

Ocean Township School District

**Ocean Township School District
Oakhurst, New Jersey**

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

**Comprehensive Annual
Financial Report
of the
Ocean Township School District
Oakhurst, New Jersey**

For the Fiscal Year Ended June 30, 2017

Prepared by

**Ocean Township Board of Education
Business Department**

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INTRODUCTORY SECTION



December 1, 2017

Honorable President and
Members of the Board of Education
Township of Ocean School District
Monmouth County
Oakhurst, New Jersey

Dear Board Members:

The comprehensive annual financial report (CAFR) of the Township of Ocean School District (District) for the fiscal year ended June 30, 2017, is hereby submitted. This CAFR includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards (GASB), Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (Board). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes Management's Discussion and Analysis, the Basic Financial Statements and notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information, as well as the auditor's report hereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis, as the information was available to us. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, as amended, Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)* and New Jersey OMB's Circular 15-08, *Single audit policy for recipients of Federal Grants, State Grants, and State Aid*. Information related to this single audit, including the auditor's report on the internal control and compliance with applicable laws, regulation, contracts and grants along with findings and questioned costs, is included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Township of Ocean School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds of the District are included in this report. The Township of Ocean Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 12. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an enrollment of 3,584 students, which is 71 students less than the previous year's enrollment. The following details the changes in the student enrollment of the District over the last five years.

**Note: Below enrollments do not include 'out of district' tuition students.*

ACTUAL STUDENT ENROLLMENT

Fiscal Year	Student Enrollment	Percent Change
2016-2017	3584	<1.94>%
2015-2016	3655	<2.53>%
2014-2015	3750	<1.73>%
2013-2014	3816	<0.93>%
2012-2013	3952	<2.01>%

PROJECTED STUDENT ENROLLMENT

Fiscal Year	Student Enrollment	Percent Change
2017-2018	3,568	<0.45>%
2018-2019	3,530	<1.06>%
2019-2020	3,500	<0.85>%
2020-2021	3,500	<0.00>%

2) ECONOMIC CONDITION AND OUTLOOK: Housing in Ocean Township has been affected by the economy and the conversion of former year round residences to summer living and winter rentals which have contributed to student enrollment decreases. The real estate market continues to slowly rebound from the economic downturn.

3) MAJOR INITIATIVES: The Township of Ocean Schools strives to meet the educational needs of all students. The District has increased the instructional technology available to students by providing all students in grades kindergarten through twelve with Chromebook computers. With these devices, students conduct research, develop 21st century skills and take assessments. In addition, the District is in the beginning stages of major programmatic advances in the areas of 1) visual and performing arts, 2) science, technology, engineering and math (STEM) education, 3) career and technical education, and 4) elementary literacy. Major facility upgrades have been completed to address growth in these areas. As always, we encourage our students and staff to be innovative and creative. We foster a climate of discovery. We are proud of our diversity and the rich culture of our schools.

4) FACILITIES: The Township of Ocean School District operates 6 buildings as follows:

Building	Address	Year Built	Approximate Square Footage
Ocean Twp. High School	550 West Avenue	1964	200,215
Twp. of Ocean Intermediate School	1200 West Park Ave	1974	257,400
Wayside Elementary School	733 Bowne Road	1969	147,375
Ocean Twp. Elementary School	555 Dow Avenue	1957	76,160
Wanamassa Elementary School	901 Bendermere Ave	1930	59,580
Administration Office Bldg.	163 Monmouth Road	1900	46,850

On December 9, 2014, the Township of Ocean and Village of Loch Arbour residents approved a 28.9 million dollar school construction referendum. Renovations and additions have occurred at each of the district's five schools. Construction began in the summer of 2015 and will continue until the Fall of 2017.

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

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

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

6) 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 BOE and/or voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section. An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriation of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2017.

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

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

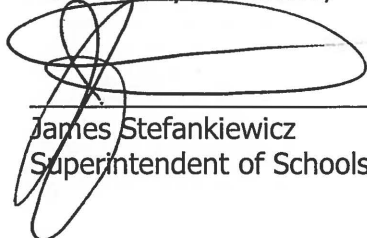
9) RISK MANAGEMENT: The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found in Exhibit J-20.

10) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Smolin, Lupin & Co., P.A. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the Uniform Guidance and New Jersey OMB's Circular 15-08. The auditor's report on the general-purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.


11) ACKNOWLEDGEMENTS:

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

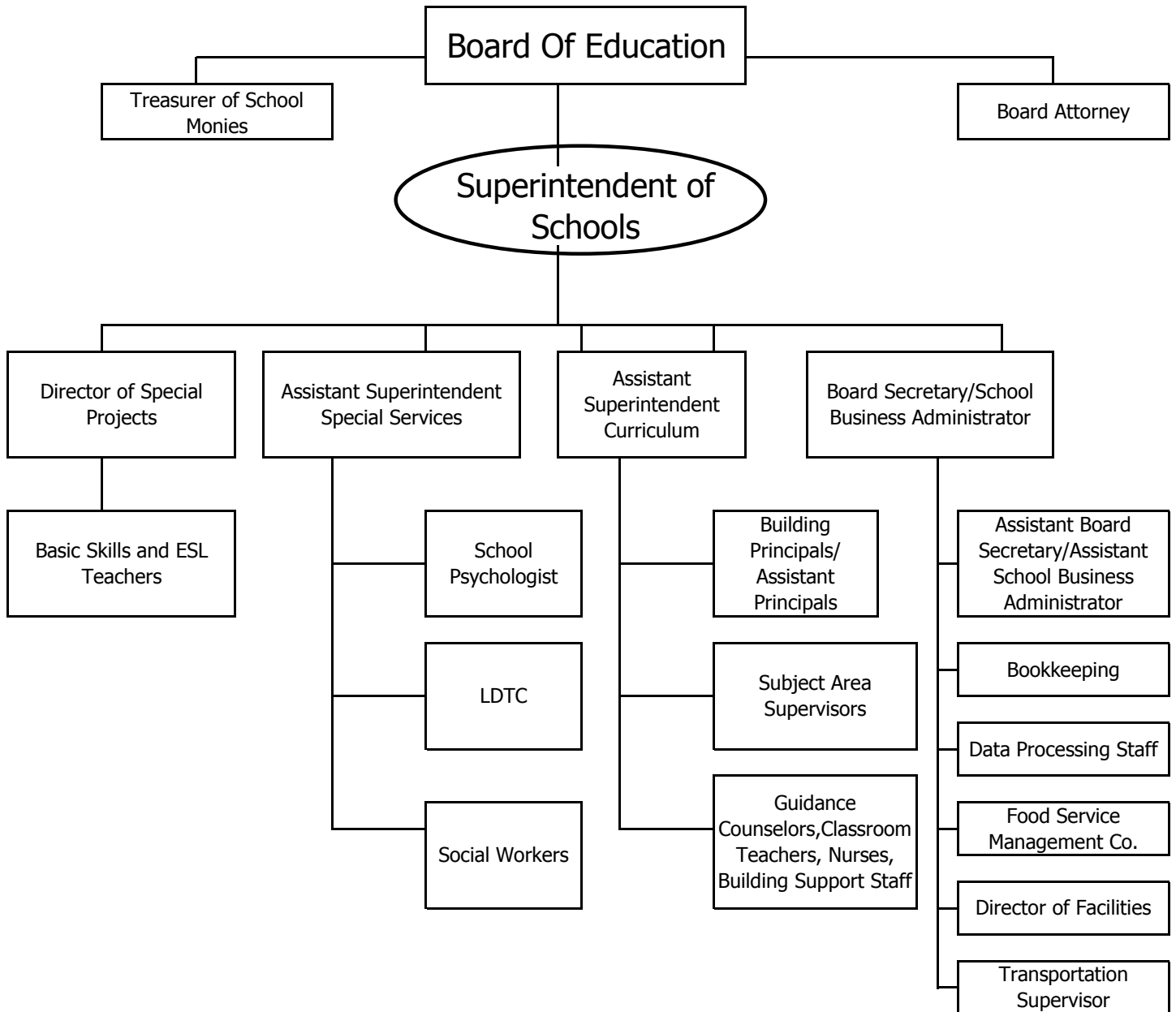
Respectfully submitted,



James Stefankiewicz
Superintendent of Schools



Kenneth Jannarone
School Business Administrator/
Board Secretary



OCEAN TOWNSHIP BOARD OF EDUCATION BOARD MEMBERS 2017

Members of the Board of Education

Term Expires

James Dietrich, President	2017
Michael Palutis, Vice President	2018
Denise Parlamas	2018
Steven Clayton	2018
Joseph Hadden	2017
David Marshall	2017
Amy McGovern	2019
Janice Fuller	2019
John Stuppi	2019
Emily Dorony - Student Representative	
Lila Rice - Student Representative	

Other Officials

James Stefankiewicz, Superintendent of Schools

Kenneth Jannarone, Board Secretary/School Business Administrator

George Stone, Assistant School Business Administrator

Joseph Zanno, Treasurer

OCEAN TOWNSHIP SCHOOL DISTRICT
Consultants, Independent Auditor and Advisors
June 30, 2017

Board Attorney

Cleary, Jacobbe, Alfieri, Jacobs, LLC
5 Ravine Drive
Matawan, NJ 07747

Kenney, Gross, Kovats and Parton
130 Maple Avenue
Red Bank, NJ 07701

Board Auditor

Smolin, Lupin & Co., P.A.
331 Newman Springs Road
Suite 145
Red Bank, NJ 07701

Official Depository

Santander Bank
57 Monmouth Road
Oakhurst, NJ 07755

FINANCIAL SECTION

Independent Auditor's Report

The Honorable President and
Members of the Board of Education
Ocean Township School District
County of Monmouth
Oakhurst, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

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

In our opinion, the combining and individual fund financial statements, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2017, on our consideration of the Ocean Township School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ocean Township's School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ocean Township School District's internal control over financial reporting and compliance.

Smolin, Lupin & Co., P.A.

SMOLIN, LUPIN & CO., P.A.
Certified Public Accountants

Laura DiTommaso

Laura DiTommaso
Licensed Public School Accountant
License #20CS-00164

Red Bank, New Jersey
December 1, 2017

REQUIRED SUPPLEMENTARY INFORMATION - PART I

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

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

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position decreased \$311,982, which represents a 2.30 percent decrease from 2016.
- General revenues accounted for \$73,486,291 in revenue or 73 percent of all revenues. Program-specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$27,645,263 or 27 percent of total revenues of \$101,131,554.
- Total assets of governmental activities decreased by \$2,569,415 as cash and cash equivalents decreased by \$15,715,070, receivables increased by \$395,006, and net capital assets increased by \$12,750,649. The large increase in net capital assets represents new major capital projects completed in the fiscal year including school additions and renovations through the Bond Referendum.
- The School District had \$102,563,812 in expenses; only \$28,765,539 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$73,486,291 were adequate to provide for these programs.
- Among major funds, the General Fund had \$79,017,613 in revenues and \$79,076,503 in expenditures. The General Fund's balance decreased \$58,890 from 2016.
- Fund Balance for the General Fund as of the fiscal year end was \$5,347,580. The undesignated portion of surplus was \$3,973,461. Based on our calculation of excess surplus, the maximum of undesignated fund balance (2%) is \$1,873,104. The excess \$2,100,362 must be utilized for tax relief in the succeeding-year budget.
- The revenues for operating grants and contributions were recorded as an offset to expenses in this current year rather than as a general revenue on Schedule A-2.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Township of Ocean 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 the Township of Ocean School District, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector businesses. 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 net position. This change in net position is important because it tells the reader that, for the school district as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial and some not. Non-financial factors include the School District's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the School District reports two types 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 activities - This service is provided on a charge for goods or services basis to recover the expense of the goods or services provided. The Food Service fund is reported as a business activity.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 25. Fund financial reports provide detailed information about the School District's funds. The School District uses many funds to account for a multitude of financial transactions. The School District's governmental funds are the General Fund, Special Revenue Fund, Capital Projects Fund and Debt Service Fund.

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 the reader 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.

Proprietary Funds

Proprietary funds include enterprise funds and fiduciary funds. The enterprise fund uses the same basis of accounting as business-type activities. Our school district uses the enterprise fund to report the Board's cafeteria operations. Fiduciary funds are used to account for assets held by the district on behalf of others and include the Student Activities Fund, Payroll and Agency Funds, and the Unemployment Trust Fund.

Long-Term Debt

A separate section is used to account for all Long-Term Debt including detail of serial bonds payable and Obligations under Capital Leases.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 33 - 60 of this report.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Net position may serve over time as a useful indicator of a government's financial position.

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

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

**Table 1
Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Assets				
Current and Other Assets	\$ 13,459,955	\$ 28,780,019	\$ 147,640	\$ 112,285
Capital Assets	<u>64,496,232</u>	<u>51,745,583</u>	<u>30,906</u>	<u>39,095</u>
Total Assets	<u>77,956,187</u>	<u>80,525,602</u>	<u>178,546</u>	<u>151,380</u>
Deferred Outflows	<u>9,700,846</u>	<u>4,733,319</u>	-	-
Liabilities				
Long-Term Liabilities	37,430,283	40,164,025	-	-
Current Portion of Long-Term Debt	2,994,186	3,134,729	-	-
Net Pension Liability	31,008,009	23,553,440		
Other Liabilities	<u>2,754,703</u>	<u>4,065,106</u>	<u>55,217</u>	<u>68,471</u>
Total Liabilities	<u>74,187,181</u>	<u>70,917,300</u>	<u>55,217</u>	<u>68,471</u>
Deferred Inflows	<u>360,706</u>	<u>889,757</u>	<u>1,862</u>	<u>2,178</u>
Net Assets				
Invested in Capital Assets, Net of Debt	26,544,936	10,922,833	30,906	39,095
Restricted	10,800,884	24,916,071	-	-
Unrestricted	<u>(24,236,674)</u>	<u>(22,387,040)</u>	<u>90,561</u>	<u>51,636</u>
Total Net Position	<u>\$13,109,146</u>	<u>\$13,451,864</u>	<u>\$ 121,467</u>	<u>\$ 90,731</u>

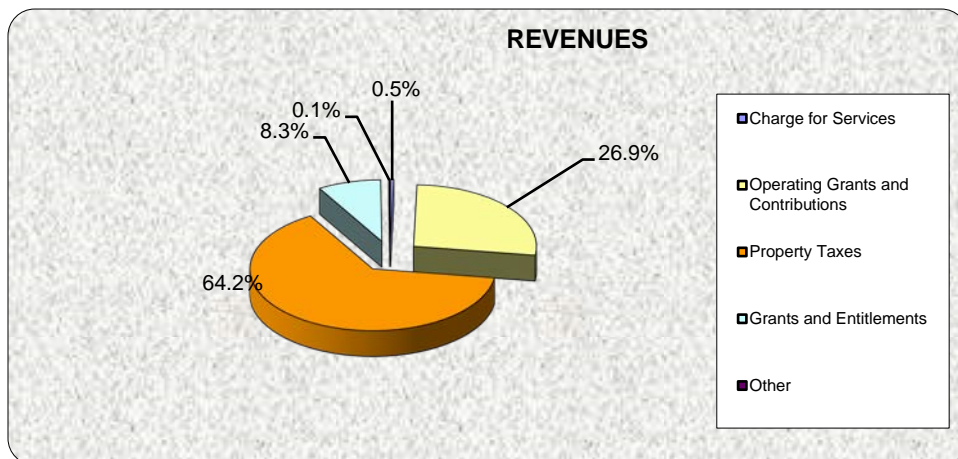
The District's combined net position of \$13,230,613 on June 30, 2017 results in a decrease of 2.3 percent from the prior year.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

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

**Table 2
Change in Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues				
Program Revenues:				
Charge for Services	\$ 456,874	\$ 312,202	\$ 543,772	\$ 560,319
Operating Grants and Contributions	27,188,389	20,327,982	576,504	587,619
General Revenues:				
Property Taxes	64,927,606	62,467,898	-	-
Grants and Entitlements	8,416,244	8,302,180	-	-
Other	<u>142,441</u>	<u>318,083</u>	-	-
Total Revenues	<u>101,131,554</u>	<u>91,728,345</u>	<u>1,120,276</u>	<u>1,147,938</u>
Program Expenses				
Instruction	63,524,734	56,304,622	-	-
Support Services:				
Pupils and Instructional Staff	17,964,817	16,183,870	-	-
General and School Administration	7,233,988	6,245,176	-	-
Business Operations and Maintenance of Facilities	7,510,703	7,627,965	-	-
Pupil Transportation	4,076,488	3,998,919	-	-
Interest on Debt	939,956	1,127,442	-	-
Food Service	-	-	1,089,540	1,129,632
Other	<u>223,586</u>	<u>253,172</u>	-	-
Total Expenses	<u>101,474,272</u>	<u>91,741,166</u>	<u>1,089,540</u>	<u>1,129,632</u>
Increase (decrease) in Net Position	(342,718)	(12,821)	30,736	18,306
Net Position - beginning	<u>13,451,864</u>	<u>13,464,685</u>	<u>90,731</u>	<u>72,425</u>
Net Position - ending	<u>\$13,109,146</u>	<u>\$ 13,451,864</u>	<u>\$ 121,462</u>	<u>\$ 90,731</u>

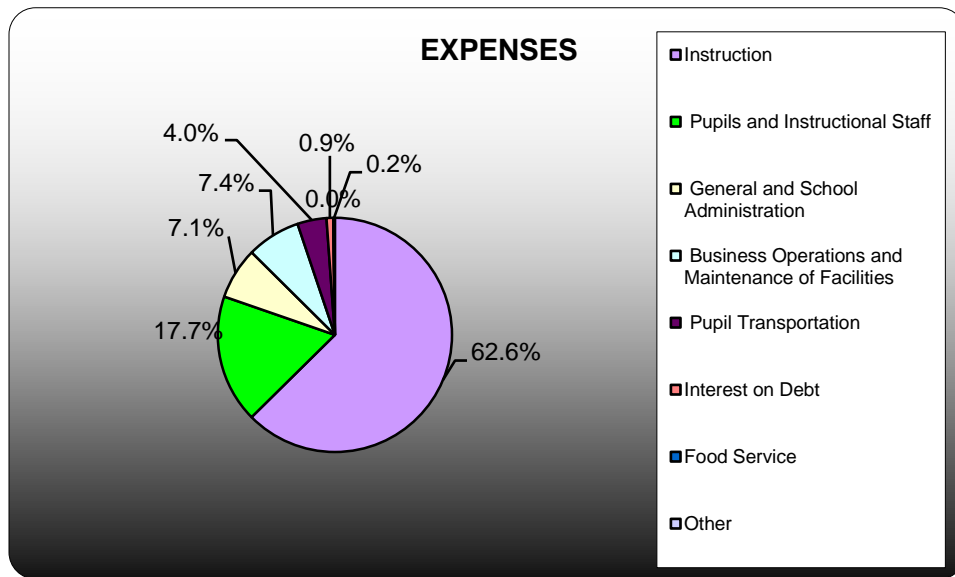


**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Governmental Activities

The unique nature of property taxes in New Jersey creates the legal requirements to annually seek voter approval for the School District operations. Property taxes made up 64 percent of revenues for governmental activities for the Township of Ocean School District for fiscal year 2017 and 68 percent for fiscal year 2016. Property tax revenues increased by \$2,459,708, which is a 3.9 percent increase over the prior year. The increase was needed to fund the additional expenditures associated with higher operating costs and a decrease in state aid. Federal and state grants accounted for another 27% percent of revenues.

Total expenses for the fiscal year was \$101,474,272.



Program expense includes instruction which comprises 63 percent of total expenses. Support services comprise 37 percent of total expenses.

Business-Type Activities are not shown above. Revenues for the Food Service Fund totaled \$1,120,276, which were comprised of charges for services in the amount of \$543,772 and federal and state reimbursements in the amount of \$576,504. Total operating expenses totaled \$1,089,540.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

Governmental Activities (continued)

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

Table 3

	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>
Instruction	\$ 63,524,734	\$ 43,557,069	\$ 56,304,622	\$ 41,542,270
Support Services:				
Pupils and Instructional Staff	17,964,817	13,830,051	16,183,870	13,117,271
General and School Administration, and Business Services	7,233,988	5,379,147	6,245,176	4,816,960
Operation and Maintenance of Facilities	7,510,703	6,465,208	7,627,965	6,696,097
Pupil Transportation	4,076,488	3,572,083	3,998,919	3,567,018
Interest and Fiscal Charges	939,956	939,956	1,127,442	1,127,442
Other	<u>223,586</u>	<u>85,495</u>	<u>253,172</u>	<u>233,924</u>
Total Expenses	<u>\$101,474,272</u>	<u>\$ 73,829,009</u>	<u>\$ 91,741,166</u>	<u>\$ 71,100,982</u>

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

Pupils and Instructional Staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General Administration, School Administration and Business Services include expenses associated with administrative and financial supervision of the district.

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

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

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

Other includes special schools.

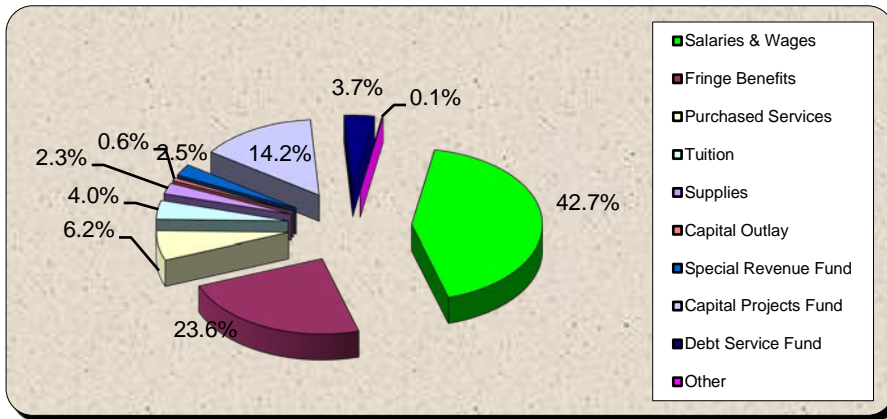
The dependence upon tax revenues is apparent. Over 99 percent of instruction activities are supported through taxes and other general revenues; for all activities general revenue support is 99.9 percent. The community, as a whole, is the primary support for the Township of Ocean School District.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The School District's Funds

Information about the School District's governmental funds starts on page 25. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$85,170,069 and expenditures of \$99,269,674. The net change in fund balance for the year was most significant in the Capital Projects Fund, a decrease of \$14,103,014 due to the expending of referendum funds. 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.

As the graph and table below illustrates, the largest portion of General Fund expenditures is for salaries. The District is a service entity and such is labor intensive.



**Table 4
Expenditures by Object for the Fiscal Year Ended June 30,**

	<u>2017</u>	<u>2016</u>	<u>% Change</u>
Salaries & Wages	\$ 42,455,334	\$ 42,397,279	0.14%
Fringe Benefits	23,449,484	21,158,651	10.83%
Purchased Services	6,202,220	6,243,617	-0.66%
Tuition	3,982,828	3,939,063	1.11%
Supplies	2,290,549	2,602,980	-12.00%
Capital Outlay	557,312	1,602,238	-65.22%
Special Revenue Fund	2,421,208	2,234,098	10.25%
Capital Projects Fund	14,103,014	7,397,403	91.20%
Debt Service Fund	3,668,949	2,434,218	50.72%
Other	<u>138,776</u>	<u>130,353</u>	6.46%
Total	<u>\$99,269,674</u>	<u>\$90,139,900</u>	10.22%

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

The School District's Funds (continued)

Expenditures are up \$9,129,774 or 10.13 percent from the prior year mostly due to increases in Capital Projects and Fringe Benefits.

General Fund Budgeting Highlights

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

During the course of the fiscal 2017 year, the School District amended its General Fund budget as needed. The School District uses program-based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Revisions in the budget were made to recognize revenues and expenditures that were not anticipated and to prevent overexpenditures in specific expense accounts. Significant revisions are noted below.

Salaries overall increased due to additional staff and wage increases that are based on the negotiated contracts.

There was an ongoing Construction Referendum Capital Projects (Fund 30) in this fiscal year in the amount of \$28,944,000. The projects will continue into 2018.

Fringe benefits increased due to premium increases for Health Insurance.

Additional funds were transferred into Administrative Professional Services due to the Referendum projects.

Additional funds were transferred into Tuition Reimbursement as several personnel have taken courses towards Masters.

Additional funds were transferred into unused sick and vacation leave accounts due to a large number of retirements.

Capital Assets

At the end of the fiscal year 2017, the School District had \$64,496,232 invested in land, construction in progress, buildings, furniture and equipment, and vehicles. Table 5 shows fiscal 2017 balances compared to 2016.

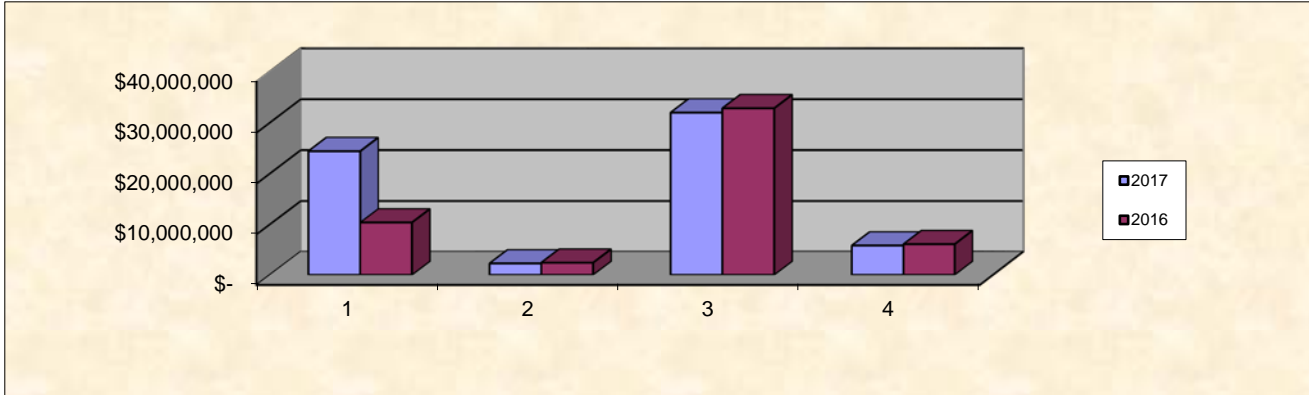
**Table 5
Capital Assets (Net Depreciation) at June 30,**

	<u>2017</u>	<u>2016</u>
Land	\$ 984,968	\$ 984,968
Construction in Progress	23,423,830	9,400,816
Site Improvements	2,274,476	2,423,387
Buildings and Improvements	32,692,540	32,841,125
Machinery and Equipment	<u>5,120,418</u>	<u>6,095,287</u>
Totals	<u>\$64,496,232</u>	<u>\$51,745,583</u>

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
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Capital Assets (continued)

Capital assets increased \$12,750,649 from fiscal year 2016 to fiscal year 2017. The increase in capital assets is due to new capital projects, equipment leases and construction in progress. For more detailed information, please refer to the Notes to Financial Statements.



Debt Administration

At June 30, 2017, the School District had \$71,432,478 as outstanding debt. Of this amount \$2,473,173 is for compensated absences, \$3,081,296 is for capital leases payable, \$31,008,009 for state pension liability, and the balance of \$34,870,000 is for bonds for school construction.

At June 30, 2017, the School District's overall legal debt margin was over \$190 million. For more detailed information, please refer to the Notes to Financial Statements.

For the Future

The Township of Ocean School District is in very good financial condition presently. There are no major concerns other than budgeting limits with S1701 and the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

The Township of Ocean School District's budget for 2017-2018 was below the 2% cap on the tax Levy. Therefore there was no election or vote for the budget in April 2017 as the district optioned to move the election of the board to November.

The Township of Ocean is primarily a residential community, with very few ratables; thus, the burden is focused on homeowners to foot the tax burden.

The labor agreement for teachers, administrators, and several other employee groups has been negotiated through June 30, 2018. Each year of this contract will have an impact on the District's future operating budgets.

The District routinely monitors the rules and regulations of the No Child Left Behind federal legislation to assess and ensure financial compliance.

**TOWNSHIP OF OCEAN SCHOOL DISTRICT
OAKHURST, NJ
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED**

For the Future (continued)

The District had completed two major capital improvement projects in 2016, and has an ongoing Construction Referendum project for all school buildings in the amount of \$28,944,000. It is one of the District's goals and a budget priority to continue to upgrade and maintain the school facilities.

In conclusion, the Township of Ocean 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 challenges 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 Kenneth Jannarone, School Business Administrator/Board Secretary at the Township of Ocean Board of Education, 163 Monmouth Road, Oakhurst, NJ 07755 or email kjannarone@oceanschools.org

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.

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,998,499	\$ 26,203	\$ 6,024,702
Receivables, net	522,956	113,612	636,568
Inventory	-	7,825	7,825
Restricted assets:			
Cash and cash equivalents	6,382,861	-	6,382,861
Capital reserve account - cash	329,754	-	329,754
Intergovernmental receivable	225,885	-	225,885
Capital assets, net	64,496,232	30,906	64,527,138
Total assets	<u>77,956,187</u>	<u>178,546</u>	<u>78,134,733</u>
Deferred outflows:			
Deferred outflows related to pensions	9,700,846	-	9,700,846
Total deferred outflows	<u>9,700,846</u>	<u>-</u>	<u>9,700,846</u>
LIABILITIES			
Accounts payable	2,285,677	55,217	2,340,894
Contracts payable	92,168	-	92,168
Accrued interest	359,266	-	359,266
Payable to state government	17,592	-	17,592
Noncurrent liabilities:			
Due within one year	2,994,186	-	2,994,186
Due beyond one year	37,430,283	-	37,430,283
State pension liability	31,008,009	-	31,008,009
Total liabilities	<u>74,187,181</u>	<u>55,217</u>	<u>74,242,398</u>
Deferred inflows:			
Deferred commodities revenue	-	1,862	1,862
Deferred inflows related to pensions	72,744	-	72,744
Unamortized bond issuance premium	287,962	-	287,962
Total deferred inflows	<u>360,706</u>	<u>1,862</u>	<u>362,568</u>
NET POSITION			
Invested in capital assets, net of related debt	26,544,936	30,906	26,575,842
Restricted for:			
Other purposes	10,800,884	-	10,800,884
Unrestricted	(24,236,674)	90,561	(24,146,113)
Total net position	<u>\$ 13,109,146</u>	<u>\$ 121,467</u>	<u>\$ 13,230,613</u>

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Charges for Services</u>
Governmental activities:		
Instruction:		
Regular	\$ 45,892,122	\$ -
Special education	12,793,370	-
Other special instruction	3,029,437	-
Other instruction	1,809,805	-
Support services:		
Instruction	4,420,757	-
Student and instruction-related services	13,544,060	-
School administrative services	4,023,127	-
General administrative services	1,097,739	-
Central services and administrative information technology	2,113,122	-
Plant operations and maintenance	7,510,703	282,979
Pupil transportation	4,076,488	35,804
Special schools	223,586	138,091
Charter school	-	-
Interest on long-term debt	939,956	-
Total governmental activities	<u>101,474,272</u>	<u>456,874</u>
Business-type activities:		
Food service	1,089,540	543,772
Total business-type activities	<u>1,089,540</u>	<u>543,772</u>
Total primary government	<u>\$ 102,563,812</u>	<u>\$ 1,000,646</u>

Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
\$ 14,498,042	\$ (31,394,080)	\$ -	\$ (31,394,080)
4,181,608	(8,611,762)	-	(8,611,762)
1,004,798	(2,024,639)	-	(2,024,639)
283,217	(1,526,588)	-	(1,526,588)
-	(4,420,757)	-	(4,420,757)
4,134,766	(9,409,294)	-	(9,409,294)
1,179,892	(2,843,235)	-	(2,843,235)
220,393	(877,346)	-	(877,346)
454,556	(1,658,566)	-	(1,658,566)
762,516	(6,465,208)	-	(6,465,208)
468,601	(3,572,083)	-	(3,572,083)
-	(85,495)	-	(85,495)
-	-	-	-
-	(939,956)	-	(939,956)
<u>27,188,389</u>	<u>(73,829,009)</u>	<u>-</u>	<u>(73,829,009)</u>
576,504	-	30,736	30,736
<u>576,504</u>	<u>-</u>	<u>30,736</u>	<u>30,736</u>
<u>\$ 27,764,893</u>	<u>\$ (73,829,009)</u>	<u>\$ 30,736</u>	<u>\$ (73,798,273)</u>

General revenues:

Property Taxes Levied for:

General purposes	\$ 61,425,948	\$ -	\$ 61,425,948
Debt Service	3,501,658	-	3,501,658
Federal and State aid not restricted	8,416,244	-	8,416,244
Investment Earnings	25,179	-	25,179
Miscellaneous Income	117,262	-	117,262
Total general revenues, special items, extraordinary items and transfers	<u>73,486,291</u>	<u>-</u>	<u>73,486,291</u>

Change in Net Position	(342,718)	30,736	(311,982)
Net Position-beginning	13,451,864	90,731	13,542,595
Net Position-ending	<u>\$ 13,109,146</u>	<u>\$ 121,467</u>	<u>\$ 13,230,613</u>

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.

OCEAN TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 5,367,334	\$ -	\$ -	\$ 21,562	\$ 5,388,896
Receivables, net	33,961	-	-	-	33,961
Due from other funds	40,225	-	-	-	40,225
Receivables from other governments	488,995	225,885	-	-	714,880
Restricted cash and cash equivalents	329,754	-	6,382,860	-	6,712,614
Total assets	<u>\$ 6,260,269</u>	<u>\$ 225,885</u>	<u>\$ 6,382,860</u>	<u>\$ 21,562</u>	<u>\$ 12,890,576</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 820,521	\$ 168,068	\$ 687,484	\$ -	\$ 1,676,073
Contracts payable	92,168	-	-	-	92,168
Interfund payable	-	40,225	-	-	40,225
Payable to state government	-	17,592	-	-	17,592
Total liabilities	<u>912,689</u>	<u>225,885</u>	<u>687,484</u>	<u>-</u>	<u>1,826,058</u>
Fund balances:					
Restricted for:					
Excess surplus - current year	2,100,362	-	-	-	2,100,362
Excess surplus - prior year - designated for subsequent year's expenditures	2,146,357	-	-	-	2,146,357
Capital reserve	329,754	-	-	-	329,754
Capital projects	-	-	798,529	-	798,529
Assigned to:					
Designated by the BOE for subsequent year's expenditures	529,034	-	-	1	529,035
Capital projects	-	-	4,896,847	-	4,896,847
Unassigned:					
General Fund	242,073	-	-	-	242,073
Debt Service Fund	-	-	-	21,561	21,561
Total fund balances	<u>5,347,580</u>	<u>-</u>	<u>5,695,376</u>	<u>21,562</u>	<u>11,064,518</u>
Total liabilities and fund balances	<u>\$ 6,260,269</u>	<u>\$ 225,885</u>	<u>\$ 6,382,860</u>	<u>\$ 21,562</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

The premiums and discounts associated with the issuance of the various bonds are reflected as income in the year the bonds are issued but are capitalized on the statement of net position. The bond premium is \$692,118 and accumulated amortization is \$404,156.

(287,962)

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$100,609,941 and the accumulated depreciation is \$36,113,709.

64,496,232

Deferred pension costs in governmental activities are not financial resources and, therefore, not reported in the funds.

9,628,102

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

(40,783,735)

Net Pension Liability - PERS - June 30, 2017 is not reported as a liability in the funds.

(31,008,009)

\$ 13,109,146

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local sources:					
Local tax levy	\$ 61,425,948	\$ -	\$ -	\$ 3,501,658	\$ 64,927,606
Tuition charges	138,091	-	-	-	138,091
Transportation fees	35,804	-	-	-	35,804
Rental fees	282,979	-	-	-	282,979
Interest earned on investments	25,179	-	40,738	-	65,917
Miscellaneous	<u>117,112</u>	-	-	-	<u>117,112</u>
Total - local sources	62,025,113	-	40,738	3,501,658	65,567,509
State sources	16,940,365	649,588	-	188,852	17,778,805
Federal sources	<u>52,135</u>	<u>1,771,620</u>	-	-	<u>1,823,755</u>
Total revenues	<u>79,017,613</u>	<u>2,421,208</u>	<u>40,738</u>	<u>3,690,510</u>	<u>85,170,069</u>
EXPENDITURES					
Current:					
Regular instruction	20,722,772	1,977,936	-	-	22,700,708
Special education instruction	6,104,371	-	-	-	6,104,371
Other special instruction	1,422,138	-	-	-	1,422,138
School-sponsored activities	1,356,764	-	-	-	1,356,764
Support services and undistributed costs:					
Instruction	3,982,828	437,929	-	-	4,420,757
Student and instruction-related services	6,929,989	-	-	-	6,929,989
General administrative services	1,187,648	-	-	-	1,187,648
School administrative services	2,135,743	-	-	-	2,135,743
Central services and Administrative Technology	1,386,003	-	-	-	1,386,003
Plant operations and maintenance	6,290,964	-	-	-	6,290,964
Pupil transportation	3,326,902	-	-	-	3,326,902
Employee benefits	23,449,483	-	-	-	23,449,483
Special schools	223,586	-	-	-	223,586
Transfer to charter school	-	-	-	-	-
Debt service:					
Principal	-	-	-	2,599,000	2,599,000
Interest and other charges	-	-	-	1,069,949	1,069,949
Capital outlay	<u>557,312</u>	<u>5,343</u>	<u>14,103,014</u>	-	<u>14,665,669</u>
Total expenditures	<u>79,076,503</u>	<u>2,421,208</u>	<u>14,103,014</u>	<u>3,668,949</u>	<u>99,269,674</u>
Excess (Deficiency) of revenues over expenditures	<u>(58,890)</u>	<u>-</u>	<u>(14,062,276)</u>	<u>21,561</u>	<u>(14,099,605)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	40,738	-	-	-	40,738
Transfers out	-	-	(40,738)	-	(40,738)
Proceeds from Sale of Assets	150	-	-	-	150
Proceeds from Refunding bonds	-	-	-	2,650,000	2,650,000
Defeasance of bonds and issuance costs	-	-	-	(2,650,000)	(2,650,000)
Capital leases (non-budgeted)	-	-	-	-	-
Total other financing sources (uses)	<u>40,888</u>	<u>-</u>	<u>(40,738)</u>	<u>-</u>	<u>150</u>
Net change in fund balances	(18,002)	-	(14,103,014)	21,561	(14,099,455)
Fund balance - beginning	<u>5,365,582</u>	<u>-</u>	<u>19,798,390</u>	<u>1</u>	<u>25,163,973</u>
Fund balance - ending	<u>\$ 5,347,580</u>	<u>\$ -</u>	<u>\$ 5,695,376</u>	<u>\$ 21,562</u>	<u>\$ 11,064,518</u>

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2017

Total net change in fund balances - governmental funds (from B-2) \$ (14,099,455)

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	\$ (1,909,676)	
Capital outlays	<u>14,665,669</u>	12,755,993

Repayment of long-term debt, i.e. 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.

2,599,000

Repayment of capital lease 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.

442,454

Proceeds of debt issues are a financing source in the governmental funds: they are not revenue in the Statement of Activities. Issuing debt increases long-term liabilities in the statement of position.

Bond proceeds		(2,650,000)
Costs of refunding		170,000
Bonds		2,480,000
Cost of issuance in the governmental funds		(20,425)

Bond premium is amortized over the lives of the bonds in the Statement of Activities but are recorded as an addition from the proceeds from sales of bonds in the government funds.

60,623

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. The decrease in accrued interest is an addition in the reconciliation.

89,794

Pension expense for PERS is reported in the Statement of Activities. However, does not require the use of current financial resources and therefore, is not reported as expenditures in the governmental funds.

(3,115,727)

Employer pension contributions for PERS are expensed in the fund financial statements but treated as a reduction in the Net Pension Liability on the government-wide financial statements

942,194

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

2,831

Change in net position of governmental activities

\$ (342,718)

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Fund Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities Enterprise Funds	Internal Service Funds Self- Insurance Activities
	Food Service Fund	Insurance Activities
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,203	\$ 609,604
Other receivables	113,612	-
Inventories	7,825	-
Total current assets	<u>147,640</u>	<u>609,604</u>
Capital assets:		
Furniture, machinery and equipment	497,070	-
Less: accumulated depreciation	(466,164)	-
Total capital assets	<u>30,906</u>	<u>-</u>
Total assets	<u><u>\$ 178,546</u></u>	<u><u>\$ 609,604</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 55,217	\$ 609,604
Unearned revenue	-	-
Total current liabilities	<u>55,217</u>	<u>609,604</u>
Deferred inflows	<u>1,862</u>	<u>-</u>
NET POSITION		
Invested in capital assets	30,906	-
Unrestricted	90,561	-
Total net position	<u><u>\$ 121,467</u></u>	<u><u>\$ -</u></u>

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-type Activities Enterprise Funds	Internal Service Funds
	Food Service Fund	Self- Insurance Activities
Operating Revenues		
Charges for services:		
Daily sales - reimbursable program	\$ 263,154	\$ -
Daily sales - non-reimbursable program	271,164	-
Special functions	9,454	-
Services provided to other funds	-	2,841,960
Total operating revenues	<u>543,772</u>	<u>2,841,960</u>
Operating Expenses		
Cost of sales-reimbursable programs	410,436	-
Cost of sales-non-reimbursable programs	136,812	-
Salaries	365,790	-
Employee benefits	109,194	2,841,960
Management fee	45,675	-
Insurance	13,444	-
Miscellaneous	-	-
Depreciation	8,189	-
Total operating expenses	<u>1,089,540</u>	<u>2,841,960</u>
Operating Income (Loss)	<u>(545,768)</u>	<u>-</u>
Non-operating Revenues		
State sources:		
School lunch program	9,658	-
Federal sources:		
National school lunch program	400,512	-
Breakfast program	89,539	-
Food distribution program	76,795	-
Total non-operating revenues	<u>576,504</u>	<u>-</u>
Change in Net Position before transfers	30,736	-
Total Net Position - Beginning	<u>90,731</u>	<u>-</u>
Total Net Position - Ending	<u>\$ 121,467</u>	<u>\$ -</u>

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Business-type Activities Enterprise Funds	Internal Service Funds
	Food Service Fund	Self- Insurance Activities
Cash Flows from Operating Activities		
Receipts from customers and other funds	\$ 528,900	\$ 2,841,960
Payments to employees	(365,790)	-
Payments for employee benefits	(109,194)	(2,856,876)
Payments to suppliers	(608,370)	-
Net cash provided by (used for) operating activities	(554,454)	(14,916)
Cash Flows from Non-capital Financing Activities		
State sources	8,433	-
Federal sources	502,813	-
Net cash provided by non-capital financing activities	511,246	-
Net Increase (Decrease) in Cash and Cash Equivalents	(43,208)	(14,916)
Balance - Beginning of Year	69,411	624,520
Balance - End of Year	\$ 26,203	\$ 609,604
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	\$ (545,768)	\$ -
Adjustments to reconcile operating income (loss) to net cash used for operating activities		
Depreciation	8,189	-
(Increase) decrease in accounts receivable, net	(14,873)	-
(Increase) decrease in inventories	1,569	-
Increase (decrease) in accounts payable	(3,255)	(14,916)
Increase (decrease) in prepaid school lunches	-	-
Increase (decrease) in deferred revenue	(316)	-
Total adjustments	(8,686)	(14,916)
Net Cash Provided by (Used for) Operating Activities	\$ (554,454)	\$ (14,916)

Noncash noncapital financing activities:

The Board of Education received \$76,795 of food commodities from the US Department of Agriculture for the year ended June 30, 2017.

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Fund</u>	<u>Agency Fund</u>
ASSETS			
Cash and cash equivalents	\$ 476,856	\$ 21,534	\$ 2,150,849
Total Assets	<u>476,856</u>	<u>21,534</u>	<u>\$ 2,150,849</u>
LIABILITIES			
Payroll deductions and withholdings	26,162	-	\$ 1,865,788
Due to student groups	-	-	285,061
Total Liabilities	<u>26,162</u>	<u>-</u>	<u>\$ 2,150,849</u>
NET POSITION			
Held in trust for unemployment claims and other purposes	<u>\$ 450,694</u>		
Reserved for scholarships		<u>\$ 21,534</u>	

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	Unemployment Compensation Trust	Private Purpose Scholarship Fund
ADDITIONS		
Contributions:		
Plan member	\$ 125,199	\$ -
Scholarship donations	-	17,729
Total Contributions	<u>125,199</u>	<u>17,729</u>
Investment Earnings:		
Interest	<u>2,037</u>	-
Net Investment Earnings	<u>2,037</u>	-
Total Additions	<u>127,236</u>	<u>17,729</u>
DEDUCTIONS		
Quarterly contribution reports & assessment	53,211	-
Unemployment claims	25,199	-
Scholarships awarded	-	14,800
Total Deductions	<u>78,410</u>	<u>14,800</u>
Change in Net Position	48,826	2,929
Net Position - Beginning of Year	<u>401,868</u>	<u>18,605</u>
Net Position - End of Year	<u>\$ 450,694</u>	<u>\$ 21,534</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (Board) of the Ocean Township School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District also applies Financial Accounting Standards Board (FASB) Statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's Proprietary Funds have elected not to apply the standards issued by FASB after November 30, 1989. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. The operations of the District include the elementary schools, intermediate school and high school located in Ocean Township, New Jersey. The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The District, as the primary government for financial reporting entity purposes, has oversight responsibility and control over all activities related to the Township of Ocean Board of Education in Ocean Township, New Jersey. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

The District has no component units that are required to be included within the reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. District-Wide and Fund Financial Statements

The District-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, service, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. District-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and capital leases, are recorded only when payment is due.

Property taxes, interest and state equalization monies associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year.

The District has reported the following major government funds:

General Fund: The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District maintains one special revenue fund, primarily consisting of government grants, for which the proceeds of specific revenue sources (other than fiduciary funds or major capital projects) are legally restricted to expenditures for specified purposes.

Capital Projects Fund: The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: The debt service fund accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following major proprietary fund:

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

Internal Service Fund: The internal service fund may be used to report any activity that provides goods or services to other funds, departments or agencies of the primary entity on a cost-reimbursement basis. The District accounts for risk management and health insurance costs provided to the Board of Education employees through the internal service fund.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Additionally, the District reports the following fiduciary fund types:

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Trust Funds: The unemployment compensation and private purpose scholarship funds are accounted for in essentially the same manner as governmental funds. The unemployment compensation fund is used to account for contribution from employees and interest earned on the balance as well as payments to the State for reimbursement of unemployment claims. The private purpose scholarship fund is an expendable trust whereby principal and interest may be spent.

Agency Funds (Payroll and Student Activity Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

As a general rule, the effect of interfund activity has been eliminated from the District-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the enterprise fund includes the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports unearned revenue on its balance sheet. Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them, as when federal assistance is received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Ad Valorem (Property) Taxes are susceptible to accrual as, under New Jersey State Statute, a municipality is required to remit to its 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 moneys under the established payments schedule and the unpaid amount is considered to be an "accounts receivable."

The following statutory dates are applicable to property taxes collected by the respective municipalities:

Levy date:	January 1
Lien Date:	January 1
Due Dates:	August 1, November 1, February 1, and May 1

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. 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, except for the special revenue fund, are prepared using the modified accrual basis of accounting. 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 details as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23. The over-expenditure in the general fund is due to the inclusion of the non-budgeted on-behalf payments made by the State of New Jersey as District expenditures. These amounts are offset by related revenues and as such do not represent budgetary over-expenditures. All budget amendments/transfers must be approved by School Board resolution. Budgetary transfers were made during the current year and were within allowable limits permitted by the State. The District did not deem them to be significant or unusual in nature. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary-basis of accounting and GAAP with the exception of the legally mandated revenue recognition of the one or more June state aid payments 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.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash, amounts on deposit, money market accounts and short-term investments with original maturities of three months or less from date of acquisition. Restricted cash is related to capital projects.

F. Interfund Receivable/Payable

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

G. Inventories

Inventories that benefit future periods, other than those recorded in the enterprise fund, are recorded as expenditures during the year of purchase.

Inventories in the enterprise fund are expensed using the consumption method. Enterprise fund inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. At June 30, 2017, the unused Food Donation Program commodities were \$1,862.

H. Capital Assets

Capital assets, which include land, property, plant and machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company. Donated capital assets are valued at their estimated fair market value on the date of donation.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the District is depreciated using the straight-line method. The following estimated useful lives are used to compute depreciation:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School building	50
Building improvements	20
Electrical/Plumbing	30
Vehicles	8
Office and computer equipment	5 - 10
Instructional equipment	10
Grounds equipment	15

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

I. Compensated Absences

The District accounts for compensated absences (e.g. unused vacation, sick leave) as directed by Governmental Accounting Standards Board No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to service 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 right to the benefits.

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

For the District-wide *Statement of Net Position*, 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.

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

J. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are also recorded as unearned revenue.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. 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.

L. Unamortized Bond Premiums, Discounts and Bond Issuance Costs

Bond premiums are amortized using the effective interest method, over the life of the related issue. Bond issuance costs are treated as an expense.

M. Fund Balance Reporting

The District has adopted GASB 54 as part of its fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Non spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items and principal (corpus) of an endowment fund. The District does not have any prepaid item or nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints for the government from its highest level of decision making authority.
- Assigned: fund balances that contain self-imposed constraints of the government to the used for a particular purpose.
- Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Fund Balance Reporting (continued)

The District has classified its fund balances with the following hierarchy:

Spendable: The District has classified the spendable fund balances as *Restricted, Committed, Assigned and Unassigned* and considered each to have been spent when expenditures are incurred.

- Restricted for Excess Surplus, Capital Reserve and Capital Projects:

New Jersey School Districts are required to reserve fund balance of the general fund if they did not appropriate a required minimum amount as budgeted fund balance. The capital reserve account is used to accumulate funds for use as capital outlay expenditures in subsequent fiscal years. The funds have been included in restricted category of fund balance. The restricted fund balances totaled \$5,375,002 and represented \$4,246,719 in excess surplus, \$329,754 in capital reserve and \$798,529 in capital projects.

- Assigned for District Operations and Capital Projects:

The District has set aside certain spendable fund balance for school operations and capital projects. At year end, the assigned fund balance is \$5,425,882, of which \$529,034 is for school operations, \$4,896,847 is for capital projects and \$1 is for debt service. The assigned fund balance for District operations includes \$268,689 for outstanding encumbrances. See Note 16.

- Unassigned:

The unassigned fund balance for the General Fund is \$242,073.

N. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the designation for reserve fund balance - excess surplus is a required calculation pursuant to the New Jersey Comprehensive Education Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve fund balance of the general fund at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in the subsequent years' budget. The District has an excess fund balance generated during the 2017 fiscal year in the amount of \$2,100,362 which will be designated for tax relief in 2018-2019.

O. Net Position

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

P. Management Estimates

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category in 2017, which relates to differences in experience, earnings and contributions of the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has items that qualify for reporting in this category, deferred commodities revenue, unamortized bond issuance premium and differences related to experience, earnings and contributions of the net pension liability.

R. Public Employees Retirement System (PERS) and Teachers Pensions and Annuity Fund (TPAF)

In the government-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position of the PERS/TPAF and additions to/deductions from PERS/TPAF fiduciary net position have been determined on the same basis as they are reported by PERS/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.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

S. Recent Accounting Pronouncements

During fiscal year 2017, the District adopted the following GASB statements:

GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective with fiscal year ended June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

GASB No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, effective with fiscal year ended June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. There is no significant impact on the financial statements due to the adoption of this standard.

GASB No. 77, Tax Abatement Disclosures, effective with fiscal year ended June 30, 2017. The requirements of this Statement improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. There is no impact on the financial statements due to the adoption of this standard.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

S. Recent Accounting Pronouncements (continued)

GASB No. 82, *Pension Issues- An Amendment of GASB Statements Nos. 67, 68, and 73*, effective with fiscal year ended June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68 *Accounting and Financial Reporting for Pensions*, and No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Accounting standards not yet adopted that the District is currently reviewing for applicability and potential impact include:

GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective beginning with fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. Management has not yet determined the impact of implementing this standard.

GASB No. 83, *Certain Asset Retirement Obligations-* will be effective with the fiscal year ending June 30, 2019. This Statement addresses accounting and financial reporting for certain asset retirement obligations (ARO's). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A Government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

GASB No. 84, *Fiduciary activities-* will be effective with the fiscal year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom the fiduciary relationship exists.

GASB No. 85, *Omnibus 2017-* will be effective with the fiscal year ending June 30, 2018. The objective of this Statement is to address various issued related to blending component units, goodwill, fair value measurement, and the timing of measurement of postemployment benefits recognized in the financial statements.

GASB No. 86, *Certain Debt Extinguishment Issues*, effective with the fiscal year ending June 30, 2018. The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources- resources other than the proceeds of refunding debt- are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on extinguished debt and notes to financial statements for debt that is in substance defeased.

Management has not yet determined the impact of implementing these pronouncements.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 2. RECONCILIATION OF DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the District-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds payable, capital leases and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

The details of this \$40,783,735 difference are as follows:

Bonds payable	\$34,870,000
Capital leases payable	3,081,296
Accrued interest payable	359,266
Compensated absences	<u>2,473,173</u>
Net adjustments to reduce fund balance - total governmental funds	
To arrive at net position - governmental activities	<u>\$40,783,735</u>

NOTE 3. DEPOSITS AND INVESTMENTS

New Jersey school districts are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. Seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks that deposits of which are federally insured. GUDPA requires that all public depositories must pledge collateral, having a market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), 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 (NJCMF), New Jersey Arbitrage Rebate Management Fund (NJARM) and M.B.I.A. Class.

New Jersey statutes (GUDPA) 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.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Deposits (continued)

In addition to the above collateral requirements, 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.

Operating cash, in the form of Negotiable Order of Withdrawal ("NOW") accounts, is held in the District's name by two commercial banking institutions. At June 30, 2017, the carrying amount of the District's deposits was \$12,100,110 and the bank balance was \$12,170,280. The District also held \$1,400 in petty cash at June 30, 2017.

Based on levels of risk, \$500,000 of the District's cash deposits on June 30, 2017 were secured by federal depository insurance. The remaining bank balance of \$11,670,280 was covered by the New Jersey Governmental Unit Deposit Protection Act (GUDPA).

Pursuant to GASB No. 40, *Deposit and Investment Risk Disclosures*, the District's NOW accounts are profiled in order to determine exposure, if any, to Custodial Credit Risk (risk that, in the event of failure of the counterparty, the District would not be able to recover the value of its deposits or investment). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the government's name.

At June 30, 2017, all of the District's deposits were collateralized by securities held in its name and, accordingly, not exposed to custodial credit risk. The District does not have a policy for the management of custodial credit risk, other than depositing all its funds in banks covered by GUDPA. At least five percent of the District's deposits were fully collateralized by funds held by financial institutions, but not in the name of the District. Due to the nature of GUDPA, further information is not available regarding the full amount that is collateralized.

Investments

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bond of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the District.
- d. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and M.B.I.A. Class.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 3. DEPOSITS AND INVESTMENTS (continued)

Investments (continued)

The District participates in the New Jersey Asset and Rebate Management Program which is a joint investment trust for local government units in the State of New Jersey. It was formed to make available comprehensive investment management, accounting and rebate calculation services for the issuers of tax exempt bonds and complies with all New Jersey statutes and regulations for the allowable investment of public funds. The District participates in the joint investment account which provides a convenient method for local governments to pool funds for temporary investing. These investments consist of United States Treasury Bills and notes and other obligations guaranteed by the United States of America, Federal agency bonds and notes with a maturity not greater than 397 days, and fully collateralized repurchase agreements. The carrying amount and fair value as of June 30, 2017 was \$3,288,908.

Custodial Credit Risk: Pursuant to GASB No. 40, the NJARM, a pooled investment, is exempt from custodial credit risk disclosure. The District does not have a policy for custodial credit risk.

Credit Risk: The District does not have an investment policy regarding the management of credit risk. GASB 40 requires that disclosure be made as to the credit rating of all debt security investments except for obligations of the U.S. government or investments guaranteed by the U.S. government. The NJARM was comprised of investments rated by Standard and Poor's (S&P) as follows:

<u>S&P Rating</u>	<u>Percentage of Portfolio</u>
AA+	45.6%
A-1+	33.4%
Exempt*	21.0%

**Represents U.S. Treasury Securities, which are not considered to be exposed to overall credit risk per GASB.*

Interest Rate Risk: The District does not have a policy to limit interest rate risk. The weighted average maturity of the NJARM portfolio at December 31, 2016, was 43 days.

NOTE 4. RECEIVABLES

Receivables at June 30, 2017, consisted of accounts (rent and tuition), accrued interest, interfund, intergovernmental, and property taxes. All receivables are considered collectible in full. A summary of the principal items of intergovernmental receivables are as follows:

	<u>Governmental Fund Financial Statements</u>	<u>Governmental Wide Financial Statements</u>
State Aid	\$ 108,075	\$ 109,848
Federal Aid	208,293	300,311
Other	<u>432,473</u>	<u>452,294</u>
Gross Receivables	748,841	862,453
Less: Allowance for Uncollectibles	<u>-</u>	<u>-</u>
Total Receivables, net	<u>\$ 748,841</u>	<u>\$ 862,453</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 5. CAPITAL ASSETS

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications Retirements</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 984,968	\$ -	\$ -	\$ 984,968
Construction in process	<u>9,400,816</u>	<u>14,103,014</u>	<u>(80,000)</u>	<u>23,423,830</u>
Total capital assets not being depreciated	<u>10,385,784</u>	<u>14,103,014</u>	<u>(80,000)</u>	<u>24,408,798</u>
Capital assets being depreciated:				
Site improvements	3,931,139	-	-	3,931,139
Building and building improvements	53,588,440	60,092	-	53,648,532
Vehicles	4,391,478	238,508	(201,061)	4,428,925
Capital lease	4,698,564	80,000	-	4,778,564
Furniture and equipment	<u>9,155,272</u>	<u>258,711</u>	<u>-</u>	<u>9,413,983</u>
Totals at historical cost	<u>75,764,893</u>	<u>637,311</u>	<u>(201,061)</u>	<u>76,201,143</u>
Less accumulated depreciation for:				
Site improvements	1,507,752	148,911	-	1,656,663
Building and building improvements	20,747,315	906,399	-	21,653,714
Vehicles	3,767,980	164,284	(201,061)	3,731,203
Capital lease	319,281	309,581	-	628,862
Furniture and equipment	<u>8,062,766</u>	<u>380,501</u>	<u>-</u>	<u>8,443,267</u>
	<u>34,405,094</u>	<u>1,909,676</u>	<u>(201,061)</u>	<u>36,113,709</u>
Total capital assets being depreciated, Net of accumulated depreciation	<u>41,359,799</u>	<u>(1,272,365)</u>	<u>-</u>	<u>40,087,434</u>
Government Activity Capital Assets, Net	<u>\$ 51,745,583</u>	<u>\$ 12,830,649</u>	<u>\$ (80,000)</u>	<u>\$ 64,496,232</u>

Depreciation expense was charged to functions/programs of the District as follows:

Instruction	\$ 1,136,963
Student and instruction related services	266,133
General and Business Administrative Services	127,628
Plant Operations and Maintenance	179,775
Pupil Transportation	145,950
Support Services - Students and Staff	<u>53,227</u>
Total	<u>\$ 1,909,676</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 5. CAPITAL ASSETS

The following is a summary of the business-type capital assets for the year ended June 30, 2017:

	<u>Beginning Balance</u>	<u>Transfers or Additions</u>	<u>Transfers or Retirements</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated:				
Equipment	\$ 497,070	\$ -	\$ -	\$ 497,070
Less accumulated depreciation	<u>457,975</u>	<u>8,189</u>	<u>-</u>	<u>466,164</u>
Enterprise fund capital assets, net	<u>\$ 39,095</u>	<u>\$ 8,189</u>	<u>\$ -</u>	<u>\$ 30,906</u>

NOTE 6. LONG-TERM LIABILITIES

Bonds Payable

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.

Principal and interest due on all serial bonds outstanding is as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,400,000	\$ 1,008,188	\$ 3,408,188
2019	2,440,000	939,923	3,379,923
2020	2,470,000	877,164	3,347,164
2021	2,515,000	813,896	3,328,896
2022	2,535,000	750,029	3,285,029
2023 - 2036	<u>22,510,000</u>	<u>5,503,081</u>	<u>28,013,081</u>
	<u>\$34,870,000</u>	<u>\$ 9,892,281</u>	<u>\$ 44,792,28</u>

Defeasance

The Board adopted a refunding bond ordinance and a resolution on June 28, 2016 to provide for the refunding of a portion of the outstanding callable school bonds of the District, dated September 1, 2007, issued in the original principal amount of \$6,113,000. At its July 26, 2016 meeting the Board awarded a bid to TD Bank for the issuance of \$2,650,000 of bonds at a rate of 1.45% to advance refund \$2,480,000 of outstanding series 2007 bonds with an average interest rate of 4.182%. The net proceeds of \$2,627,130 (after cost of issuance of \$22,870) were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2007 series bonds. As a result, the refunded 2007 bonds are considered to be defeased and the liability for these bonds has been removed from net assets.

The savings resulting from the refunding was as follows:

Cash flow requirements to service old debt	\$ 2,951,794
Cash flow requirements for new debt	<u>2,801,106</u>
Net savings from refunding	<u>\$ 150,688</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 6. LONG-TERM LIABILITIES (continued)

Bonds Authorized But Not Issued

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

Capital Lease Payable

The District is leasing equipment totaling \$4,778,564 under capital leases. The capital leases are for terms of no more than five years except for the lease related to the Energy Savings Improvement Program which cannot exceed fifteen years.

The following is a schedule of minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2017.

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Amount</u>
2018	\$ 479,320
2019	484,827
2020	236,172
2021	241,583
2022	247,120
Thereafter	<u>1,861,958</u>
Total	3,550,980
Less: Amount representing interest	<u>(469,684)</u>
Present value of minimum lease payments	<u>\$ 3,081,296</u>

Unamortized Bond Premium

Unamortized bond premium as of June 30, 2017 and 2016, is \$287,962 and \$348,585, respectively.

Changes in Long-Term Liabilities

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Within</u> <u>One Year</u>
Compensated absences payable	\$ 2,476,004	\$ 270,381	\$ 273,212	\$ 2,473,173	\$ 188,316
Capital leases payable	3,523,750	-	442,454	3,081,296	405,870
Serial bonds payable with Interest rates of 1.45% to 4.125%	<u>37,299,000</u>	<u>2,650,000</u>	<u>5,079,000</u>	<u>34,870,000</u>	<u>2,400,000</u>
Subtotal	43,298,754	2,920,381	5,794,666	40,424,469	2,994,186
Net pension liability	<u>23,553,440</u>	<u>7,454,569</u>	-	<u>31,008,009</u>	-
Total governmental activities Long-term liabilities	<u>\$66,852,194</u>	<u>\$10,374,950</u>	<u>\$ 5,794,666</u>	<u>\$71,432,478</u>	<u>\$ 2,994,186</u>

Compensated absences and capital lease liabilities are liquidated by expenditures charged to the general fund. Serial bonds payable are liquidated by expenditures charged to the debt service fund.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS

Descriptions of Systems

Substantially all of the Board's employees participate in one of the following contributory defined benefit public employees retirement systems which have been established by State statute: The Teachers' Pension and Annuity Fund (TPAF) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Teachers' Pension and Annuity Fund Retirement System is considered a cost-sharing multiple-employer plan, with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Board and the system's other related non-contributing employers. The Public Employees' Retirement System is considered a cost-sharing multiple-employer plan.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011.

Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60 and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service.

Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State of any county, municipality, school Board, or public agency, provided the employee is not required to be a member of another state-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 60 and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for TPAF and PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, employee contribution rates for TPAF and PERS increased from 5.5% to 6.5% percent of employees' annual compensation. An additional increase will be phased in over the next few years that will bring the total pension contribution rate to 7.5% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate in both the TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute, the Board is a non-contributing employer of the TPAF.

During the year ended June 30, 2017, the State of New Jersey contributed \$6,342,185 to the TPAF for post-retirement medical benefits, disability and normal costs of pension on behalf of the Board. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$2,222,674 during the fiscal year ended June 30, 2017 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the government-wide and fund financial statements.

The Board's actuarially determined contributions to PERS for each of the years ended June 30, 2017, 2016 and 2015 were \$942,194, \$930,106 and \$902,069 respectively, equal to the required contributions for each year.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. 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

Public Employee's Retirement System (PERS)

At June 30, 2017, the District reported a liability of \$31,008,009 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the District's proportion was .05254898%, which was an increase of .00153453% from its proportion measured as of June 30, 2015.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

Public Employee's Retirement System (PERS) (continued)

For the year ended June 30, 2017, the District recognized full accrual pension expense of \$ 2,366,168 in the government-wide financial statements. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 576,655	\$ 35,543
Changes of assumptions	6,423,203	-
Net difference between projected and actual earnings on pension plan investments	1,182,364	-
Changes in proportion and differences between District contributions and proportionate share of contributions	576,430	37,201
District contributions subsequent to the measurement date	<u>942,194</u>	<u>-</u>
Total	<u>\$ 9,700,846</u>	<u>\$ 72,744</u>

\$942,194 is reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ 1,583,961
2018	1,583,961
2019	1,810,793
2020	1,515,332
2020	<u>505,146</u>
Total	<u>\$ 6,999,193</u>

Actuarial Assumptions

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

Inflation rate	3.08%
Salary increases:	
Through 2026	1.65 - 4.15%
Thereafter	Based on age 2.65 - 5.15%
	Based on age
Investment rate of return	7.65%

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

Public Employee's Retirement System (PERS) (continued)

Mortality Rates

Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females).

Long-Term Rate of Return

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

Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	.87%
US Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	.50%	5.45%
Global Debt ex US	5.00%	-.25%
REIT	5.25%	5.63%
	<u>100.00%</u>	

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

Public Employee's Retirement System (PERS) (continued)

Discount Rate

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

Sensitivity of the 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 as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.98%) or 1-percentage-point higher (4.98%) than the current rate:

	<u>At 1% Decrease (2.98%)</u>	<u>Discount Rate (3.98%)</u>	<u>At 1% Increase (4.98%)</u>
District's proportionate share of the net pension liability	<u>\$37,160,111</u>	<u>\$31,008,009</u>	<u>\$25,934,364</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report for the State of New Jersey Public Employees Retirement System.

Additional Information

Collective balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$ 13,319,369,669
Collective deferred inflows of resources	\$ -
Collective net pension liability- Local Group	\$ 29,617,131,759

District's proportion .05254898%

Collective pension expense for the Local Group for the measurement period ended June 30, 2016 is \$2,827,610,195.

The average of the expected remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) is 5.57, 5.72 and 6.44 years for 2016, 2015 and 2014 respectively.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

Teachers' Pensions and Annuity Fund (TPAF)

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do 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 local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

The State's proportionate share of the TPAF net pension liability associated with the District as of June 30, 2016 was \$245,512,453. The District's proportionate share was \$0.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation July 1, 2015, which was rolled forward to June 30, 2016. The State's proportionate share of the net pension liability associated with the District was based on a projection of the State's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At June 30, 2016, the State's proportionate share of the TPAF net pension liability associated with the District was .3120932901%, which was an increase of .0077948025% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized on-behalf pension expense and revenue in the government-wide financial statements of \$18,446,845 for contributions incurred by the State.

Actuarial Assumptions

The actuarial valuation used the following assumptions, applied to all periods included in the measurement:

Inflation rate	2.50%
Salary increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.65%

Mortality Rates

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

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

Teachers' Pensions and Annuity Fund (TPAF) (continued)

Long-Term Expected Rate of Return (continued)

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation- Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign-Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	.50%	2.87%
Hedge Funds- Multi Strategy	5.00%	3.70%
Hedge Funds- Equity Hedge	3.75%	4.72%
Hedge Funds- Distressed	3.75%	3.49%
	<u>100.00%</u>	

Discount Rate

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 7. PENSION PLANS (continued)

Teachers' Pensions and Annuity Fund (TPAF) (continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the State's proportionate share of the net pension liability associated with the District as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the State's proportionate share of the net pension liability associated with the District would be if it were calculated using a discount rate that is 1-percentage point lower (2.22%) or 1-percentage point higher (4.22%) than the current rate:

	<u>At 1% Decrease (2.22%)</u>	<u>At Current Discount Rate (3.22%)</u>	<u>At 1% Increase (4.22%)</u>
State's proportionate share of the net pension liability associated with the district	<u>\$293,196,735</u>	<u>\$245,512,453</u>	<u>\$206,572,083</u>

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

Additional Information

Collective balances at June 30, 2016 are as follows:

Collective deferred outflows of resources	\$	17,581,004,496
Collective deferred inflows of resources		300,836,088
Collective net pension liability- Local Group	\$	78,666,367,052
State's proportionate share associated with the District		.3120932901%

Collective pension expense for the plan measurement period ended June 30, 2016 is \$5,938,166,374.

Defined Contribution Retirement Program (DCRP)

Established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 as 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.

Supplemental Annuity Collective Trust Fund (SACT)

The State established and administers a SACT which is available to active members of the State-administered retirement system to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The State or local government employers do not appropriate funds to SACT.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 8. POST-RETIREMENT BENEFITS

State Plan

Chapter 384 of Public Laws of 1987 and Chapter 6 of Public Laws 1990 required Teachers' Pensions and Annuity Fund (TPAF) and 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. Chapter 103 of Public Laws 2007 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in fiscal year 1994.

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

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the fund for TPAF retirees' post-retirement benefits on behalf of the District for the years ended June 30, 2017, 2016 and 2015 were \$2,880,175, \$2,975,309 and \$2,611,676 respectively, which equaled the required contributions for each year.

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

NOTE 9. RISK MANAGEMENT AND HEALTH INSURANCE

The District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; employee health and accident claims; and natural disasters.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident, and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. There have been no significant reductions in insurance coverage from the prior year and no settlements that have exceeded insurance coverage for the last three years.

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due to the State.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 9. RISK MANAGEMENT AND HEALTH INSURANCE (continued)

The table below is a summary of the district contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Interest</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ 2,037	\$ -	\$ 125,199	\$ (78,410)	\$ 450,694
2015-2016	655	-	123,881	(71,693)	401,868
2014-2015	54	-	118,660	(90,641)	349,025

Health Insurance

Beginning in the fiscal year 2009, the District began to self-insure for employee prescription plans. Costs associated with these risks are reported in the internal service fund.

Liabilities for unpaid claims are based on recommendations by third-party administrators. There have been no significant reductions in insurance coverage from coverage in prior years. The amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

The following schedule represents the changes in claims liability for the past three fiscal years for the District's Self Insurance Program:

<u>Fiscal Year</u>	<u>Beginning of Fiscal year liability</u>	<u>Current year claims Changes in estimates</u>	<u>Claims Payments</u>	<u>Balance at fiscal Year end</u>
2016-2017	\$ 624,520	\$ 2,841,960	\$(2,856,876)	\$ 609,604
2015-2016	616,997	2,229,200	(2,221,677)	624,520
2014-2015	549,043	2,611,000	(2,543,046)	616,997

NOTE 10. DEFERRED COMPENSATION

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan, which is administered by various insurance companies, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participants to defer a portion of their salary until future years. All amounts of compensation deferred are held for the exclusive benefit of plan participants and beneficiaries. Amounts deferred under the plan are distributable upon separation from service, death or unforeseeable emergency.

Participants' rights under the plan are equal to the fair market value of the deferred account for each participant. The District has no liability for losses under the plan and is not the plan trustee.

The plan administrators are AXA- Equitable, Metropolitan Life, Ameriprise, VALIC (Variable Annuity Life Insurance Co.), Aspire, VOYA Annuities, and Lincoln Investments.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 11. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

As of June 30, 2017, the interfund receivables and payables that resulted from regularly recurring operational transfers are detailed below:

Due to the General Fund from the Special Revenue Fund to cover Cash overdraft \$40,225

The interfund between the capital projects fund and debt service fund represent interest earned on investments in the capital projects fund that must be transferred to the general fund. The interfund between the general fund and the capital projects and special revenue funds represents loans between the funds. All interfunds are expected to be paid within one year.

Interfund transfers during the year were as follows:

	<u>Transfers from Other funds</u>	<u>Transfers to Other funds</u>
General fund	\$ 40,738	\$ -
Capital projects	<u>-</u>	<u>40,738</u>
	<u>\$ 40,738</u>	<u>\$ 40,738</u>

NOTE 12. ECONOMIC DEPENDENCY

The District is dependent on the State of New Jersey for a substantial portion of its operating funds. Due to additional funding uncertainties at the State level, funding for school districts was reduced. The ultimate effect of possible reductions in funding on the District's future operations is not yet determinable.

NOTE 13. CONTINGENT LIABILITIES

Litigation

The Board is involved in a few claims incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect on the financial position of the District.

Grant Programs

The District participates in federal and state grant assistance programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for 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.

Construction Projects

The District is presently in the process of major additions and renovations to all its school buildings totaling over \$23,400,000 as of June 30, 2017. The total estimated cost to complete construction is approximately \$5,700,000 of which the District has committed to contracts of approximately \$4,900,000.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 14. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$400,000 during 2000-2001 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:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

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

Beginning balance, July 1, 2016	\$ 328,223
Interest earnings	1,531
Deposits per board resolution	-
Withdrawals per board resolution	-
Board resolution (per approved budget)	<u>-</u>
	<u>\$ 329,754</u>

The June 30, 2017 LRFP balance of local support costs of uncompleted capital projects is \$4,236,976.

NOTE 15. DEFICIT FUND BALANCES

As reflected on Exhibit A-1, Statement of Net Position, a deficit in unrestricted net position of \$24,236,674 existed as of June 30, 2017 for governmental activities. The primary cause of this deficit is the recognition of the net pension liability as well as the District not recognizing the receivable for state aid payments and the recording of the long-term liability for compensated absences. In accordance with full accrual accounting, which is the basis of accounting for Exhibit A-1, Statement of Net Position, such liabilities are required to be recorded in the period in which they are incurred.

However, in accordance with the rules and regulations that govern the District in the formulation of their annual budget (see Note 1), compensated absences that relate to future services, or that are contingent on a specific event outside the control of the District and its employees, are funded in the period in which such services are rendered or in which such events take place. Therefore, this deficit in unrestricted net position for governmental activities does not indicate that the District is facing financial difficulties.

NOTE 16. FUND BALANCE APPROPRIATED

General Fund (Exhibit B-1)

Of the \$5,347,580 General Fund balance in the fund financial statements at June 30, 2017, \$268,689 is reserved for encumbrances; \$2,100,362 is reserved as excess surplus in accordance with *N.J.S.A.* 18A:7F-7; \$2,146,357 of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 2017; \$329,754 has been reserved in the Capital Reserve Account, \$260,345 has been appropriated and included as anticipated revenue for the year ending June 30, 2017 and \$242,073 is unreserved and undesignated.

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to the Basic Financial Statements
June 30, 2017

NOTE 16. FUND BALANCE APPROPRIATED (continued)

Debt Service Fund

Of the Debt Service Fund balance at June 30, 2017, \$1 is reserved in accordance with *N.J.S.A.* 7F - 41c(2).

NOTE 17. RELATED PARTIES AND ORGANIZATIONS

After a competitive bidding process, the District awarded a contract for school construction projects to a company co-owned by the spouse of a board member. The total amount of the contract was \$1,839,322 of which there was \$1,776,180 and \$63,141 disbursed during the current and prior years, respectively. As of June 30, 2017, the contract was complete and no amounts were encumbered or invoiced.

Not included in the District's financial statements are certain Parent-Teacher Associations (PTAs), Parent-Teacher-Student Associations (PTSAs), athletic and band booster clubs. These agencies provide services to students and employees of the District but are separate legal entities having sufficient autonomy in the management of the own affairs to distinguish them as separate from the administrative organization of the District. The District does not account for these entities as component units or joint ventures; it does not maintain an ongoing financial interest or have responsibility for these entities.

NOTE 18. TAX ABATEMENTS

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

NOTE 19. SUBSEQUENT EVENTS

Management has reviewed and evaluated all events and transactions that occurred from June 30, 2017 through December 1, 2017, the date that the financial statements were issued, for possible disclosure and recognition in the financial statements.

Loch Arbour petition

On May 31, 2016, the Village of Loch Arbour, petitioned the State of New Jersey Commissioner of Education for approval to submit the question of separation from the Ocean Township School District to its voters. The acting commissioner ruled to grant this request and the voters of Loch Arbour voted not to remain part of the Ocean Township School District. This action creates an estimated \$2,000,000 gap in budget that will need to be addressed by increased taxes to all Ocean Township residents and/or decreased educational programs. The Ocean Township Board of Education intends to appeal the decision of the acting commissioner to allow Loch Arbour to form an independent school district. The issue of the appeal surrounds the formula of how each family or small town pays school taxes in order to provide equitable and fair support to all New Jersey public schools.

REQUIRED SUPPLEMENTARY INFORMATION - PART II

BUDGETARY COMPARISON SCHEDULES

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
REVENUES:					
Local sources:					
Local tax levy	\$ 61,425,948	-	\$ 61,425,948	\$ 61,425,948	-
Tuition	37,550	-	37,550	138,091	100,541
Transportation fees	6,300	-	6,300	35,804	29,504
Interest on investments	15,000	-	15,000	23,647	8,647
Capital reserve interest	1,000	-	1,000	1,532	532
Miscellaneous	200,000	-	200,000	117,112	(82,888)
Rental fee	267,600	-	267,600	282,979	15,379
Total - local sources	61,953,398	-	61,953,398	62,025,113	71,715
State sources:					
Categorical special education aid	2,331,447	-	2,331,447	2,331,447	-
Categorical security aid	416,454	-	416,454	416,454	-
Adjustment aid	3,575,884	-	3,575,884	3,575,884	-
Categorical transportation aid	1,335,875	-	1,335,875	1,335,875	-
PARCC readiness aid	37,230	-	37,230	37,230	-
Per pupil growth Aid	37,230	-	37,230	37,230	-
Professional learning community aid	36,080	-	36,080	36,080	-
Extraordinary aid	400,000	-	400,000	838,351	438,351
Aid in lieu adjustment	-	-	-	24,520	24,520
On-behalf post retirement medical (non-budgeted)	-	-	-	2,880,175	2,880,175
On-behalf TPAF pension contributions (non-budgeted)	-	-	-	3,456,649	3,456,649
On-behalf long term disability insurance (non-budgeted)	-	-	-	5,361	5,361
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	2,222,674	2,222,674
Total - state sources	8,170,200	-	8,170,200	17,197,930	9,027,730

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Federal sources:					
Medical assistance program	\$ 73,904	-	\$ 73,904	\$ 52,135	\$ (21,769)
Total - federal sources	<u>73,904</u>	<u>-</u>	<u>73,904</u>	<u>52,135</u>	<u>(21,769)</u>
Total revenues	<u>70,197,502</u>	<u>-</u>	<u>70,197,502</u>	<u>79,275,178</u>	<u>9,077,676</u>
EXPENDITURES:					
CURRENT EXPENSE:					
Regular programs - instruction:					
Salaries of teachers:					
Preschool/kindergarten	930,410	37,420	967,830	951,893	15,937
Grades 1-5	6,596,590	62,707	6,659,297	6,644,833	14,464
Grades 6-8	5,286,230	(86,012)	5,200,218	5,140,492	59,726
Grades 9-12	6,376,275	(6,970)	6,369,305	6,309,952	59,353
Regular programs - home instruction:					
Salaries of teachers	39,000	8,000	47,000	46,567	433
Purchased professional educational services	33,000	8,970	41,970	41,761	209
Regular programs - undistributed instruction:					
Other salaries for instruction	274,906	(41,926)	232,980	228,450	4,530
Purchased professional educational services	9,810	-	9,810	5,644	4,166
Purchased technical services	219,970	(5,200)	214,770	207,627	7,143
Other purchased services (400 - 500 series)	54,100	(15,000)	39,100	15,000	24,100
General supplies	1,041,136	(18,828)	1,022,308	886,375	135,933
Textbooks	250,725	5,000	255,725	221,921	33,804
Other objects	24,810	3,489	28,299	22,257	6,042
Total regular programs	<u>21,136,962</u>	<u>(48,350)</u>	<u>21,088,612</u>	<u>20,722,772</u>	<u>365,840</u>

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Special education - instruction:					
Learning and/or language disabilities:					
Salaries of teachers	\$ 1,012,363	2,040	\$ 1,014,403	\$ 1,000,528	\$ 13,875
Other salaries for instruction	229,752	(61,469)	168,283	165,786	2,497
General supplies	14,253	(700)	13,553	12,185	1,368
Textbooks	-	-	-	-	-
Total learning and/or language disabilities	1,256,368	(60,129)	1,196,239	1,178,499	17,740
Behavioral disabilities:					
Salaries of teachers	145,969	(22,354)	123,615	111,996	11,619
Other salaries for instruction	52,919	(29,000)	23,919	23,910	9
General supplies	1,390	(300)	1,090	937	153
Textbooks	-	-	-	-	-
Total behavioral disabilities	200,278	(51,654)	148,624	136,843	11,781
Multiple disabilities:					
Salaries of teachers	497,217	2,290	499,507	476,481	23,026
Other salaries for instruction	198,207	-	198,207	176,253	21,954
Other Purchased Services (400-500 series)	21,800	1,800	23,600	23,445	155
General supplies	12,447	(3,700)	8,747	7,179	1,568
Textbooks	4,211	(3,000)	1,211	869	342
Total multiple disabilities	733,882	(2,610)	731,272	684,227	47,045
Resource room:					
Salaries of teachers	3,440,680	(91,201)	3,349,479	3,252,795	96,684
Other Salaries for Instruction	169,170	(60,000)	109,170	89,069	20,101
General supplies	52,749	(12,155)	40,594	39,183	1,411
Textbooks	32,621	2,455	35,076	34,612	464
Total resource room	3,695,220	(160,901)	3,534,319	3,415,659	118,660

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Preschool disabilities - part-time:					
Salaries of teachers	\$ 342,035	\$ 25,110	\$ 367,145	\$ 339,803	\$ 27,342
Other salaries for instruction	130,316	-	130,316	125,155	5,161
Purchased Professional educational services	4,823	-	4,823	4,321	502
Total preschool disabilities - part-time	477,174	25,110	502,284	469,279	33,005
Preschool disabilities - full-time:					
Salaries of teachers	121,160	22,070	143,230	143,230	-
Other salaries for instructions	39,650	46,386	86,036	76,634	9,402
Total preschool disabilities - full time	160,810	68,456	229,266	219,864	9,402
Total special education - instruction	6,523,732	(181,728)	6,342,004	6,104,371	237,633
Basic skills/remedial - instruction:					
Salaries of teachers	688,476	(77,009)	611,467	596,348	15,119
Other salaries for instruction	15,755	348	16,103	15,926	177
Other purchased services (400 - 500 series)	-	-	-	-	-
General supplies	39,759	(1,900)	37,859	25,257	12,602
Total basic skills/remedial - instruction	743,990	(78,561)	665,429	637,531	27,898
Bilingual education - instruction:					
Salaries of teachers	798,658	(30,000)	768,658	721,689	46,969
Other salaries for instruction	30,000	-	30,000	18,925	11,075
Other Purchased Services (400-500 series)	2,279	(1,550)	729	239	490
General supplies	45,262	3,450	48,712	43,754	4,958
Total bilingual education - instruction	876,199	(28,100)	848,099	784,607	63,492

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
School sponsored cocurricular activities - instruction:					
Salaries	\$ 324,574	-	\$ 324,574	\$ 306,824	\$ 17,750
Purchased services (300 - 500 series)	41,650	-	41,650	39,228	2,422
Supplies and materials	14,310	-	14,310	8,200	6,110
Other objects	1,783	-	1,783	150	1,633
Transfers to cover deficit	3,000	-	3,000	3,000	-
Total school sponsored cocurricular activities - instruction	385,317	-	385,317	357,402	27,915
School sponsored athletics - instruction:					
Salaries	728,669	-	728,669	695,979	32,690
Purchased services (300 - 500 series)	179,794	5,575	185,369	167,056	18,313
Supplies and materials	69,545	-	69,545	60,177	9,368
Other objects	9,780	-	9,780	6,528	3,252
Transfers to cover deficit	88,000	-	88,000	69,622	18,378
Total school sponsored athletics - instruction	1,075,788	5,575	1,081,363	999,362	82,001
Total - instruction	30,741,988	(331,164)	30,410,824	29,606,045	804,779
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs within state - regular	12,000	42,624	54,624	28,164	26,460
Tuition to other LEAs within state - special	774,559	(114,000)	660,559	559,824	100,735
Tuition to county vocational school districts - regular	569,360	-	569,360	557,810	11,550
Tuition to county vocational school districts - special	113,400	-	113,400	89,040	24,360
Tuition to CSSD and regional day schools	-	-	-	-	-
Tuition to private schools for disabled within state	2,855,360	100,000	2,955,360	2,747,990	207,370
Total undistributed expenditures - instruction	4,324,679	28,624	4,353,303	3,982,828	370,475

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Attendance and social work services:					
Salaries	\$ 88,613	\$ (18,469)	\$ 70,144	\$ 69,494	\$ 650
Other purchased services	200	(10)	190	-	190
Supplies and materials	-	210	210	206	4
Total attendance and social work services	88,813	(18,269)	70,544	69,700	844
Health services:					
Salaries	424,609	(55,971)	368,638	356,087	12,551
Purchased professional and technical services	68,000	43,571	111,571	109,571	2,000
Supplies and materials	18,447	-	18,447	11,416	7,031
Total health services	511,056	(12,400)	498,656	477,074	21,582
Speech, occupational therapy, physical therapy, related services:					
Salaries	912,856	(28,100)	884,756	884,752	4
Purchased professional educational services	211,228	2,500	213,728	171,993	41,735
Supplies and materials	10,155	-	10,155	8,575	1,580
Other objects	1,000	-	1,000	184	816
Total speech, occupational therapy, physical therapy, related services	1,135,239	(25,600)	1,109,639	1,065,504	44,135
Other support services - students - extra services:					
Salaries	638,902	74,598	1,110,639	703,983	406,656
Total other support services - students - extra services	638,902	74,598	1,110,639	703,983	406,656

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Other support services - guidance:					
Salaries of other professional staff	\$ 1,069,090	\$ (26,354)	\$ 1,042,736	\$ 1,031,007	\$ 11,729
Salaries of secretarial and clerical assistants	127,392	(8,918)	118,474	118,472	2
Other purchased services (400 - 500 series)	5,270	-	5,270	1,577	3,693
Supplies and materials	57,263	10,000	67,263	63,658	3,605
Other objects	10,535	-	10,535	8,311	2,224
Total other support services - guidance	1,269,550	(25,272)	1,244,278	1,223,025	21,253
Other support services - child study team:					
Salaries of other professional staff	1,553,279	-	1,553,279	1,542,598	10,681
Salaries of secretarial and clerical assistants	70,938	-	70,938	70,937	1
Purchased professional-educational services	36,460	19,700	56,160	47,915	8,245
Other purchased professional and technical services	71,456	(5,800)	65,656	64,852	804
Miscellaneous purchased services (400 - 500 series)	14,685	4,600	19,285	16,409	2,876
Supplies and materials	24,945	13,400	38,345	37,915	430
Other objects	3,600	1,500	5,100	4,562	538
Total other support services - child study team	1,775,363	33,400	1,808,763	1,785,188	23,575
Improvement of instructional services:					
Salaries of supervisors of instruction	776,276	(34,046)	742,230	742,230	-
Salaries of other professional staff	109,289	(3,189)	106,100	104,224	1,876
Salaries of secretarial and clerical assistants	135,371	-	135,371	135,042	329
Other purchased services (400 - 500 series)	25,500	-	25,500	13,556	11,944
Supplies and materials	6,575	(700)	5,875	3,711	2,164
Other objects	3,800	-	3,800	3,150	650
Total improvement of instructional services	1,056,811	(37,935)	1,018,876	1,001,913	16,963

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Educational media services/school library:					
Salaries	\$ 436,631	-	\$ 436,631	\$ 436,485	\$ 146
Purchased professional and technical services	3,750	-	3,750	3,750	-
Supplies and materials	79,597	-	79,597	68,846	10,751
Other objects	400	-	400	65	335
Total educational media services/school library	520,378	-	520,378	509,146	11,232
Instructional staff training services:					
Salaries of other professional staff	61,526	(2,126)	59,400	59,400	-
Salaries of secretarial and clerical assistants	8,179	-	8,179	8,179	-
Purchased professional educational services	3,000	-	3,000	329	2,671
Other purchased services (400 - 500 series)	24,550	4,720	29,270	26,548	2,722
Total instructional staff training services	97,255	2,594	99,849	94,456	5,393
Support services - general administration:					
Salaries	481,429	1,687	483,116	483,115	1
Legal services	130,000	27,000	157,000	147,308	9,692
Audit fees	37,000	-	37,000	37,000	-
Architectural/Engineering services	57,000	146,350	203,350	183,940	19,410
Other purchased professional services	97,125	(9,540)	87,585	60,465	27,120
Purchased technical services	27,500	(2,000)	25,500	19,880	5,620
Communications/telephone	228,000	(500)	227,500	198,689	28,811
BOE other purchased professional services	1,900	1,200	3,100	2,827	273
Other purchased services (400 - 500 series)	19,400	9,800	29,200	17,721	11,479
General supplies	11,000	(500)	10,500	3,731	6,769
BOE in-house training/meeting supplies	3,000	-	3,000	2,409	591
Miscellaneous expenditures	40,000	-	40,000	30,563	9,437
BOE membership dues and fees	500	-	500	-	500
Total support services - general administration	1,133,854	173,497	1,307,351	1,187,648	119,703

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Support services - school administration:					
Salaries of principals/assistant principals	\$ 1,218,612	\$ (88,248)	\$ 1,130,364	\$ 1,127,176	\$ 3,188
Salaries of other professional staff	235,516	110	235,626	235,626	-
Salaries of secretarial and clerical assistants	616,540	(10,856)	605,684	603,650	2,034
Other purchased services (400 - 500 series)	142,188	(15,000)	127,188	113,473	13,715
Supplies and materials	42,196	(2,040)	40,156	33,096	7,060
Other objects	25,000	2,209	27,209	22,722	4,487
Total support services - school administration	2,280,052	(113,825)	2,166,227	2,135,743	30,484
Central services:					
Salaries	558,537.00	2,180.00	560,717.00	560,716.00	1.00
Purchased professional services	70,000	-	70,000	64,935	5,065
Purchased technical services	52,000	20,689	72,689	51,191	21,498
Other purchased services (400 - 500 series)	16,515	-	16,515	9,855	6,660
Supplies and materials	12,000	5,000	17,000	13,424	3,576
Miscellaneous expenditures	7,800	-	7,800	6,436	1,364
Total central services	716,852	27,869	744,721	706,557	38,164
Administrative information technology:					
Salaries	550,803	97,916	648,719	648,499	220
Other purchased services (400 - 500 series)	28,340	51,746	80,086	30,947	49,139
Total administrative information technology	579,143	149,662	728,805	679,446	49,359
Required allowable maintenance for school facilities:					
Salaries	629,667	(76,000)	553,667	521,577	32,090
Cleaning, repair and maintenance services	286,020	7,607	293,627	231,514	62,113
General supplies	216,367	-	216,367	154,741	61,626
Total required allowable maintenance for school facilities	1,132,054	(68,393)	1,063,661	907,832	155,829

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Custodial services:					
Salaries	\$ 2,074,670	\$ (10,508)	\$ 2,064,162	\$ 1,951,660	\$ 112,502
Salaries of non-instructional aids	80,000	5,000	85,000	84,030	970
Purchased professional and technical services	49,300	(5,000)	44,300	33,560	10,740
Cleaning, repair and maintenance services	172,450	(5,575)	166,875	118,095	48,780
Rental of land and buildings other than lease purchase agreements	265,937	(2,083)	263,854	261,606	2,248
Lease purchase agreements	259,266	-	259,266	259,266	-
Other purchased property services	240,700	7,083	247,783	247,740	43
Insurance	427,077	-	427,077	406,827	20,250
Miscellaneous Purchased Services	500	-	500	420	80
General supplies	380,719	-	380,719	355,728	24,991
Energy (natural gas)	530,000	(54,000)	476,000	475,201	799
Energy (electricity)	730,000	54,000	784,000	706,849	77,151
Other objects	30,268	-	30,268	22,438	7,830
Total custodial services	5,240,887	(11,083)	5,229,804	4,923,420	306,384
Care and upkeep of grounds:					
Salaries	160,462	-	160,462	159,583	879
Cleaning, repair and maintenance services	25,000	-	25,000	5,581	19,419
General supplies	81,000	-	81,000	57,525	23,475
Total care and upkeep of grounds	266,462	-	266,462	222,689	43,773
Security:					
Salaries	225,833	11,328	237,161	235,447	1,714
General supplies	600	1,080	1,680	1,576	104
Total security	226,433	12,408	238,841	237,023	1,818

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Student transportation services:					
Salaries of non-instructional aids	\$ 92,725	7,000	\$ 99,725	\$ 99,245	\$ 480
between home and school - regular	1,313,358	(1,800)	1,311,558	1,305,513	6,045
between home and school - special education	269,783	4,700	274,483	273,013	1,470
other than between home and school	40,000	-	40,000	35,856	4,144
Other purchased professional and technical services	68,500	21,000	89,500	85,247	4,253
Cleaning, repair and maintenance services	465,000	20,000	485,000	472,979	12,021
Contracted services aid-in-lieu payments	120,000	-	120,000	86,980	33,020
Contracted services (between home and school) - vendors	480,000	120,000	600,000	568,115	31,885
Contracted services (between home and school) - joint ventures	15,000	-	15,000	-	15,000
Contracted services (special education) - vendors	285,000	(120,000)	165,000	163,078	1,922
Contracted services (special education) - joint agreements	1,500	-	1,500	-	1,500
Miscellaneous purchased services - transportation	116,307	(1,180)	115,127	100,652	14,475
General supplies	6,000	-	6,000	5,203	797
Transportation supplies	169,000	(20,000)	149,000	119,611	29,389
Other Objects	13,000	-	13,000	11,410	1,590
Total student transportation services	3,455,173	29,720	3,484,893	3,326,902	157,991
Personal services - employee benefits:					
Unallocated benefits:					
Group insurance	14,000	-	14,000	13,028	972
Social security contributions	863,100	62,600	925,700	923,106	2,594
Other retirement contribution - PERS	985,800	(43,600)	942,200	942,194	6
Other retirement contribution - ERIP	37,000	1,500	38,500	38,392	108
Other retirement contribution - regular	65,000	-	65,000	59,738	5,262
Workmen's compensation	553,300	64,567	617,867	590,841	27,026
Health benefits	12,039,626	(85,567)	11,954,059	11,915,718	38,341
Tuition reimbursement	120,000	19,500	139,500	139,415	85
Other employee benefits	141,700	121,000	262,700	262,192	508
Total unallocated benefits	14,819,526	140,000	14,959,526	14,884,624	74,902

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
On-behalf contributions:					
Post retirement medical(non-budgeted)	\$ -	\$ -	\$ -	\$ 2,880,175	\$ (2,880,175)
TPAF pension contributions (non-budgeted)	-	-	-	3,456,649	(3,456,649)
Long-term disability Insurance (non-budgeted)	-	-	-	5,361	(5,361)
Reimbursed TPAF social security contributions (non-budgeted)	-	-	-	2,222,674	(2,222,674)
Total on-behalf contributions	-	-	-	8,564,859	(8,564,859)
Total personal services - employee benefits	14,819,526	140,000	14,959,526	23,449,483	(8,489,957)
Total undistributed expenditures	41,268,482	359,595	41,628,077	48,689,560	7,061,483
Total general current expense	72,010,470	28,431	72,038,901	78,295,605	6,256,704
CAPITAL OUTLAY:					
Undistributed expenditures:					
School-spons. & other instruction program	-	4,500	4,500	4,200	300
General administration	185,908	(4,500)	181,408	173,101	8,307
School administration	27,500	(7,607)	19,893	19,893	-
Required maintenance school facilities	86,022	14,480	100,502	100,006	496
Custodial services	-	-	-	-	-
Care and upkeep of grounds	210,000	(9,980)	200,020	200,020	-
School Buses Regular	-	-	-	-	-
Total equipment	509,430	(3,107)	506,323	497,220	9,103

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Facilities acquisition and construction services:					
Assessment for debt service on SDA funding	\$ 60,092	-	\$ 60,092	\$ 60,092	\$ -
Total facilities acquisition and construction services	60,092	-	60,092	60,092	-
Total capital outlay	569,522	(3,107)	566,415	557,312	9,103
SPECIAL SCHOOLS:					
Summer school - instruction:					
Salaries of teachers	115,235	-	115,235	109,615	5,620
Other salaries for instruction	99,000	-	99,000	98,607	393
Purchased professional and technical services	15,250	-	15,250	10,950	4,300
General supplies	1,500	3,300	4,800	4,414	386
Total summer school - instruction	230,985	3,300	234,285	223,586	10,699
Total special schools	230,985	3,300	234,285	223,586	10,699
Transfer of funds to Charter School	28,624	(28,624)	-	-	-
Total expenditures	72,839,601	-	72,839,601	79,076,503	6,236,902
Excess (deficiency) of revenues over (under) expenditures	(2,642,099)	-	(2,642,099)	198,675	2,840,774

See management's discussion and analysis section of this report for explanation of significant budget variances.

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Actual Variance Final to Actual
Other financing sources (uses):					
Operating transfers in:					
Transfer from capital projects	-	-	-	40,738	40,738
Sale of fixed assets	-	-	-	150	150
Total other financing sources (uses)	-	-	-	40,888	40,888
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources (uses)	(2,642,099)	-	(2,642,099)	239,563	2,881,662
Fund balance, July 1	6,739,048	-	6,739,048	6,739,048	-
Fund balance, June 30	<u>\$ 4,096,949</u>	<u>\$ -</u>	<u>\$ 4,096,949</u>	<u>\$ 6,978,611</u>	<u>\$ 2,881,662</u>

Recapitulation

Restricted fund balance:	
Capital reserve	\$ 329,754
Excess surplus - designated for subsequent year's expenditures	2,146,357
Excess surplus - current year	2,100,362
Assigned fund balances:	
Designated for subsequent year's expenditures	529,034
Unassigned fund balances	<u>1,873,104</u>
Reconciliation to governmental funds statements (GAAP)	<u>6,978,611</u>
Last state aid payment not recognized on GAAP basis	<u>(1,631,031)</u>
Fund Balance per governmental funds (GAAP)	<u>\$ 5,347,580</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
State sources	\$ 492,233	\$ 174,947	\$ 667,180	\$ 649,588	\$ (17,592)
Federal sources	1,514,217	362,468	1,876,685	1,813,579	(63,106)
Total Revenues	<u>2,006,450</u>	<u>537,415</u>	<u>2,543,865</u>	<u>2,463,167</u>	<u>(80,698)</u>
EXPENDITURES:					
Instruction					
Salaries of teachers	504,094	(14,013)	490,081	486,301	3,780
Other salaries for instruction	910,123	(236,123)	674,000	674,000	-
Purchased professional and technical services	83,581	118,305	201,886	190,520	11,366
General supplies	52,490	66,086	118,576	106,734	11,842
Textbooks	36,887	6,689	43,576	42,217	1,359
Travel	-	665	665	-	665
Other purchased services	371,765	155,053	526,818	517,061	9,757
Total Instruction	<u>1,958,940</u>	<u>96,662</u>	<u>2,055,602</u>	<u>2,016,833</u>	<u>38,769</u>
Support Services					
Salaries of secretaries and clerical assistants	-	121,332	121,332	121,332	-
Other salaries	28,500	23,825	52,325	24,075	28,250
Personal services - employee benefits	2,180	140,950	143,130	140,680	2,450
Purchased professional services	10,000	140,708	150,708	150,058	650
General supplies	1,500	4,187	5,687	2,097	3,590
Travel	430	329	759	330	429
Other purchased services	400	5,789	6,189	-	6,189
Total Support Services	<u>43,010</u>	<u>437,120</u>	<u>480,130</u>	<u>438,572</u>	<u>41,558</u>
Instructional equipment	<u>4,500</u>	<u>3,633</u>	<u>8,133</u>	<u>7,762</u>	<u>371</u>
Total Expenditures	<u>2,006,450</u>	<u>537,415</u>	<u>2,543,865</u>	<u>2,463,167</u>	<u>80,698</u>
Total Outflows	<u>2,006,450</u>	<u>537,415</u>	<u>2,543,865</u>	<u>2,463,167</u>	<u>80,698</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See management's discussion and analysis section of this report for explanation of significant budget variances.

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

**OCEAN TOWNSHIP SCHOOL DISTRICT
Required Supplementary Information
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
Fiscal Year Ended June 30, 2017**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 79,275,178	\$ 2,463,167
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	(41,959)
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until subsequent year.	(1,631,031)	-
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	<u>1,373,466</u>	<u>-</u>
 Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	 <u>\$ 79,017,613</u>	 <u>\$ 2,421,208</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule.	\$ 79,076,503	\$ 2,463,167
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	(41,959)
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	 <u>\$ 79,076,503</u>	 <u>\$ 2,421,208</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

OCEAN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Required Supplementary Information*
June 30, 2017

	June 30,			
	2017 *	2016 *	2015*	2014*
District's proportion of the Net Pension Liability	0.05254898%	0.05101445%	0.04984458%	0.04956637%
Employer's proportionate share of the Net Pension Liability	\$ 31,008,009	\$ 23,553,440	\$ 19,364,539	\$ 19,038,744
District's covered-employee payroll	\$ 7,335,862	\$ 7,130,014	\$ 7,219,151	\$ 7,306,958
District's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	422.69%	330.34%	268.24%	260.56%
Plan Fiduciary Net Position as a percentage of the total pension liability (local)	40.14%	47.93%	52.08%	48.72%

*The information presented was determined based on the prior fiscal-year end.

Note: Until a full ten-year trend is completed, information will be presented for years for which information is available.

OCEAN TOWNSHIP SCHOOL DISTRICT
Schedule of District Contributions
Public Employees Retirement System
Required Supplementary Information
June 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually-required contribution	\$942,194	\$ 930,106	\$ 902,069	\$ 852,645	\$ 750,592
Contributions in relation to the contractually-required contribution	<u>(942,194)</u>	<u>(930,106)</u>	<u>(902,069)</u>	<u>(852,645)</u>	<u>(750,952)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,335,862	\$ 7,130,014	\$ 7,219,151	\$ 7,306,958	\$ 6,924,348
Contributions as a percentage of covered-employee payroll	12.84%	13.04%	12.50%	11.67%	10.85%

Note: Until a full ten-year trend is completed, information will be presented for years for which information is available.

OCEAN TOWNSHIP SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Teachers' Pension and Annuity System
Required Supplementary Information*
June 30, 2017
(Unaudited)

	June 30,			
	2017*	2016*	2015*	2014*
District's proportion of the Net Pension Liability**	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the Net Pension Liability	\$ -	\$ -	\$ -	\$ -
State's proportionate share of the Net Pension Liability associated with the employer*	\$ 245,512,453	\$ 192,329,639	\$ 160,666,363	\$ 154,418,423
District's covered-employee payroll	\$ 31,635,815	\$ 31,553,108	\$ 31,415,277	\$ 30,953,607
District's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	776.06%	609.54%	511.43%	498.87%
Plan Fiduciary Net Position as a percentage of the total pension liability (local)	22.33%	28.71%	33.64%	33.76%

* The amounts presented were determined as of the prior fiscal year end.

** Note: TPAF is a special funding situation 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.

Note: Until a full ten-year trend is completed, information will be presented for years for which information is available.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -
PART III**

OCEAN TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information - Part III
Schedule of the District's Proportionate Share of the Net Pension Liability
and Schedule of District Contributions
For the Fiscal Year Ended June 30, 2017

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.90% as of June 30, 2015 to 3.98% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.13% as of June 30, 2015 to 3.22% as of June 30, 2016 in accordance with Paragraph 44 of GASB Statement No. 67.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND DETAIL STATEMENTS

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	I.D.E.A Part B			Title I Basic 2016-2017	Total Other Special Projects (Ex. E-1a)	Total Nonpublic Programs (Ex. E-1b)	Totals 2017
	Regular 2016-2017	Regular 2015-2016	Preschool 2016-2017				
REVENUES:							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 649,588	\$ 649,588
Federal sources	976,492	11,921	41,281	513,728	270,157	-	1,813,579
Total revenues	\$ 976,492	\$ 11,921	\$ 41,281	\$ 513,728	\$ 270,157	\$ 649,588	\$ 2,463,167
EXPENDITURES:							
Instruction:							
Salaries of teachers	\$ -	\$ -	\$ -	\$ 390,955	\$ 95,346	\$ -	\$ 486,301
Other salaries for instruction	624,323	-	41,281	-	8,396	-	674,000
Purchased professional and technical services	100,000	-	-	-	-	90,520	190,520
General supplies	-	-	-	11,007	95,727	-	106,734
Textbooks	-	-	-	-	-	42,217	42,217
Other purchased services	-	-	-	-	210	516,851	517,061
Total instruction	724,323	-	41,281	401,962	199,679	649,588	2,016,833
Support services:							
Other salaries for instruction	-	-	-	-	24,075	-	24,075
Salaries of secretarial and clerical assistants	121,332	-	-	-	-	-	121,332
Personal services - employee benefits	-	-	-	111,766	28,914	-	140,680
Purchased professional and technical services	130,837	11,921	-	-	7,300	-	150,058
General supplies	-	-	-	-	2,097	-	2,097
Travel	-	-	-	-	330	-	330
Total support services	252,169	11,921	-	111,766	62,716	-	438,572
Instructional equipment	-	-	-	-	7,762	-	7,762
Total expenditures	\$ 976,492	\$ 11,921	\$ 41,281	\$ 513,728	\$ 270,157	\$ 649,588	\$ 2,463,167

OCEAN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis (Continued)
For the Fiscal Year Ended June 30, 2017

	Title II, Part A Teacher and Principal Training & Recruiting 2016-2017	Title III Part A 2016-2017	Title III Immigrant 2016-2017	Career Pathways 2017	Career Pathways 2018	Carry forward to E-1 Total Other Special Projects
REVENUES:						
Federal sources	\$ 84,853	\$ 39,020	\$ 9,038	\$ 89,650	\$ 47,596	\$ 270,157
Total revenues	\$ 84,853	\$ 39,020	\$ 9,038	\$ 89,650	\$ 47,596	\$ 270,157
EXPENDITURES:						
Instruction:						
Salaries of teachers	\$ 64,795	\$ 30,551	\$ -	\$ -	\$ -	\$ 95,346
Other salaries for instruction	-	-	8,396	-	-	8,396
Purchased professional and technical services	-	-	-	-	-	-
General supplies	-	-	-	51,310	44,417	95,727
Other purchased services	-	-	-	-	210	210
Total instruction	64,795	30,551	8,396	51,310	44,627	199,679
Support services:						
Other salaries for instruction	-	-	-	24,075	-	24,075
Personal services - employee benefits	17,961	8,469	642	1,842	-	28,914
Purchased professional and technical services	-	-	-	6,750	550	7,300
General supplies	2,097	-	-	-	-	2,097
Travel	-	-	-	330	-	330
Total support services	20,058	8,469	642	32,997	550	62,716
Instructional equipment	-	-	-	5,343	2,419	7,762
Total expenditures	\$ 84,853	\$ 39,020	\$ 9,038	\$ 89,650	\$ 47,596	\$ 270,157

OCEAN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis (Continued)
For the Fiscal Year Ended June 30, 2017

	<u>N.J. Nonpublic Handicapped Services Ch. 193</u>	<u>N.J. Nonpublic Auxiliary Services Ch. 192</u>	<u>N.J. Nonpublic Auxiliary Services Ch. 192</u>	<u>Nonpublic Textbooks</u>	<u>Nonpublic Technology</u>	<u>Nonpublic Security Aid</u>	<u>Carry forward to E-1 Total Nonpublic Programs</u>
	<u>Examination and Classification</u>	<u>Corrective Speech</u>	<u>Supplemental Instruction</u>	<u>Compensatory</u>	<u>ESL</u>	<u>Nursing</u>	
REVENUES:							
State sources	\$ 119,965	\$ 41,679	\$ 86,317	\$ 219,828	\$ 6,212	\$ 70,890	\$ 649,588
Total revenues	\$ 119,965	\$ 41,679	\$ 86,317	\$ 219,828	\$ 6,212	\$ 70,890	\$ 649,588
EXPENDITURES:							
Instruction:							
Purchased professional and technical services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,890	\$ 90,520
Textbooks	-	-	-	-	-	-	42,217
Other purchased services	119,965	41,679	86,317	219,828	6,212	-	516,851
Total instruction	119,965	41,679	86,317	219,828	6,212	70,890	649,588
Total expenditures	\$ 119,965	\$ 41,679	\$ 86,317	\$ 219,828	\$ 6,212	\$ 70,890	\$ 649,588

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.

OCEAN TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2017

Project Title/Issue	Approval Date	Revised Budgetary Appropriations	GAAP Expenditures to Date		Unexpended Appropriations June 30, 2017
			Prior Years	Current Year	
2015 Referendum	3/12/2015	\$ 28,944,000	\$ 9,145,610	\$ 14,103,014	\$ 5,695,376
Totals		<u>\$ 28,944,000</u>	<u>\$ 9,145,610</u>	<u>\$ 14,103,014</u>	<u>\$ 5,695,376</u>

**OCEAN TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund**

**Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2017**

Revenues and Other Financing Sources

State sources	\$	-
Bond proceeds		-
Total revenues		<u>-</u>

Expenditures and Other Financing Uses

Purchased professional and technical services		184,021
Construction services		13,811,178
Other objects		<u>107,815</u>
Total expenditures		<u>14,103,014</u>

Excess (deficiency) of revenues over (under) expenditures (14,103,014)

Fund balance - Beginning 19,798,390

Fund balance - Ending \$ 5,695,376

OCEAN TOWNSHIP SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status - Budgetary Basis
2015 Bond Referendum
For the Fiscal Year Ended June 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
Bond proceeds and transfers	\$ 28,944,000	\$ -	\$ 28,944,000	\$ 28,944,000
Total revenues	<u>28,944,000</u>	<u>-</u>	<u>28,944,000</u>	<u>28,944,000</u>
Expenditures and Other Financing Uses				
Purchased professional and technical services	1,730,639	184,021	1,914,660	1,534,623
Construction services	7,407,630	13,811,178	21,218,808	26,990,602
Other objects	7,341	107,815	115,156	418,775
Total expenditures	<u>9,145,610</u>	<u>14,103,014</u>	<u>23,248,624</u>	<u>28,944,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 19,798,390</u>	<u>\$ (14,103,014)</u>	<u>\$ 5,695,376</u>	<u>\$ -</u>
Additional project information				
Bond Issue Date	3/12/2015			
Original authorized cost	\$ 28,944,000			
Revised authorized cost	\$ 28,944,000			
Percentage increase over original authorized cost	0%			
Percentage completion	80%			
Original target completion date	September 2017			
Revised target completion date	September 2017			

PROPRIETARY FUNDS DETAIL STATEMENTS

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

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

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

FIDUCIARY FUNDS DETAIL STATEMENTS

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

Private Purpose Scholarship Funds - These are funds used to account for assets held by the district for scholarships or awards to students.

Unemployment Compensation Insurance Trust Fund - This fund is used to pay employees unemployment compensation claims.

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 and Payroll Agency Funds - These agency funds are used to account for the payroll transactions of the school district.

OCEAN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fiduciary Net Position
Trust and Agency Funds
June 30, 2017

	Trust		Agency	
	Unemployment Compensation	Private Purpose	Student Activity	Payroll
		Total Trust Fund		Total Agency Fund
ASSETS:				
Cash and cash equivalents	\$ 476,856	\$ 21,534	\$ 285,061	\$ 1,865,788
Total assets	476,856	498,390	285,061	2,150,849
LIABILITIES:				
Payroll deductions and withholdings	26,162	-	-	\$ 1,865,788
Due to student groups	-	-	285,061	-
Total liabilities	26,162	26,162	285,061	1,865,788
NET POSITION:				
Reserved	450,694	472,228		
Total net position	\$ 450,694	\$ 472,228		\$ 2,150,849

OCEAN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Total Trusts</u>
ADDITIONS:			
Contributions:			
Plan member	\$ 125,199	\$ -	\$ 125,199
Other	-	17,729	17,729
Total contributions	<u>125,199</u>	<u>17,729</u>	<u>142,928</u>
Investment earnings:			
Interest	<u>2,037</u>	-	<u>2,037</u>
Net investment earnings	<u>2,037</u>	-	<u>2,037</u>
Total Additions	<u>127,236</u>	<u>17,729</u>	<u>144,965</u>
DEDUCTIONS:			
Quarterly contribution reports	53,211	-	53,211
Unemployment claims	25,199	-	25,199
Scholarships awarded	-	14,800	14,800
Total Deductions	<u>78,410</u>	<u>14,800</u>	<u>93,210</u>
Change in Net Position	48,826	2,929	51,755
Net Position - Beginning of Year	<u>401,868</u>	<u>18,605</u>	<u>420,473</u>
Net Position - End of Year	<u>\$ 450,694</u>	<u>\$ 21,534</u>	<u>\$ 472,228</u>

**OCEAN TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017**

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
ELEMENTARY SCHOOLS:				
Ocean Township Elementary	\$ 2,831	\$ 12,101	\$ 13,365	\$ 1,567
Wayside Elementary	12,164	8,837	7,049	13,952
Wanamassa Elementary	5,595	1,599	2,988	4,206
Total elementary schools	<u>20,590</u>	<u>22,537</u>	<u>23,402</u>	<u>19,725</u>
INTERMEDIATE SCHOOL	<u>72,812</u>	<u>35,025</u>	<u>34,765</u>	<u>73,072</u>
HIGH SCHOOL	<u>214,515</u>	<u>446,791</u>	<u>469,042</u>	<u>192,264</u>
Total all schools	<u>\$ 307,917</u>	<u>\$ 504,353</u>	<u>\$ 527,209</u>	<u>\$ 285,061</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2017

	<u>Balance July 1, 2016</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2017</u>
ASSETS:				
Cash and cash equivalents	\$ 1,877,330	\$ 23,352,308	\$ 23,363,850	\$ 1,865,788
Total assets	<u>\$ 1,877,330</u>	<u>\$ 23,352,308</u>	<u>\$ 23,363,850</u>	<u>\$ 1,865,788</u>
LIABILITIES:				
Payroll deductions and withholdings	\$ 1,877,330	\$ 23,352,308	\$ 23,363,850	\$ 1,865,788
Total liabilities	<u>\$ 1,877,330</u>	<u>\$ 23,352,308</u>	<u>\$ 23,363,850</u>	<u>\$ 1,865,788</u>

LONG-TERM DEBT SCHEDULES

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
As of June 30, 2017

Issue	Date of Issue	Amount of Issue	Annual Maturities Date	Annual Maturities Amount	Interest Rate	Balance July 1, 2016	Issued	Refunded	Retired	Balance June 30, 2017
School renovations and additions (Refunding issue 2010)	10/20/2010	\$ 8,585,000	3/1/2018	845,000	4.000%	\$ 5,005,000	\$ -	\$ -	\$ 850,000	\$ 4,155,000
			3/1/2019	835,000	4.000%					
			3/1/2020	830,000	4.000%					
			3/1/2021	825,000	4.000%					
			3/1/2022	820,000	4.000%					
School bonds - Energy project	9/1/2007	6,113,000	9/1/2017	445,000	4.125%	3,350,000	-	2,480,000	425,000	445,000
School Bonds - Energy Project (Refunding issue 2016)	9/1/2016	2,650,000	9/1/2017	45,000	1.450%	-	2,650,000	-	60,000	2,590,000
			9/1/2018	505,000	1.450%					
			9/1/2019	510,000	1.450%					
			9/1/2020	520,000	1.450%					
			9/1/2021	510,000	1.450%					
			9/1/2022	500,000	1.450%					
School bonds - 2015 Referendum	2/15/2015	28,944,000	3/15/2018	1,065,000	2.000%	28,944,000	-	-	1,264,000	27,680,000
			3/15/2019	1,100,000	2.000%					
			3/15/2020	1,130,000	2.000%					
			3/15/2021	1,170,000	2.000%					
			3/15/2022	1,205,000	3.000%					
			3/15/2023	1,245,000	3.000%					
			3/15/2024	1,290,000	3.000%					
			3/15/2025	1,335,000	3.000%					
			3/15/2026	1,380,000	3.000%					
			3/15/2027	1,430,000	3.000%					
			3/15/2028	1,480,000	3.000%					
			3/15/2029	1,530,000	3.000%					
			3/15/2030	1,585,000	3.000%					
			3/15/2031	1,640,000	3.000%					
			3/15/2032	1,695,000	3.000%					
			3/15/2033	1,755,000	3.125%					
		3/15/2034	1,820,000	3.125%						
		3/15/2035	1,880,000	3.250%						
		3/15/2036	1,945,000	3.250%						
						<u>\$ 37,299,000</u>	<u>\$ 2,650,000</u>	<u>\$ 2,480,000</u>	<u>\$ 2,599,000</u>	<u>\$ 34,870,000</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Obligations under Capital Lease
As of June 30, 2017

<u>Description</u>	<u>Amount of Original Issue</u>	<u>Balance July 1, 2016</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Balance June 30, 2017</u>
Savin Copiers	\$ 137,942	\$ 12,849	\$ -	\$ 12,849	\$ -
Savin Copiers	\$ 6,688	3,284	-	1,400	1,884
Energy Saving Improvement Project	\$ 3,433,934	2,772,617	-	188,206	2,584,411
Technology Equipment lease	\$ 1,200,000	735,000	-	240,000	495,000
		<u>\$ 3,523,750</u>	<u>\$ -</u>	<u>\$ 442,455</u>	<u>\$ 3,081,295</u>

OCEAN TOWNSHIP SCHOOL DISTRICT
Debt Service Fund
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES:					
Local sources:					
Local tax levy	\$ 3,501,658	\$ -	\$ 3,501,658	\$ 3,501,658	\$ -
State sources:					
Debt service aid - Type II	<u>188,852</u>	<u>-</u>	<u>188,852</u>	<u>188,852</u>	<u>-</u>
Total revenues	<u>3,690,510</u>	<u>-</u>	<u>3,690,510</u>	<u>3,690,510</u>	<u>-</u>
EXPENDITURES:					
Regular debt service:					
Interest	1,151,510	(60,000)	1,091,510	1,069,949	21,561
Redemption of principal	<u>2,539,000</u>	<u>60,000</u>	<u>2,599,000</u>	<u>2,599,000</u>	<u>-</u>
Total expenditures	<u>3,690,510</u>	<u>-</u>	<u>3,690,510</u>	<u>3,668,949</u>	<u>21,561</u>
Excess (Deficiency) of revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,561</u>	<u>(21,561)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from refunding bonds	-	-	-	2,650,000	(2,650,000)
Cost of issuance	-	-	-	(15,011)	15,011
Defeasance of Bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,634,989)</u>	<u>2,634,989</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,561</u>	<u>(21,561)</u>
Fund balances, July 1	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund balances, June 30	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 21,562</u>	<u>\$ (21,561)</u>
Recapitulation of Excess (Deficiency) of Revenues Over (Under) Expenditures					
Budgeted fund balance	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 21,562</u>	<u>\$ (21,561)</u>

Ocean Township School District Statistical Section (Unaudited)

<u>Contents</u>	<u>Page</u>
Financial Trends	94 - 100
<p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	
Revenue Capacity	101 - 106
<p>These schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.</p>	
Debt Capacity	107 - 110
<p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the district's ability to issue additional debt in the future.</p>	
Demographic and Economic Information	111 - 112
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.</p>	
Operating Information	113 - 117
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.</p>	

OCEAN TOWNSHIP SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years
Accrual Basis of Accounting
Unaudited

	Fiscal year ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Invested in capital assets, net of related debt	\$ 12,398,864	\$ 15,953,571	\$ 17,705,236	\$ 18,865,230	\$ 20,862,685	\$ 23,103,432	\$ 26,199,311	\$ 1,851,705	\$ 10,922,833	\$ 26,544,936
Restricted	8,712,095	5,976,604	3,534,807	5,283,098	7,896,093	8,599,305	7,421,919	33,319,170	24,916,071	10,800,884
Unrestricted	(2,223,231)	(3,078,273)	(2,549,999)	(3,049,861)	(3,165,792)	(3,018,695)	(2,932,839)	(21,706,190)	(22,387,040)	(24,236,674)
Total governmental activities net position	\$ 18,887,728	\$ 18,851,902	\$ 18,690,044	\$ 21,098,467	\$ 25,592,986	\$ 28,684,042	\$ 30,688,391	\$ 13,464,685	\$ 13,451,864	\$ 13,109,146
Business-type activities										
Invested in capital assets, net of related debt	\$ 109,160	\$ 92,319	\$ 77,390	\$ 64,236	\$ 76,535	\$ 64,921	\$ 55,812	\$ 47,283	\$ 39,095	\$ 30,906
Unrestricted	(62,448)	17,751	(7,461)	25,685	(34,970)	55,533	38,867	25,142	51,636	90,561
Total business-type activities net position	\$ 46,712	\$ 110,070	\$ 69,929	\$ 89,921	\$ 41,565	\$ 120,454	\$ 94,679	\$ 72,425	\$ 90,731	\$ 121,467
District-wide										
Invested in capital assets, net of related debt	\$ 12,508,024	\$ 16,045,890	\$ 17,782,626	\$ 18,929,466	\$ 20,939,220	\$ 23,168,353	\$ 26,255,123	\$ 1,898,988	\$ 10,961,928	\$ 26,575,842
Restricted	8,712,095	5,976,604	3,534,807	5,283,098	7,896,093	8,599,305	7,421,919	33,319,170	24,916,071	10,800,884
Unrestricted	(2,285,679)	(3,060,522)	(2,557,460)	(3,024,176)	(3,200,762)	(2,963,162)	(2,893,972)	(21,681,048)	(22,335,404)	(24,146,113)
Total district-wide net position	\$ 18,934,440	\$ 18,961,972	\$ 18,759,973	\$ 21,188,388	\$ 25,634,551	\$ 28,804,496	\$ 30,783,070	\$ 13,537,110	\$ 13,542,595	\$ 13,230,613

Source: District records

Note: Net position as of and prior to June 30, 2012, is restated to reflect the implementation of GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position."

Note: GASB 68 was implemented during the 2015 fiscal year, which required restatement of beginning net position of (\$18,257,948). This amount is not reflected in the June 30, 2014 net position above.

OCEAN TOWNSHIP SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years
 Accrual Basis of Accounting
Unaudited

	Fiscal year ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities										
Instruction										
Regular	\$ 31,403,830	\$ 29,853,090	\$ 30,869,776	\$ 30,672,356	\$ 31,201,908	\$ 31,710,830	\$ 32,519,106	\$ 37,890,451	\$ 40,522,362	\$ 45,892,122
Special education	6,787,935	6,685,215	6,760,065	6,672,604	7,304,546	7,949,249	8,250,188	10,042,126	11,419,006	12,793,370
Other special education	2,062,716	2,017,043	1,988,821	1,345,531	1,601,960	1,779,028	2,057,503	2,304,209	2,531,521	3,029,437
Other instruction	1,536,734	1,397,145	1,455,524	1,457,112	1,545,146	1,568,092	1,644,512	1,721,308	1,831,733	1,809,805
Support Services										
Instruction	2,971,655	3,292,240	3,434,045	3,992,315	3,265,613	4,702,295	4,020,710	4,211,098	4,319,884	4,420,757
Student & instruction-related services	6,745,992	7,943,866	8,335,122	8,252,664	9,260,790	9,073,914	9,144,162	10,997,582	11,863,986	13,544,060
School administrative services	3,086,920	3,372,965	3,370,056	2,820,723	2,943,430	3,022,176	3,071,142	3,494,178	3,750,253	4,023,127
General administrative services	1,086,689	1,161,748	1,146,016	1,164,642	1,130,936	1,217,809	1,300,236	739,030	639,274	1,097,739
Central services and administrative information technology	848,343	1,218,126	1,557,977	1,432,837	1,475,749	1,555,888	1,668,114	1,933,809	1,855,649	2,113,122
Plant operations and maintenance	7,669,599	7,338,569	6,924,274	7,004,447	6,786,929	6,580,843	6,952,515	7,662,856	7,627,965	7,510,703
Pupil transportation	3,745,741	3,913,472	3,918,662	3,908,346	3,917,781	4,245,998	3,908,356	3,904,511	3,998,919	4,076,488
Special Schools	179,677	190,883	187,863	164,599	156,620	159,880	188,275	207,251	227,710	223,586
Charter schools	2,793	15,348	57,636	30,545	21,473	43,184	47,307	15,745	25,462	-
Interest on long-term debt	1,245,843	1,308,884	1,007,071	1,460,077	716,154	627,280	545,646	674,061	1,127,442	939,956
Total governmental activities expenses	69,373,467	69,708,594	71,012,908	70,378,798	71,329,035	74,236,466	75,317,772	85,798,215	91,741,166	101,474,272
Business-type activities:										
Food service	1,105,399	1,132,607	1,141,723	1,192,783	1,237,158	1,173,646	1,202,792	1,229,862	1,129,632	1,089,540
Total business-type activities expense	1,105,399	1,132,607	1,141,723	1,192,783	1,237,158	1,173,646	1,202,792	1,229,862	1,129,632	1,089,540
Total district expenses	\$ 70,478,866	\$ 70,841,201	\$ 72,154,631	\$ 71,571,581	\$ 72,566,193	\$ 75,410,112	\$ 76,520,564	\$ 87,028,077	\$ 92,870,798	\$ 102,563,812
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ 174,100	\$ 53,793	\$ 24,968	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,091
Support services	23,075	194,755	227,401	263,729	267,470	259,327	273,683	273,485	292,954	282,979
Special schools	8,861,298	15,175	-	19,600	20,698	6,813	66,021	65,142	19,248	35,804
Operating grants and contributions	9,058,473	6,961,117	7,219,481	7,569,905	8,276,785	9,107,433	7,932,435	16,411,370	20,327,982	27,188,389
Total governmental activities program revenues										
Business-type activities:										
Charges for services:										
Food service	782,304	739,032	710,072	689,179	710,173	634,851	645,088	600,395	560,319	543,772
Operating grants and contributions	274,949	356,933	391,510	423,596	478,629	467,684	531,929	607,213	587,619	576,504
Total business-type activities program revenues	1,057,253	1,095,965	1,101,582	1,112,775	1,188,802	1,102,535	1,177,017	1,207,608	1,147,938	1,120,276
Total district program revenues	\$ 10,115,726	\$ 8,320,805	\$ 8,573,432	\$ 8,966,009	\$ 9,753,755	\$ 10,476,108	\$ 9,449,156	\$ 17,957,605	\$ 21,788,122	\$ 28,765,539
Net (Expense) Revenue										
Governmental activities	\$ (60,314,994)	\$ (62,483,754)	\$ (63,541,058)	\$ (62,525,564)	\$ (62,764,082)	\$ (64,862,893)	\$ (67,045,633)	\$ (69,048,218)	\$ (71,100,982)	\$ (73,829,009)
Business-type activities	(48,146)	(36,642)	(40,141)	(80,008)	(48,356)	(71,111)	(25,775)	(22,254)	18,306	30,736
Total district-wide net expense	\$ (60,363,140)	\$ (62,520,396)	\$ (63,581,199)	\$ (62,605,572)	\$ (62,812,438)	\$ (64,934,004)	\$ (67,071,408)	\$ (69,070,472)	\$ (71,082,676)	\$ (73,798,273)

OCEAN TOWNSHIP SCHOOL DISTRICT
 Changes in Net Position
 Last Ten Fiscal Years
 Accrual Basis of Accounting
Unaudited

	Fiscal year ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 49,485,090	\$ 50,344,384	\$ 52,051,910	\$ 54,408,683	\$ 55,724,474	\$ 56,734,353	\$ 57,501,584	\$ 58,643,552	\$ 60,221,552	\$ 61,425,948
Taxes levied for debt service	2,213,751	2,583,653	3,111,333	3,118,052	3,093,434	3,092,317	3,055,830	3,025,867	2,246,346	3,501,658
Federal and state aid not restricted	9,481,032	9,334,996	8,105,252	7,204,310	8,117,177	7,983,334	7,927,627	8,170,339	8,302,180	8,416,244
Investment earnings	683,044	216,587	25,053	16,408	13,824	18,898	15,354	10,300	89,927	25,179
Transfers	-	(100,000)	-	(100,000)	-	(150,000)	116	20,858	-	-
Gain on disposal of capital assets	-	-	-	18,093	17,982	-	-	-	-	-
Miscellaneous income	64,222	68,308	85,652	268,441	291,709	275,047	549,471	211,544	228,156	117,262
Total governmental activities	<u>61,927,139</u>	<u>62,447,928</u>	<u>63,379,200</u>	<u>64,933,987</u>	<u>67,258,600</u>	<u>67,953,949</u>	<u>69,049,982</u>	<u>70,082,460</u>	<u>71,088,161</u>	<u>73,486,291</u>
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	-	-
Transfers	-	100,000	-	100,000	-	150,000	-	-	-	-
Total business-type activities	-	<u>100,000</u>	-	<u>100,000</u>	-	<u>150,000</u>	-	-	-	-
Total district-wide	<u>\$ 61,927,139</u>	<u>\$ 62,547,928</u>	<u>\$ 63,379,200</u>	<u>\$ 65,033,987</u>	<u>\$ 67,258,600</u>	<u>\$ 68,103,949</u>	<u>\$ 69,049,982</u>	<u>\$ 70,082,460</u>	<u>\$ 71,088,161</u>	<u>\$ 73,486,291</u>
Change in Net Position										
Governmental activities	\$ 1,612,145	\$ (35,826)	\$ (161,858)	\$ 2,408,423	\$ 4,494,518	\$ 3,091,056	\$ 2,004,349	\$ 1,034,242	\$ (12,821)	\$ (342,718)
Business-type activities	(48,146)	63,358	(40,141)	19,992	(48,356)	78,889	(25,775)	(22,254)	18,306	30,736
Total district	<u>\$ 1,563,999</u>	<u>\$ 27,532</u>	<u>\$ (201,999)</u>	<u>\$ 2,428,415</u>	<u>\$ 4,446,162</u>	<u>\$ 3,169,945</u>	<u>\$ 1,978,574</u>	<u>\$ 1,011,988</u>	<u>\$ 5,485</u>	<u>\$ (311,982)</u>

Source: District records

OCEAN TOWNSHIP SCHOOL DISTRICT
Fund Balances-Governmental Funds
Last Ten Fiscal Years
Modified Accrual Basis of Accounting
Unaudited

	Fiscal year ended June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 5,524,096	\$ 5,181,541	\$ 3,143,340	\$ 5,226,328	\$ 7,896,091	\$ 8,599,304	\$ 7,242,923	\$ 6,123,377	\$ 5,117,680	\$ 5,105,507
Unreserved	944,332	657,209	366,564	304,658	217,629	293,642	346,530	364,431	247,902	242,073
Total general fund	\$ 6,468,428	\$ 5,838,750	\$ 3,509,904	\$ 5,530,986	\$ 8,113,720	\$ 8,892,946	\$ 7,589,453	\$ 6,487,808	\$ 5,365,582	\$ 5,347,580
All Other Governmental Funds										
Reserved	\$ 1,840,890	\$ -	\$ 86,685	\$ -	\$ -	\$ -	\$ -	\$ 22,089,092	\$ 18,613,673	\$ 798,529
Unreserved	(5,522)	-	-	-	-	-	-	-	-	-
Special revenue fund	1,097,108	295,061	-	-	-	-	175,206	5,106,702	1,184,718	4,896,847
Capital projects fund	1	2	94,781	56,770	2	1	1	-	-	21,562
Debt service fund	1	2	94,781	56,770	2	1	1	-	-	21,562
Total all other governmental funds	\$ 2,932,477	\$ 295,063	\$ 181,466	\$ 56,770	\$ 2	\$ 1	\$ 175,207	\$ 27,195,794	\$ 19,798,391	\$ 5,716,938

Source: District records

OCEAN TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances-Governmental Funds
 Last Ten Fiscal Years
 Modified Basis of Accounting
Unaudited

	Fiscal year ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Tax levy	\$ 51,698,841	\$ 52,928,037	\$ 55,163,243	\$ 57,526,735	\$ 58,817,908	\$ 59,826,670	\$ 60,557,414	\$ 61,669,419	\$ 62,467,898	\$ 62,927,606
Tuition charges	23,075	68,967	24,968	19,600	20,698	6,813	66,021	65,142	19,248	138,091
Transportation fee	-	-	-	8,840	-	-	-	-	15,938	35,804
Interest earnings	683,044	216,587	25,053	16,408	13,824	18,898	15,470	31,159	89,927	65,917
Miscellaneous	238,322	532,621	267,337	402,607	452,838	428,034	630,085	426,357	480,347	400,091
State sources	16,885,039	14,640,564	13,113,096	12,275,813	13,806,616	15,227,408	14,229,523	15,438,917	16,788,459	17,778,805
Federal sources	1,457,291	1,655,549	2,211,637	2,498,402	2,587,346	1,863,358	1,630,537	1,774,391	1,733,629	1,823,755
Total revenue	70,985,612	70,042,325	70,805,334	72,748,405	75,699,230	77,371,181	77,129,050	79,405,385	81,595,446	83,170,069
Expenditures										
Instruction:										
Regular Instruction	21,006,552	21,799,901	22,670,152	21,897,306	21,843,058	21,787,047	22,544,366	22,675,022	22,811,686	22,700,708
Special education instruction	4,306,544	4,707,955	4,781,510	4,582,938	5,001,480	5,308,236	5,619,296	5,855,639	6,249,695	6,104,371
Other special instruction	1,310,956	1,404,080	1,393,079	919,375	1,071,086	1,187,303	1,380,015	1,321,236	1,359,701	1,422,138
Other instruction	1,049,647	1,125,096	1,180,325	1,150,970	1,218,492	1,251,072	1,296,007	1,335,311	1,418,439	1,356,764
Support Services:										
Instruction	2,971,655	3,292,240	3,434,045	3,992,315	3,265,613	4,702,295	4,020,710	4,211,098	4,319,884	4,420,757
Student & inst. related services	5,200,921	5,718,458	6,019,791	5,816,263	6,595,331	6,224,530	6,279,647	6,691,253	6,781,825	6,929,989
General & business administrative services	960,522	1,014,555	998,428	992,083	946,485	1,033,549	1,107,951	1,054,071	985,129	1,187,648
School administrative services	2,389,780	2,475,110	2,472,397	2,036,891	2,088,832	2,120,028	2,160,457	2,191,915	2,224,084	2,135,743
Central services	673,691	742,919	749,994	649,609	658,153	646,807	657,179	813,562	689,750	706,557
Administrative information technology	-	228,003	476,244	437,484	455,117	532,987	587,607	600,211	601,763	679,446
Plant operations and maintenance	6,725,919	6,453,715	6,078,561	6,134,451	5,835,371	5,663,134	5,949,808	6,050,497	6,542,703	6,290,964
Pupil transportation	2,979,135	3,113,502	3,134,340	3,115,311	3,151,643	3,236,620	3,184,955	3,210,016	3,309,559	3,326,902
Unallocated benefits	16,608,192	14,278,209	15,146,095	15,192,995	16,491,099	18,004,332	17,981,725	19,408,640	21,158,651	23,449,483
Special Schools	179,677	190,882	187,863	164,599	156,620	159,880	188,278	207,251	227,710	223,586
Transfer to Charter Schools	2,793	15,348	57,636	30,545	21,473	43,184	47,307	15,745	25,462	-
Capital outlay	5,009,751	2,700,609	1,024,887	344,535	1,193,799	1,261,704	5,534,939	4,774,762	8,999,641	14,665,669
Debt service:										
Principal	1,865,000	2,343,000	2,420,000	2,530,000	2,610,000	2,645,000	2,690,000	2,745,000	1,265,000	2,599,000
Interest and other charges	1,048,751	1,421,769	1,022,430	812,332	726,908	634,248	554,442	469,214	1,169,218	1,069,949
Total expenditures	74,289,486	73,025,351	73,247,777	70,800,002	73,330,560	76,441,956	81,784,689	83,630,443	90,139,900	99,269,674
Excess (Deficiency) of revenues over (under) expenditures	(3,303,874)	(2,983,026)	(2,442,443)	1,948,403	2,368,670	929,225	(4,655,639)	(4,225,058)	(8,544,454)	(16,099,605)

OCEAN TOWNSHIP SCHOOL DISTRICT
Changes in Fund Balances-Governmental Funds
 Last Ten Fiscal Years
 Modified Basis of Accounting
Unaudited

	Fiscal year ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing sources (uses)										
Capital leases (non-budgeted)	\$ 6,113,000	\$ 8,275,000	\$ -	\$ -	\$ 139,314	\$ -	\$ 6,688	\$ 1,200,000	\$ -	\$ -
Proceeds from bonds	-	(8,459,066)	-	8,585,000	-	-	3,433,934	28,944,000	-	2,650,000
Payments to refunding bond escrow	-	-	-	(9,199,528)	-	-	-	-	-	(2,650,000)
Premium on sale of bonds	-	-	-	692,118	-	-	-	-	-	-
Cost of issuance	-	-	-	(47,700)	-	-	-	-	-	-
FEMA Reimbursement	-	-	-	-	-	-	83,042	-	-	-
Sale of assets	899,804	888,505	497,332	29,892	17,982	-	3,688	-	24,825	150
Transfers in	(899,804)	(988,505)	(497,332)	(129,892)	-	-	116	20,859	-	40,738
Transfers out	-	-	-	(129,892)	-	(150,000)	(116)	(20,858)	-	(40,738)
Total other financing sources (uses)	6,113,000	(284,066)	(497,332)	(52,017)	157,296	(150,000)	3,527,352	30,144,001	24,825	150
Net change in fund balances	\$ 2,809,126	\$ (3,267,092)	\$ (2,442,443)	\$ 1,896,386	\$ 2,525,966	\$ 779,225	\$ (1,128,287)	\$ 25,918,943	\$ (8,519,629)	\$ (16,099,455)
Debt service as a percentage of noncapital expenditures	4.21%	5.35%	4.77%	4.74%	4.63%	4.36%	4.26%	4.08%	3.00%	4.34%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

OCEAN TOWNSHIP SCHOOL DISTRICT
General Fund-Other Local Revenue by Source
 Last Ten Fiscal Years
 Modified Accrual Basis of Accounting
Unaudited

Description	Fiscal year ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sale of energy	\$ -	\$ -	\$ -	\$ 18,360	\$ 17,085	\$ 3,990	\$ 3,884	\$ 4,480	\$ -	\$ 6,898
FEMA Reimbursement	-	-	-	-	-	-	83,042	-	-	-
Grants and Donations	-	-	-	44,149	31,628	-	193,279	25,000	1,620	-
Facility charge	174,099	194,755	227,401	254,889	267,470	259,327	273,683	273,485	277,016	282,979
Prior-year insurance refunds	10,071	-	-	-	-	-	-	-	41,466	-
Prior-year miscellaneous refunds	26,232	31,991	8,026	39,582	66,826	85,174	74,840	31,424	95,136	6,681
Sponsorship	23,650	22,000	23,950	30,950	27,950	27,250	24,250	25,800	23,100	25,100
Sale of assets	-	-	-	18,093	17,982	-	3,688	-	-	-
Tuition	23,075	68,967	24,968	19,600	20,698	6,813	66,021	65,142	19,248	138,091
Transportation fees	-	-	-	8,840	-	25,223	21,055	17,718	15,938	35,804
Interest	483,240	195,946	24,997	16,406	13,824	17,625	15,354	10,301	13,907	25,179
Cancellation of prior year checks	-	-	-	-	-	-	-	-	-	-
Shared services	-	-	-	11,141	38,939	26,233	38,584	30,090	27,529	22,996
Miscellaneous	4,270	5,769	7,960	3,535	2,940	2,110	510	18,360	14,480	7,990
Total other local revenue	\$ 744,637	\$ 519,428	\$ 317,302	\$ 465,545	\$ 505,342	\$ 453,745	\$ 798,190	\$ 501,800	\$ 529,440	\$ 599,165

Source: District Records

OCEAN TOWNSHIP SCHOOL DISTRICT
Assessed Value and Estimated Actual Value of Taxable Property - Township of Ocean
 Last Ten Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qualified Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less : Tax Exempt Property	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2008	\$ 108,809,100	\$ 3,701,801,300	\$ 1,008,800	\$ 3,200	\$ 650,095,600	\$ -	\$ 174,312,600	\$ 4,636,030,600	\$ -	\$ 3,335,276	\$ 4,639,365,876	\$ 5,821,430,884	1.105
2009	99,774,500	3,731,125,700	1,008,800	3,200	653,898,600	-	174,312,600	4,660,123,400	-	4,425,876	4,664,549,276	5,622,766,306	1.121
2010	94,206,500	3,405,982,600	864,200	3,000	646,389,100	-	167,082,500	4,314,527,900	-	5,730,952	4,320,258,852	5,535,729,615	1.263
2011	93,051,700	3,418,789,500	864,200	3,000	626,100,600	-	157,266,300	4,296,075,300	-	4,068,768	4,300,144,068	5,118,942,495	1.305
2012	88,166,100	3,427,805,400	864,200	3,000	613,228,750	-	157,266,300	4,287,333,750	-	4,391,570	4,291,725,320	4,803,080,497	1.331
2013	83,425,400	3,425,911,290	1,196,900	4,800	596,484,760	-	157,243,600	4,264,266,750	-	4,531,727	4,268,798,477	4,566,355,552	1.362
2014	84,477,500	3,378,704,730	1,196,900	4,800	580,553,450	-	152,764,100	4,197,701,480	-	3,778,433	4,201,479,913	4,473,944,524	1.408
2015	84,178,000	3,382,560,000	1,111,900	4,700	573,206,000	-	151,604,900	4,192,665,500	-	3,785,482	4,196,450,982	4,539,382,409	1.431
2016	71,704,300	3,397,753,500	1,074,900	3,800	583,675,400	-	163,311,500	4,217,523,400	-	3,628,655	4,221,152,055	4,673,821,521	1.458
2017	71,984,400	3,897,335,500	1,273,700	3,900	631,943,700	-	218,542,400	4,821,083,600	-	4,034,953	4,825,118,553	4,759,112,032	1.323

Source: New Jersey's Monmouth County Board of Taxation Website

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Assessed Value and Estimated Actual Value of Taxable Property - Village of Loch Arbour
 Last Ten Years
Unaudited

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qualified Farm	Commercial	Industrial	Apartment	Total Assessed Value	Less: Tax-Exempt Property	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2008	\$ 3,823,600	\$ 191,110,900	\$ -	\$ -	\$ 9,058,600	\$ -	\$ 803,200	\$ 204,796,300	\$ -	68,604	\$ 204,864,904	\$ 187,038,594	0.410
2009	3,523,600	191,079,900	-	-	9,058,600	-	803,200	204,465,300	-	72,171	204,537,471	172,470,574	0.146
2010	3,083,600	190,882,000	-	-	8,278,600	-	753,200	202,997,400	-	91,363	203,088,763	194,726,874	0.871
2011	2,366,900	147,663,700	-	-	6,483,900	-	587,300	157,101,800	-	77,150	157,178,950	195,940,278	1.320
2012	2,366,900	147,928,700	-	-	6,483,900	-	587,300	157,366,800	-	63,558	157,430,358	181,236,975	1.390
2013	6,686,800	142,559,600	-	-	4,571,400	-	587,300	154,405,100	-	86,745	154,491,845	154,450,686	1.331
2014	6,686,800	139,605,300	-	-	4,521,400	-	587,300	151,400,800	-	63,364	151,464,164	151,880,984	1.303
2015	4,700,600	140,745,200	-	-	3,590,500	-	600,800	149,637,100	-	65,555	149,702,655	154,901,572	1.355
2016	4,600,100	139,384,500	-	-	3,590,500	-	559,700	148,134,800	-	66,177	148,200,977	148,739,239	1.450
2017	3,558,600	149,328,600	-	-	5,677,400	-	921,100	159,485,700	-	67,709	159,553,409	136,977,890	0.845

Source: New Jersey's Monmouth County Board of Taxation Website

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by the County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

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

b Tax rates are per \$100.

OCEAN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Per \$100 of Assessed Valuation
Last Ten Years
Unaudited

Township of Ocean

Fiscal Year Ended June 30,	Township of Ocean Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General	Obligation	Total Direct	Township of	Monmouth	
	Basic Rate ^a	Debt Service ^b	School Tax Rate	Ocean	County	
2008	1.058	0.047	1.105	0.308	0.320	1.733
2009	1.064	0.057	1.121	0.355	0.323	1.799
2010	1.200	0.063	1.263	0.428	0.350	2.041
2011	1.238	0.067	1.305	0.446	0.331	2.082
2012	1.261	0.070	1.331	0.456	0.324	2.111
2013	1.292	0.070	1.362	0.470	0.323	2.155
2014	1.339	0.069	1.408	0.492	0.321	2.221
2015	1.361	0.070	1.431	0.493	0.326	2.250
2016	1.396	0.062	1.458	0.493	0.328	2.279
2017	1.252	0.071	1.323	0.442	0.286	2.051

Village of Loch Arbour

Fiscal Year Ended June 30,	Township of Ocean Board of Education Direct Rate			Overlapping Rates		Total Direct and Overlapping Tax Rate
	General	Obligation	Total Direct	Village of Loch	Monmouth	
	Basic Rate ^a	Debt Service ^b	School Tax Rate	Arbour	County	
2008	0.392	0.018	0.410	0.614	0.665	1.689
2009	0.138	0.008	0.146	0.242	0.234	0.622
2010	0.827	0.044	0.871	0.280	0.260	1.411
2011	1.251	0.069	1.320	0.407	0.350	2.077
2012	1.318	0.072	1.390	0.404	0.335	2.129
2013	1.262	0.069	1.331	0.403	0.298	2.032
2014	1.239	0.064	1.303	0.411	0.299	2.013
2015	1.288	0.067	1.355	0.397	0.311	2.063
2016	1.388	0.062	1.450	0.402	0.295	2.147
2017	0.802	0.043	0.845	0.395	0.248	1.488

Source: Borough Tax Collector

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

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.

OCEAN TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers - Township of Ocean
Current Year and Nine Years Ago
Unaudited

	2017	
	Taxable Assessed Value	% of Total District Net Assessed Value
Woodshire Apartments	\$ 67,693,700	1.32%
Seaview Acquisition LLC C/O Wharton	54,603,800	1.06%
Continental Land Developers, LLC	29,556,300	0.58%
Cold Indian Spring Corporation	26,880,500	0.52%
Gold Enterprises c/o Salem Management	26,780,400	0.52%
Sunset Arcadia Center, Inc.	25,063,800	0.49%
Ocean Seniors, LLC	23,034,700	0.45%
Westwood Oaks Associates	22,203,500	0.43%
Continental Enterprise Apart., LLC	14,952,000	0.29%
Hollywood Golf Club	14,722,700	0.29%
TOTAL	\$ 305,491,400	5.95%

	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value
Seaview Square, LLC	\$ 100,000,000	2.17%
Woodshire Apartments	52,766,400	1.15%
Continental Land Development	25,678,200	0.56%
Ocean Seniors, LLC	23,987,300	0.52%
Sears, Roebuck & Co.	22,517,600	0.49%
Cold Indian Spring Corp.	20,060,000	0.44%
Gold Enterprises	18,487,500	0.40%
Westwood Oaks Associates	17,792,500	0.39%
Sunset Arcadia Center, Inc.	17,223,400	0.37%
Hollywood Golf Club	15,420,000	0.34%
TOTAL	\$ 313,932,900	6.83%

Source: Municipal Tax Assessor

Note: Values are assessed at January 1 of the audit year.

OCEAN TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers - Village of Loch Arbour
Current Year and Nine Years Ago
Unaudited

	2017	
	Taxable Assessed Value	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 3,451,600	2.33%
Individual Taxpayer #2	2,560,200	1.73%
Individual Taxpayer #3	2,326,400	1.57%
Individual Taxpayer #4	2,167,300	1.46%
Individual Taxpayer #5	2,022,900	1.36%
Individual Taxpayer #6	2,000,000	1.35%
Individual Taxpayer #7	1,996,400	1.35%
Individual Taxpayer #8	1,996,400	1.35%
Individual Taxpayer #9	1,820,000	1.23%
Individual Taxpayer #10	1,726,600	1.16%
TOTAL	\$ 22,067,800	14.89%

	2008	
	Taxable Assessed Value	% of Total District Net Assessed Value
Individual Taxpayer #1	\$ 4,612,000	6.31%
Individual Taxpayer #2	3,895,500	5.33%
Individual Taxpayer #3	2,893,900	3.96%
Individual Taxpayer #4	2,713,200	3.71%
Individual Taxpayer #5	2,579,900	3.53%
Individual Taxpayer #6	2,558,900	3.50%
Individual Taxpayer #7	2,500,900	3.42%
601 Main Street LLC	2,471,000	3.38%
Individual Taxpayer #8	2,352,900	3.22%
Individual Taxpayer #9	2,345,500	3.21%
TOTAL	\$ 28,923,700	39.57%

Source: Municipal Tax Assessor

Note: Values are assessed at January 1 of the audit year.

OCEAN TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years
Unaudited

Township of Ocean

Collected within the Fiscal Year of the Levy ^a

Year Ended December 31,	Total Tax Levy for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years
2007	82,714,716	81,708,783	98.78%	990,076
2008	86,385,299	85,283,363	98.72%	1,066,022
2009	88,023,874	86,814,442	98.63%	1,048,190
2010	90,987,168	89,327,065	98.18%	1,390,782
2011	92,386,823	91,065,596	98.57%	1,077,649
2012	93,607,386	91,733,414	98.00%	1,501,009
2013	95,024,840	93,307,020	98.19%	1,231,454
2014	96,470,544	94,881,600	98.35%	1,385,810
2015	97,944,119	96,627,193	98.66%	1,305,974
2016	99,422,014	98,081,445	98.65%	N/A

Village of Loch Arbour

Collected within the Fiscal Year of the Levy ^a

Year Ended December 31,	Total Tax Levy for the Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years
2007	1,279,521	1,230,648	96.18%	N/A
2008	1,284,839	1,254,533	97.64%	N/A
2009	2,287,687	1,968,996	86.07%	N/A
2010	3,289,763	2,718,793	82.64%	18,597
2011	3,393,546	3,306,248	97.43%	18,587
2012	3,366,983	3,245,610	96.40%	13,860
2013	2,917,902	2,917,902	100.00%	N/A
2014	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A

Source: District records including the Certificate and Report of School Taxes (A4F form) from Municipal Tax Assessor.

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

N/A At the completion of the CAFR, this data was not available.

OCEAN TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
Unaudited

Year Ended June 30,	Governmental Activities		Business - Type Activities	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases	Capital Leases			
2008	27,745,000	90,151	-	27,835,151	1.61%	977
2009	25,217,000	56,561	-	25,273,561	1.54%	888
2010	22,797,000	19,729	-	22,816,729	1.39%	801
2011	20,310,000	-	-	20,310,000	1.22%	739
2012	17,700,000	123,561	-	17,823,561	1.03%	650
2013	15,055,000	97,909	-	15,152,909	0.87%	554
2014	12,365,000	3,510,707	-	15,875,707	0.87%	581
2015	38,564,000	4,146,230	-	42,710,230	2.25%	1,564
2016	37,299,000	3,523,750	-	40,822,750	N/A	N/A
2017	34,870,000	3,081,295	-	37,951,295	N/A	N/A

Source: District records

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

a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year. Data amounts are combined for the Township of Ocean and Village of Loch Arbour.

N/A At the completion of the CAFR, this data was not available.

OCEAN TOWNSHIP SCHOOL DISTRICT
Ratio of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
Unaudited

Township of Ocean					
Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property ^a	Net Bonded Debt Per Capita ^b
2008	26,912,650	-	26,912,650	0.58%	953.71
2009	24,420,143	-	24,420,143	0.52%	865.90
2010	22,076,615	-	22,076,615	0.51%	782.75
2011	19,630,574	-	19,630,574	0.46%	719.52
2012	17,047,401	-	17,047,401	0.40%	626.24
2013	14,513,020	-	14,513,020	0.34%	534.63
2014	11,959,428	-	11,959,428	0.28%	441.14
2015	37,297,867	-	37,297,867	0.89%	1,375.80
2016	36,068,208	-	36,068,208	0.85%	1,330.68
2017	33,794,526	-	33,794,526	0.70%	1,264.34

Village of Loch Arbour					
Year Ended June 30,	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value of Property ^a	Net Bonded Debt Per Capita ^b
2008	832,350	-	832,350	0.41%	3,026.73
2009	796,857	-	796,857	0.39%	2,908.24
2010	720,385	-	720,385	0.35%	2,638.77
2011	679,426	-	679,426	0.43%	3,520.34
2012	652,599	-	652,599	0.41%	3,398.95
2013	541,980	-	541,980	0.35%	2,822.81
2014	405,572	-	405,572	0.27%	2,112.35
2015	1,266,133	-	1,266,133	0.85%	6,663.86
2016	1,230,792	-	1,230,792	0.83%	6,581.78
2017	1,075,474	-	1,075,474	0.67%	5,876.91

Sources: Assessed valuations were provided by the Abstract of Ratables, Monmouth County Board of Taxation. School district population data was provided by school district officials.

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

a See Exhibit J-6 for property tax data.

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Government Activities Debt
For the Year Ended December 31, 2016
Unaudited

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Township of Ocean	\$ 29,174,117	100.000%	\$ 29,174,117
Village of Loch Arbour	1,735,963	100.000%	1,735,963
Monmouth County General Obligation Debt	456,319,190	4.160%	18,982,878
Other debt			-
Subtotal overlapping debt			49,892,958
Ocean Township School District Direct Debt			<u>35,746,331</u>
Total Direct and Overlapping Debt			<u><u>\$ 85,639,289</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Monmouth County Board of Taxation. Debt outstanding data provided by each governmental unit.

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

OCEAN TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
For The Last Ten Fiscal Years
Unaudited

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized valuation basis	
2017	\$ 4,896,089,922
2016	4,822,560,760
2015	4,694,283,981
	<u>\$ 14,412,934,663</u>
Average equalized valuation of taxable property	\$ 4,804,311,554
Debt limit (4% of average equalization value)	192,172,462 ^a
Total Net Debt Applicable to Limit	34,870,000
Legal debt margin	<u>\$ 157,302,462</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit	\$ 220,233,676	\$ 232,310,414	\$ 233,788,839	\$ 204,231,014	\$ 213,728,756	\$ 200,266,753	\$ 189,054,243	\$ 146,622,630	\$ 124,268,127	\$ 192,172,462
Total net debt applicable to limit	<u>27,745,000</u>	<u>25,217,000</u>	<u>22,979,000</u>	<u>20,310,000</u>	<u>17,700,000</u>	<u>15,055,000</u>	<u>12,365,000</u>	<u>38,564,500</u>	<u>37,299,000</u>	<u>34,870,000</u>
Legal debt margin	<u>\$ 192,488,676</u>	<u>\$ 207,093,414</u>	<u>\$ 210,809,839</u>	<u>\$ 183,921,014</u>	<u>\$ 196,028,756</u>	<u>\$ 185,211,753</u>	<u>\$ 176,689,243</u>	<u>\$ 108,058,130</u>	<u>\$ 86,969,127</u>	<u>\$ 157,302,462</u>
Total net debt applicable to the limit as a percentage of debt limit	12.60%	10.85%	9.83%	9.94%	8.28%	7.52%	6.54%	26.30%	30.01%	18.15%

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation as posted on the Monmouth County Board of Taxation Website.

Note: Debt amounts combined for Township of Ocean and Village of Loch Arbour

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other percentage limits would be applicable for other district types.

OCEAN DISTRICT SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Years
Unaudited

Township of Ocean

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2008	28,219	1,713,796,308	60,732	4.50%
2009	28,202	1,626,296,532	57,666	8.30%
2010	28,204	1,628,781,000	57,750	8.40%
2011	27,283	1,658,506,287	60,789	8.80%
2012	27,222	1,714,877,112	62,996	8.70%
2013	27,146	1,727,164,250	63,625	7.00%
2014	27,110	1,809,565,390	66,749	5.60%
2015	27,110	1,881,705,100	69,410	4.30%
2016	27,105	N/A	N/A	N/A
2017	26,729	N/A	N/A	N/A

Village of Loch Arbour

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2008	275	16,701,300	60,732	7.40%
2009	274	15,800,484	57,666	11.90%
2010	273	15,765,750	57,750	12.00%
2011	193	11,732,277	60,789	12.10%
2012	192	12,095,232	62,996	12.60%
2013	192	12,216,000	63,625	3.00%
2014	192	12,815,808	66,749	2.70%
2015	190	13,187,900	69,410	2.70%
2016	187	N/A	N/A	N/A
2017	183	N/A	N/A	N/A

Sources:

- a** Population information provided by the NJ Dept. of Labor and Workforce Development. Estimate is based on July 1 of the audit year.
- b** Personal income has been estimated based upon the municipal population and per capita personal income presented.
- c** Per capita personal income by municipality not available. The Per Capita Personal Income amounts presented represent the figures available for Monmouth County, NJ as provided by the State of New Jersey, Department of Education, Division of Finance.
- d** Unemployment data provided by the NJ Dept. of Labor and Workforce Development.

N/A At the time of the CAFR completion, the data was not yet available.

OCEAN TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago
Unaudited

TOWNSHIP OF OCEAN				
Employer	2017		2008	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
Township of Ocean Board of Education		N/A		N/A
Costco				
Township of Ocean				
Target				
Hillel School - Shore Area				
Sears, Roebuck & Co.				
Schroth School				
Pepsi Bottling Group				
Applebee's				
Ladacin Network Monmouth				

VILLAGE OF LOCH ARBOUR				
Employer	2017		2008	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
LEAN II T/A The Lake House			20	11.63%
Allenhurst Carwash	N/A		15	8.72%
Richard P. Nobile, DDS			5	2.91%
Village of Loch Arbour			5	2.91%
Wilson's Deli			3	1.74%
Provident Investors			2	1.16%
Loch Arbour Liquors, Inc.			1	0.58%

At the time of completion of the CAFR, this information was not available.

Sources:

Township of Ocean information provided by local tax assessor, based on information from Reference USA and Municipal Survey.

N/A - At the time of the completion of the CAFR, this information was not available.

OCEAN TOWNSHIP SCHOOL DISTRICT
Full-time Equivalent District Employees by Function/Program
 Last Ten Fiscal Years
Unaudited

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Instruction:										
Regular	281.8	284.0	285.1	263.7	264.8	263.5	266.8	267.4	267.9	265.4
Special education	90.5	95.5	95.5	105.5	103.0	111.7	116.0	126.4	133.5	142.4
Other special education	55.0	54.5	51.6	27.6	35.5	31.0	31.0	20.5	25.0	25.0
Other instruction	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Support Services:										
Student and instruction related services	80.6	76.4	76.1	76.6	79.7	82.0	87.0	97.0	93.0	103.0
General Administration	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
School administration services	36.0	37.0	33.0	25.0	25.0	25.0	25.0	25.0	25.0	24.0
Central services	9.5	9.5	9.5	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Administrative information technology	-	3.0	9.0	8.0	8.0	9.0	11.0	11.0	11.0	11.0
Plant operations and maintenance	65.5	66.5	59.5	57.0	60.0	57.0	56.0	61.5	62.0	61.0
Pupil transportation	53.0	54.0	51.0	49.0	41.0	43.0	44.0	45.0	45.0	44.0
Total	682.9	691.4	681.3	630.4	635.0	640.2	654.8	671.8	680.4	693.8

Source: District records.

OCEAN TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years
Unaudited

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio				Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School	Senior High School	School				
2007	4,339	63,915,014	14,730	6.66%	358	12.7:1	11.3:1	12.4:1	4,312	4,119	N/A	95.52%	
2008	4,233	66,365,984	15,678	6.44%	364	12.3:1	10.6:1	12.0:1	4,232	4,051	-1.86%	95.72%	
2009	4,170	66,559,974	15,962	1.81%	369	11.7:1	10.5:1	11.7:1	4,158	3,980	-1.75%	95.72%	
2010	4,106	68,780,460	16,751	4.94%	370	11.3:1	10.6:1	11.5:1	4,076	3,905	-1.97%	95.80%	
2011	4,010	67,113,135	16,736	-0.09%	358	11.6:1	10.4:1	11.7:1	3,942	3,821	-3.29%	96.93%	
2012	3,931	68,799,853	17,502	4.58%	358	11.3:1	10.2:1	11.6:1	3,935	3,777	-0.18%	95.98%	
2013	3,852	71,901,004	18,666	6.65%	375	11.3:1	9.8:1	11.3:1	3,811	3,645	-3.15%	95.64%	
2014	3,816	73,005,308	19,131	2.49%	371	10.3:1	9.4:1	11.4:1	3,781	3,618	-0.79%	95.69%	
2015	3,750	76,176,388	20,314	6.18%	367	10.3:1	9.2:1	11.2:1	3,726	3,571	-1.45%	95.84%	
2016	3,655	78,706,041	21,534	6.01%	370	9.9:1	8.6:1	11.3:1	3,629	3,485	-2.60%	96.03%	
2017	3,584	80,935,056	22,582	4.87%	369	9.8:1	8.6:1	10.9:1	3,560	3,410	-1.90%	95.79%	

Sources: District Records

Note: Enrollment based on annual October district count.

a Operating expenditures equal total governmental expenditures less debt service and capital outlay.

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).

OCEAN TOWNSHIP SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years
Unaudited

District Building	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Elementary										
Wanamassa Elementary School	59,580	59,580	59,580	59,580	59,580	59,580	59,580	59,580	59,580	59,580
Square feet	477	477	477	477	477	477	477	477	477	477
Capacity (students)	372	371	410	383	371	342	325	318	295	315
Enrollment										
Ocean Township Elementary School	76,160	76,160	76,160	76,160	76,160	76,160	76,160	76,160	76,160	76,160
Square feet	609	609	609	609	609	609	609	609	609	609
Capacity (students)	469	461	446	473	459	440	460	419	411	386
Enrollment										
Wayside Elementary School	147,375	147,375	147,375	147,375	147,375	147,375	147,375	147,375	147,375	147,375
Square feet	713	713	713	713	713	713	713	713	713	713
Capacity (students)	677	658	608	591	581	602	630	677	660	652
Enrollment										
Middle School										
Ocean Township Intermediate School	257,400	257,400	257,400	257,400	257,400	257,400	257,400	257,400	257,400	257,400
Square feet	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951	1,951
Capacity (students)	1,292	1,314	1,323	1,284	1,284	1,230	1,175	1,135	1,081	1,075
Enrollment										
High School										
Ocean Township High School	200,215	200,215	200,215	200,215	200,215	200,215	200,215	200,215	200,215	200,215
Square feet	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326	1,326
Capacity (students)	1,423	1,366	1,319	1,279	1,236	1,238	1,226	1,201	1,208	1,156
Enrollment										

Number of Schools at June 30, 2017

Elementary = 3
 Middle = 1
 High = 1

Source: District records

Note: Increases in square footage and capacity are the results of additions. Enrollment is based on the annual October district count.

OCEAN TOWNSHIP SCHOOL DISTRICT
General Fund
Schedule of Allowable Maintenance Expenditures by School Facilities
Last Ten Fiscal Years
Unaudited

Undistributed Expenditures - Required Maintenance for School Facilities 11-000-261-XXX	Gross Square Footage	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
School facilities											
Ocean Township Elementary School	76,160	\$ 95,160	\$ 92,484	\$ 81,679	\$ 93,678	\$ 94,390	\$ 93,120	\$ 124,610	\$ 122,247	\$ 100,822	\$ 128,875
Ocean Township High School	200,215	257,241	294,898	307,507	319,582	391,314	305,615	308,456	423,187	319,849	270,142
Ocean Township Intermediate School	257,400	300,467	331,928	259,333	291,724	305,409	376,229	276,040	324,327	322,773	274,200
Wanamassa Elementary School	59,580	133,480	114,077	74,366	80,522	83,580	69,039	75,967	77,613	76,277	76,810
Wayside Elementary School	147,375	168,952	159,307	152,552	136,485	154,798	156,815	152,939	155,759	158,277	157,805
Total School Facilities		<u>955,300</u>	<u>992,694</u>	<u>875,437</u>	<u>921,991</u>	<u>1,029,491</u>	<u>1,000,818</u>	<u>938,012</u>	<u>1,103,133</u>	<u>977,998</u>	<u>907,832</u>
Grand Total		<u>\$ 955,300</u>	<u>\$ 992,694</u>	<u>\$ 875,437</u>	<u>\$ 921,991</u>	<u>\$ 1,029,491</u>	<u>\$ 1,000,818</u>	<u>\$ 938,012</u>	<u>\$ 1,103,133</u>	<u>\$ 977,998</u>	<u>\$ 907,832</u>

Source: District Records

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

OCEAN TOWNSHIP SCHOOL DISTRICT
 Insurance Schedule
 June 30, 2017
Unaudited

	<u>Coverage</u>	<u>Deductible/ Self-Insured Retention</u>
Through the New Jersey Schools Insurance Group:		
Property coverage- Real and personal		
Limit of Liability, per Occurrence	\$ 450,000,000	\$ 5,000
Electronic Data Processing		
Limit of Liability, per Occurrence	\$ 2,500,000	\$ 1,000
Boiler and Machinery		
Limit of Liability, per Loss	\$ 100,000,000	\$ 5,000
Crime		
Public Employee Dishonesty	\$ 1,000,000	\$ 1,000
Theft, Disappearance and Destruction- Money and Securities	\$ 25,000	\$ 500
Theft, Disappearance and Destruction- Money Orders and Counterfeit Paper Currency	\$ 100,000	\$ 500
Forgery or Alteration	\$ 250,000	\$ 1,000
Bonds:		
Treasurer	\$ 360,000	\$ -
Board Secretary	\$ 3,000	\$ -
Comprehensive General Liability		
Limit of Liability, per Occurrence	\$ 11,000,000	\$ -
Automobile		
Liability- any Auto		
Bodily Injury and Property Damage		
Limit of Liability, per Accident	\$ 11,000,000	\$ -
Physical Damage- Scheduled Vehicles only		
Comprehensive, Collision and Hired Car Physical Damage	\$ -	\$ 1,000
Workers' Compensation		
Workers' compensation		
Limit of Liability	Statutory	\$ 1,000,000
Employers Liability/Occupational Disease		
Limit of Liability, per Occurrence	\$ 2,000,000	\$ 1,000,000
School Board Legal Liability		
Limit of Liability, per occurrence, per member	\$ 11,000,000	-
Bonds:		
Treasurer	\$ 360,000	-
Board Secretary	\$ 3,000	-
Through Federal Insurance Company:		
Supplemental Indemnity Program- Workers' Compensation	\$ 2,000,000	-
Through Catlin Insurance Company Incorporated:		
Student Accident- Basic		
Total Benefit Maximum for all Accidental Medical		
School coverage	\$ 25,000	-
Sports Coverage	\$ 25,000	-
Accidental Death and Dismemberment		
Accidental Death	\$ 10,000	-
Accidental Single Dismemberment	\$ 25,000	-
Accidental Double Dismemberment	\$ 50,000	-
Through United States Fire Insurance Company:		
Student Accident- Catastrophic		
Maximum Benefit per Covered person	\$ 500,000	-

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S 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

The Honorable President and
Members of the Board of Education
Ocean Township School District
County of Monmouth
Oakhurst, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ocean Township School District, in the County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Ocean Township School District's basic financial statements, and have issued our report dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ocean Township School 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 Ocean Township School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ocean Township School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to the Board of Education of the Ocean Township School District in a separate report entitled, *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance* dated December 1, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ocean Township School District'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 Ocean Township School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smolin, Lupin & Co., P.A.

SMOLIN, LUPIN & CO., P.A.
Certified Public Accountants

Laura DiTommaso

Laura DiTommaso
Licensed Public School Accountant
License #20CS-00164

Red Bank, New Jersey
December 1, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NEW JERSEY OMB'S CIRCULAR 15-08

The Honorable President and
Members of the Board of Education
Ocean Township School District
County of Monmouth
Oakhurst, New Jersey

Report on Compliance for Each Major Federal and State Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Ocean Township School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Those standards, the Uniform Guidance, and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Ocean Township School District's compliance with those requirements and performing such other procedure, as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

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

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

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

The Purpose of this Report

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

Smolin, Lupin & Co., P.A.

SMOLIN, LUPIN & CO., P.A.
Certified Public Accountants

Laura DiTommaso

Laura DiTommaso
Licensed Public School Accountant
License #20CS-00164

Red Bank, New Jersey
December 1, 2017

OCEAN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

Federal Grant/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years' Balances	Balance at June 30, 2017		
					From	To						Deferred Revenue (Accts. Rec.)	Accounts Receivable	Deferred Revenue
U.S. Department of Education														
General Fund:														
ARRA-Medical Assistance Program (SEMI)	93.778	1705NJSNMP	N/A	7,841	10/1/08	12/31/10	-	7,841	(7,841)	\$	\$	\$	\$	
Medical Assistance Program (SEMI)	93.778	1705NJSNMP	N/A	66,063	7/1/16	6/30/17	-	66,063	(66,063)	-	-	-	-	
Total General Fund				73,904				73,904	(73,904)					
U.S. Department of Education														
Passed-through State Department of Education:														
Special Revenue Fund:														
Title I, Part A, Improving Basic Skills	84.010A	5010A160030	NCLB-17	518,917	7/1/16	6/30/17	-	470,447	(513,728)	-	-	(43,281)	-	
Title I, Part A, Improving Basic Skills	84.010A	5010A150030	NCLB-16	458,649	9/1/15	9/30/16	-	131,222	-	-	-	-	-	
Title II, Part A, Improving Teacher Quality	84.367A	5367A160029	NCLB-17	83,025	7/1/16	6/30/17	3,714	74,312	(84,853)	-	-	(10,541)	-	
Title II, Part A, Improving Teacher Quality	84.367A	5367A150029	NCLB-16	89,428	9/1/15	9/30/16	(3,714)	27,641	-	-	-	-	-	
Title IIIA, English Language Enhancement	84.365	5365A160030	NCLB-17	41,919	7/1/16	6/30/17	-	35,921	(39,020)	-	-	(3,099)	-	
Title IIIA, English Language Enhancement	84.365	5365A150030	NCLB-16	44,974	9/1/15	9/30/16	-	12,849	-	-	-	-	-	
Title IIIA, Immigrant	84.365A	5365A160030	NCLB-17	9,767	7/1/16	6/30/17	-	7,511	(9,038)	-	-	(1,527)	-	
Career Pathways	84.051D	N/A	N/A	100,000	4/1/16	2/28/17	-	89,648	(89,649)	-	-	-	-	
Career Pathways	84.051D	N/A	N/A	100,000	3/1/17	2/28/18	-	-	(47,596)	-	-	-	-	
Special Education Cluster (IDEA):														
IDEA, Part B, Basic Regular	84.027	H027A160100	FT-17	976,492	7/1/16	6/30/17	11,921	846,443	(988,413)	-	-	(139,970)	-	
IDEA, Part B, Basic Regular	84.027	H027A150100	FT-16	1,029,730	9/1/15	9/30/16	(11,921)	27,622	-	-	-	-	-	
IDEA, Preschool	84.173	H173A160114	PS-17	41,281	7/1/16	6/30/17	-	37,043	(41,281)	-	-	(4,238)	-	
Total Special Revenue Fund				1,762,659				1,762,659	(1,813,578)			(250,252)		
U.S. Department of Agriculture														
Passed-through State Department of Education:														
Enterprise Fund (Children Nutrition Cluster):														
Food Distribution Program	10.555	171N304N1099	N/A	76,795	7/1/16	6/30/17	-	76,795	(74,933)	-	-	1,862	-	
Food Distribution Program	10.555	1616N304N1099	N/A	80,265	7/1/15	6/30/16	-	2,178	(2,178)	-	-	-	-	
School Breakfast Program	10.553	171N304N1099	N/A	89,538	7/1/16	6/30/17	-	71,497	(89,538)	-	-	(18,041)	-	
School Breakfast Program	10.553	1616N304N1099	N/A	89,214	7/1/15	6/30/16	-	5,903	-	-	-	-	-	
National School Lunch Program	10.555	171N304N1099	N/A	400,513	7/1/16	6/30/17	-	326,535	(400,513)	-	-	(73,978)	-	
National School Lunch Program	10.555	1616N304N1099	N/A	408,152	7/1/15	6/30/16	-	22,083	-	-	-	-	-	
Total Enterprise Fund				502,813				502,813	(567,162)			(92,019)	1,862	
Total Federal Awards														
				\$				\$	(2,454,644)	\$	\$	(342,271)	\$	1,862

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

OCEAN TOWNSHIP SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2017

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period		Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Withdraw) Amount	GAAP Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
			From	To											
Balance at June 30, 2016															
State Department of Education															
General Fund:															
Categorical Special Education Aid	17-495-034-5120-089	\$ 2,331,447	7/1/16	6/30/17	\$ -	\$ -	\$ 2,098,302	\$ (2,331,447)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,145	\$ 2,331,447
Categorical Special Education Aid	17-495-034-5120-084	416,654	7/1/16	6/30/17	-	-	374,809	(416,654)	-	-	-	-	-	41,645	416,654
Adjustment Aid	17-495-034-5120-085	3,575,884	7/1/16	6/30/17	-	-	3,272,156	(3,575,884)	-	-	-	-	-	348,728	3,575,884
Categorical Transportation Aid	17-495-034-5120-014	1,335,035	7/1/16	6/30/17	-	-	1,202,288	(1,335,035)	-	-	-	-	-	132,747	1,335,035
Extraordinary Special Education Costs Aid	17-495-034-5120-044	888,351	7/1/16	6/30/17	-	-	-	(888,351)	-	-	-	-	-	888,351	888,351
Nonpublic Transportation Cost Aid	17-495-034-5120-014	24,520	7/1/16	6/30/17	-	-	-	(24,520)	-	-	-	-	-	24,520	24,520
PARCC Readiness Aid	17-495-034-5120-098	37,230	7/1/16	6/30/17	-	-	33,307	(37,230)	-	-	-	-	-	3,723	37,230
Per Pupil Growth Aid	17-495-034-5120-097	37,230	7/1/16	6/30/17	-	-	33,307	(37,230)	-	-	-	-	-	3,723	37,230
Professional Learning Community	17-495-034-5120-101	36,080	7/1/16	6/30/17	-	-	32,472	(36,080)	-	-	-	-	-	3,608	36,080
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	2,247,555	7/1/15	6/30/16	(106,052)	-	106,052	-	-	-	-	-	-	-	-
Reimbursed TPAF Social Security Contributions	17-495-034-5094-003	2,222,674	7/1/16	6/30/17	-	-	2,114,398	(2,222,674)	-	(108,076)	-	-	-	-	2,222,674
TPAF pension-contributory insurance	17-495-034-5094-004	120,883	7/1/16	6/30/17	-	-	120,883	(120,883)	-	-	-	-	-	-	120,883
TPAF pension-normal costs	17-495-034-5094-002	3,335,786	7/1/16	6/30/17	-	-	3,335,786	(3,335,786)	-	-	-	-	-	-	3,335,786
TPAF pension-long term disability	17-495-034-5094-004	5,361	7/1/16	6/30/17	-	-	5,361	(5,361)	-	-	-	-	-	-	5,361
TPAF pension-post-retirement medical	17-495-034-5094-001	2,880,175	7/1/16	6/30/17	(106,052)	-	2,880,175	(2,880,175)	-	(106,076)	-	-	-	-	2,880,175
Total General Fund							15,564,876	(17,197,930)	-	(106,076)	-	-	-	1,631,030	17,197,930
Special Revenue Fund:															
NJ Nonpublic Aid:															
Textbook Aid	17-100-034-5120-064	43,576	7/1/16	6/30/17	-	-	43,576	(43,576)	-	-	-	-	1,359	-	42,217
Nursing Services Aid	16-100-034-5120-064	43,396	7/1/15	6/30/16	-	3,424	-	-	(3,424)	-	-	-	-	-	-
Nursing Services Aid	17-100-034-5120-070	77,130	7/1/16	6/30/17	-	-	77,130	(70,890)	-	-	-	-	6,240	-	70,890
Technology Initiative	16-100-034-5120-070	78,570	7/1/15	6/30/16	-	4,018	-	-	(4,018)	-	-	-	-	-	-
Technology Initiative	17-100-034-5120-373	19,656	7/1/16	6/30/17	-	-	19,656	(19,631)	-	-	-	-	25	-	19,631
Security Aid	16-100-034-5120-373	19,760	7/1/15	6/30/16	-	55	-	-	(55)	-	-	-	-	-	-
Security Aid	17-100-034-5120-509	42,850	7/1/16	6/30/17	-	-	42,850	(42,850)	-	-	-	-	-	-	42,850
Auxiliary Services:															
Compensatory Education	17-100-034-5120-067	219,828	7/1/16	6/30/17	-	-	219,828	(219,828)	-	-	-	-	-	-	219,828
English as a Second Language	17-100-034-5120-067	6,212	7/1/16	6/30/17	-	-	6,212	(6,212)	-	-	-	-	-	-	6,212
English as a Second Language	15-100-034-5120-067	79,338	7/1/15	6/30/16	-	1,323	-	-	(1,323)	-	-	-	-	-	-
Handicapped Services:															
Examination and Classification	17-100-034-5120-066	127,546	7/1/16	6/30/17	-	-	127,546	(119,965)	-	-	-	-	7,581	-	119,965
Examination and Classification	16-100-034-5120-066	122,809	7/1/15	6/30/16	-	7,174	-	-	(7,174)	-	-	-	-	-	-
Corrective Speech	17-100-034-5120-066	42,496	7/1/16	6/30/17	-	-	42,496	(41,679)	-	-	-	-	817	-	41,679
Supplemental Instruction	17-100-034-5120-066	87,886	7/1/16	6/30/17	-	-	87,886	(86,316)	-	-	-	-	1,570	-	86,316
Supplemental Instruction	16-100-034-5120-066	93,564	7/1/15	6/30/16	-	3,213	-	-	(3,213)	-	-	-	-	-	-
Total Special Revenue Fund							667,180	(649,988)	-	(19,707)	-	-	17,592	-	649,988
Debt Service Fund:															
Diet Service Aid - Type II	17-495-034-5120-017	188,852	7/1/16	6/30/17	-	-	188,852	(188,852)	-	-	-	-	-	-	188,852
Total Debt Service Fund															
State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program (State share)	17-100-010-3350-023	9,658	7/1/16	6/30/17	-	-	7,885	(9,658)	-	(1,773)	-	-	-	-	9,658
National School Lunch Program (State share)	16-100-010-3350-023	9,988	7/1/15	6/30/16	(547)	-	547	-	-	-	-	-	-	-	-
Total Enterprise Fund							8,932	(9,658)	-	(1,773)	-	-	-	-	9,658
Total State Financial Assistance															
State Financial Assistance Not Subject to Single Audit Determination - General Fund (Non Cash Assistance)															
TPAF pension-contributory insurance	17-495-034-5094-007	120,863	7/1/16	6/30/17	-	-	(120,863)	120,863	-	-	-	-	-	-	(120,863)
TPAF pension-normal costs	17-495-034-5094-002	3,335,786	7/1/16	6/30/17	-	-	(3,335,786)	3,335,786	-	-	-	-	-	-	(3,335,786)
TPAF pension-long term disability	17-495-034-5094-004	5,361	7/1/16	6/30/17	-	-	(5,361)	5,361	-	-	-	-	-	-	(5,361)
TPAF pension-post-retirement medical	17-495-034-5094-001	2,880,175	7/1/16	6/30/17	-	-	(2,880,175)	2,880,175	-	-	-	-	-	-	(2,880,175)
Total State Financial Assistance Subject to Single Audit															
Total State Financial Assistance															
Total State Financial Assistance Subject to Single Audit															
Total State Financial Assistance															
Total State Financial Assistance Subject to Single Audit															
Total State Financial Assistance															

The accompanying notes to schedules of expenditures of federal awards and state financial assistance are an integral part of this schedule.

**TOWNSHIP OF OCEAN BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- 1. Material weakness(es) identified? yes no
- 2. Significant deficiencies identified? yes no

Noncompliance material to basic financial statements noted? yes no

Federal Awards

Internal Control over major programs:

- 1. Material weakness(es) identified? yes no
- 2. Significant deficiencies identified? yes no

Type of auditor’s report issued on compliance for major programs: Unmodified. No reportable instances of noncompliance

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of the Uniform Guidance ? yes no

Identification of Major Programs:

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

84.027/84.173 S027A150100/S173A150114 IDEA, Part B and IDEA, Preschool - Special Education Cluster

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

Auditee qualified as low-risk auditee? yes no

**TOWNSHIP OF OCEAN BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

Section I - Summary of Auditor's Results (cont'd)

State Awards

Internal Control over major programs:

1. Material weakness(es) identified? yes no
2. Significant deficiencies identified that are not considered to be material weaknesses yes none reported

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

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

Identification of Major Programs:

<u>State Grant/Project Number(s)</u>	<u>Name of State Program</u>
	State Aid Public Cluster:
<u>17-495-034-5120-084</u>	<u>Categorical Security Aid</u>
<u>17-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>17-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>17-495-034-5120-089</u>	<u>Categorical Special Education Aid</u>
<u>17-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>
<u>17-495-034-5120-014</u>	<u>Categorical Transportation Aid</u>
<u>17-495-034-5120-101</u>	<u>Professional Learning Community</u>
<u>17-495-034-5094-003</u>	<u>Reimbursed TPAF Social Security Contributions</u>

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

Auditee qualifies as low-risk auditee? yes no

**TOWNSHIP OF OCEAN BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts, and grant agreements and abuse related to the financial statements in accordance with *Government Auditing Standards*.

No matters were reported.

**TOWNSHIP OF OCEAN BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(continued)**

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

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

No matters were reported.

**TOWNSHIP OF OCEAN BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This section identifies the status of prior-year audit findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and NJ OMB Circular Letter 15-08, as applicable.

No matters were reported