

**POHATCONG TOWNSHIP  
SCHOOL DISTRICT**

**Pohatcong Township School District  
Board of Education  
Phillipsburg, Warren County  
New Jersey**

**Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2015**



# **Comprehensive Annual**

## **Financial Report**

**of the**

**Pohatcong Township School District  
Board of Education**

**Phillipsburg, New Jersey**

**For the Fiscal Year Ending June 30, 2015**

**Prepared by**

**Pohatcong Township School District**

**Board of Education**

**Finance Department**



# OUTLINE OF CAFR

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# Introductory Section



# Pohatcong Township Board of Education

240 Route 519

Phillipsburg, NJ 08864

(908) 859-8155 Tel.

(908) 859-8067 Fax

Honorable President and  
Members of the Board of Education  
Pohatcong Township School District  
County of Warren, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Township of Pohatcong School District (District) for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments and Non Profit Organizations", and the state Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid". Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

**REPORTING ENTITY AND ITS SERVICES:** The Pohatcong Township School District is an independent reporting entity within the criteria adopted by the GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report.

The Pohatcong Township Board of Education and all its schools constitute the District's reporting entity. The district provides a full range of educational services appropriate to grade levels K through 8. These include regular as well as special education for handicapped youngsters. The district completed the 2014-15 fiscal year with an enrollment of 320 students. The following details the changes in the student enrollment.

Fiscal Year	<u>Average Daily Enrollment</u>	
	Student Enrollment	Percentage Change
2014-15	320	-6.2
2013-14	341	-3.4
2012-13	353	-.57
2011-12	351	2.0
2010-11	344	-1.7
2009-10	350	-2.8
2008-09	360	-1.4
2007-08	365	-2.4
2006-07	374	2.2
2005-06	366	-2.9
2004-05	377	1.9
2003-04	370	-4.8
2002-03	388	0.2

**TUITION PUPILS:** Pohatcong Township School District sends our grade 9 to 12 students to Phillipsburg High School on a tuition basis. Approximately 147 students attended Phillipsburg High School while 25 students attended the Warren County Technical School District.

From the township, 11 children attended non-public and charter schools including Saints Phillip and James, Bethlehem Catholic, Immaculate Conception, Notre Dame High School, Moravian Academy and the Ridge & Valley Charter School. Currently the district sends approximately 13 children, ages three through twenty-one, for special educational instruction outside the Pohatcong Township School District as per the individual student's educational placement requirements.

**PRESENT CONDITION AND OUTLOOK:** The Pohatcong School will be entering its fifteenth year in 2014-15. The building is a modern, well equipped, facility with more than enough space to accommodate current enrollment. There are six classrooms that are not used on a daily basis. We have one room that is used for Occupational and Physical Therapy.

The Pohatcong School receives regular cleaning and maintenance of all building systems. Community groups and sports teams hold many activities and events on nights and weekends inside and outside of the building. Student activities and events at night cause heavy use of the facilities.

Large sections of Pohatcong Township are in the hands of developers. There continues to be a great deal of discussion concerning pending housing projects. The township Land Use Board is working to ensure that development progresses in a planned and orderly manner.

**MAJOR INITIATIVES/PLANNING:** In 2014-15, we continued to incorporate technology including Google Apps for Education into the daily instruction for all grades and continued

professional development regarding instructional strategies for the Common Core and the PARCC assessment. Additionally, ChromeBooks and iPads were added to classroom and plans were made to begin a one-to-one Chromebook initiative for the following year. Preparation began for the implementation of the Next Generation Science Standards by completing an in depth review of the standards and analysis of necessary materials.

Progress of students was monitored through ongoing standardized assessments within math and language arts in order to further individualize instruction and also prepare students for PARCC. Teachers in grades 5-8 used LinkIT for these assessments.

Our Response to Intervention Program had an intensive review and a decision was made to change instructional programs to Leveled Literacy Intervention for grades 1-4 and Foundations Double Dose for kindergarten. All students in grades 1-8 were screened three times utilizing the Developmental Reading Assessment and appropriate remediation was delivered.

We formed Professional Learning Communities to coordinate integration of technology in all subjects, delivery of the Common Core, and preparation for PARCC. In addition, teachers had professional development opportunities for personal needs and small group needs.

Pohatcong School District instilled character education into our students through lessons, discussions, speakers, assemblies, and programs. We focused on school wide programs and positive behavioral choices with our students.

After school clubs were increased in order to accommodate varying student interests.

We plan to evaluate our one to one Chromebook initiative and work toward increased instruction of 21<sup>st</sup> Century Skills including Google Apps for Education. We also need to evaluate future technology needs involving our network, wireless connection, and obsolete equipment. In addition, we also have curriculum revisions that need to be completed in order to be compliant with NJDOE regulations for the fall of 2015.

**BUDGETARY CONTROLS:** In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund and the debt service fund. The final budget amount is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as re-appropriation of fund balance in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2015.

**ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of

funds and account groups.

**ECONOMIC CONDITION:** 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.

**BUDGET INFORMATION SHEET - OVERALL COMMENTS:** The Pohatcong Township School District's 2014-15 School Budget encompassed the educational programs for students from grades kindergarten through twelfth grade in regular education, and preschool through age twenty-one in special education. In addition, the district's budget included the operational expenses for the township school.

The 2014-15 budget was developed to stay within the "Maximum Permitted Net Budget" as defined by the State of New Jersey Department of Education. The 2014-15 budget needed to support the educational and operational costs of delivering a thorough and efficient education was developed using the allowable spending growth limitation adjustments in the area of non-remote transportation. Revenues to support the 2014-15 budget were principally derived from the local tax levy.

**DEBT ADMINISTRATION:** The district had debt service payments of interest and principal totaling \$1,051,069 for the 2014-15 school year. State aid for debt service was 16.5% of total cost.

**CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act. Cash, not immediately required for district payments, is invested in a Municipal Sweep account with PNC.

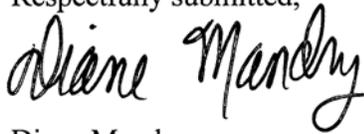
**RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. During 2014-15, the district participated in the New Jersey School Board Association Insurance Group. This is a joint insurance fund specializing in insurance for public education entities.

**OTHER INFORMATION:** State statutes require an annual audit by independent certified public accountants or registered municipal accounts. The Board selected the accounting firm of Ardito & Co. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act of 1984 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the

single audit section of this report.

**ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Pohatcong Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and diligent auditing services of the firm of Ardito & Co.

Respectfully submitted,



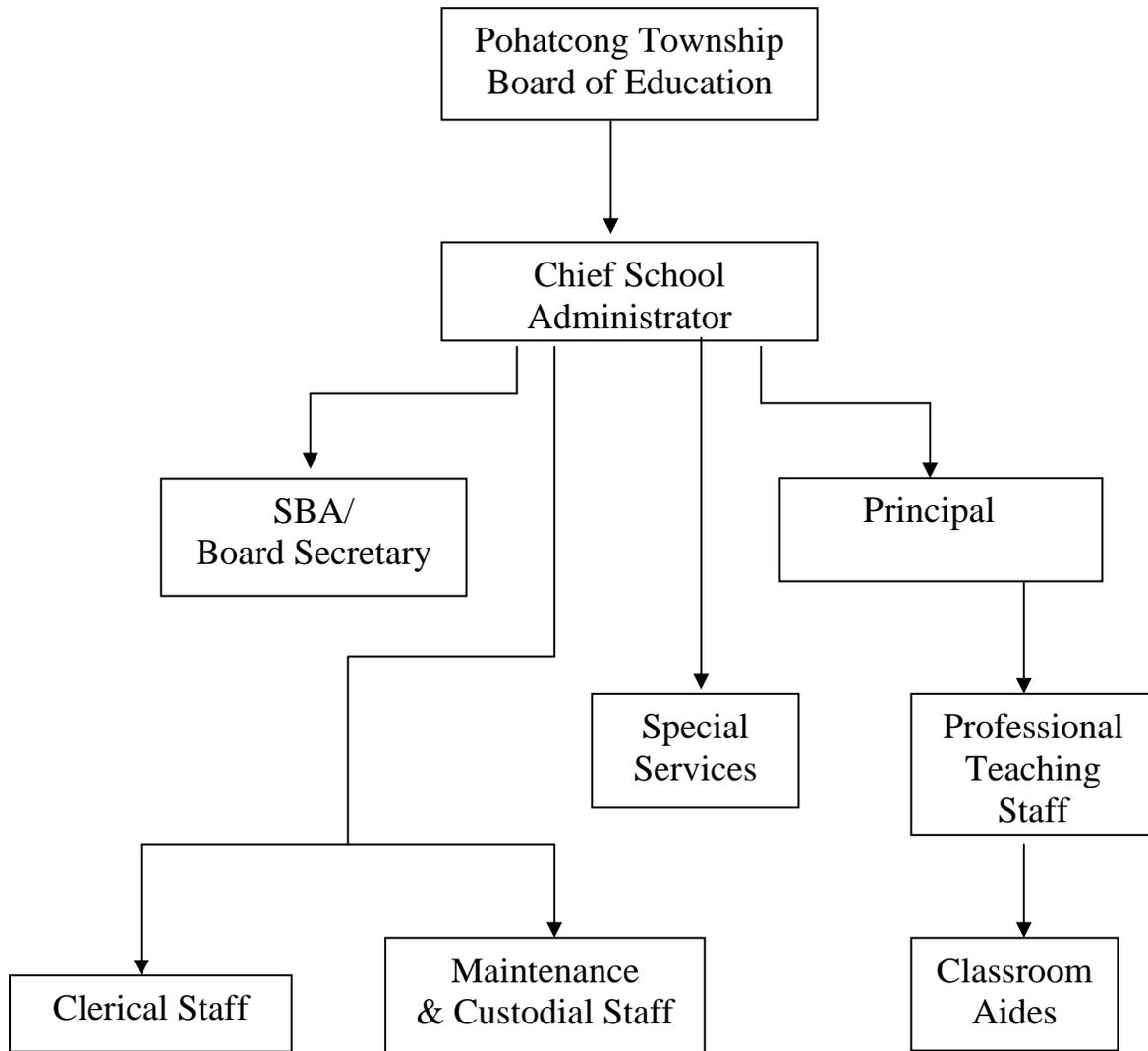
Diane Mandry  
Chief School Administrator



Tim Mantz  
Board Secretary/Business Administrator

# Pohatcong Township Board of Education

## Organization Chart 2014-15



**Pohatcong Township School District  
BOARD OF EDUCATION**

**ROSTER OF OFFICIALS**

**June 30, 2015**

<b><u>Members of the Board of Education</u></b>	<b><u>Term Expires</u></b>
Patricia Babcock, President	2015
Kristine Griesmeyer, Vice President	2017
Glen Ehrhardt	2015
Joseph Delesky	2016
William Oertel	2017
Jamie Hudak	2016
Stephanie Snyder	2015
Karen Weeks	2017
Scott Weeks	2016

**Other Officials**

Diane Mandry, Chief School Administrator

Tim Mantz, Board Secretary/School Business Administrator

Cindy L. Hanics, Treasurer

Christopher Kavcak, Principal

**Pohatcong Township School District  
BOARD OF EDUCATION**

**CONSULTANTS AND ADVISORS**

**ATTORNEY**

**Comegno Law Group P.C.**  
Tall Oaks Corp. Ctr. 11  
Maple Shade, New Jersey 08052

**AUDIT FIRM**

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

**BOND COUNSEL**

**Wilentz, Goldman & Spitzer**  
Anthony J. Pannella Jr.  
90 Woodbridge Center Drive  
Woodbridge, NJ 08525

**ARCHITECT**

**Focus Architecture, LLC**  
3 Tree Farm Road, Suite 200  
Pennington, NJ 08534

**OFFICIAL DEPOSITORIES**

**PNC Bank**  
331 3rd Avenue  
Alpha, NJ 08865

# Financial Section

# Independent Auditor's Report



## **ARDITO & Co., LLP**

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

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

### **Independent Auditor's Report**

The Honorable President and  
Members of the Board of Education  
Pohatcong Township School District  
County of Warren  
Phillipsburg, New Jersey 08865

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the government activities, the business-type activities, each major fund and the aggregate remaining fund information of the Pohatcong Township School District Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

-Continued-

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pohatcong Township School District Board of Education's basic financial statements. The introductory section, combining and individual fund financial statements, long-term debt schedules, statistical section, and schedule of state financial assistance, as required by New Jersey OMB's Circulars 04-04 and 15-08, ***Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid***, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

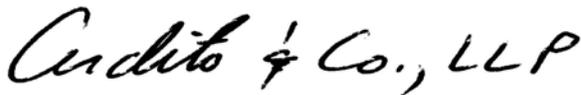
The combining and individual fund financial statement information, long-term debt schedules, and the schedule of state financial assistance, as required by New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statement information, long-term debt schedules, and schedule of state financial assistance, as required by New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are fairly stated in all material respects in relation to the basic financial statements as a whole.

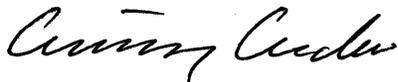
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015, on our consideration of the Pohatcong Township School District Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ARDITO & CO., LLP  
November 16, 2015



Licensed Public School Accountant No. 2369

**Required Supplementary Information -  
Part I**

**Management's Discussion and Analysis**

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

The discussion and analysis of Pohatcong Township School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2015 are as follows:

- ◆ In total, Net Position increased \$118,500 which represents a 240.4% increase from 2014.
- ◆ General revenues accounted for \$6,071,461 in revenue or 62.8% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$3,592,328 or 37.2% of total revenues of \$9,663,789.
- ◆ Total assets of governmental activities decreased by \$540,835, as cash and cash equivalents decreased by \$574,338, receivables decreased by \$27,004, and capital assets increased by \$59,577.
- ◆ The School District had \$9,545,289 in expenses; only \$3,592,328 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$6,071,461 were available to provide for these programs.
- ◆ Among major funds, the General Fund had \$7,478,019 in revenues and \$8,075,448 in expenditures. The General Fund's surplus balance decreased \$597,429 over 2014, which compares to the budgeted decrease of \$558,040.

**Using this Generally Accepted Accounting Principals Report (GAAP)**

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

**Reporting the School District as a Whole**

**Statement of Net Position and the Statement of Activities**

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the School District's Most Significant Funds**

**Fund Financial Statements**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

**Governmental Funds**

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

**The School District as a Whole**

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

Table 1 provides a summary of the School District's Net Position for 2015 compared to 2014.

	<u>2015</u>	<u>2014</u>
<b>Table 1 Net Position</b>		
<b>Assets</b>		
Current and Other Assets	\$ 1,653,003	\$ 2,253,415
Capital Assets	<u>7,717,487</u>	<u>7,657,910</u>
<b>Total Assets</b>	<u>9,370,490</u>	<u>9,911,325</u>
<b>Deferred Outflows of Resources</b>	<u>84,262</u>	<u>48,559</u>
<b>Liabilities</b>		
Long-Term Liabilities	8,339,981	9,060,213
Other Liabilities	<u>835,252</u>	<u>850,374</u>
<b>Total Liabilities</b>	<u>9,175,233</u>	<u>9,910,587</u>
<b>Deferred Inflows of Resources</b>	<u>111,722</u>	<u>-</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Debt	(132,513)	(827,090)
Restricted	1,244,547	1,440,213
Unrestricted	<u>(944,237)</u>	<u>(563,826)</u>
<b>Total Net Position</b>	<u>\$ 167,797</u>	<u>\$ 49,297</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

Total assets of governmental activities decreased by \$540,835, as cash and cash equivalents decreased by \$574,338, receivables decreased by \$27,004, and capital assets increased by \$59,577.

The cash decrease was mainly due to capital addition spending. Capital addition spending of \$479,844 was offset by depreciation expense producing an overall capital asset increase of \$59,577.

Table 2 shows the changes in Net Position from fiscal year 2014.

**Table 2**  
**Changes in Net Position**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Program Revenues:		
Charges for Services	\$ 321,189	\$ 302,007
Operating Grants and Contributions	3,271,139	2,615,272
General Revenues:		
Property Taxes	6,034,296	6,038,631
Federal & State Aid on Capital Asset Projects		-
Investment Earnings	2,677	-
Other	34,488	46,588
<b>Total Revenues</b>	<u>9,663,789</u>	<u>9,002,498</u>
<b>Program Expenses</b>		
Instruction	4,062,366	3,644,299
Support Services:		
Tuition	2,179,468	
Pupils and Instructional Staff	804,688	2,425,936
General Administration, School Administration, Business	625,050	600,611
Operations and Maintenance of Facilities	773,411	806,735
Pupil Transportation	327,908	284,568
Business-Type Activities	368,485	352,142
Interest and Fiscal Charges	403,913	434,660
<b>Total Expenses</b>	<u>9,545,289</u>	<u>8,548,951</u>
Increase in Net Position	<u>\$ 118,500</u>	<u>\$ 453,547</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

**Governmental Activities**

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Property taxes made up 62.4% percent of revenues for governmental activities for the Pohatcong Township School District for the fiscal year 2015.

Instruction comprises 42.6% of district expenses. Support services expenses make up 49.3% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services compared to 2014. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3**

	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>	<u>Total Cost of Services 2014</u>	<u>Net Cost of Services 2014</u>
Instruction	\$ 4,062,366	\$ 2,567,384	\$3,644,299	\$2,448,823
Support Services:				
Tuition	2,179,468	1,464,982	1,708,489	1,216,607
Pupils and Instructional Staff	804,688	526,756	717,447	493,909
General Admin., School Admin., Business	625,050	420,143	600,611	427,693
Operation and Maintenance of Facilities	773,411	519,867	806,735	574,472
Pupil Transportation	327,908	220,411	284,568	202,639
Business-Type Activities	368,485	2,992	352,142	7,213
Interest and Fiscal Charges	<u>403,913</u>	<u>230,426</u>	<u>434,660</u>	<u>260,316</u>
<b>Total Expenses</b>	<u>\$ 9,545,289</u>	<u>\$ 5,952,961</u>	<u>\$ 8,548,951</u>	<u>\$ 5,631,672</u>

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

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

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

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

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

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

The dependence upon tax revenues is apparent. Over 63.2% of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 66.9%. The community, as a whole, is the primary support for the Pohatcong Township School District.

**The School District's Funds**

Information about the School District's major funds starts on page 24. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other sources of \$8,706,457 and expenditures of \$9,303,886. The General Fund's surplus balance decreased \$597,429 over 2014, which compares to the budgeted decrease of \$558,040.

**General Fund Budgeting Highlights**

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

During the course of the fiscal 2015 year, the School District amended its General Fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

For the General Fund, budget basis revenue and other financing sources, excluding on-behalf payments, was \$6,976,274, \$29,498 under original budgeted estimates of \$7,005,772. This difference was due primarily to an increases in decreased transportation results compared to budgeted amounts.

General fund revenues fell short of expenditures by \$594,314. Again this deficit compares to a budgeted deficit of \$558,040, which was due to the budgeted use of surplus needed to balance the 2015 budget. Cost savings in the areas of instruction, transportation, admin, and tuition were transferred to capital projects (fund12) basically maintaining the budgeted deficit.

Overall general fund balance (budget basis) was \$1,603,757, and amounts ear-marked and reserved for future purposes were \$1,346,743, creating a surplus in unreserved fund balance of \$257,014. Management believes unreserved fund balance at statutory levels will provide adequate working capital for the district.

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

**Capital Assets**

At the end of the fiscal year 2015, the School District had \$7,710,577 invested in land, buildings, furniture and equipment, and vehicles. Table 4 shows fiscal 2015 balances compared to 2014.

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

	<u>2015</u>	<u>2014</u>
Land	\$ -	\$ -
Land Improvements	523,482	549,697
Buildings and Improvements	6,998,730	6,895,116
Machinery and Equipment	<u>188,365</u>	<u>201,794</u>
 Totals	 <u>\$ 7,710,577</u>	 <u>\$ 7,646,607</u>

Overall capital assets increased \$63,970 from fiscal year 2014 to fiscal year 2015. The increase in capital assets was due to capital additions, net of depreciation expense for the year.

Capital improvements of \$479,844 were purchased during fiscal year 2015, which included the solar panel field, security vestibule, chromebooks, and a Ford F250 truck.

**Debt Administration**

At June 30, 2015, the School District had \$7,877,719 as outstanding long term debt. Of this amount, \$27,719 is for compensated absences and \$7,850,000 is for bonds payable.

At June 30, 2015, the School District's overall legal debt margin was \$3,365,007 and the unvoted debt margin was the same.

POHATCONG TOWNSHIP SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
UNAUDITED

**For the Future**

The Pohatcong Township School District is in very good financial condition presently. A major concern is declining property valuations coupled with heavy reliance on local property taxes to fund the school's operations.

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

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Tim Mantz, School Business Administrator/Board Secretary at Pohatcong Township School District, 240 Route 519, Phillipsburg, NJ 08865.

# 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.

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2015

	GOVERNMENTAL		BUSINESS-TYPE	TOTAL
	ACTIVITIES	ACTIVITIES		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,274,150	\$ 25,334		\$ 1,299,484
Receivables, Net	16,720	1,557		18,277
Interfund Receivable		8,657		8,657
Inventory		2,004		2,004
Restricted Assets:				
Capital Reserve Account - Cash	74,581			74,581
Emergency Reserve Account - Cash	250,000			250,000
Capital Assets, Net (Note 6):	7,710,577	6,910		7,717,487
<b>Total Assets</b>	<b>9,326,028</b>	<b>44,462</b>		<b>9,370,490</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Deferred Outflows		84,262		84,262
<b>LIABILITIES</b>				
Accounts Payable	100			100
Interfund Payable	8,657			8,657
Unearned Revenue	2,070	785		2,855
Accrued Interest	183,640			183,640
Net Pension Liability (Note 8)	1,102,262			1,102,262
Noncurrent Liabilities (Note 7):				
Due Within One Year	640,000			640,000
Due Beyond One Year	7,237,719			7,237,719
<b>Total Liabilities</b>	<b>9,174,448</b>	<b>785</b>		<b>9,175,233</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Deferred Inflows		111,722		111,722
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Related Debt	(139,423)	6,910		(132,513)
Restricted for:				
Capital Reserve Account	74,581			74,581
Emergency Reserve Account	250,000			250,000
Other Purposes	919,966			919,966
Unrestricted	(981,004)	36,767		(944,237)
<b>Total Net Position</b>	<b>\$ 124,120</b>	<b>\$ 43,677</b>		<b>\$ 167,797</b>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit A-2

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	PROGRAM REVENUES			NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
Governmental Activities:							
Instruction:							
Regular	\$ 3,167,825		\$ 1,201,728		\$ (1,966,097)	\$ (1,966,097)	
Special Education	689,124		225,913		(463,211)	(463,211)	
Other Special Instruction	205,417		67,341		(138,076)	(138,076)	
Support Services:							
Tuition	2,179,468		714,486		(1,464,982)	(1,464,982)	
Student & Instruction Related Services	804,688		277,932		(526,756)	(526,756)	
School Administrative Services	199,555		65,419		(134,136)	(134,136)	
General and Business Admin. Services	425,495		139,488		(286,007)	(286,007)	
Plant Operations and Maintenance	773,411		253,544		(519,867)	(519,867)	
Pupil Transportation	327,908		107,497		(220,411)	(220,411)	
Interest on Long-Term Debt	403,913		173,487		(230,426)	(230,426)	
Unallocated Depreciation					-	-	
Total Governmental Activities	9,176,804	-	3,226,835		(5,949,969)	(5,949,969)	
Business-Type Activities:							
Food Service	99,236	51,940	44,304		\$ (2,992)	(2,992)	
Shared Services	269,249	269,249			-	-	
Total Business-Type Activities	368,485	321,189	44,304	-	-	(2,992)	
<b>Total Primary Government</b>	<b>\$ 9,545,289</b>	<b>\$ 321,189</b>	<b>\$ 3,271,139</b>		<b>\$ (5,949,969)</b>	<b>\$ (2,992)</b>	<b>\$ (5,952,961)</b>
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes, Net				\$ 5,156,714		\$ 5,156,714	
Taxes Levied for Debt Service				877,582		877,582	
Investment Earnings				1,055	1,622	2,677	
Miscellaneous Income				34,488		34,488	
Total General Revenues, Special Items, Extraordinary Items and Transfers				6,069,839	1,622	6,071,461	
Change in Net Position				119,870	(1,370)	118,500	
Net Position—Beginning (as restated)				4,250	45,047	49,297	
Net Position—Ending				\$ 124,120	\$ 43,677	\$ 167,797	

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

## **FUND FINANCIAL STATEMENTS**

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



POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-1

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2015

	GENERAL FUND	SPECIAL REVENUE FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,422,582	\$ 1,738	\$ 174,408	\$ 3	\$ 1,598,731
Interfund Receivables		\$ 421			421
Other Receivables	548	1			549
Receivables from Other Governments	16,161	10			16,171
<b>TOTAL ASSETS</b>	<b>\$ 1,439,291</b>	<b>\$ 2,170</b>	<b>\$ 174,408</b>	<b>\$ 3</b>	<b>\$ 1,615,872</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable		\$ 100		\$	100
Interfund Payable	\$ 9,078				9,078
Reserve for Payment of Debt Service					
Deferred Revenue		2,070			2,070
<b>Total Liabilities</b>	<b>9,078</b>	<b>2,170</b>	<b>-</b>	<b>-</b>	<b>11,248</b>
<b>Fund Balances:</b>					
<u>Restricted for:</u>					
Capital Reserve Account	\$ 74,581			\$	74,581
Emergency Reserve	250,000				250,000
Excess Surplus	357,643				357,643
Excess Surplus - Designated for Subsequent Year's Expenditures	557,623				557,623
<u>Assigned to:</u>					
Year-End Encumbrances	102,196				102,196
Designated for Subsequent Year's Expenditures	4,700				4,700
Capital Projects Fund			\$ 174,408		174,408
Debt Service Fund				\$ 3	3
<u>Unassigned:</u>					
General Fund	83,470				83,470
<b>Total Fund Balances</b>	<b>1,430,213</b>	<b>-</b>	<b>174,408</b>	<b>3</b>	<b>1,604,624</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,439,291</b>	<b>\$ 2,170</b>	<b>\$ 174,408</b>	<b>\$ 3</b>	<b>\$ 1,615,872</b>

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 \$11,680,241 and the accumulated depreciation is \$3,969,664.	\$7,710,577
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 8)	84,262
Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 8)	(111,722)
Long-term liabilities, including Net Pension Liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 8)	(1,102,262)
Accrued Interest on Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(183,640)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)	(7,877,719)
Net Position of governmental activities	<u>\$ 124,120</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-2

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
<b>Local sources:</b>					
Local Tax Levy	\$ 5,156,714			\$ 877,582	\$ 6,034,296
Transportation	13,445				13,445
Interest on Capital Reserve	31				31
Miscellaneous	22,067				22,067
<b>Total - Local Sources</b>	<b>5,192,257</b>	<b>-</b>		<b>877,582</b>	<b>6,069,839</b>
<b>State Sources</b>	<b>2,285,762</b>		<b>-</b>	<b>173,487</b>	<b>2,459,249</b>
<b>Federal Sources</b>		\$ 177,369	<b>-</b>		<b>177,369</b>
<b>Total Revenues</b>	<b>7,478,019</b>	<b>177,369</b>	<b>-</b>	<b>1,051,069</b>	<b>8,706,457</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Regular Instruction	2,094,668	163,234			2,257,902
Special Education Instruction	552,086				552,086
Other Special Instruction	164,568				164,568
Support services and undistributed costs:					
Tuition	2,179,468				2,179,468
Student and Instruction Related Services	593,105	14,135			607,240
School Administrative Services	139,078				139,078
Other Administrative Services	328,406				328,406
Plant Operations and Maintenance	557,231				557,231
Pupil Transportation	327,908				327,908
Unallocated Benefits	646,842				646,842
Transfer to Charter School	10,284				10,284
<b>Debt Service:</b>					
Principal				635,000	635,000
Interest and Other Charges				416,069	416,069
<b>Capital Outlay</b>	<b>481,804</b>		<b>-</b>		<b>481,804</b>
<b>Total Expenditures</b>	<b>8,075,448</b>	<b>177,369</b>	<b>-</b>	<b>1,051,069</b>	<b>9,303,886</b>
Excess (Deficiency) of Revenues Over Expenditures	<b>(597,429)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(597,429)</b>
Net Change in Fund Balances	(597,429)	-	-	-	(597,429)
Fund Balance—July 1	2,027,642	-	\$ 174,408	3	2,202,053
<b>Fund Balance—June 30</b>	<b>\$ 1,430,213</b>	<b>-</b>	<b>\$ 174,408</b>	<b>\$ 3</b>	<b>\$ 1,604,624</b>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-3

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

**Total Net Change in Fund Balances - Governmental Funds (from B-2)** \$ (597,429)

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

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

Depreciation Expense	\$ (415,874)	
Capital Outlays	<u>479,844</u>	63,970

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

1,393

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

635,000

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

14,116

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

2,820

**Change in Net Position of Governmental Activities** \$ 119,870

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-4

STATEMENT OF PROPRIETARY NET POSITION  
 PROPRIETARY FUNDS

June 30, 2015

	<b>Business-Type Activities - Enterprise Funds</b>	
	<b>Food Service</b>	<b>Totals</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and Cash Equivalents	\$ 25,334	\$ 25,334
Accounts Receivable	1,557	1,557
Interfund Receivables	8,657	8,657
Inventories	2,004	2,004
<b>Total Current Assets</b>	<u>37,552</u>	<u>37,552</u>
<b>Noncurrent Assets:</b>		
Furniture, Machinery and Equipment	79,400	79,400
Less Accumulated Depreciation	(72,490)	(72,490)
<b>Total Noncurrent Assets</b>	<u>6,910</u>	<u>6,910</u>
<b>Total Assets</b>	<u><b>44,462</b></u>	<u><b>44,462</b></u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Deferred Revenue	785	785
<b>Total Current Liabilities</b>	<u>785</u>	<u>785</u>
<b>Total Liabilities</b>	<u><b>785</b></u>	<u><b>785</b></u>
<b>NET POSITION</b>		
Invested in Capital Assets Net of Related Debt	6,910	6,910
Unrestricted	36,767	36,767
<b>Total Net Position</b>	<u><b>\$ 43,677</b></u>	<u><b>\$ 43,677</b></u>

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Business-type Activities - Enterprise Fund</b>		
	<b>Food Service</b>	<b>Shared Services</b>	<b>Total Enterprise</b>
<b>Operating Revenues:</b>			
Charges for Services:			
Daily Sales - Reimbursable Programs	\$ 42,834		\$ 42,834
Daily Sales - Non-Reimb. Programs	9,106		9,106
Miscellaneous		\$ 269,249	269,249
Interest Income	1,622		1,622
<b>Total Operating Revenues</b>	<b>53,562</b>	<b>269,249</b>	<b>322,811</b>
<b>Operating Expenses:</b>			
Cost of Sales	49,892		49,892
Salaries	24,299	269,249	293,548
Employee Benefits	6,499		6,499
Other Purchased Professional Services	9,453		9,453
Miscellaneous	4,700		4,700
Depreciation	4,393		4,393
<b>Total Operating Expenses</b>	<b>99,236</b>	<b>269,249</b>	<b>368,485</b>
Operating Income (Loss)	(45,674)		(45,674)
<b>Nonoperating Revenues (Expenses):</b>			
State Sources:			
State School Lunch Program	1,178		1,178
Federal Sources:			
National School Lunch Program	36,624		36,624
Food Distribution Program	6,502		6,502
<b>Total Nonoperating Revenues (Expenses)</b>	<b>44,304</b>		<b>44,304</b>
Income (Loss)	(1,370)		(1,370)
Change in Net Position	(1,370)		(1,370)
Total Net Position—Beginning (As Restated)	45,047		45,047
<b>Total Net Position—Ending</b>	<b>\$ 43,677</b>	<b>-</b>	<b>\$ 43,677</b>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit B-6

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended June 30, 2015

Business-Type Activities -  
Enterprise Funds

	<u>Food Service</u>	<u>Shared Services</u>	<u>Total Enterprise</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Customers	\$ 53,562	\$ 269,249	\$ 322,811
Payments to Employees	(24,299)	(269,249)	(293,548)
Payments for Employee Benefits	(6,499)		(6,499)
Payments to Suppliers	(58,528)		(58,528)
<b>Net Cash Provided by (used for) Operating Activities</b>	<u>(35,764)</u>	-	<u>(35,764)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Local Sources			-
State Sources	1,178		1,178
Federal Sources	37,003		37,003
<b>Net Cash Provided by (used for) Non-Capital Financing Activities</b>	<u>38,181</u>	-	<u>38,181</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,417	-	2,417
Balances—Beginning of Year	22,917	-	22,917
<b>Balances—End of Year</b>	<u>\$ 25,334</u>	-	<u>\$ 25,334</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (45,674)	-	\$ (45,674)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities:			
Depreciation and Net Amortization	4,393		4,393
Federal Commodities	6,502		6,502
(Increase) Decrease in Accounts Receivable, Net	(54)		(54)
(Increase) Decrease in Inventories	(931)		(931)
Increase (Decrease) in Accounts Payable			
Total Adjustments	<u>9,910</u>		<u>9,910</u>
Net Cash Provided by (used for) Operating Activities	<u>\$ (35,764)</u>	-	<u>\$ (35,764)</u>

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

POHATCONG TOWNSHIP SCHOOL DISTRICT  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

**Exhibit B-7**

June 30, 2015

<b>ASSETS</b>		<b>Agency <u>Fund</u></b>
Cash and Cash Equivalents		\$ 147,875
	<b>Total Assets</b>	<u>147,875</u>
<b>LIABILITIES</b>		
Payroll Deductions and Withholding		\$ 117,479
Payable to Student Groups		<u>30,396</u>
	<b>Total Liabilities</b>	<u><u>\$ 147,875</u></u>
<b>NET POSITION</b>		

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



# Notes to Financial Statements



POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

In addition, the School District has implemented GASB Statement No.37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus, Statement No.38, Certain Financial Statement Note Disclosures, Statement No.40, Deposit and Investment Risk Disclosures, an amendment of GASB Statement No.3, and Statement 44, Economic Condition Reporting: The Statistical Section (GASB 44), an amendment of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles is found in the Introduction, a revised statistical section in the Outline of the CAFR, GASB Statement No. 45, Other Post-retirement Employee Benefits, GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and GASB No. 63 and 65, Deferred Outflows and Inflows and Net Position, and Items Previously Reported as Assets and Liabilities, and GAASB No. 68, Accounting for Pensions, and amendment of GASB No. 27. The implementation of these statements effected net position balances as previously reported for the fiscal year ended June 30, 2014 as noted in Note 18.

**A. Reporting Entity:**

The Pohatcong Township School District is a Type II district located in the County of Warren, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of nine members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Pohatcong Township School District had an approximate enrollment at June 30, 2015, of 321 students.

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation, Basis of Accounting:**

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

**Basis of Presentation**

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

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

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

**GOVERNMENTAL FUNDS**

The District reports the following governmental funds:

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**GOVERNMENTAL FUNDS (Continued)**

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

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

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

**PROPRIETARY FUNDS**

The District reports the following proprietary fund:

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Additionally, the District reports the following fund type:

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

**Measurement Focus - Basis of Accounting**

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

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

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgets/Budgetary Control:**

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

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

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

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

**D. Encumbrance Accounting:**

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity:**

**Cash and Cash Equivalents:**

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

**Interfund Transactions:**

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

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

**Inventories:**

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

**Allowance for Uncollectible Accounts:**

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

**Capital Assets:**

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

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

**Compensated Absences:**

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

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

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

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

**Deferred Revenue:**

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations, have been recorded as deferred revenue. Grants and entitlement received before the eligible requirements are met are also recorded as deferred revenue.

**Accrued Liabilities and Long-Term Obligations:**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Net Position:**

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

**Fund Balance Reserves:**

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

**Revenues—Exchange and Nonexchange Transactions**

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

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Assets, Liabilities and Equity (Continued):**

**Operating Revenues and Expenses:**

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

**Allocation of Indirect Expenses:**

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

**Extraordinary and Special Items:**

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

**Management Estimates:**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 2: CASH AND CASH EQUIVALENTS**

**Deposits:**

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

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

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

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

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

The Board has no policy regarding custodial risk for deposits.

Pursuant to GASB Statement No. 40, "Deposit and Investment Risk Disclosures" ("GASB 40"), the district's accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of failure of the counterparty the municipality would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized or collateralized with securities held by the financial institution's trust department or agent but not in the government's name. At June 30, 2015, all of the district's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The district does not have a policy for custodial credit risk.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	<u>Cash and Cash Equivalents (A-1)</u>	<u>Cash and Cash Equivalents (B-7)</u>	<u>Total</u>
Checking Accounts	\$1,299,484	\$147,875	\$1,447,359
Checking Accounts-Emergency Reserve	250,000		250,000
Checking Accounts-Capital Reserve	74,581		74,581
	<u>\$1,624,065</u>	<u>\$147,875</u>	<u>\$1,771,940</u>

The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$1,771,940 and the bank balance was \$1,923,330. All bank balances were covered by federal depository insurance and/or covered by a collateral pool maintained by the banks as required by New Jersey statutes. Of these bank balances, \$250,000 was covered by federal depository insurances and \$1,673,330 was covered by collateral pool.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 3: RECEIVABLES**

Receivables at June 30, 2015, consisted of intergovernmental grants and aid. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables follows:

	Governmental Fund Financial <u>Statements</u>	Government-Wide Financial <u>Statements</u>
State Aid	\$16,161	\$16,206
Federal Aid	10	1,522
Other Receivables	549	549
Gross Receivable	\$16,720	18,277
Less: Allow. for Uncollectibles	-	-
Total Receivables, Net	\$16,720	18,277

**NOTE 4: INVENTORY**

Inventory in the Food Service Fund at June 30, 2015, consisted of the following:

Food	\$ <u>2,004</u>
------	-----------------

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

**NOTE 5: DEFERRED BOND ISSUANCE COSTS**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Being Depreciated:</i>				
Land Improvements	\$ 956,030			\$ 956,030
Buildings and Building Improvements	9,673,000	\$ 402,345		10,075,345
Machinery and Equipment	571,367	77,499		648,866
Total at Historical Cost	11,200,397	479,844	-	11,680,241
Less Accumulated Depreciation for:				
Land Improvements	(406,333)	\$ (26,215)		(432,548)
Building and Improvements	(2,777,884)	(298,731)		(3,076,615)
Equipment	(369,573)	(90,928)		(460,501)
Total Accumulated Depreciation	(3,553,790)	(415,874)		(3,969,664)
Total Capital Assets Being Depreciated, net of Accumulated Depreciation	7,646,607	63,970	-	7,710,577
<b>Government Activity Capital Assets, Net</b>	<b>\$ 7,646,607</b>	<b>\$ 63,970</b>	<b>\$ -</b>	<b>\$ 7,710,577</b>

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

Depreciation expense was charged to functions as follows:

Regular Instruction	\$ 282,794
Support - Students	37,429
General Administration	20,794
School Administration	12,476
Business Administration	8,317
Plant and Operations	54,064
Total	<b>\$ 415,874</b>

POHATCONG TOWNSHIP  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 7: LONG-TERM OBLIGATIONS**

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

**A. Long-Term Obligation Activity:**

Changes in long-term obligations for the year ended June 30, 2015, are as follows:

	Balance <u>7/1/14</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>6/30/15</u>	Amounts Due Within <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Debt	\$8,485,000		(\$635,000)	\$7,850,000	\$640,000
Other Liabilities:					
Retirement Obligations Payable	15,520		(3,120)	12,400	
Compensated Absences Payable	15,019	300		15,319	
<b>Total</b>	<b>\$8,515,539</b>	<b>\$300</b>	<b>(\$638,120)</b>	<b>\$7,877,719</b>	<b>\$640,000</b>

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

On September 3, 2009, \$1,545,000 in School Bonds were issued to advance refund a portion (\$1,530,000) of the 1996 School Bonds. The balance outstanding on the refunded 1996 School Bonds was -0- at June 30, 2015.

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

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

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

POHATCONG TOWNSHIP  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 7: LONG-TERM OBLIGATIONS (Continued)**

For the year ended June 30, 2015, it is not necessary for the Board to establish a liability for arbitrage rebate.

	Government Activities			Balance
	Issue Dates	Interest Rates	Date of Maturity	6/30/15
Bonds Payable	4/30/98	4.875%-5.25%	7/15/2026	\$ 7,850,000
Total Bonds				\$ 7,850,000

**B. Debt Service Requirements:**

Debt Service requirements on serial bonds payable at June 30, 2015, is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 640,000	\$ 385,070	\$ 1,025,070
2017	635,000	353,991	988,991
2018	655,000	322,548	977,548
2019	650,000	290,333	940,333
2020	645,000	257,957	902,957
Thereafter	4,625,000	856,763	5,481,763
	\$ 7,850,000	\$ 2,466,662	\$10,316,662

As of June 30, 2015, the District had no authorized but not issued bonds.

**NOTE 8: PENSION PLANS**

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

POHATCONG TOWNSHIP  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 8: PENSION PLANS (Continued)**

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

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

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

The employer contributions for the district are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the district (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the district (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the district. However, the state's portion of the net pension liability that was associated with the district was \$13,310,080 as measured on June 30, 2014 and \$12,654,847 as measured on June 30, 2013.

*For the year ended June 30, 2015, the District recognized pension expense of \$716,207 and revenue of \$716,207 for support provided by the State. The measurement period for the pension expense and revenue reported in the district's financial statements (A-2) at June 30, 2015 is based upon changes in the collective net pension liability with a measurement period of June 30, 2013 through June 30, 2014. Accordingly, the pension expense and the related revenue associated with the support provided by the State is based upon the changes in the collective net pension liability between July 1, 2013 and June 30, 2014.*

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

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$2,306,623,861
Collective deferred inflows of resources	-	\$1,763,205,593
Collective net pension liability (Nonemployer-State of New Jersey)	\$50,539,213,484	\$53,446,745,367
State's portion of the net pension liability that was associated with the district	\$12,654,847	\$13,310,080
State's portion of the net pension liability that was associated with the district as a percentage of the collective net pension liability	0.025040%	0.024903%

*Actuarial assumptions* - The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation:	2.5%
Salary Increases:	Varies based on experience
Investment Rate of Return:	7.90%

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

*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 TPAF's target asset allocation as of June 30, 2014 are summarized in the following table:

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-US Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad US Equities	25.90%	5.88%
Large Cap US Equities	0.00%	5.62%
Mid Cap US Equities	0.00%	6.39%
Small Cap US Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds / Absolute Reti	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

*Discount rate.* The discount rate used to measure the State's total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, 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 (State of New Jersey) 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 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* Since the District's has no proportionate share of the net pension liability because of the special funding situation, the district would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at <http://www.nj.gov/treasury/pensions/pdf/financial/gasb68-tpaf15.pdf>

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

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

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

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

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

At June 30, 2015, the District reported a liability of \$1,102,262 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. The District's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2014 and 2013. At June 30, 2014, the District's proportion was 0.00587% which was a decrease of 0.0003% from its proportion measured as of June 30, 2013.

*For the year ended June 30, 2015, the District recognized pension expense of \$48,208. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:*

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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	-	-
Changes of assumptions	\$ 34,661	
Net difference between projected and actual earnings on pension plan investments		\$ 65,689
Changes in proportion and differences between District contributions and proportionate share of contributions		46,033
District contributions subsequent to the measurement date	49,601	
Total	\$ 84,262	\$ 111,722

\$49,601 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2015, the plan measurement date is June 30, 2014) will be recognized as a reduction of the net pension liability measured as of June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Year Ended June 30:</u>	
2015	(\$24,962)	
2016	(\$24,962)	
2017	(\$24,962)	
2018	(\$24,962)	
2019	\$15,824	
Thereafter	<u>\$6,963</u>	
Total	<u>(\$77,061)</u>	
	<u>6/30/2013</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	-	\$ 952,194,675
Collective deferred inflows of resources	-	1,479,224,662
Collective net pension liability (Non State - Local Group)	\$19,111,986,911	\$18,722,735,003
District's portion of net pension liability	\$1,179,674	\$1,102,262
District's proportion %	0.00617243%	0.00588729%

*Actuarial assumptions.* The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.01%
Salary Increases:	
2012-2012	2.15%-4.40% based on age
Therafter	3.15%-5.40% based on age
Investment Rate of Return:	7.90%

POHATCONG TOWNSHIP  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

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

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Long-Term Expected Rate of Return* - In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad US Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds / Absolute	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

*Discount rate.* The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, 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 average of the last five years of contributions made in relation to the last five years of recommended contributions.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: 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 measured as of June 30, 2014, calculated using the discount rate of 5.39%, 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 (4.39%) or 1-percentage-point higher (6.39%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>(4.39%)</u>	<u>(5.39%)</u>	<u>(6.39%)</u>
District's proportionate share of the net pension liability	\$ 1,386,683	\$ 1,102,262	\$ 863,421

**NOTE 8: PENSION PLANS (Continued)**

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

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

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

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

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

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

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

□ New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. □ The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members. □ The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years. □ Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2012, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PES members will take place in July of each subsequent fiscal year.

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

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

POHATCONG TOWNSHIP  
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NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 8: PENSION PLANS (Continued)**

<u>Three-Year Trend Information for PERS</u>			
<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	\$49,601	100%	-0-
6/30/2014	\$46,508	100%	-0-
6/30/2013	\$47,134	100%	-0-

<u>Three-Year Trend Information for TPAF (Paid on-behalf of the District)</u>			
<u>Year Funding</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2015	\$125,990	100%	-0-
6/30/2014	\$105,351	100%	-0-
6/30/2013	\$161,795	100%	-0-

During the fiscal year ended June 30, 2015, the State of New Jersey did contribute \$326,000 to the TPAF for post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$178,860 during the year ended June 30, 2015, for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. The PERS amounts have been included in the fund-based statements as pension expense and the TPAF on-behalf amounts have been included in fund-based statements as revenues and expenditures. The PERS and TPAF amounts have been modified and included in the District-wide financial statements in accordance with GASB Statement No. 68.

**NOTE 9: POST-RETIREMENT BENEFITS**

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those state employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired state employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 9: POST-RETIREMENT BENEFITS-(Continued)**

GASB Statement #45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District does not provide any post-employment benefits other than pension.

**NOTE 10: DEFERRED COMPENSATION**

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

Siracusa - SBP Sun National  
John Hancock Signature Services  
Lincoln National Life

**NOTE 11: COMPENSATED ABSENCES**

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

District employees are granted vacation and sick leave in varying amounts under the District's personnel policies. In the event of retirement within the state pension plan, an employee is reimbursed for accumulated vacation and/or unused sick days. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after initial employment. The balance at June 30, 2015 is \$15,319.

In addition, full time teachers are granted retirement compensation according to their contract of \$200 per year of full time service if they retire with more than 25 years of service. The liability and the balance remaining at June 30, 2015, is \$12,400.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the proprietary fund types.

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 12: RISK MANAGEMENT**

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

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

**Joint Insurance Fund** - The District participates in the School Alliance Insurance Fund (SAIF) comprised of state-wide boards of education. It was formed July 1, 1996 under the provisions of NJSA 18A:18B-1 et. seq. The group offers its member districts worker's compensation and employer's liability, automobile and equipment liability, general liability and property damage, school board legal liability, and boiler and machinery coverage.

The District is assessed for the contributions for those funds and is responsible for any reserve deficiencies. No contingency or provision has been made in these financial statements, as no deficiencies occurred as of June 30, 2015 for the joint insurance pool. The coverage in this program is shown on exhibit J-20.

**NOTE 13: CONTINGENT LIABILITIES**

**GRANT PROGRAMS**

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

**ARBITRAGE REBATE**

As part of a major school building program, bonded debt was issued in excess of limits that could require payment of arbitrage rebates as required under applicable provisions of the Internal Revenue Code. Arbitrage reporting and tracking is maintained by the District and estimated future value of such liability, if any, will be determined at completion of the capital project.

**LITIGATION**

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

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 14: FUND BALANCE APPROPRIATED**

General Fund (Exhibit B-1) - Of the \$1,430,213 General Fund fund balance at June 30, 2015, \$915,266 is reserved as excess surplus in accordance with N.J.S.A.18A:7F-7 (\$557,623 of the total reserve for excess surplus is appropriated and included as anticipated revenue for the year ending June 30, 2016); \$250,000 is reserved in the Emergency Reserve Account; \$74,581 is reserved in the Capital Reserve Account; \$102,196 is reserved for encumbrances; \$4,700 is appropriated and included as anticipated revenue for the year ending June 30, 2016; and \$83,470 is unreserved and undesignated.

Debt Service Fund - The \$3 Debt Service fund balance at June 30, 2015 is anticipated to be included as anticipated revenue for subsequent fiscal years.

**NOTE 15: CALCULATION OF EXCESS SURPLUS**

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to N.J.S.A. 18A:7F-7, as amended. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2015 is \$357,643.

**NOTE 16: CAPITAL RESERVE ACCOUNT**

A capital reserve account was established by the Pohatcong Township School District Board of Education by inclusion of \$1. on October 16, 2000, for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

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

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 74,550
Interest Earnings	31
Total Withdrawals (Budgeted)	-
Ending Balance, June 30, 2015	<u><u>\$ 74,581</u></u>

POHATCONG TOWNSHIP  
SCHOOL DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**NOTE 17: INTERFUND RECEIVABLES AND PAYABLES**

The amount of \$8,657 interfund receivable in the Food Service Fund represents state and federal lunch reimbursements received in the general fund and not yet transferred to the food service fund.

**NOTE 18: RETROACTIVE RESTATEMENT OF NET POSITION**

**Restatement of Prior Period:**

The District adopted GASB No. 68 *-Accounting and Financial Reporting for Pensions - An amendment of GASB No. 27* during the 2015 fiscal year as required by the pronouncement. The pronouncement requires the district to record its proportional share of the State of New Jersey's net pension liability on the face of its financial statements as of June 30, 2015 and to record related pension expense in accordance with the pronouncement. In order to correctly reflect pension expense in accordance with GASB No. 68, the beginning Net Position of the district was adjusted to reflect the beginning balance of the net pension liability. Since the measurement date of the net pension liability is June 30, 2014 (as described in Note 8), the restatement adjustments to Net Position relate to the *beginning* net pension liability measured as of June 30, 2013. Also, in accordance with GASB No. 71 *-Pension Transition for Contributions Made Subsequent to the Measurement Date*, The district restated its Net Position for pension contributions made after the beginning net pension liability measurement date of June 30, 2013 (deferred outflows).

Governmental Activities Net Position:

Net Position (per A-1), June 30, 2014	\$ 1,135,365
Restatement of Net Pension Liability	(1,179,674)
Restatement of Deferred Outflows-Pension	<u>48,559</u>
Net Position (per A-1), June 30, 2015, as Restated	<u>\$ 4,250</u>



**REQUIRED SUPPLEMENTARY INFORMATION - PART II**

**BUDGETARY COMPARISON SCHEDULES**

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 5,156,714		\$ 5,156,714	\$ 5,156,714	
Transportation	45,000		45,000	13,445	\$ (31,555)
Interest on Capital Reserve	100		100	31	(69)
Miscellaneous	27,000		27,000	22,067	(4,933)
<b>Total - Local Sources</b>	<u>5,228,814</u>		<u>5,228,814</u>	<u>5,192,257</u>	<u>(36,557)</u>
<b>State Sources:</b>					
Equalization Aid	1,431,183		1,431,183	1,431,183	
Transportation Aid	36,072		36,072	36,072	
Special Education Aid	266,183		266,183	266,183	
Security Aid	34,060		34,060	34,060	
PARCC Readiness Aid	4,730		4,730	4,730	
Per Pupil Growth Aid	4,730		4,730	4,730	
Other State Aid				7,059	7,059
TPAF Pension (On-Behalf - Non-Budgeted)				125,990	125,990
TPAF Post Retirement Medical (On-Behalf - Non-Budgeted)				200,010	200,010
TPAF Social Security (Reimbursed - Non-Budgeted)				178,860	178,860
<b>Total State Sources</b>	<u>1,776,958</u>		<u>1,776,958</u>	<u>2,288,877</u>	<u>511,919</u>
<b>TOTAL REVENUES</b>	<u><b>7,005,772</b></u>		<u><b>7,005,772</b></u>	<u><b>7,481,134</b></u>	<u><b>475,362</b></u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>EXPENDITURES:</b>					
<b>Current Expense:</b>					
<b>Regular Programs - Instruction</b>					
Kindergarten - Salaries of Teachers	147,760	502	148,262	148,262	
Grades 1-5 - Salaries of Teachers	786,816	61,998	848,814	847,881	933
Grades 6-8 - Salaries of Teachers	500,956	(62,500)	438,456	427,746	10,710
<b>Regular Programs - Home Instruction:</b>					
Salaries of Teachers	10,584		10,584	5,724	4,860
<b>Regular Programs - Undistributed Instruction</b>					
Other Salaries for Instruction	90,596	(13,980)	76,616	76,616	
Purchased Professional-Educational Services	75,431	7,853	83,284	80,484	2,800
Other Purchased Services (400-500 series)	44,100	(21,274)	22,826	20,834	1,992
General Supplies	81,350	97,082	178,432	126,404	52,028
Textbooks	25,000	(18,383)	6,617	4,042	2,575
Other Objects	5,000	(2,800)	2,200	259	1,941
Employee Benefits	434,134	(46,359)	387,775	354,347	33,428
Tuition Reimbursement	5,000		5,000	2,069	2,931
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>2,206,727</b>	<b>2,139</b>	<b>2,208,866</b>	<b>2,094,668</b>	<b>114,198</b>
<b>SPECIAL EDUCATION - INSTRUCTION</b>					
<b>Resource Room/Resource Center:</b>					
Salaries of Teachers	392,875	(2,444)	390,431	372,219	18,212
Other Salaries for Instruction	16,518	390	16,908	16,908	
General Supplies	2,500	2,535	5,035	4,538	497
Textbooks	500		500		500
Other Objects	500		500		500
Employee Benefits	158,421		158,421	158,421	
<b>Total Resource Room/Resource Center</b>	<b>571,314</b>	<b>481</b>	<b>571,795</b>	<b>552,086</b>	<b>19,709</b>
<b>TOTAL SPECIAL EDUCATION - INSTRUCTION</b>	<b>571,314</b>	<b>481</b>	<b>571,795</b>	<b>552,086</b>	<b>19,709</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Basic Skills/Remedial - Instruction</b>					
Salaries of Teachers	66,733	425	67,158	64,845	2,313
Other Salaries for Instruction	69,425		69,425	59,700	9,725
General Supplies	1,500	(425)	1,075	426	649
Employee Benefits	29,386		29,386	29,386	
<b>Total Basic Skills/Remedial - Instruction</b>	<b>167,044</b>		<b>167,044</b>	<b>154,357</b>	<b>12,687</b>
<b>School Sponsored Co/Extra Curricular Activities-Instruction:</b>					
Salaries	11,242		11,242	10,211	1,031
General Supplies	800		800		800
<b>Total School Sponsored Co/Extra Curricular Activities-Instr.</b>	<b>12,042</b>		<b>12,042</b>	<b>10,211</b>	<b>1,831</b>
<b>TOTAL INSTRUCTION</b>	<b>2,957,127</b>	<b>2,620</b>	<b>2,959,747</b>	<b>2,811,322</b>	<b>148,425</b>
<b>UNDISTRIBUTED EXPENDITURES</b>					
<b>Instruction:</b>					
Tuition to Other LEAs Within the State-Regular	1,931,500		1,931,500	1,931,500	
Tuition to Other LEAs Within the State-Special	155,500	(3,637)	151,863	97,537	54,326
Tuition to County Voc. School Dist. - Regular	59,848		59,848	59,848	
Tuition to County Voc. School Dist. - Special	40,000		40,000	16,000	24,000
Tuition to CSSD & Regional Day Schools	87,760		87,760	44,340	43,420
Tuition to Private Schools for the Disabled-Within State	26,444	5,237	31,681	30,243	1,438
<b>Total Instruction</b>	<b>2,301,052</b>	<b>1,600</b>	<b>2,302,652</b>	<b>2,179,468</b>	<b>123,184</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Health Services:</b>					
Salaries	81,835	1,358	83,193	83,193	
Employee Benefits	22,337		22,337	22,337	
Purchased Professional and Technical Services	4,400	(900)	3,500	3,500	
Supplies and Materials	1,500	242	1,742	1,742	
Other Objects	615	(435)	180	180	
<b>Total Health Services</b>	<b>110,687</b>	<b>265</b>	<b>110,952</b>	<b>110,952</b>	
<b>Other Supp. Services Students-Related Services:</b>					
Salaries	48,551		48,551	48,551	
Purchased Professional - Educational Services	125,000	(1,079)	123,921	77,466	46,455
Supplies and Materials	500		500		500
<b>Total Other Supp. Services Students-Related Services</b>	<b>174,051</b>	<b>(1,079)</b>	<b>172,972</b>	<b>126,017</b>	<b>46,955</b>
<b>Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>					
Salaries		50	50	50	
<b>Total Undist. Expend. - Other Supp. Serv. Students - Extra Serv.</b>		<b>50</b>	<b>50</b>	<b>50</b>	
<b>Other Supp. Services Students-Special:</b>					
Salaries of Other Professional Staff	135,413	203	135,616	135,616	
Salaries of Secretarial and Clerical Assistants	28,934		28,934	28,934	
Employee Benefits	33,829		33,829	33,829	
Purchased Professional - Educational Services	1,000	(1,000)			
Supplies and Materials	3,000	1,067	4,067	4,067	
Other Objects	1,000	(900)	100	100	
<b>Total Other Supp. Services Students-Special</b>	<b>203,176</b>	<b>(630)</b>	<b>202,546</b>	<b>202,546</b>	

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Improvement of Instruction Services:</b>					
Other Salaries	18,666		18,666	18,666	
Purchased Professional - Educational Services	2,000	1,775	3,775	3,775	
Supplies and Materials	1,000	(223)	777	777	
<b>Total Improvement of Instruction Services</b>	<b>21,666</b>	<b>1,552</b>	<b>23,218</b>	<b>23,218</b>	
<b>Educational Media Services/School Library:</b>					
Salaries	78,285	3,605	81,890	81,890	
Employee Benefits	29,386		29,386	29,386	
Purchased Professional and Technical Services	3,350	(1,822)	1,528	1,528	
Supplies and Materials	4,000	129	4,129	4,129	
<b>Total Educational Media Services/School Library</b>	<b>115,021</b>	<b>1,912</b>	<b>116,933</b>	<b>116,933</b>	
<b>Instructional Staff Training Services:</b>					
Purchased Professional - Educational Services	1,000	(820)	180	180	
Other Purchased Services (400-500 series)	10,000	2,149	12,149	12,149	
Supplies and Materials	500	560	1,060	1,060	
<b>Total Instructional Staff Training Services</b>	<b>11,500</b>	<b>1,889</b>	<b>13,389</b>	<b>13,389</b>	
<b>Supp. Services - General Administration:</b>					
Salaries	183,257		183,257	179,576	3,681
Employee Benefits	58,772		58,772	58,772	
Legal Services	35,000	(5,767)	29,233	11,810	17,423
Audit Fees	10,500		10,500	10,336	164
Other Purchased Professional Services	7,500		7,500	6,250	1,250
Communications/Telephone	15,100	20	15,120	7,489	7,631
BOE Other Purchased Services	4,000	(851)	3,149	1,882	1,267
Other Purchased Services (400-500)	13,881	5,166	19,047	9,653	9,394
General Supplies	2,700	1,066	3,766	2,838	928
BOE Membership Dues and Fees	8,000	1,110	9,110	9,110	
<b>Total Supp. Services - General Administration</b>	<b>338,710</b>	<b>744</b>	<b>339,454</b>	<b>297,716</b>	<b>41,738</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Support Services - School Administration:</b>					
Salaries of Principals/Assistant Principals	72,675	620	73,295	72,135	1,160
Salaries of Secretarial and Clerical Assistants	31,656	3,656	35,312	35,312	
Employee Benefits	29,386		29,386	29,386	
Other Purchased Services (400-500 series)	1,000	292	1,292	1,292	
Supplies and Materials	2,500	(47)	2,453	672	1,781
Other Objects	900		900	281	619
<b>Total Support Services - School Administration</b>	<b>138,117</b>	<b>4,521</b>	<b>142,638</b>	<b>139,078</b>	<b>3,560</b>
<b>Central Services:</b>					
Employee Benefits	29,386		29,386	29,386	
Supplies and Materials	1,000		1,000		1,000
Other Objects	1,735		1,735	1,304	431
<b>Total Central Services</b>	<b>32,121</b>		<b>32,121</b>	<b>30,690</b>	<b>1,431</b>
<b>Required Maintenance for School Facilities:</b>					
Salaries	58,470	(1,964)	56,506	56,506	
Cleaning, Repair and Maintenance Services	77,500	57,770	135,270	116,187	19,083
General Supplies	8,750	(3,409)	5,341	41	5,300
<b>Total Required Maintenance for School Facilities</b>	<b>144,720</b>	<b>52,397</b>	<b>197,117</b>	<b>172,734</b>	<b>24,383</b>
<b>Other Operations and Maintenance of Plant:</b>					
Salaries	122,901	(6,023)	116,878	116,878	
Employee Benefits	74,059		74,059	74,059	
Cleaning, Repair and Maintenance Services	33,500	20,752	54,252	50,052	4,200
Other Purchased Property Services	6,000	7	6,007	6,007	
Insurance	31,016	165	31,181	31,181	
Miscellaneous Purchased Services	2,000	(1,825)	175	175	
General Supplies	33,000	15,096	48,096	38,060	10,036
Energy (Natural Gas)	38,000	(7,924)	30,076	30,076	
Energy (Electricity)	40,000	(8,354)	31,646	31,646	
Gasoline	2,000	(1,219)	781	781	
Other Objects	1,000	4,582	5,582	5,582	
<b>Total Other Operations and Maintenance of Plant</b>	<b>383,476</b>	<b>15,257</b>	<b>398,733</b>	<b>384,497</b>	<b>14,236</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Student Transportation Services</b>					
Sal. For Pupil Transp. (Bet Home & Sch) - Reg.	9,749	1	9,750	9,750	
Contracted Services - Aid in Lieu of Payments-Nonpublic Sch.	8,840	(185)	8,655	7,963	692
Contracted Services (Between Home and School)-Vendors	259,065	(15,578)	243,487	217,418	26,069
Contracted Services (Other than Bet.Home & School)-Vendors	5,000	3,356	8,356	7,571	785
Contracted Services (Between Home and School)-Joint Agrmts.	1,000		1,000		1,000
Contracted Services (Special Education Students)-Vendors	105,000		105,000	81,977	23,023
Contracted Services (Reg. Students)-ESCs & CTSA's	5,500		5,500	3,229	2,271
<b>Total Student Transportation Services</b>	<b>394,154</b>	<b>(12,406)</b>	<b>381,748</b>	<b>327,908</b>	<b>53,840</b>
<b>UNALLOCATED BENEFITS</b>					
Social Security Contributions	72,500	(1,059)	71,441	52,086	19,355
Other Retirement Contributions-Regular	60,000		60,000	49,601	10,399
Unemployment Compensation	11,000	1,223	12,223	12,223	
Workmen's Compensation	28,490		28,490	26,362	2,128
Other Benefits	4,000		4,000	1,710	2,290
<b>TOTAL UNALLOCATED BENEFITS</b>	<b>175,990</b>	<b>164</b>	<b>176,154</b>	<b>141,982</b>	<b>34,172</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
On-behalf TPAF pension Contrib. (non-budgeted)				125,990	(125,990)
On-behalf TPAF PRM Contrib. (non-budgeted)				200,010	(200,010)
Reimbursed TPAF Social Security Contrib. (non-budgeted)				178,860	(178,860)
<b>TOTAL ON-BEHALF CONTRIBUTIONS</b>				<b>504,860</b>	<b>(504,860)</b>
<b>TOTAL PERSONAL SERVICES-EMPLOYEE BENEFITS</b>	<b>175,990</b>	<b>164</b>	<b>176,154</b>	<b>646,842</b>	<b>(470,688)</b>
<b>TOTAL UNDISTRIBUTED EXPENDITURES</b>	<b>4,544,441</b>	<b>66,236</b>	<b>4,610,677</b>	<b>4,772,038</b>	<b>(161,361)</b>
<b>TOTAL GENERAL CURRENT EXPENSE</b>	<b>7,501,568</b>	<b>68,856</b>	<b>7,570,424</b>	<b>7,583,360</b>	<b>(12,936)</b>
<b>CAPITAL OUTLAY</b>					
<b>Equipment:</b>					
Undistributed Expenditures-Instructional Equipment-Grade 1-5					
Undistributed Expenditures-Instructional Equipment-Grade 6-8		46,360	46,360	46,360	
Undistributed Expenditures-Support Services General Admin.		31,139	31,139	31,139	
<b>Total Equipment</b>		<b>77,499</b>	<b>77,499</b>	<b>77,499</b>	
<b>Facilities Acquisition and Construction:</b>					
Other Purchased and Technical Services	7,500	31,909	39,409	34,951	4,458
Construction Services	42,500	324,894	367,394	367,394	
Assessment for Debt Service on SDA Funding	1,960		1,960	1,960	
<b>Total Facilities Acquisition and Construction</b>	<b>51,960</b>	<b>356,803</b>	<b>408,763</b>	<b>404,305</b>	<b>4,458</b>
<b>TOTAL CAPITAL OUTLAY</b>	<b>51,960</b>	<b>434,302</b>	<b>486,262</b>	<b>481,804</b>	<b>4,458</b>
Transfer to Charter School	<b>10,284</b>		<b>10,284</b>	<b>10,284</b>	
<b>TOTAL EXPENDITURES</b>	<b>7,563,812</b>	<b>503,158</b>	<b>8,066,970</b>	<b>8,075,448</b>	<b>(8,478)</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-1

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(558,040)	(503,158)	(1,061,198)	(594,314)	466,884
<b>Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)</b>	(558,040)	(503,158)	(1,061,198)	(594,314)	466,884
<b>Fund Balance, July 1</b>	2,198,071		2,198,071	2,198,071	
<b>Fund Balance, June 30</b>	\$ 1,640,031	\$ (503,158)	\$ 1,136,873	\$ 1,603,757	\$ 466,884
<b>Recapitulation:</b>					
<b>Restricted for:</b>					
Capital Reserve				\$ 74,581	
Emergency Reserve				250,000	
Excess Surplus				357,643	
Excess Surplus - Designated for Subsequent Year's Expenditures				557,623	
<b>Assigned to:</b>					
Year-End Encumbrances				102,196	
Designated for Subsequent Year's Expenditures				4,700	
<b>Unassigned:</b>					
Unrestricted Fund Balance				<u>257,014</u>	
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				\$ 1,603,757	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>(173,544)</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>\$ 1,430,213</u>	



POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit C-2

**BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND**

For the Fiscal Year Ended June 30, 2015

	<b>Original Budget</b>	<b>Budget Transfers</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Final to Actual Favorable/ (Unfavorable)</b>
<b>REVENUES:</b>					
Federal Sources	\$ 149,659	\$ 23,186	\$ 172,845	\$ 172,845	-
<b>Total Revenues</b>	<b>149,659</b>	<b>23,186</b>	<b>172,845</b>	<b>172,845</b>	<b>-</b>
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Other Salaries	36,937		36,937	36,937	
Other Purchased Services		1,100	1,100	1,100	
Tuition	93,566		93,566	93,566	
Supplies and Materials	5,021	22,086	27,107	27,107	
<b>Total Instruction</b>	<b>135,524</b>	<b>23,186</b>	<b>158,710</b>	<b>158,710</b>	
<b>Support Services</b>					
Purchased Prof. Educ. Serv.	12,000		12,000	12,000	
General Supplies	2,135		2,135	2,135	
<b>Total Support Services</b>	<b>14,135</b>		<b>14,135</b>	<b>14,135</b>	
<b>Total Expenditures</b>	<b>149,659</b>	<b>23,186</b>	<b>172,845</b>	<b>172,845</b>	
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)</b>					
<b>Fund Balance per Governmental Funds(Budgetary Basis)</b>				None	
<b>Reconciliation to Governmental Funds Statement(GAAP Basis):</b>					
Current Year Last State Aid Payment not recognized on GAAP basis until received				<u>None</u>	
<b>Fund Balance per Governmental Funds(GAAP Basis)</b>				<u>None</u>	

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

For the Fiscal Year Ended June 30, 2015

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

	General Fund	Special Revenue Fund
<b>Sources/Inflows of Resources</b>		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule (Exhibits C-1 and C-2, respectively)	\$ 7,481,134	\$ 172,845
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Prior Year	N/A	5,359
Current Year	N/A	(835)
Adjustment for: Prior year Final State Aid Payment excluded in State Source Revenues that is considered a revenue for GAAP reporting purposes	170,429	
Adjustment for: Current Year Final State Aid Payment included in State Source Revenues that is not considered a revenue for GAAP reporting purposes	(173,544)	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds. (Exhibit B-2)	<u>\$ 7,478,019</u>	<u>\$ 177,369</u>
 <b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C-1 and C-2, respectively)	\$ 8,075,448	\$ 172,845
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Prior Year	N/A	5,359
Current Year	N/A	(835)
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.	N/A	N/A
Net transfers (outflows) to general fund	<u>N/A</u>	<u>N/A</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds (Exhibit B-2)	<u>\$ 8,075,448</u>	<u>\$ 177,369</u>

**Pohatcong Township School District  
Schedule of the District's Proportionate Share of the Net Pension Liability  
Last Ten Fiscal Years \***

**Exhibit L-3**

**Teachers' Pension and Annuity Fund (TPAF)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset) **	N/A	N/A								
District's proportionate share of the net pension liability (asset) **	N/A	N/A								
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 13,310,080</u>	<u>\$ 12,654,847</u>								
Total	<u>\$ 13,310,080</u>	<u>\$ 12,654,847</u>								
District's covered employee payroll	\$ 2,573,394	\$ 2,421,056								
District's proportionate share of the of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A								
Plan fiduciary net position as a percentage of the total pension liability	33.64%	33.76%								

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

**Exhibit L-1**

**Public Employees' Retirement System (PERS)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
District's proportion of the net pension liability (asset)	0.005887294%	0.006172430%								
District's proportionate share of the net pension liability (asset)	<u>\$ 1,102,262</u>	<u>\$ 1,179,674</u>								
District's covered employee payroll	\$ 646,149	\$ 689,440								
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.59%	171.11%								
Plan fiduciary net position as a percentage of the total pension liability (Local)	52.08%	48.72%								

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

**Pohatcong Township School District  
Schedule of District Contributions  
Last Ten Fiscal Years \***

**Exhibit L-2**

**Teachers' Pension and Annuity Fund (TPAF)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution **	N/A	N/A								
Contributions in relation to the contractually required contribution **	N/A	N/A								
Contribution deficiency (excess)	N/A	N/A								
District's covered employee payroll	\$ 2,573,394	\$ 2,421,056								
Contributions as a percentage of covered-employee payroll	N/A	N/A								

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

**Public Employees' Retirement System (PERS)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Contractually required contribution	\$ 46,508	\$ 47,134								
Contributions in relation to the contractually required contribution	<u>(46,508)</u>	<u>(47,134)</u>								
Contribution deficiency (excess)	<u>-</u>	<u>-</u>								
District's covered employee payroll	\$ 646,149	\$ 689,440								
Contributions as a percentage of covered-employee payroll	7.20%	6.84%								

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

POHATCONG SCHOOL DISTRICT

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**Pension Schedules**

For the Fiscal Year Ended June 30, 2015

**Teachers' Pension and Annuity Fund (TPAF)**

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

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

**Public Employees' Retirement System (PERS)**

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

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



**OTHER SUPPLEMENTARY INFORMATION**

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit E-1

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

For the Fiscal Year Ended June 30, 2015

	<b>Title I</b>	<b>Title I I Part A</b>	<b>IDEA Basic</b>	<b>IDEA Preschool</b>	<b>REAP</b>	<b>Totals</b>
<b>REVENUES</b>						
Federal Sources	\$ 41,958	\$ 14,135	\$ 90,947	\$ 2,619	\$ 23,186	172,845
<b>TOTAL REVENUES</b>	<b>41,958</b>	<b>14,135</b>	<b>90,947</b>	<b>2,619</b>	<b>23,186</b>	<b>172,845</b>
<b>EXPENDITURES:</b>						
<b>Instruction:</b>						
Other Salaries	36,937					36,937
Other Purchased Services					1,100	1,100
Tuition			90,947	2,619		93,566
Supplies and Materials	5,021				22,086	27,107
<b>Total Instruction</b>	<b>41,958</b>	<b>-</b>	<b>90,947</b>	<b>2,619</b>	<b>23,186</b>	<b>158,710</b>
<b>Support Services:</b>						
Purchased Prof. Educ. Serv.		12,000				12,000
General Supplies		2,135				2,135
<b>Total Support Services</b>	<b>-</b>	<b>14,135</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,135</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 41,958</b>	<b>\$ 14,135</b>	<b>\$ 90,947</b>	<b>\$ 2,619</b>	<b>\$ 23,186</b>	<b>\$ 172,845</b>
<b>Total Outflows</b>	<b>\$ 41,958</b>	<b>\$ 14,135</b>	<b>\$ 90,947</b>	<b>\$ 2,619</b>	<b>\$ 23,186</b>	<b>\$ 172,845</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>						

**CAPITAL PROJECTS FUND  
DETAIL STATEMENTS**

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-1

**CAPITAL PROJECTS FUND  
SUMMARY STATEMENT OF PROJECT EXPENDITURES**

For the Fiscal Year Ended June 30, 2015

	<u>Date</u>	<u>Original</u>	<u>Revised</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance June 30, 2015</u>
		<u>Appropriations</u>	<u>Appropriations</u>	<u>Prior Years</u>	<u>Current Year</u>	
Field Stabilization Project						
Board of Education	8/7/09	\$ 570,508	\$ 435,948			
State of New Jersey - SDA	8/7/09	380,338	180,860	\$ 442,400	-	\$ 174,408
Totals		<u>\$ 950,846</u>	<u>\$ 616,808</u>	<u>\$ 442,400</u>	<u>-</u>	<u>\$ 174,408</u>
				Fund Balance, June 30, 2015		<u>\$ 174,408</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-2

**CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE-BUDGETARY BASIS**

For the Fiscal Year Ended June 30, 2015

**Revenues and Other Financing**

**Sources**

State Sources - SDA Grant	-
Transfer from capital reserve	-
Transfer from capital outlay	-
Total Revenues	<u>-</u>

**Expenditures and Other Financing**

**Uses**

Construction Services	-
Total Expenditures	<u>-</u>

Excess(deficiency) of revenues over(under)  
expenditures

-

Fund Balance - Beginning

\$ 174,408

Fund Balance - Ending

\$ 174,408

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit F-2a

**CAPITAL PROJECTS FUND**  
**SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,**  
**AND PROJECT STATUS - BUDGETARY BASIS -**  
**FIELD STABILIZATION PROJECT**

From Inception and for the Fiscal Year Ended June 30, 2015

	<u>Prior</u> <u>Periods</u>	<u>Current</u> <u>Year</u>	<u>Totals</u>	<u>Revised</u> <u>Authorized</u> <u>Costs</u>
<b>Revenues and Other Financing Sources</b>				
State Sources - SDA Grant	\$ 180,860		\$ 180,860	\$ 180,860
Transfer from capital reserve	265,440		265,440	265,440
Transfer from capital outlay	170,508		170,508	170,508
Total Revenues	<u>616,808</u>	-	<u>616,808</u>	<u>616,808</u>
<b>Expenditures and Other Financing Sources</b>				
Construction services	442,400		\$ 442,400	\$ 442,400
Total Expenditures	<u>442,400</u>	-	<u>442,400</u>	<u>442,400</u>
Excess(deficiency) of revenues over(under) expenditures	<u>\$ 174,408</u>	-	<u>\$ 174,408</u>	<u>\$ 174,408</u>

**Additional project information:**

Project number	SP#4200-040-09-0ZGI			
Grant Date	8/7/09			
Bond Authorization Date	N/A	Project Fund Balance, 6/30/2015	<u>\$ 174,408</u>	
Bonds Authorized	N/A			
Bonds Issued	N/A			
Original Authorized Cost	\$950,846			
Additional Authorized Cost	(\$508,446)			
Revised Authorized Cost	\$442,400			
Percentage Increase over Original Authorized Cost	N/A			
Percentage Completion	100%			
Original Target Completion Date	6/30/2011			
Revised Target Completion Date	6/30/2011			



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

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

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

**Shared Services Fund** - This fund provides for the expense and related reimbursement of the shared School Business Administrator with Alpha Borough School District.

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

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

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

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

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

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

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2015**

	<u>AGENCY FUNDS</u>		
	<u>STUDENT</u>	<u>PAYROLL</u>	
	<u>ACTIVITY</u>	<u>AGENCY</u>	<u>TOTALS</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	<u>\$30,396</u>	<u>\$117,479</u>	<u>\$147,875</u>
<b>TOTAL ASSETS</b>	<u><b>\$30,396</b></u>	<u><b>\$117,479</b></u>	<u><b>\$147,875</b></u>
<b>LIABILITIES:</b>			
Liabilities:			
Payroll Deductions & Withholdings		\$117,479	\$117,479
Payable to Student Groups	<u>\$30,396</u>		<u>30,396</u>
<b>Total Liabilities</b>	<u><b>\$30,396</b></u>	<u><b>\$117,479</b></u>	<u><b>\$147,875</b></u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$30,396</b></u>	<u><b>\$117,479</b></u>	<u><b>\$147,875</b></u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-3

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
STUDENT ACTIVITY AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<u>ACTIVITY</u>	<u>BALANCE</u> <u>July 1, 2014</u>	<u>CASH</u> <u>RECEIPTS</u>	<u>CASH</u> <u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>June 30, 2015</u>
Pohatcong Elementary School	\$ 34,181	\$ 30,525	\$ 34,310	\$ 30,396
<b>TOTALS</b>	<b>\$ 34,181</b>	<b>\$ 30,525</b>	<b>\$ 34,310</b>	<b>\$ 30,396</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit H-4

**SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
PAYROLL AGENCY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	<u>BALANCE</u> <u>July 1, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2015</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 112,501	\$ 3,676,426	\$ 3,671,448	\$ 117,479
<b>Total Assets</b>	<u>\$ 112,501</u>	<u>\$ 3,676,426</u>	<u>\$ 3,671,448</u>	<u>\$ 117,479</u>
<b>LIABILITIES:</b>				
Payroll Deductions & Withholdings		\$ 1,661,549	\$ 1,661,549	-
Accrued Salaries & Wages		1,894,374	1,894,374	-
Summer Pay Plan	108,890	113,373	115,525	\$ 106,738
Imprest Balance	3,611	7,130		10,741
<b>Total Liabilities</b>	<u>\$ 112,501</u>	<u>\$ 3,676,426</u>	<u>\$ 3,671,448</u>	<u>\$ 117,479</u>



## **LONG-TERM DEBT SCHEDULES**

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



POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-1

**SCHEDULE OF SERIAL BONDS  
AS OF ENDED JUNE 30, 2015**

<u>ISSUE</u>	<u>DATE OF ISSUE</u>	<u>AMOUNT OF ISSUE</u>	<u>ANNUAL MATURITIES</u>		<u>INTEREST</u>	<u>BALANCE</u>	<u>RETIRE</u>	<u>BALANCE</u>
			<u>DATE</u>	<u>AMOUNT</u>	<u>RATE</u>	<u>JULY 1, 2014</u>	<u>ED</u>	<u>JUNE 30, 2015</u>
Construction of School	4/30/98	\$ 9,690,000	7/15/2015	\$ 640,000	4.875%	\$ 8,485,000	\$ 635,000	\$ 7,850,000
			7/15/2016	635,000	4.875%			
			7/15/2017	655,000	4.875%			
			7/15/2018	650,000	5.000%			
			7/15/2019	645,000	5.000%			
			7/15/2020	640,000	5.200%			
			7/15/2021	660,000	5.200%			
			7/15/2022	660,000	5.200%			
			7/15/2023	655,000	5.250%			
			7/15/2024	650,000	5.250%			
			7/15/2025	670,000	5.250%			
			7/15/2026	690,000	5.250%			
Total						<u>\$ 8,485,000</u>	<u>\$ 635,000</u>	<u>\$ 7,850,000</u>

POHATCONG TOWNSHIP SCHOOL DISTRICT

Exhibit I-3

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND**

For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive/ (Negative) Final to Actual</u>
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 877,582		\$ 877,582	\$ 877,582	
	877,582	-	877,582	877,582	
State Sources:					
Debt Service Aid Type II	173,487		173,487	173,487	
Total - State Sources	173,487		173,487	173,487	
<b>TOTAL REVENUES</b>	<b>\$ 1,051,069</b>	<b>-</b>	<b>\$ 1,051,069</b>	<b>\$ 1,051,069</b>	
<b>EXPENDITURES:</b>					
Regular Debt Service:					
Interest	\$ 416,070		\$ 416,070	\$ 416,069	
Redemption of Principal	635,000		635,000	635,000	
Total Regular Debt Service	1,051,070		1,051,070	1,051,069	
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,051,070</b>		<b>\$ 1,051,070</b>	<b>\$ 1,051,069</b>	
Fund Balance, July 1	\$ 3		\$ 3	\$ 3	
Fund Balance, June 30	\$ 2		\$ 2	\$ 3	
<b>Recapitulation of Excess (Deficiency) of <u>Revenues Over (Under) Expenditures</u> Budgeted Fund Balance</b>					

Pohatcong Township School District  
**Statistical Section**

<u>Contents</u>	<u>Page</u>
<b>Financial Trends (J-1 thru J-5)</b> These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	91-96
<b>Revenue Capacity (J-6 thru J-9)</b> These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	97-100
<b>Debt Capacity (J-10 thru J-13)</b> 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.	101-104
<b>Demographic and Economic Information (J-14 and J-15)</b> These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	105-106
<b>Operating Information (J-16 thru J-20)</b> 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.	107-111

**Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year. The district implemented GASB Statement 34 in the fiscal year ending June 30, 2003; schedules presenting district-wide information include information beginning in that year.



**Pohatcong Township School District  
Net Position by Component,  
Last Ten Fiscal Years**

*(accrual basis of accounting)*

**Exhibit J-1**

	<u>2006</u>	<u>2007</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>
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ (3,506,892)	\$ (3,270,912)	\$ (3,899,011)	\$ (3,654,936)	\$ (2,956,995)	\$ (2,594,840)	\$ (2,209,270)	\$ (1,846,659)	\$ (838,393)	\$ (139,423)
Restricted	598,600	480,892	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063	1,350,985	1,440,213	1,244,547
Unrestricted	36,966	(6,269)	(203,363)	(137,778)	391,502	274,442	227,923	1,173,510	533,545	(981,004)
<b>Total governmental activities net position</b>	<u>\$ (2,871,326)</u>	<u>\$ (2,796,289)</u>	<u>\$ (2,901,871)</u>	<u>\$ (2,162,811)</u>	<u>\$ (1,181,175)</u>	<u>\$ (542,621)</u>	<u>\$ 145,716</u>	<u>\$ 677,836</u>	<u>\$ 1,135,365</u>	<u>\$ 124,120</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 75,550	\$ 61,690	\$ 24,163	\$ 19,770	\$ 28,876	\$ 24,483	\$ 20,090	\$ 15,696	\$ 11,303	\$ 6,910
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	22,488	27,581	25,562	30,149	27,062	30,467	31,339	33,333	33,744	36,767
<b>Total business-type activities net position</b>	<u>\$ 98,038</u>	<u>\$ 89,271</u>	<u>\$ 49,725</u>	<u>\$ 49,919</u>	<u>\$ 55,938</u>	<u>\$ 54,950</u>	<u>\$ 51,429</u>	<u>\$ 49,029</u>	<u>\$ 45,047</u>	<u>\$ 43,677</u>
<b>District-wide</b>										
Invested in capital assets, net of related debt	\$ (3,431,342)	\$ (3,209,222)	\$ (3,874,848)	\$ (3,635,166)	\$ (2,928,119)	\$ (2,570,357)	\$ (2,189,180)	\$ (1,830,963)	\$ (827,090)	\$ (132,513)
Restricted	598,600	480,892	1,200,503	1,629,903	1,384,318	1,777,777	2,127,063	1,350,985	1,440,213	1,244,547
Unrestricted	59,454	21,312	(177,801)	(107,629)	418,564	304,909	259,262	1,206,843	567,289	(944,237)
<b>Total district net position</b>	<u>\$ (2,773,288)</u>	<u>\$ (2,707,018)</u>	<u>\$ (2,852,146)</u>	<u>\$ (2,112,892)</u>	<u>\$ (1,125,237)</u>	<u>\$ (487,671)</u>	<u>\$ 197,145</u>	<u>\$ 726,865</u>	<u>\$ 1,180,412</u>	<u>\$ 167,797</u>

Source: CAFR Schedule A-1

**Pohatcong Township School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2006		2007		2008		2009		Fiscal Year Ending June 30,		2010		2011		2012		2013		2014		2015		
<b>Expenses</b>																							
Governmental activities																							
Instruction																							
Regular	\$ 2,112,985	\$ 2,541,060	\$ 2,628,409	\$ 2,414,801	\$ 2,677,124	\$ 2,493,506	\$ 2,573,524	\$ 2,620,573	\$ 2,778,779	\$ 3,167,825													
Special education	654,520	512,242	497,823	492,481	500,441	473,969	486,865	620,141	654,161	689,124													
Other special education	255,524	352,074	385,859	379,648	433,238	354,226	257,199	296,472	211,359	205,417													
Support Services:																							
Tuition	1,692,464	1,444,815	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375	1,709,734	1,708,489	2,179,468													
Student & instruction related services	515,965	535,798	574,591	612,602	651,159	701,315	684,140	756,050	717,447	804,688													
General administrative services	470,070	475,095	448,775	415,177	400,373	394,905	417,900	442,818	414,267	425,495													
School administrative services	156,918	172,962	198,800	187,239	192,890	181,576	162,038	174,168	186,344	199,555													
Plant operations and maintenance	487,639	616,170	669,612	660,038	635,426	631,347	632,184	658,986	806,735	773,411													
Pupil transportation	349,295	358,918	385,228	439,086	357,050	337,236	364,951	305,367	284,568	327,908													
Other Support Services																							
Interest on long-term debt	662,469	635,085	612,844	587,595	525,936	498,740	476,770	463,618	434,660	403,913													
Total governmental activities expenses	<u>7,357,849</u>	<u>7,644,219</u>	<u>7,665,714</u>	<u>7,443,756</u>	<u>7,497,276</u>	<u>7,236,382</u>	<u>7,599,946</u>	<u>8,047,927</u>	<u>8,196,809</u>	<u>9,176,804</u>													
Business-type activities:																							
Food service	99,245	90,560	85,064	83,812	82,219	93,260	100,941	94,513	102,893	99,236													
Total business-type activities expense	<u>99,245</u>	<u>90,560</u>	<u>85,064</u>	<u>83,812</u>	<u>82,219</u>	<u>93,260</u>	<u>100,941</u>	<u>94,513</u>	<u>102,893</u>	<u>99,236</u>													
Total district expenses	<u>\$ 7,457,094</u>	<u>\$ 7,734,779</u>	<u>\$ 7,750,778</u>	<u>\$ 7,527,568</u>	<u>\$ 7,579,495</u>	<u>\$ 7,329,642</u>	<u>\$ 7,700,887</u>	<u>\$ 8,142,440</u>	<u>\$ 8,299,702</u>	<u>\$ 9,276,040</u>													
<b>Program Revenues</b>																							
Governmental activities:																							
Charges for services:																							
Transportation	30,911	30,867	30,936	31,831	34,054	37,541	41,461	-	-	-													
Operating grants and contributions	442,766	2,636,248	2,728,848	2,500,469	2,315,773	2,290,166	2,412,372	2,624,302	2,572,350	3,226,835													
Capital grants and contributions					380,338	(199,478)	-	-	-	-													
Total governmental activities program revenues	<u>473,677</u>	<u>2,667,115</u>	<u>2,759,784</u>	<u>2,532,300</u>	<u>2,730,165</u>	<u>2,128,229</u>	<u>2,453,833</u>	<u>2,624,302</u>	<u>2,572,350</u>	<u>3,226,835</u>													
Business-type activities:																							
Charges for services																							
Food service	60,681	52,689	47,271	48,634	46,500	52,002	53,498	51,323	52,758	51,940													
Operating grants and contributions	30,309	28,528	30,937	34,973	41,627	40,223	43,900	40,775	42,922	44,304													
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-													
Total business-type activities program revenues	<u>90,990</u>	<u>81,217</u>	<u>78,208</u>	<u>83,607</u>	<u>88,127</u>	<u>92,225</u>	<u>97,398</u>	<u>92,098</u>	<u>95,680</u>	<u>96,244</u>													
Total district program revenues	<u>\$ 564,667</u>	<u>\$ 2,748,332</u>	<u>\$ 2,837,992</u>	<u>\$ 2,615,907</u>	<u>\$ 2,818,292</u>	<u>\$ 2,220,454</u>	<u>\$ 2,551,231</u>	<u>\$ 2,716,400</u>	<u>\$ 2,668,030</u>	<u>\$ 3,323,079</u>													
<b>Net (Expense)/Revenue</b>																							
Governmental activities	\$ (6,884,172)	\$ (4,977,104)	\$ (4,905,930)	\$ (4,911,456)	\$ (4,767,111)	\$ (5,108,153)	\$ (5,146,113)	\$ (5,423,625)	\$ (5,624,459)	\$ (5,949,969)													
Business-type activities	(8,255)	(9,343)	(6,856)	(205)	5,908	(1,035)	(3,543)	(2,415)	(7,213)	(2,992)													
Total district-wide net expense	<u>\$ (6,892,427)</u>	<u>\$ (4,986,447)</u>	<u>\$ (4,912,786)</u>	<u>\$ (4,911,661)</u>	<u>\$ (4,761,203)</u>	<u>\$ (5,109,188)</u>	<u>\$ (5,149,656)</u>	<u>\$ (5,426,040)</u>	<u>\$ (5,631,672)</u>	<u>\$ (5,952,961)</u>													

Continued

**Pohatcong Township School District**  
**Changes in Net Position, Last Ten Fiscal Years**  
*(accrual basis of accounting)*

**Exhibit J-2**

	2006		2007		2008		2009		Fiscal Year Ending June 30,		2010		2011		2012		2013		2014		2015		
<b>General Revenues and Other Changes in Net Position</b>																							
Governmental activities:																							
Property taxes levied for general purposes, net	\$ 4,269,582	\$ 4,489,308	\$ 4,700,242	\$ 4,764,372	\$ 4,859,947	\$ 4,859,287	\$ 4,956,473	\$ 5,055,602	\$ 5,156,714	\$ 5,156,714													
Taxes levied for debt service	744,081	732,648	687,338	633,394	656,561	873,733	854,009	862,756	881,917	877,582													
Unrestricted grants and contributions	2,026,932	-	-	-	-	-	-	-	-	-													
Investment earnings	42,542	66,801	53,829	32,353	10,276	4,162	2,543	2,067	1,362	1,055													
Miscellaneous income	62,800	62,975	148,793	220,497	221,963	9,525	21,425	35,310	41,995	34,488													
Transfers	(8,305)	-	-	-	-	-	-	-	-	-													
Total governmental activities	<u>7,137,632</u>	<u>5,351,732</u>	<u>5,590,202</u>	<u>5,650,616</u>	<u>5,748,747</u>	<u>5,746,707</u>	<u>5,834,450</u>	<u>5,955,735</u>	<u>6,081,988</u>	<u>6,069,839</u>													
Business-type activities:																							
Investment earnings	365	576	444	399	111	47	22	15	3,231	1,622													
Total business-type activities	<u>365</u>	<u>576</u>	<u>444</u>	<u>399</u>	<u>111</u>	<u>47</u>	<u>22</u>	<u>15</u>	<u>3,231</u>	<u>1,622</u>													
Total district-wide	<u>\$ 7,137,997</u>	<u>\$ 5,352,308</u>	<u>\$ 5,590,646</u>	<u>\$ 5,651,015</u>	<u>\$ 5,748,858</u>	<u>\$ 5,746,754</u>	<u>\$ 5,834,472</u>	<u>\$ 5,955,750</u>	<u>\$ 6,085,219</u>	<u>\$ 6,071,461</u>													
<b>Change in Net Position</b>																							
Governmental activities	\$ 253,460	\$ 374,628	\$ 684,272	\$ 739,160	\$ 981,636	\$ 638,554	\$ 688,337	\$ 532,110	\$ 457,529	\$ 119,870													
Business-type activities	(7,890)	(8,767)	(6,412)	194	6,019	(988)	(3,521)	(2,400)	(3,982)	(1,370)													
Total district	<u>\$ 245,570</u>	<u>\$ 365,861</u>	<u>\$ 677,860</u>	<u>\$ 739,354</u>	<u>\$ 987,655</u>	<u>\$ 637,566</u>	<u>\$ 684,816</u>	<u>\$ 529,710</u>	<u>\$ 453,547</u>	<u>\$ 118,500</u>													

Source: CAFR Schedule A-2

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

**Exhibit J-3**

	2006		2007		2008		2009		Fiscal Year Ending June 30,		2010		2011		2012		2013		2014		2015			
General Fund																								
Reserved	\$	578,112	\$	766,033	\$	1,282,956	\$	1,740,619	\$	1,550,259	\$	2,018,610	\$	2,340,262	\$	2,517,786	\$	1,943,371	\$	1,346,743				
Unreserved		184,413		173,924		171,692		78,933		(38,054)		100,360		94,879		81,780		84,271		83,470				
Total general fund	\$	<u>762,525</u>	\$	<u>939,957</u>	\$	<u>1,454,648</u>	\$	<u>1,819,552</u>	\$	<u>1,512,205</u>	\$	<u>2,118,970</u>	\$	<u>2,435,141</u>	\$	<u>2,599,566</u>	\$	<u>2,027,642</u>	\$	<u>1,430,213</u>				
All Other Governmental Funds																								
Reserved																						-		
Unreserved, reported in:																								
Special revenue fund	\$	(406)	\$	(406)	\$	(406)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Capital projects fund		-		-		-		-	\$	530,566	\$	174,408	\$	174,408	\$	174,408	\$	174,408	\$	174,408	\$	174,408		
Debt service fund		1,216		-		-		-		28,156		28,156		1		2		3		3		3		
Permanent fund		-		-		-		-		-		-		-		-		-		-		-		
Total all other governmental funds	\$	<u>810</u>	\$	<u>(406)</u>	\$	<u>(406)</u>		<u>-</u>	\$	<u>558,722</u>	\$	<u>202,564</u>	\$	<u>174,409</u>	\$	<u>174,410</u>	\$	<u>174,411</u>	\$	<u>174,411</u>	\$	<u>174,411</u>		

Source: CAFR Schedule B-1

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

**Exhibit J-4**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Revenues</b>										
Tax levy	\$ 5,013,663	\$ 5,221,956	\$ 5,387,580	\$ 5,397,766	\$ 5,516,508	\$ 5,733,020	\$ 5,810,482	\$ 5,918,358	\$ 6,038,631	\$ 6,034,296
Transportation Charges	30,910	30,867	30,936	31,831	34,054	37,541	41,461	-	-	13,445
Interest on Investments	42,542	-	-	-	-	-	-	-	-	-
Miscellaneous	62,800	129,776	202,622	252,850	232,239	13,687	23,968	37,377	43,357	22,098
State sources	2,331,293	2,488,164	2,555,253	2,325,533	2,193,259	1,885,582	2,182,994	2,452,276	2,409,105	2,459,249
Federal sources	138,405	148,083	173,595	174,836	502,852	205,106	229,378	172,026	163,245	177,369
<b>Total revenue</b>	<b>7,619,613</b>	<b>8,018,846</b>	<b>8,349,986</b>	<b>8,182,816</b>	<b>8,478,912</b>	<b>7,874,936</b>	<b>8,288,283</b>	<b>8,580,037</b>	<b>8,654,338</b>	<b>8,706,457</b>
<b>Expenditures</b>										
<b>Instruction</b>										
Regular Instruction	1,697,342	1,971,428	2,108,053	2,168,085	2,295,880	2,073,276	2,120,733	2,068,380	2,255,238	2,257,902
Special education instruction	585,128	442,553	430,561	449,051	458,526	426,184	438,322	540,937	583,646	552,086
Other special instruction	220,603	304,175	333,725	346,168	396,952	318,514	231,555	258,611	188,576	164,568
Other instruction	-	-	-	-	-	-	-	-	-	-
<b>Support Services:</b>										
Tuition	1,692,464	1,444,815	1,263,773	1,255,089	1,123,639	1,169,562	1,544,375	1,709,734	1,708,489	2,179,468
Student & instruction related services	426,399	439,414	476,865	538,487	575,947	605,862	589,341	630,915	609,453	607,240
School Administrative services	139,240	141,601	165,243	164,030	169,843	149,521	137,020	142,398	149,225	139,078
General administrative services	296,982	392,190	372,513	362,937	350,760	341,343	355,555	364,033	352,579	328,406
Plant operations and maintenance	537,765	498,412	550,118	572,809	552,342	531,949	530,750	533,543	597,092	557,231
Pupil transportation	349,295	358,918	385,228	439,086	357,050	337,236	364,951	305,367	284,568	327,908
Unallocated employee benefits	530,868	695,539	717,913	430,573	459,874	485,216	477,438	661,318	601,477	646,842
Other Support Services	-	-	-	-	-	-	-	-	-	-
Charter Schools	8,305	12,640	12,213	24,646	-	42,148	42,413	49,901	20,398	10,284
Capital outlay	41,592	161,981	10,995	32,320	452,650	102,625	111,257	117,164	819,260	481,804
<b>Debt service:</b>										
Principal	305,000	335,000	385,000	435,000	490,000	535,000	570,000	565,000	610,000	635,000
Interest and other charges	662,469	643,964	623,095	599,225	544,074	505,893	486,557	468,310	446,260	416,069
<b>Total expenditures</b>	<b>7,493,452</b>	<b>7,842,630</b>	<b>7,835,295</b>	<b>7,817,506</b>	<b>8,227,537</b>	<b>7,624,329</b>	<b>8,000,267</b>	<b>8,415,611</b>	<b>9,226,261</b>	<b>9,303,886</b>
Excess (Deficiency) of revenues over (under) expenditures	126,161	176,216	514,691	365,310	251,375	250,607	288,016	164,426	(571,923)	(597,429)
<b>Other Financing Sources (uses)</b>										
Capital Leases	-	-	-	-	-	-	-	-	-	-
Proceeds of Refunding Bonds	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	570,508	134,560	-	-	-	-
Transfers out	-	-	-	-	(570,508)	(134,560)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>								
<b>Net change in fund balances</b>	<b>\$ 126,161</b>	<b>\$ 176,216</b>	<b>\$ 514,691</b>	<b>\$ 365,310</b>	<b>\$ 251,375</b>	<b>\$ 250,607</b>	<b>\$ 288,016</b>	<b>\$ 164,426</b>	<b>\$ (571,923)</b>	<b>\$ (597,429)</b>
Debt service as a percentage of noncapital expenditures	13.0%	12.7%	12.9%	13.3%	13.3%	13.8%	13.4%	12.5%	12.6%	11.9%

Source: CAFR Schedule B-2

POHATCONG TOWNSHIP SCHOOL DISTRICT  
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE  
LAST TEN FISCAL YEARS  
UNAUDITED

Exhibit J-5

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Escrow</u> <u>Transfer</u>	<u>Tuition</u>	<u>Settlements</u>	<u>Classroom</u> <u>Rental</u>	<u>Miscellaneous</u>	<u>Total</u>
2006	\$ 27,800	\$ 35,000					\$ 62,800
2007	59,079				\$ 7,650	\$ 325	67,054
2008	47,732				17,669	6,124	71,525
2009	21,168				17,952	2,545	41,665
2010	10,276				17,018	5,545	32,839
2011	4,161				8,198	884	13,243
2012	2,543				13,663	6,542	22,748
2013	2,067				10,930	24,380	37,377
2014	1,362				8,198	33,797	43,357
2015	1,055		\$ 13,445	\$ 15,000	5,465	578	35,543

SOURCE: District Records

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

**Exhibit J-6**

<u>Fiscal Year Ended June 30,</u>	<u>Vacant Land</u>	<u>Residential</u>	<u>Farm Reg.</u>	<u>Qfarm</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Apartment</u>	<u>Total Assessed Value</u>	<u>Less: Tax-Exempt Property</u>	<u>Public Utilities a</u>	<u>Net Valuation Taxable</u>	<u>Total Direct School Tax Rate b</u>	<u>Estimated Actual (County Equalized Value)</u>
2006	\$5,290,800	\$202,748,700	\$26,929,200	\$2,571,800	\$95,142,800	\$5,636,800	\$399,300	\$367,256,800	\$27,750,100	\$787,300	\$339,506,700	\$1.480	\$379,482,983
2007	4,758,600	203,488,900	26,503,100	2,604,170	95,385,400	5,636,800	399,300	367,616,162	28,195,800	644,092	339,420,362	1.540	409,464,529
2008	6,702,800	203,357,900	27,282,400	2,566,920	91,385,400	5,636,800	399,300	366,515,167	28,535,500	648,147	337,979,667	1.596	460,802,224
2009	6,272,800	204,453,600	27,250,300	2,548,200	91,432,000	5,636,800	399,300	368,508,867	29,871,600	644,267	338,637,267	1.593	493,766,772
2010	4,514,700	205,278,700	28,111,200	2,533,800	99,136,600	5,452,300	399,300	376,103,380	29,937,300	739,480	346,166,080	1.594	472,460,083
2011	4,879,750	205,392,500	28,120,800	2,532,075	99,903,400	5,427,300	399,300	376,245,961	28,833,500	757,336	347,412,461	1.650	447,666,861
2012	4,432,600	205,114,700	28,232,200	2,530,225	100,816,000	5,427,300	399,300	376,450,589	28,857,500	640,764	347,593,089	1.672	415,658,275
2013	4,279,800	203,759,800	28,720,800	2,570,795	98,698,100	5,276,700	399,300	371,787,845	27,444,900	637,650	344,342,945	1.719	396,514,904
2014	4,876,820	220,378,690	26,285,900	2,522,250	100,336,700	5,355,300	448,700	388,178,959	27,243,600	730,999	360,935,359	1.673	379,426,238
2015	4,427,585	207,531,300	29,171,200	2,499,565	98,463,400	5,375,600	420,600	376,382,883	27,773,100	720,533	348,609,783	1.731	638,077,066

Source: District records Tax list summary & Municipal Tax Assessor

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

Reassessment occurs when ordered by the County Board of Taxation

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

**b** Tax rates are per \$100

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

**Exhibit J-7**

*(rate per \$100 of assessed value)*

Fiscal Year Ended June 30,	Pohatcong Township School District			Overlapping Rates		Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt		Township	Warren County	
		Service <sup>b</sup>	Total Direct			
2006	\$1.260	\$0.220	\$1.480	\$0.760	\$0.720	\$2.960
2007	\$1.270	\$0.270	\$1.540	\$0.810	\$0.760	\$3.110
2008	\$1.393	\$0.203	\$1.596	\$0.859	\$0.835	\$3.290
2009	\$1.406	\$0.187	\$1.593	\$0.970	\$0.887	\$3.450
2010	\$1.404	\$0.190	\$1.594	\$1.000	\$0.829	\$3.423
2011	\$1.399	\$0.251	\$1.650	\$1.056	\$0.790	\$3.496
2012	\$1.426	\$0.246	\$1.672	\$1.114	\$0.761	\$3.547
2013	\$1.468	\$0.251	\$1.719	\$1.115	\$0.778	\$3.612
2014	\$1.673	\$0.000	\$1.673	\$1.066	\$0.750	\$3.489
2015	\$1.479	\$0.252	\$1.731	\$1.123	\$0.814	\$3.668

Source: District Records and Municipal Tax Collector

**Note:**

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

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

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

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

**Exhibit J-8**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Crown America	\$ 39,860,400	1	11.79%	\$ 32,447,000	1	14.53%
National Realty Dev. Co. (Pohatcong Plaza)	31,984,300	2	9.46%			2.57%
Pohatcong Associates	4,318,850	3	1.28%	4,084,700	3	1.83%
Baer Associates	3,255,800	4	0.96%	3,361,300	4	1.51%
Columbia Gas Transmission Corp.	2,262,100	5	0.67%	1,838,100	5	0.82%
R & F Phillipsburg, LLC	1,641,300	6	0.49%	1,138,500	6	0.51%
Peter Kassis	1,468,500	7	0.43%			
Durling Realty, LLC	1,266,200	8	0.37%	554,200	7	0.25%
Peter P. Dennis Inc.	847,200	9	0.25%	754,700	8	0.34%
Quagmeyer Two LLC	705,000	10	0.21%			
Rodman & Vince Ryan				590,440	9	0.26%
Alba Vino Vineyards				440,400	10	0.20%
<b>Total</b>	<b>\$ 87,609,650</b>		<b>25.91%</b>	<b>\$ 45,209,340</b>		<b>22.82%</b>

Source: District CAFR & Municipal Tax Assessor

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

**Exhibit J-9**

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 5,013,663	\$ 5,013,663	100.00%	-
2007	\$ 5,221,956	\$ 5,221,956	100.00%	-
2008	\$ 5,387,580	\$ 5,387,580	100.00%	-
2009	\$ 5,397,766	\$ 5,397,766	100.00%	-
2010	\$ 5,516,508	\$ 5,516,508	100.00%	-
2011	\$ 5,733,020	\$ 5,733,020	100.00%	-
2012	\$ 5,810,482	\$ 5,810,482	100.00%	-
2013	\$ 5,918,358	\$ 5,918,358	100.00%	-
2014	\$ 6,038,631	\$ 6,038,631	100.00%	-
2015	\$ 6,034,296	\$ 6,034,296	100.00%	-

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

**Note:**

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

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

**Exhibit J-10**

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds <sup>b</sup>	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2006	\$ 12,395,000	-0-	-0-	-0-	-0-	\$ 12,395,000	9.05%	\$3,674.77	
2007	\$ 12,060,000	-0-	-0-	-0-	-0-	\$ 12,060,000	8.37%	\$3,585.02	
2008	\$ 11,675,000	-0-	-0-	-0-	-0-	\$ 11,675,000	7.92%	\$3,494.46	
2009	\$ 11,240,000	-0-	-0-	-0-	-0-	\$ 11,240,000	7.69%	\$3,373.35	
2010	\$ 10,765,000	-0-	-0-	-0-	-0-	\$ 10,765,000	7.38%	\$3,243.45	
2011	\$ 10,230,000	-0-	-0-	-0-	-0-	\$ 10,230,000	6.66%	\$3,066.55	
2012	\$ 9,660,000	-0-	-0-	-0-	-0-	\$ 9,660,000	6.06%	\$2,915.79	
2013	\$ 9,095,000	-0-	-0-	-0-	-0-	\$ 9,095,000	5.64%	\$2,765.28	
2014	\$ 8,485,000	-0-	-0-	-0-	-0-	\$ 8,485,000	5.30%	\$2,598.77	
2015	\$ 7,850,000	-0-	-0-	-0-	-0-	\$ 7,850,000	4.91%	\$2,408.71	

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

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

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

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

**Exhibit J-11**

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value <sup>a</sup> of Property	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ 12,395,000	-0-	\$ 12,395,000	3.65%	\$ 3,675
2007	\$ 12,060,000	-0-	\$ 12,060,000	3.55%	\$ 3,585
2008	\$ 11,675,000	-0-	\$ 11,675,000	3.45%	\$ 3,494
2009	\$ 11,240,000	-0-	\$ 11,240,000	3.32%	\$ 3,373
2010	\$ 10,765,000	-0-	\$ 10,765,000	3.11%	\$ 3,243
2011	\$ 10,230,000	-0-	\$ 10,230,000	2.94%	\$ 3,067
2012	\$ 9,660,000	-0-	\$ 9,660,000	2.78%	\$ 3,067
2013	\$ 9,095,000	-0-	\$ 9,095,000	2.64%	\$ 2,765
2014	\$ 8,485,000	-0-	\$ 8,485,000	2.35%	\$ 2,599
2015	\$ 7,850,000	-0-	\$ 7,850,000	2.25%	\$ 2,409

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

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

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

\* Current data unavailable

**Pohatcong Township School District  
Ratios of Overlapping Governmental Activities Debt  
As of June 30, 2015**

**Exhibit J-12**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Pohatcong Township	\$ 4,970,389	100.000%	\$ 4,970,389
<b>Other debt</b>			
Warren County	5,310,000	3.427%	<u>181,981</u>
Subtotal, overlapping debt			5,152,370
<b>Pohatcong Township School District Direct Debt</b>			<u>7,850,000</u>
<b>Total direct and overlapping debt</b>			<u><u>\$ 13,002,370</u></u>

**Sources:** Constituent Townships Finance Officers, Warren County Finance Office and Utility Authorities

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

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

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

**Exhibit J-13**

**Legal Debt Margin Calculation for Fiscal Year 2015**

	Equalized valuation basis
	2012 377,656,626
	2013 378,644,339
	2014 365,199,717
	<b>[A]</b> <u>\$ 1,121,500,682</u>
Average equalized valuation of taxable property	<b>[A/3]</b> \$ 373,833,561
Debt limit (3 % of average equalization value)	<b>[B]</b> 11,215,007
Net bonded school debt	<b>[C]</b> <u>7,850,000</u>
Legal debt margin	<b>[B-C]</b> <u>\$ 3,365,007</u>

	<u>2006</u>	<u>2007</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>
Debt limit	\$12,982,449	\$12,419,715	\$13,565,363	\$14,091,536	\$13,923,109	\$13,150,663	\$12,535,185	\$11,880,364	\$11,540,452	\$11,215,007
Total net debt applicable to limit	<u>12,395,000</u>	<u>12,060,000</u>	<u>11,675,000</u>	<u>11,240,000</u>	<u>10,765,000</u>	<u>10,230,000</u>	<u>9,660,000</u>	<u>9,095,000</u>	<u>8,485,000</u>	<u>7,850,000</u>
Legal debt margin	<u>\$587,449</u>	<u>\$359,715</u>	<u>\$1,890,363</u>	<u>\$2,851,536</u>	<u>\$3,158,109</u>	<u>\$2,920,663</u>	<u>\$2,875,185</u>	<u>\$2,785,364</u>	<u>\$3,055,452</u>	<u>\$3,365,007</u>
Total net debt applicable to the limit as a percentage of debt limit	95.48%	97.10%	86.06%	79.76%	77.32%	77.79%	77.06%	76.55%	73.52%	70.00%

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

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

**Pohatcong Township School District  
Demographic and Economic Statistics  
Last Ten Fiscal Years**

**Exhibit J-14**

Year	Population <sup>a</sup>	Personal Income (thousands of dollars) <sup>b</sup>	Per Capita Personal Income <sup>c</sup>	Unemployment Rate <sup>d</sup>
2006	3,373	\$136,964,038	\$40,606 R	5.9%
2007	3,364	\$144,120,488	\$42,842 R	5.8%
2008	3,341	\$147,404,920	\$44,120 R	3.4%
2009	3,332	\$146,154,848	\$43,864 R	4.6%
2010	3,319	\$145,909,878	\$43,962 R	8.2%
2011	3,336	\$153,689,520	\$46,070 R	8.4%
2012	3,313	\$159,404,995	\$48,115 R	7.8%
2013	3,289	\$161,292,560	\$49,040 R	8.1%
2014	3,265	\$160,115,600	\$49,040 *	5.4%
2015	3,259	\$159,821,360	\$49,040 *	*

**Source:**

<sup>a</sup> Combined Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal Income provided by US Dept of Commerce

<sup>c</sup> Per Capita provided by NJ Dept of Labor

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

R =Revised

P =Projected

\* Current figure unavailable

**Pohatcong Township School District  
Principal Employers,  
Current Year and Nine Years Ago**

**Exhibit J-15**

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank (Optional)</u>	<u>Percentage of Total Employment</u>
		N/A			N/A	
	<u>-</u>		<u>0.00%</u>	<u>-</u>		<u>0.00%</u>

**Source:**  
Information not available at municipal or county level

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

**Exhibit J-16**

<b><u>Function/Program</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
Instruction										
Regular	20	20	21	21.4	22.6	23.5	24.2	24.2	24.2	22.2
Special education	6	6	7	7.6	7.6	6.0	6.0	6.0	6.0	6.0
Support Services:										
Student & instruction related services	13	13	13	13.0	13.0	13.0	12.4	12.4	12.1	11.9
General administrative services	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administrative services	2	2	2	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Central services	1	1	1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Plant operations and maintenance	3	3	3	3.0	3.0	3.5	3.5	3.5	3.5	3.5
<b>Total</b>	<b>47</b>	<b>47</b>	<b>49</b>	<b>50</b>	<b>51.2</b>	<b>51.0</b>	<b>51.1</b>	<b>51.1</b>	<b>50.8</b>	<b>48.6</b>

**Source:** District Personnel Records

Pohatcong Township School District  
 Operating Statistics  
 Last Ten Fiscal Years

Exhibit J-17

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2006	371	\$6,417,052	\$17,297	4.20%	47.00	7.9:1		351.0	351.0	-1.40%	100.00%
2007	378	6,701,685	17,729	2.50%	47.00	8.0:1		374.0	374.0	6.55%	100.00%
2008	370	6,816,205	18,422	3.91%	49.00	7.6:1		365.0	365.0	-2.41%	100.00%
2009	361	6,750,961	18,701	1.51%	50.00	7.2:1		360.0	344.0	-1.37%	95.56%
2010	349	6,740,813	19,315	3.28%	51.20	6.8:1		350.0	331.0	-2.78%	94.57%
2011	347	6,480,811	18,677	-3.30%	51.00	6.8:1		344.4	329.6	-1.60%	95.70%
2012	352	6,832,453	19,410	3.93%	51.00	6.9:1		351.3	335.9	2.00%	95.62%
2013	353	7,265,137	20,581	6.03%	51.10	6.9:1		348.8	331.4	-0.71%	95.01%
2014	341	7,350,741	21,556	4.74%	51.00	6.7:1		339.0	324.0	-2.81%	95.58%
2015	321	7,771,013	24,209	12.30%	50.00	6.4:1		319.0	305.0	-5.90%	95.61%

Sources: District records, ASSA and Schedules J-4.

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>
<b><u>District Building</u></b>										
<b><u>Elementary</u></b>										
Pohatcong Elementary (1999)										
Square Feet	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074	89,074
Capacity (students)	731	731	731	731	731	731	731	731	731	731
Enrollment	371	380	370	361	349	347	352	353	341	321

Number of Schools at June 30, 2015      **Source:** District Facilities Office  
 Elementary = 1

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

Pohatcong Township School District

**GENERAL FUND  
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES  
Last Ten Fiscal Years Ending June 30, 2015**

**Exhibit J-19**

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

<u>School Facilities</u>	<u>Project #</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>Total</u>
Pohatcong Township School	040	\$ 84,957	\$ 96,759	\$ 107,493	\$ 109,866	\$ 144,297	\$ 142,474	\$ 169,834	\$ 173,089	\$ 169,434	\$ 172,734	\$ 1,370,937
<b>Grand Total</b>		<b>\$ 84,957</b>	<b>\$ 96,759</b>	<b>\$ 107,493</b>	<b>\$ 109,866</b>	<b>\$ 144,297</b>	<b>\$ 142,474</b>	<b>\$ 169,834</b>	<b>\$ 173,089</b>	<b>\$ 169,434</b>	<b>\$ 172,734</b>	<b>\$ 1,370,937</b>

POHATCONG TOWNSHIP SCHOOL DISTRICT

**INSURANCE SCHEDULE**  
**June 30, 2015**  
**UNAUDITED**

**Exhibit J-20**

<u>POLICY TYPE</u>	<u>COVERAGE</u>	<u>DEDUCTIBLE</u>
<b>COMMERCIAL PACKAGE POLICY - NJSBAIG</b>		
Property-Blanket Building and Contents (fund limit)	\$ 500,000,000	\$ 1,000
Accounts Receivable	250,000	1,000
Builder's Risk	5,000,000	1,000
Fine Arts	1,000,000	1,000
<b>LIABILITY - NJSBAIG</b>		
Comprehensive General Liability	11,000,000	None
Automobile Liability	11,000,000	None
Employee Benefit Liability	11,000,000	None
<b>SCHOOL BOARD LEGAL LIABILITY - NJSBAIG</b>		
Limit of Liability	11,000,000	5,000
<b>CRIME - NJSBAIG</b>		
Blanket Employee Dishonesty	100,000	None
Forgery	50,000	None
<b>PUBLIC EMPLOYEES' FAITHFUL PERFORMANCE</b>		
<b>BLANKET POSITION BOND-Selective Insurance Company</b>		
Treasurer	175,000	
<b>ENVIRONMENTAL SERVICE - NJSBAIG</b>		
Pollution Liability	1,000,000	None

SOURCE: District Records



# Single Audit Section





## **ARDITO & Co., LLP**

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

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

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Pohatcong Township School District  
 County of Warren  
 Phillipsburg, New Jersey 08865

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Pohatcong Township School District Board of Education in the County of Warren, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Pohatcong Township School District Board of Education's basic financial statements, and have issued our report thereon dated November 16, 2015.

#### **Internal Control Over Financial Reporting**

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

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

-Continued-

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Ardito & Co., LLP*

ARDITO & CO., LLP  
November 16, 2015

*Cynthia Corder*

Licensed Public School Accountant No.2369



## **ARDITO & Co., LLP**

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 Douglas R. Williams, CPA, RMA, PSA

### **Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by New Jersey OMB Circulars 04-04 and 15-08**

#### Independent Auditor's Report

Honorable President and  
 Members of the Board of Education  
 Pohatcong Township School District  
 County of Warren  
 Phillipsburg, New Jersey 08865

#### **Report on Compliance for Each Major State Program**

We have audited the Pohatcong Township School District Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circulars 04-04 and 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the District's major state programs for the year ended June 30, 2015. The Pohatcong Township School District Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; and New Jersey OMB's Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred.

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

-Continued-

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

**Opinion on Each Major State Program**

In our opinion, the Pohatcong Township School District Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the Pohatcong Township School District Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circulars 04-04 and 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 Pohatcong Township School District Board of Education's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of New Jersey OMB Circulars 04-04 and 15-08, and for New Jersey Department of Education use. Accordingly, this report is not suitable for any other purpose.

*ARDITO & Co., LLP*

ARDITO & CO., LLP  
November 16, 2015

*Cumy Auditor*

Licensed Public School Accountant No.2369

Pohatcong Township School District

K-4

Schedule of Expenditures of State Financial Assistance  
for the Fiscal Year Ended June 30, 2015

Schedule B

STATE GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	GRANT OR STATE PROJECT NUMBER	GRANT PERIOD	AWARD AMOUNT	BALANCE 6/30/2014	WALKOVER/ CARRY- OVER AMOUNT	CASH RECEIVED	BUDGETARY EXPEND.	ADJUST.	REPAY. OF PRIOR YEARS' BALANCES	BALANCE AT JUNE 30, 2015			MEMO		
										(ACCTS. RECEIV.)	DEFER. REVENUE	DUE TO GRANTOR	BUDGETARY RECEIVABLE	CUMULATIVE TOTAL EXPEND.	
<b>STATE DEPARTMENT OF EDUCATION</b>															
<b>General Fund:</b>															
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 1,431,183			\$ 1,431,183	\$ (1,431,183)							* \$	139,775 \$ 1,431,183
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	36,072			36,072	(36,072)							*	3,523 36,072
Special Education Aid	15-495-034-5120-089	7/1/14-6/30/15	266,183			266,183	(266,183)							*	25,996 266,183
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	34,060			34,060	(34,060)							*	3,326 34,060
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	4,730			4,730	(4,730)							*	462 4,730
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	4,730			4,730	(4,730)							*	462 4,730
Extra-ordinary Aid	14-495-034-5120-044	7/1/13-6/30/14	4,338	\$ (4,293)		4,338	(45)							*	45
Extra-ordinary Aid	15-495-034-5120-044	7/1/14-6/30/15	6,878				(6,878)			\$ (6,878)				*	6,878
Non-Public Transportation Aid	14-100-034-5120-068	7/1/13-6/30/14	407	(407)		407								*	
Non-Public Transportation Aid	15-100-034-5120-068	7/1/14-6/30/15	136				(136)			(136)				*	136
Reimbursed TPAF Pension Contrib.	15-495-034-5094-006	7/1/14-6/30/15	125,990			125,990	(125,990)							*	125,990
Reimbursed TPAF Soc. Secur. Contrib.	15-495-034-5094-003	7/1/14-6/30/15	178,860	(8,994)		178,707	(178,860)			(9,147)				*	178,860
<b>Total General Fund</b>				<b>(13,694)</b>		<b>2,086,400</b>	<b>(2,088,867)</b>	<b>-</b>		<b>(16,161)</b>				*	<b>173,544 2,088,867</b>
<b>Debt Service Fund:</b>															
Debt Service Aid Type 2	15-100-034-5120-125	7/1/14-6/30/15	173,487			173,487	(173,487)							*	173,487
<b>Enterprise Fund:</b>															
Nat. School Lunch Prog. (State Share)	14-100-010-3350-023	7/1/14-6/30/15		(49)		49								*	
Nat. School Lunch Prog. (State Share)	15-100-010-3350-023	7/1/13-6/30/14	1,223			1,178	(1,223)			(45)				*	1,223
<b>Total Enterprise Fund</b>				<b>(49)</b>		<b>1,227</b>	<b>(1,223)</b>			<b>(45)</b>				*	<b>1,223</b>
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>				<b>\$ (13,743)</b>		<b>- \$ 2,261,114</b>	<b>\$ (2,263,577)</b>	<b>-</b>		<b>- \$ (16,206)</b>				<b>*</b>	<b>\$ 173,544 \$ 2,263,577</b>

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

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
JUNE 30, 2015

**NOTE 1. GENERAL**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. RELATIONSHIP TO GENERAL PURPOSE FINANCIAL STATEMENTS**

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$3,115) for the general fund and \$4,524 for the special revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

NOTES TO THE SCHEDULES OF STATE FINANCIAL ASSISTANCE  
 JUNE 30, 2015

**NOTE 3. (Continued)**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	-	\$ 2,285,762	\$ 2,285,762
Special Revenue Fund	\$ 177,369	-	177,369
Debt Service Fund		173,487	173,487
Food Service Fund	<u>43,126</u>	<u>1,178</u>	<u>44,304</u>
Total Financial Assistance	<u>\$ 220,495</u>	<u>\$ 2,460,427</u>	<u>\$ 2,680,922</u>

**NOTE 4. RELATIONSHIP TO STATE FINANCIAL REPORTS**

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

**NOTE 5. OTHER**

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2015. TPAF Social Security Contributions represents the amount reimbursed by the state for employer's share of social security contributions for TPAF members for the year ended June 30, 2015.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Part I - Summary of Auditor's Results

**Financial Statement Section**

- A) Type of auditor's report issued: Unmodified
  
- B) Internal control over financial reporting:
  - 1) Material weakness(es) identified? \_\_\_ Yes x No
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes  
x None  
Reported
  
- C) Noncompliance material to financial statements noted? \_\_\_ Yes x No

**Federal Awards Section**

N/A

- D) Dollar threshold used to determine Type A programs: N/A
  
- E) Auditee qualified as low-risk auditee? \_\_\_ Yes \_\_\_ No
  
- F) Type of auditor's report on compliance for major programs: N/A
  
- G) Internal Control over compliance:
  - 1) Material weakness(es) identified? \_\_\_ Yes \_\_\_ No
  - 2) Were significant deficiencies identified that were not considered to be material weaknesses? \_\_\_ Yes \_\_\_ No
  
- H) Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133(Section .510(a))? \_\_\_ Yes \_\_\_ No
  
- I) Identification of major programs:

**CFDA NUMBER(S)**

**NAME OF FEDERAL PROGRAM OR CLUSTER**

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

**Section II-Financial Statement Findings**

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

**Section III - State Financial Assistance Findings and Questioned Costs**

**STATE FINANCIAL ASSISTANCE**-There were no state financial assistance findings or questioned costs that are required to be reported in accordance with NJOMB Circular 04-04 or 15-08.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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