,364	2,583,870	2,895,459	2,782,766
Pupil transportation	1,273,059	1,419,148	1,586,804	1,460,790	1,684,070	1,785,740	1,730,203	1,668,592	1,572,402	1,655,835
Unallocated employee benefits	7,099,546	6,374,777	6,836,568	6,929,704	7,328,395	8,506,549	8,235,263	8,377,443	8,488,206	9,582,098
Other support services	-	-	18,665	-	-	-	-	-	-	-
Special Schools	-	-	2,500	-	-	-	-	-	-	-
Capital outlay	8,846,564	859,969	606,563	407,725	79,681	462,712	766,228	1,046,613	846,168	1,361,332
Debt service:										
Principal	1,280,000	1,280,000	1,320,000	1,370,000	1,440,000	1,495,000	1,590,000	1,665,000	1,995,000	1,720,000
Interest and other charges	1,509,940	1,454,660	1,397,740	1,341,840	1,283,012	1,134,936	1,054,628	986,840	647,235	781,937
Bond issuance costs	-	-	-	-	-	-	-	-	111,125	-
Total expenditures	43,477,322	36,442,606	36,952,161	35,718,436	36,466,925	38,811,693	39,523,544	40,419,914	41,461,005	43,292,770
Excess (Deficiency) of revenues over (under) expenditures	(7,407,555)	(1,363,549)	(864,305)	508,774	1,045,993	(122,444)	(309,517)	188,418	724,709	623,308
Other Financing sources (uses)										
Payment to refunded debt escrow agent	-	-	-	-	-	(9,630,507)	-	-	(13,495,419)	-
Refunding bonds	-	-	-	-	-	8,620,000	319,999	-	12,085,000	-
Reoffering premium	-	-	-	-	-	666,107	-	-	1,521,544	-
Discount	-	-	-	-	-	(43,100)	-	-	-	-
Costs of issuance	-	-	-	-	-	(62,500)	-	-	-	-
Transfer Capital Outlay	-	-	444,941	-	-	-	-	-	-	-
Transfers in	-	-	218,592	-	-	-	-	-	-	-
Transfers out	-	-	(218,592)	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	444,941	-	-	(450,000)	319,999	-	111,125	-
Net change in fund balances	\$ (7,407,555)	\$ (1,363,549)	\$ (419,364)	\$ 508,774	\$ 1,045,993	\$ (572,444)	\$ 10,482	\$ 188,418	\$ 835,834	\$ 623,308
Debt service as a percentage of noncapital expenditures	8.1%	7.7%	7.5%	7.7%	7.5%	6.9%	6.8%	6.7%	6.5%	6.0%

Source: CAFR Schedule B-2

**METUCHEN SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)**

Fiscal Year Ended June 30,	Interest Earned	Tuition	Rentals	Telephone Commissions	Adult Education
2008	\$ 111,651	\$ 84,383	\$ 18,326	\$ -	\$ -
2009	30,008	96,498	11,565	-	-
2010	15,558	124,727	14,500	-	-
2011	1,525	185,525	14,500	-	-
2012	-	165,825	15,000	-	-
2013	-	132,494	11,922	-	-
2014	-	127,087	12,252	-	-
2015	-	85,958	11,000	-	-
2016	-	64,637	11,000	-	-
2017	-	88,648	11,500	-	-

Source: District records

**METUCHEN SCHOOL DISTRICT
 GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)**

Refunds	Transportation Fees	Insurance Claim Refund	Miscellaneous	Annual Totals
\$ -	\$ -	\$ -	\$ -	\$ 214,360
-	-	-	7,485	145,556
-	-	-	17,001	171,786
15,970	-	-	26,525	244,045
-	108,865	-	30,725	320,415
-	108,130	-	-	252,546
-	110,243	-	2,850	252,432
-	102,804	-	-	199,762
-	126,632	-	396,129	598,398
-	129,547	-	-	229,695

**METUCHEN SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 UNAUDITED**

Fiscal Year Ended June 30,	Vacant Land	Residential	Commercial	Industrial	Apartment
2008	\$ 7,471,400	\$ 791,612,800	\$ 113,083,100	\$ 37,991,600	\$ 17,342,100
2009	7,282,500	797,274,400	111,598,800	39,117,800	17,171,200
2010	9,762,200	795,616,400	109,058,200	39,401,800	16,709,200
2011	9,349,400	796,856,500	110,288,000	39,145,500	16,258,800
2012	8,891,700	797,570,600	110,815,100	38,296,000	16,258,800
2013	8,719,600	795,065,000	109,058,500	37,736,900	16,183,300
2014	8,509,000	802,952,900	108,942,000	37,676,400	15,883,800
2015	9,286,700	807,914,500	109,292,700	36,460,500	17,617,700
2016	13,660,700	814,437,600	109,677,600	36,412,600	17,852,000
2017	14,558,100	820,995,800	109,556,400	36,467,000	22,263,500

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

(1) Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

(2) Tax rates are per \$100

**METUCHEN SCHOOL DISTRICT
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 UNAUDITED**

<u>Total Assessed Value</u>	Less: Tax- Exempt Property	Public Utilities (1)	Net Valuation Taxable	Total Direct School Tax Rate (2)	Estimated Actual (County Equalized Value)
\$ 967,501,000	\$ -	\$ 3,619,308	\$ 971,120,308	3.000	\$ 2,294,167,852
972,444,700	-	3,562,397	976,007,097	3.090	2,286,157,845
970,547,800	-	3,600,009	974,147,809	3.199	2,345,197,193
971,898,200	-	3,474,360	975,372,560	3.281	2,298,237,066
971,832,200	-	3,635,750	975,467,950	3.337	2,209,826,687
966,763,300	-	2,910,399	969,673,699	3.412	2,153,706,989
973,964,100	-	2,910,399	976,874,499	3.490	2,121,701,671
980,572,100	-	-	980,572,100	3.554	2,190,249,757
992,040,500	-	-	992,040,500	3.660	2,272,195,373
1,003,840,800	-	-	1,003,840,800	3.695	2,343,041,025

**METUCHEN SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED**

(Rate Per \$100 of Assessed Value)

Fiscal Year Ended June 30,	Metuchen Board of Education			Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (1)	General Obligation Debt Service (2)	Total Direct	Borough	Middlesex County	
2008	2.750	0.250	3.000	0.920	0.678	4.598
2009	2.800	0.250	3.050	0.959	0.729	4.738
2010	2.890	0.250	3.140	1.034	0.713	4.887
2011	3.057	0.250	3.307	1.072	0.790	5.169
2012	3.110	0.250	3.360	1.098	0.831	5.289
2013	3.190	0.240	3.430	1.127	0.850	5.407
2014	3.235	0.240	3.475	1.150	0.867	5.492
2015	3.314	0.240	3.554	1.205	0.883	5.642
2016	3.430	0.230	3.660	1.256	0.880	5.796
2017	3.482	0.230	3.712	1.306	0.932	5.950

Source: District Records and Municipal Tax Collector

(1) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.

(2) Rates for debt service are based on each year's requirements.

**METUCHEN SCHOOL DISTRICT
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS PRIOR
UNAUDITED**

Taxpayer	2017			2008		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Homestead Village Apartments	\$ 5,080,000	1	0.51%	\$ 5,542,000	2	0.57%
398-400 Amboy Ave Assoc I ETAL	4,500,000	2	0.45%			
P & V Warehouse & Distribution Co.	4,198,800	3	0.42%	4,198,800	3	0.43%
Redfield Village Apartments	3,700,000	4	0.37%	3,800,000	4	0.39%
Metuchen Manor Apartments	3,500,000	5	0.35%	3,110,500	6	0.32%
Extra Space Storage	3,001,000	6	0.30%	3,264,500	5	0.34%
District at Metuchen/Bluestone 31st	3,000,000	7	0.30%			
Metuchen I	2,675,000	8	0.27%	2,283,800	7	0.24%
Bridge and Middlesex	2,200,000	9	0.22%			
Whippany Office Park LLC	2,200,000	10	0.22%			
New Wincup Holdings	2,100,000	11	0.21%	2,013,500	10	0.21%
Franco Brothers Realty	1,950,000	12	0.19%	2,141,800	8	0.22%
Bell Atlantic			0.00%	2,112,500	9	0.22%
Bell Atlantic (Equipment)			0.00%	8,558,492	1	0.88%
Mainstreet Metuchen			0.00%	1,960,200	11	0.20%
Total	\$ 38,104,800		3.80%	\$ 38,986,092		4.03%

**METUCHEN SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTION
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the	
		Amount	Percentage of Levy
2008	\$ 28,680,671	\$ 28,680,671	100.00%
2009	29,594,979	29,594,979	100.00%
2010	30,602,715	30,602,715	100.00%
2011	31,721,615	31,721,615	100.00%
2012	32,274,593	32,274,593	100.00%
2013	32,821,197	32,821,197	100.00%
2014	33,354,035	33,354,035	100.00%
2015	34,483,655	34,483,655	100.00%
2016	35,208,226	35,208,226	100.00%
2017	36,472,553	36,472,553	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 the amount voted upon or certified prior to the end of the school year.

**METUCHEN SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2008	\$ 34,492,000	\$ -	\$ -	\$ -	\$ -	\$ 34,492,000	5.5%	\$ 2,646	
2009	33,287,000	-	-	-	-	33,287,000	5.5%	2,551	
2010	31,892,000	-	-	-	-	31,892,000	5.0%	2,435	
2011	30,522,000	-	-	-	-	30,522,000	4.6%	2,249	
2012	29,082,000	-	-	-	-	29,082,000	4.2%	2,131	
2013	27,610,000	-	-	-	-	27,610,000	4.0%	2,015	
2014	26,020,000	-	319,999	-	-	26,339,999	3.6%	1,913	
2015	24,355,000	-	258,830	-	-	24,613,830	3.3%	1,775	
2016	21,240,000	-	196,277	-	-	21,436,277	N/A	1,544	
2017	19,520,000	-	132,310	-	-	19,652,310	N/A	1,417	

N/A - Information not currently available.

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

- (1) 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.

**METUCHEN SCHOOL DISTRICT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value (1) of Property	Per Capita (2)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 34,492,000	\$ -	\$ 34,492,000	3.55%	2,644
2009	33,212,000	-	33,212,000	3.40%	2,536
2010	31,892,000	-	31,892,000	3.27%	2,350
2011	30,522,000	-	30,522,000	3.13%	2,237
2012	29,082,000	-	29,082,000	2.98%	2,122
2013	27,610,000	-	27,610,000	2.85%	2,005
2014	26,020,000	-	26,020,000	2.66%	1,877
2015	24,355,000	-	24,355,000	2.48%	1,754
2016	21,240,000	-	21,240,000	2.14%	1,531
2017	19,520,000	-	19,520,000	1.94%	N/A

N/A - Information not currently available.

(1) See Exhibit NJ J-6 for property tax data.

(2) Population data can be found in Exhibit NJ J-14.

Note: Details regarding the District's outstanding debt can be found in the Notes to the Basic Financial Statements.

**METUCHEN SCHOOL DISTRICT
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
UNAUDITED**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Metuchen Borough	\$ 18,917,005	100%	\$ 18,917,005
Other debt			
Metuchen Borough	331,600	100%	331,600
Middlesex County	512,964,315	2.225%	<u>11,412,430</u>
Sub-total overlapping debt			30,661,035
School District debt			
Metuchen Board of Education	19,520,000	100%	<u>19,520,000</u>
Total direct and overlapping debt			<u><u>\$ 50,181,035</u></u>

Sources: Debt outstanding provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Metuchen. 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.

(1) 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.

**METUCHEN SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 85,422,457	\$ 91,526,460	\$ 92,270,235	\$ 92,394,561	\$ 91,376,813	\$ 86,801,741	\$ 85,673,065	\$ 86,208,779	\$ 86,398,173	\$ 87,947,345
Total net debt applicable to limit	<u>34,492,000</u>	<u>33,212,000</u>	<u>31,892,000</u>	<u>30,522,000</u>	<u>29,082,000</u>	<u>26,475,000</u>	<u>26,339,999</u>	<u>24,613,830</u>	<u>21,436,277</u>	<u>19,652,310</u>
Legal debt margin	<u>\$ 50,930,457</u>	<u>\$ 58,314,460</u>	<u>\$ 60,378,235</u>	<u>\$ 61,872,561</u>	<u>\$ 62,294,813</u>	<u>\$ 60,326,741</u>	<u>\$ 59,333,066</u>	<u>\$ 61,594,949</u>	<u>\$ 64,961,896</u>	<u>\$ 68,295,035</u>
Total net debt applicable to the limit as a percentage of debt limit	40.38%	36.29%	34.56%	33.03%	31.83%	30.50%	30.74%	28.55%	24.81%	22.35%

Source:	Year	Equalized Valuation Basis
Abstract of ratables and district records. Borough's Annual Debt Statement	2015	\$ 2,190,249,757
	2016	2,167,911,524
	2017	<u>2,237,889,597</u>
		<u>\$ 6,596,050,878</u>
Average equalized valuation of taxable property		<u>\$ 2,198,683,626</u>
Debt limit (4% of average equalization value)		\$ 87,947,345
Total net debt applicable to limit as of June 30, 2017		<u>19,652,310</u>
Legal debt margin		<u>\$ 68,295,035</u>

**METUCHEN SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Year	Population (1)	Personal Income (thousands of dollars) (2)	Per Capita Personal Income (3)	Unemployment Rate (4)
2008	13,047	\$ 629,491,656	\$ 48,248	4.3%
2009	13,096	600,176,584	45,829	5.8%
2010	13,570	631,982,040	46,572	7.8%
2011	13,646	667,057,418	48,883	8.0%
2012	13,705	688,827,005	50,261	8.7%
2013	13,772	692,277,124	50,267	8.9%
2014	13,865	727,718,390	52,486	4.3%
2015	13,886	742,442,762	53,467	4.2%
2016	13,871	N/A	N/A	3.7%
2017	N/A	N/A	N/A	3.7%

N/A - Information not currently available.

- (1) Population information provided by the NJ Department of Labor and Workforce
- (2) Personal income has been estimated based upon the municipal population and per capita personal income presented.
- (3) Per capita personal income by county estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- (4) Unemployment data provided by the NJ Department of Labor and Workforce Development.

**METUCHEN SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Employer	2017		2008	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

N/A - The District inquired of various local and state entities, including the local chamber of commerce and the New Jersey Department of Labor and Workforce Development to obtain the above information. This information was not readily available or gathered currently and thus is not presently available.

**METUCHEN SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction										
Regular	148	146	145	147	146	146	146	146	146	147
Special education	29	29	30	32	34	34	34	35	37	38
Other instruction	10	10	10	10	10	10	10	10	10	10
Support Services:										
General administrative services	11	11	11	11	11	11	11	11	11	11
School administrative services	17	17	16	16	16	16	16	16	16	16
Business administrative services	5	5	5	5	5	5	5	5	5	5
Plant operations and maintenance	29	29	27	25	27	27	25	25	25	25
Pupil transportation	6	6	6	6	6	6	5	5	5	5
Total	<u>255</u>	<u>253</u>	<u>250</u>	<u>252</u>	<u>255</u>	<u>255</u>	<u>252</u>	<u>253</u>	<u>255</u>	<u>257</u>

Source: District Personnel Records

**METUCHEN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	Enrollment	Operating Expenditures (1)	Cost Per Pupil	Percentage Change	Teaching Staff (2)
2008	2,050	\$ 31,190,279	\$ 15,215	-0.58%	195
2009	2,052	31,692,803	15,445	1.49%	195
2010	2,055	31,677,192	15,415	-0.19%	194
2011	2,065	32,296,804	15,640	1.44%	194
2012	2,149	33,664,232	15,665	0.16%	194
2013	2,147	35,719,045	16,637	5.84%	194
2014	2,146	35,700,487	16,636	-0.01%	196
2015	2,173	36,214,854	16,666	0.18%	197
2016	2,236	36,569,880	16,355	-1.90%	197
2017	2,259	38,171,765	16,898	3.21%	198

N/A - Information not currently available.

Sources: District records

Note: Enrollment based on annual October district count.

- (1) Operating expenditures equal total expenditures less debt service and capital outlay (from CAFR Schedule C1).
- (2) Teaching staff includes only full-time equivalents of certificated staff.
- (3) Average daily enrollment & average daily attendance are obtained from the School Registers.

**METUCHEN SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

Pupil/Teacher Ratio			Average Daily Enrollment (ADE) (3)	Average Daily Attendance (ADA) (3)	% Change in Average Daily Enrollment	Student Attendance Percentage
Elementary	Middle School	High School				
1:13	1:12	1:12	1,997	1,893	0.32%	92.34%
1:13	1:12	1:12	2,044	2,002	5.44%	97.56%
1:13	1:12	1:12	2,043	1,983	-0.97%	96.49%
1:13	1:12	1:12	2,050	1,986	0.16%	96.17%
1:13	1:12	1:12	2,142	2,102	5.52%	97.81%
1:13	1:12	1:12	2,098	2,007	-2.05%	93.48%
1:13	1:12	1:12	2,107	2,030	0.43%	96.00%
1:13	1:15	1:13	2,109	2,033	0.09%	97.00%
1:13	1:15	1:13	2,115	2,036	0.28%	96.00%
1:13	1:15	1:13	2,150	2,056	1.65%	96.00%

**METUCHEN SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>District Building</u>										
<u>Moss School</u>										
Square Feet	29,711	29,711	29,711	29,711	29,711	29,711	29,711	29,711	29,711	29,711
Capacity (students)	156	156	156	156	156	156	156	156	156	156
Enrollment	130	130	130	130	130	135	125	127	162	166
<u>Campbell School</u>										
Square Feet	57,768	57,768	57,768	57,768	57,768	57,768	57,768	57,768	57,768	57,768
Capacity (students)	439	439	439	439	439	439	439	439	439	439
Enrollment	685	690	692	695	705	669	658	643	660	675
<u>Edgar School</u>										
Square Feet	97,652	97,652	97,652	97,652	97,652	97,652	97,652	97,652	97,652	97,652
Capacity (students)	590	590	590	590	590	590	590	590	590	590
Enrollment	639	643	645	672	664	694	717	766	766	725
<u>Metuchen High School</u>										
Square Feet	108,124	108,124	108,124	108,124	108,124	108,124	108,124	108,124	108,124	108,124
Capacity (students)	617	617	617	617	617	617	617	617	617	617
Enrollment	621	608	603	611	614	627	646	654	655	693

N/A - Information not currently available.

Source: District's records

**METUCHEN SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES BY SCHOOL FACILITY
LAST TEN FISCAL YEARS
UNAUDITED**

SCHOOL FACILITIES *	Square Ft	Percentage	PROJECT # (s)											
				Total	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Moss School	30,000	10%	N/A	\$ 659,280	\$ 136,139	\$ 77,998	\$ 73,194	\$ 71,680	\$ 44,392	\$ 50,449	\$ 31,198	\$ 76,769	\$ 52,479	\$ 44,982
Campbell School	57,000	20%	N/A	1,114,732	134,829	113,997	97,323	119,467	143,109	138,356	70,176	111,936	100,075	85,464
Edgar School	92,000	32%	N/A	1,299,494	115,375	208,995	110,522	191,148	85,902	126,208	74,619	88,228	160,558	137,939
Metuchen High School	113,000	39%	N/A	1,449,414	173,698	198,995	119,914	95,574	166,777	150,136	49,365	127,868	197,661	169,426
Total Expenditures	292,000			\$ 4,522,920	\$ 560,041	\$ 599,985	\$ 400,953	\$ 477,869	\$ 440,180	\$ 465,149	\$ 225,358	\$ 404,801	\$ 510,773	\$ 437,811

N/A - Information not currently unavailable

Source: District Records

* School facility as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6:24-1.3)

Required maintenance, defined in N.J.A.C 6:24, The Educational Facilities Construction and Financing Act, includes expenditures for systems warranty purposes that are approved for repairs and replacements for the purpose of keeping a school facility open, comfortable and safe for use or in its original condition, including repairs and replacements to a school facility's heating, lighting, ventilation, security and other fixtures to keep the facility or fixtures in effective working condition. Required maintenance includes periodic or occasional inspection; adjustment, lubrication, and cleaning (non-janitorial) of buildings or fixtures; replacement of parts; and other actions to assure continuing service and to prevent breakdown.

**METUCHEN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

<u>Company</u>	<u>Type of Coverage</u>	<u>2017 Coverage</u>	<u>2017 Deductible</u>
NJSIG	Property Blanket Building & Contents Replacement Cost Values Boiler & Machinery	\$82,682,857 \$1,000,000	\$5,000
NJSIG	Flood - All Flood Zones other than A& B Earthquake	\$10,000,000 \$50,000,000	\$10,000
Steadfast Ins Co.	Pollution Liability	\$1,000,000	\$25,000
AIG	Pollution Liability -Mold	\$1,000,000	\$10,000
NJSIG	General Liability - Each Occurrence - General Aggregate - Products/Completed Operations - Personal Injury - Sexual Abuse Per Occurrence - Sexual Abuse Aggregate Limit - Medical Expense Limit (Excluding Students) - Employee Benefit Liability (EBL) - EBL Aggregate	\$11,000,000 N/A \$11,000,000 \$11,000,000 \$11,000,000 \$17,000,000 \$10,000 \$11,000,000 \$11,000,000	\$1,000
NJSIG	Automotive Coverage - Combined Single Limit - Hired/Non-Owned Autos - Uninsured & Underinsured - Personal Injury Protection - Medical Payments - Physical Damage - Hired Car Physical Damage maximum	\$11,000,000 \$11,000,000 \$1,000,000 \$250,000 \$1,000 \$110,000	\$1,000 \$1,000
NJSIG	Crime Coverage - Employee Dishonesty with Faithful Performance	\$50,000	
RLI	- Superintendent's Bond	\$2,000	
CNA	- Treasurer of School Monies	\$260,000	
CNA	- Board Secretary/Business Admin.	\$50,000	

**METUCHEN SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

<u>Company</u>	<u>Type of Coverage</u>	<u>2017 Coverage</u>	<u>2017 Deductible</u>
Fireman's Fund	Catastrophic Umbrella Coverage		
	- Occurrence Limit	\$50,000,000	
	- Aggregate Limit	\$50,000,000	
NJSIG	Educators Liability		
	- Coverage A: Liability Limit	\$11,000,000	
	- Coverage B: Each Claim	\$100,000	
	- Coverage B: Total Limit	\$300,000	
	- Deductible Each Claim		\$5,000
Markel Ins Co	Accident - Volunteer Workers	\$25,000	
Monumental Life Ins Co.	Student Accident- Compulsory Program		
	- Benefit Period	10 years	
NJSIG	Workers Compensation		
	- Employers Liability	\$2,000,000	
	- Professional Employee Payroll	\$19,714,060	
	- Non-Professional Employee Payroll	\$1,444,874	

Single Audit Section

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

Honorable President and Members
of the Board of Education
Metuchen School District
County of Middlesex, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Metuchen School District, in the County of Middlesex, State of New Jersey (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 4, 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.

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

Compliance and Other Matters

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

Purpose of this Report

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



Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500



Baker Tilly Virchow Krause, LLP

December 4, 2017
Iselin, New Jersey

**Independent Auditors' Report on Compliance
for Each Major Federal and State Program and
Report on Internal Control Over Compliance in
Accordance with the Uniform Guidance
and New Jersey OMB Circular 15-08**

Honorable President and Members
of the Board of Education
Metuchen School District
County of Middlesex, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited Metuchen School District's, County of Middlesex, State of New Jersey (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2017. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments*. Those standards, the Uniform Guidance, and the 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 federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

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



Robert A. Fodera
Licensed Public School Accountant
No. CS-00262500



Baker Tilly Virchow Krause, LLP

December 4, 2017
Iselin, New Jersey

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (K-3)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Federal Grantor/Pass-Through Grantor/ Program Title or Cluster	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period	
					From	To
U.S. Department of Education						
Passed-through State Department of Education						
Special Revenue Fund:						
Title I Part A, Grants to Local Education Agencies, Carryover	84.010	S010A150030	NCLB-xxxx-16	\$ 111,331	07/01/15	06/30/16
Title I Part A, Grants to Local Education Agencies	84.010	S010A150030	NCLB-xxxx-17	117,535	07/01/16	06/30/17
Total Title I Part A, Grants to Local Education Agencies						
Title II, Part A, Supporting Effective Instruction State Grant, Carryover	84.367	S367A150029	NCLB-xxxx-16	43,470	07/01/15	06/30/16
Title II, Part A, Supporting Effective Instruction State Grant	84.367	S367A150029	NCLB-xxxx-17	51,231	07/01/16	06/30/17
Total Title II, Part A, Supporting Effective Instruction State Grant						
Title III, English Language Acquisition State Grants, Carryover	84.365	S365A150030	NCLB-xxxx-16	12,971	07/01/15	06/30/16
Title III, English Language Acquisition State Grants	84.365	S365A150030	NCLB-xxxx-17	17,329	07/01/16	06/30/17
Total Title III, English Language Acquisition State Grants						
Special Education Cluster (IDEA):						
I.D.E.A. Special Education States Grant BASIC	84.027	S027A150100	IDEA-xxxx-16	641,600	07/01/15	06/30/16
I.D.E.A. Special Education States Grant BASIC	84.027	S027A150100	IDEA-xxxx-17	672,706	07/01/16	06/30/17
Total I.D.E.A. Special Education States Grant BASIC						
I.D.E.A. Preschool	84.173	S173A150114	IDEA-xxxx-16	15,913	07/01/15	06/30/16
I.D.E.A. Preschool	84.173	S173A150114	IDEA-xxxx-17	16,416	07/01/16	06/30/17
Total I.D.E.A. Preschool						
Total Special Education Cluster (IDEA)						
Total Special Revenue Fund						
Department of Homeland Security						
Disaster grants - Public Assistance (Presidentially declared disasters)	97.036	N/A	N/A	141,777	04/13/15	04/18/18
Total Capital Projects Fund						
U.S. Department of Agriculture						
Passed-through State Department of Education						
Enterprise Fund:						
Healthy Hunger - free Kids Act	10.592	N/A	N/A	6,506	07/01/15	06/30/16
Healthy Hunger - free Kids Act - Carryover	10.592	N/A	N/A	6,506	07/01/16	06/30/17
Total Healthy Hunger - Free Kids Act						
Child Nutrition Cluster:						
Food Donation	10.555	1616NJ304N1099	N/A	46,913	07/01/15	06/30/16
National School Lunch Program	10.555	1616NJ304N1099	N/A	91,919	07/01/15	06/30/16
National School Lunch Program, Carryover	10.555	1616NJ304N1099	N/A	86,944	07/01/16	06/30/17
Total National School Lunch Program/Child Nutrition Cluster						
Total Enterprise Fund						
Total Federal Financial Awards						

METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (K-3) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Accounts Receivable (Deferred) at June 30, 2016	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Accounts Receivable June 30, 2017	Deferred Revenue	Due to Grantor At June 30, 2017
\$ 101,884	\$ 8,148	\$ 110,032	\$ (8,148)	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	63,491	(97,648)	-	-	45,893	11,736	-
<u>101,884</u>	<u>8,148</u>	<u>173,523</u>	<u>(105,796)</u>	<u>-</u>	<u>-</u>	<u>45,893</u>	<u>11,736</u>	<u>-</u>
43,380	9,721	53,101	(9,721)	-	-	-	-	-
-	-	19,388	(36,699)	-	-	22,122	4,811	-
<u>43,380</u>	<u>9,721</u>	<u>72,489</u>	<u>(46,420)</u>	<u>-</u>	<u>-</u>	<u>22,122</u>	<u>4,811</u>	<u>-</u>
10,186	-	10,186	-	-	-	-	-	-
-	-	11,477	(17,160)	-	-	5,851	168	-
<u>10,186</u>	<u>-</u>	<u>21,663</u>	<u>(17,160)</u>	<u>-</u>	<u>-</u>	<u>5,851</u>	<u>168</u>	<u>-</u>
298,793	45,205	298,793	(45,203)	-	-	-	-	-
-	-	427,540	(585,055)	-	-	199,962	42,447	-
<u>298,793</u>	<u>45,205</u>	<u>726,333</u>	<u>(630,258)</u>	<u>-</u>	<u>-</u>	<u>199,962</u>	<u>42,447</u>	<u>-</u>
15,897	-	15,891	-	-	-	6	-	-
-	-	14,774	(14,774)	-	-	1,642	1,642	-
<u>15,897</u>	<u>-</u>	<u>30,665</u>	<u>(14,774)</u>	<u>-</u>	<u>-</u>	<u>1,648</u>	<u>1,642</u>	<u>-</u>
314,690	45,205	756,998	(645,032)	-	-	201,610	44,089	-
<u>470,140</u>	<u>63,074</u>	<u>1,024,673</u>	<u>(814,408)</u>	<u>-</u>	<u>-</u>	<u>275,476</u>	<u>60,804</u>	<u>-</u>
141,777	-	-	-	-	-	141,777	-	-
<u>141,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,777</u>	<u>-</u>	<u>-</u>
1,110	-	1,110	-	-	-	-	-	-
-	-	6,157	(6,579)	-	-	422	-	-
<u>1,110</u>	<u>-</u>	<u>7,267</u>	<u>(6,579)</u>	<u>-</u>	<u>-</u>	<u>422</u>	<u>-</u>	<u>-</u>
-	-	36,297	(36,297)	-	-	-	-	-
16,375	-	16,373	-	-	-	-	-	-
-	-	81,705	(86,944)	-	-	5,239	-	-
<u>16,375</u>	<u>-</u>	<u>134,375</u>	<u>(123,241)</u>	<u>-</u>	<u>-</u>	<u>5,239</u>	<u>-</u>	<u>-</u>
17,485	-	141,642	(129,820)	-	-	5,661	-	-
<u>\$ 629,402</u>	<u>\$ 63,074</u>	<u>\$ 1,166,315</u>	<u>\$ (944,228)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422,914</u>	<u>\$ 60,804</u>	<u>\$ -</u>

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (K-4)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

State Grantor/ Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Accounts Receivable at June 30, 2016	Carryover/ (Walkover) Amount
			From	To		
State Department of Education						
General Fund:						
State Aid - Public Cluster:						
Special Education Categorical Aid Carryover	495-034-5120-089	\$ 914,044	07/01/15	06/30/16	\$ 84,965	\$ -
Special Education Categorical Aid	495-034-5120-089	908,249	07/01/16	06/30/17	-	-
Security Aid	495-034-5120-084	40,769	07/01/16	06/30/17	-	-
Transportation Aid	495-034-5120-014	65,404	07/01/16	06/30/17	-	-
Total State Aid - Public Cluster					<u>84,965</u>	<u>-</u>
Other Aids						
Nonpublic School Trans. Costs	10-103-190	64,786	07/01/16	06/30/17	-	-
Extraordinary Special Education Costs Aid, Carryover	495-034-5120-044	11,136	07/01/16	06/30/17	-	-
Extraordinary Special Education Costs Aid	495-034-5120-044	234,889	07/01/15	06/30/16	234,889	-
On-behalf T.P.A.F Pension/Medical	495-034-5120-044	234,438	07/01/16	06/30/17	-	-
Reimbursed T.P.A.F. Social Security Tax,	100-034-5095-001	3,149,946	07/01/16	06/30/17	-	-
Reimbursed T.P.A.F. Social Security Tax, Carryover	100-034-5095-002	1,130,605	07/01/16	06/30/17	-	-
Total General Fund		1,127,963	07/01/15	06/30/16	<u>55,468</u>	<u>-</u>
					<u>375,322</u>	<u>-</u>
Special Revenue Fund:						
N.J. Nonpublic Aid:						
Textbook Aid	100-034-5120-064	77,929	07/01/16	06/30/17	-	-
Nursing Services Aid	100-034-5120-070	121,680	07/01/16	06/30/17	-	-
Technology Initiative Aid	100-034-5120-373	35,152	07/01/16	06/30/17	-	-
Security		67,600	07/01/16	06/30/17	-	-
Auxiliary Services:						
Transportation Aid	100-034-5120-067	10,435	07/01/16	06/30/17	-	-
Compensatory Education	100-034-5120-067	33,145	07/01/16	06/30/17	-	-
English as a Second Language	100-034-5120-067	12,789	07/01/16	06/30/17	-	-
Supplemental Instruction	100-034-5120-066	22,756	07/01/16	06/30/17	-	-
Examination and Classification	100-034-5120-066	47,550	07/01/16	06/30/17	-	-
Corrective Speech	100-034-5120-066	30,039	07/01/16	06/30/17	-	-
Home Instruction	100-034-5120-067	3,624	07/01/16	06/30/17	-	-
Coaches Grant		67,718	02/01/15	08/31/15	66,569	-
Total Special Revenue Fund					<u>66,569</u>	<u>-</u>
Debt Service Fund:						
Debt Service Aid Type II	495-034-5120-075	236,338	07/01/16	06/30/17	-	-
Total Debt Service Fund					<u>-</u>	<u>-</u>
State Department of Agriculture						
Enterprise Fund:						
National School Lunch Program (State Share)-Carryover	100-034-5120-122	4,674	07/01/15	06/30/16	253	-
National School Lunch Program (State Share)	100-034-5120-122	4,677	07/01/16	06/30/17	-	-
Total Enterprise Fund					<u>253</u>	<u>-</u>
Total State Financial Assistance					<u>\$ 442,144</u>	<u>\$ -</u>
Less: Grants Not Subject to Major Program Determination						
On-behalf T.P.A.F Pension/Medical	100-034-5095-001	3,149,946	07/01/16	06/30/17		
Total State Financial Assistance Subject to Major Program Determination						

**METUCHEN SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (K-4) (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	(Accounts Receivable) June 30, 2017	Deferred Revenue	Due to Grantor At June 30, 2017	MEMO	
							Budgetary Receivable	Cumulative Total Expenditures
\$ 84,965	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
813,210	(908,249)	-	-	(95,039)	-	-	(95,039)	(908,249)
40,769	(40,769)	-	-	-	-	-	-	(40,769)
65,404	(65,404)	-	-	-	-	-	-	(65,404)
<u>1,004,348</u>	<u>(1,014,422)</u>	<u>-</u>	<u>-</u>	<u>(95,039)</u>	<u>-</u>	<u>-</u>	<u>(95,039)</u>	<u>(1,014,422)</u>
64,786	(64,786)	-	-	-	-	-	-	(64,786)
-	(11,136)	-	-	(11,136)	-	-	(11,136)	(11,136)
234,889	-	-	-	-	-	-	-	-
-	(234,438)	-	-	(234,438)	-	-	(234,438)	(234,438)
3,149,946	(3,149,946)	-	-	-	-	-	-	(3,149,946)
1,130,605	(1,130,605)	-	-	-	-	-	-	(1,130,605)
55,468	-	-	-	-	-	-	-	-
<u>5,640,042</u>	<u>(5,605,333)</u>	<u>-</u>	<u>-</u>	<u>(340,613)</u>	<u>-</u>	<u>-</u>	<u>(340,613)</u>	<u>(5,605,333)</u>
77,929	(77,474)	-	-	-	455	455	-	(77,474)
121,680	(118,424)	-	-	-	3,256	3,256	-	(118,424)
35,152	(34,701)	-	-	-	451	451	-	(34,701)
67,600	(64,414)	-	-	-	3,186	3,186	-	(64,414)
10,435	(10,435)	-	-	-	-	-	-	(10,435)
33,145	(26,874)	-	-	-	6,271	6,271	-	(26,874)
12,789	(2,741)	-	-	-	10,048	10,048	-	(2,741)
22,756	(16,479)	-	-	-	6,277	6,277	-	(16,479)
47,550	(42,872)	-	-	-	4,678	4,678	-	(42,872)
30,039	(20,322)	-	-	-	9,717	9,717	-	(20,322)
-	(3,624)	-	-	(3,624)	-	-	(3,624)	(3,624)
66,569	-	-	-	-	-	-	-	-
<u>525,644</u>	<u>(418,360)</u>	<u>-</u>	<u>-</u>	<u>(3,624)</u>	<u>44,339</u>	<u>44,339</u>	<u>(3,624)</u>	<u>(418,360)</u>
236,338	(236,338)	-	-	-	-	-	-	(236,338)
<u>236,338</u>	<u>(236,338)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(236,338)</u>
253	-	-	-	-	-	-	-	-
4,379	(4,677)	-	-	(298)	-	-	(298)	(4,677)
4,632	(4,677)	-	-	(298)	-	-	(298)	(4,677)
<u>\$ 6,406,656</u>	<u>(6,264,708)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (344,535)</u>	<u>\$ 44,339</u>	<u>\$ 44,339</u>	<u>\$ (344,535)</u>	<u>\$ (6,264,708)</u>
	<u>3,149,946</u>							
	<u>\$ (3,114,762)</u>							

Metuchen School District

Notes to Schedules of Expenditures of Federal and State Awards

Year ended June 30, 2017

1. General

The accompanying schedules of expenditures of federal and state financial assistance (the "schedules") include federal and state award activity of Metuchen School District (the "District"). The District is defined in Note 1 to the District's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal and state awards passed through other government agencies are included on the schedules of expenditures of federal and state awards. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position, or cash flows of the District.

2. Basis of Accounting

The accompanying schedules of expenditures of federal and state awards are presented using the modified accrual basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting, and those recorded in the Special Revenue Fund, which, for state purposes are presented using the budgetary basis of accounting and for federal purposes are presented using the modified accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with or reconcile to amounts reported in the basic financial statements which present the General Fund and Special Revenue Fund on a GAAP basis. Budgetary comparison statements and 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 fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

Metuchen School District

Notes to Schedules of Expenditures of
Federal and State Awards

Year ended June 30, 2017

4. Relationship to Basic Financial Statements (continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$10,043 for the General Fund. See the Note to Required Supplementary Information (C-3) for a reconciliation of the budgetary basis to the GAAP basis of accounting for the General Fund and Special Revenue Fund. Financial award revenues are reported in the District's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 24,658	\$ 5,595,290	\$ 5,619,948
Special Revenue Fund	814,410	418,360	1,232,770
Capital Projects Fund	124,774	-	124,774
Debt Service Fund	-	236,338	236,338
Proprietary Fund	129,820	4,677	134,497
Total Awards & Financial Assistance	<u>\$ 1,093,662</u>	<u>\$ 6,254,665</u>	<u>\$ 7,348,327</u>

5. Relationship to Federal and State Financial Reports

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

6. Other

Revenues and expenditures reported under the Food Donation Program represent current year value received and current year distributions respectively. TPAF Social Security and Post Retirement/Medical Benefits Contributions represent the amounts reimbursed by the State for the employer's share of social security contributions and Post Retirement/Medical Benefits for TPAF members for the year ended June 30, 2017. The TPAF post retirement/medical benefits expenditures are not subject to New Jersey OMB Circular 15-08.

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2017

Part I-Summary of Auditors' Results

Financial Statement Section

- (i) Type of auditors' report issued: Unmodified
- (ii) Internal control over financial reporting:
- Material weakness(es) identified? Yes ✓ No
- Significant deficiency(ies) identified? Yes ✓ None Reported
- (iii) Noncompliance material to financial statements noted? Yes ✓ No

Federal and State Awards Section

- (viii) Dollar threshold used to determine Type A programs: Federal - \$750,000 State - \$750,000
- (ix) Auditee qualified as low-risk auditee? ✓ Yes No
- (v) Type of auditors' report on compliance for major federal and state programs: Unmodified
- (iv) Internal control over compliance for major federal and state programs:
- Material weakness(es) identified? Yes ✓ No
- Significant deficiency(ies) identified? Yes ✓ None Reported
- (v) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) and New Jersey OMB Circular 15-08? Yes ✓ No

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2017

Part I-Summary of Auditors' Results (continued)

Federal and State Awards Section (continued)

(vii) Identification of major federal and state programs:

<u>CFDA Number(s) or State Program Number</u>	<u>Name of Federal or State Program or Cluster</u>
Federal:	
	Special Education Cluster (IDEA):
84.027	Special Education - Grants to States (IDEA, Part B)
84.173	Special Education - Grants to States (IDEA Preschool)
State:	
100-034-5095-002	Reimbursed T.P.A.F. Social Security Tax

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2017

Part II-Financial Statement Findings

No financial statement findings noted that are required to be reported under *Government Auditing Standards*.

Metuchen School District
Schedule of Findings and Questioned Costs

June 30, 2017

Part III-Federal and State Award Findings and Questioned Costs

No federal or state award findings or questioned costs noted that are required to be reported in accordance with 2 CFR 200.516(a) of the Uniform Guidance and New Jersey OMB Circular 15-08.

Metuchen School District
Summary Schedule of Prior Audit Findings

June 30, 2016

STATUS OF FINDINGS

There were no prior-year audit findings for the fiscal year ended June 30, 2016.

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