

SCHOOL DISTRICT
OF
FAIRFIELD TOWNSHIP

Fairfield Township School District
Board of Education
Fairfield Township, New Jersey

Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

Comprehensive Annual
Financial Report

of the

Fairfield Township School District
Board of Education

Fairfield Township, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

Fairfield Township School District
Board of Education

FAIRFIELD BOARD OF EDUCATION
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INTRODUCTORY SECTION

FAIRFIELD TOWNSHIP SCHOOL DISTRICT*Office of the Board of Education**15 Knoll Road, Fairfield, New Jersey 07004**Phone: 973-227-1340**www.fpsk6.org**Facsimile: 973-227-4303*

October 7, 2016

The Honorable President and Members of
the Board of Education
Fairfield Board of Education
County of Essex, New Jersey

Dear Honorable President and Board Members:

The Comprehensive Annual Financial Report of the Fairfield Board of Education (the "District") for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Fairfield Board of Education (the "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 basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes The Independent Auditor's Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected economic and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** The Fairfield Board of Education is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Fairfield Board of Education's elementary school constitutes the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 6. These include regular, as well as special education, for handicapped youngsters. The District completed the 2015-2016 fiscal year with an average daily enrollment of 648 students, which is 21 students more than the prior year's enrollment.

The Honorable President and Members of
 the Board of Education
 Fairfield Board of Education
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2. ECONOMIC CONDITION AND OUTLOOK: The economic condition of the District is strong as it has the maximum \$250,000 in allowable unassigned surplus funds in the General Fund still set aside for unanticipated emergencies. The Township's ratables have dwindled; however, due to veteran staff retirements and favorable energy and health benefit costs, the District is still able to operate successfully within the 2% local tax levy cap without asking voters to exceed that amount.

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

3. MAJOR INITIATIVES: The Fairfield School District continued to focus on Language Arts Literacy, Reading and Writing, during the 2015-2016 school year. This continuing initiative included hiring an additional reading specialist, who worked with teachers and students to hone reading and writing skills. Common practices were established, so that as students move into each grade level, they are familiar with routines and writing prompts. The Kindergarten -2nd grade students are utilizing Foundations, a program designed for decoding. The Kindergarten-3rd grade students are utilizing Ready-Gen for reading. The Kindergarten – 6th grade students are utilizing Empowering Writers. Grades 2-6 utilized Achieve 3000, and Grade 2 began exploring Raz-Kids. The Kindergarten through 6th grade curriculum was revised in the summer of 2015. The District continues to reinforce the Everyday Math (K-5) and Connected Math (Gr. 6) programs and offers ongoing professional development for all teachers. These programs offer our students a spiraling curriculum in higher order mathematical and thinking skills. Ongoing professional development and support materials are critical components of all academic areas. Both our reading series and our mathematics programs address the Common Core Standards and will have a positive impact on student achievement.

The mission of the Fairfield School District is to provide an environment which cultivates lifetime learners and their individual abilities, respects differences, and nurtures responsibility and cooperation. The Fairfield staff and administration strive to create an atmosphere of communication and partnership. The District is partnering with the United Way in a 3 year process to analyze and improve areas in culture and climate. Our goals are determined by our commitment to providing a well-rounded education to our students and to actively engage parents, staff and community members in an atmosphere that nurtures, motivates, encourages, and educates our children to achieve their potential; to provide students at all grade levels with a challenging curriculum, aligned to the Common Core Standards that balances technology and creativity, and fosters critical thinking; to develop self-esteem and a respect for others and a lifetime love of learning through a positive learning environment, for our students. An additional school counselor will be on staff for 2016-2017.

There is ongoing communication and articulation among the West Essex Regional consortium districts (Fairfield, along with Roseland, North Caldwell, and Essex Fells). Sending districts meet regularly with West Essex staff to ensure that the students of the Fairfield School District have rigorous educational program that addresses all skills needed for future schooling. Coordination of curriculum and shared services are also emphasized at these meetings.

The Fairfield School District places student performance as our highest priority. The District offers courses for general education, gifted and talented, as well as special education. We have replaced programs such as Study Island and Net-Trekker with Achieve 3000 (grades 2-6), to increase student achievement.

The Honorable President and Members of
the Board of Education
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3. MAJOR INITIATIVES: (Cont'd)

In March 2015 the New Jersey Department of Education released its Taxpayers' Guide to Education Spending (Formerly known as the Comparative Spending Guide) for all school districts in the State for the 2012-13 school year. The guide compares districts with those similar to them. The Fairfield School District was compared with K-6 grade districts within the state. The information on expenditures was taken from certified budgets on file with the State Department of Education. The report showed that the District budgeted \$17,020 per pupil.

For the past five years our District has budgeted the following expenditures per pupil:

<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
\$16,185	\$17,020	\$18,223	\$18,988	\$19,988

Major educational program initiatives for the 2015-2016 school year included bringing in a reading specialist to work with teachers in the area of Language Arts Literacy. For the instructional staff, professional development opportunities and funding was significantly expanded in the area of language arts. The District continued to support technology initiatives by purchasing more Smart Boards, additional laptop computers and 2 new computer labs, in addition to the existing ones. We will use Achieve 3000 for grades 2-6, and have implemented Raz Kids in Grade 2.

4. INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of 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 system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

The Honorable President and Members of
the Board of Education
Fairfield Board of Education
Page 4
October 7, 2016

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by a vote of the Board of Education. 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.

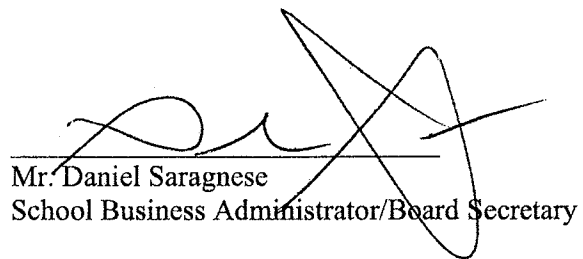
An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2016.

6. ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.
7. OTHER INFORMATION: **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivocchia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.
8. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Fairfield Township School District Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,

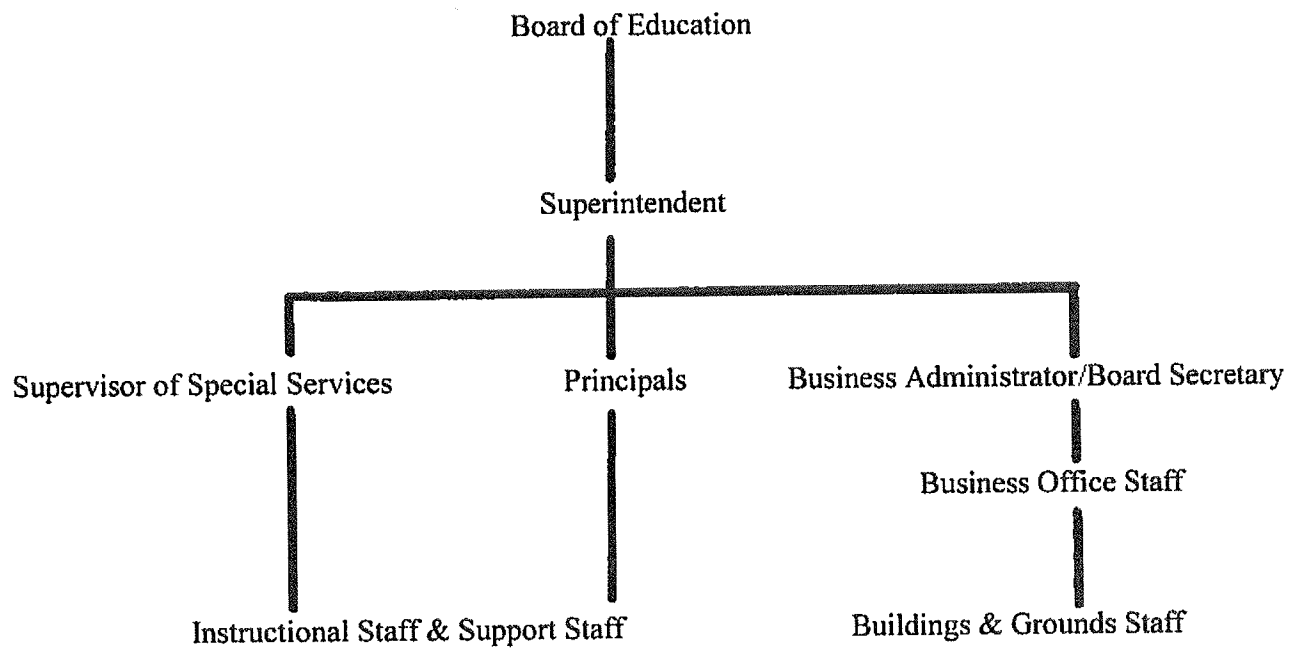


Ms. Susan Ciccotelli
Superintendent of Schools



Mr. Daniel Saragnese
School Business Administrator/Board Secretary

Fairfield Township School District
Organizational Chart
(Unit Control)



FAIRFIELD BOARD OF EDUCATION
ROSTER OF OFFICIALS
JUNE 30, 2016

Members of the Board of EducationTerm Expires

Mrs. Stacy Aschenbach	2017
Mr. Brian Egan	2018
Mr. Pasquale Freda, President	2019
Mr. Robert Lombardi	2019
Mrs. Andrea Jandoli, Vice President	2018

Other OfficialsTitle

Ms. Susan Ciccotelli	Superintendent of Schools
Mr. Daniel Saragnese	Business Administrator/Board Secretary (Interim)
Mr. J. John McCluskey	Treasurer of School Monies

FAIRFIELD BOARD OF EDUCATION
CONSULTANTS AND ADVISORS
YEAR ENDED JUNE 30, 2016

Audit Firm

Nisivoccia LLP, CPAs
200 Valley Road Suite 300
Mount Arlington, New Jersey 07856

Attorney

Machado Law Group, LLC
Clark Parkway Plaza
136 Central Avenue, Second Floor
Clark, New Jersey 07066

Official Depository

TD Bank
436 Hollywood Avenue
Fairfield, New Jersey 07004

Architect

Gianforcaro Architects – Engineers – Planners
555 East Main Street
Chester, New Jersey 07930

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Fairfield Board of Education
 County of Essex, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Fairfield Township School District (the "District") in the County of Essex, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.

The Honorable President and Members
of the Board of Education
Fairfield Board of Education
Page 2

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Fairfield Township School District, in the County of Essex, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statement of the Fairfield Township School District as of June 30, 2015 were audited by another auditor whose report dated November 21, 2015 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in exhibits L-1 through L-4 and the related notes, and the budgetary comparison information in Exhibits C-1 through C-3 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 District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial. The accompanying schedules of expenditures of federal and state 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 New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members
of the Board of Education
Fairfield Board of Education
Page 3

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

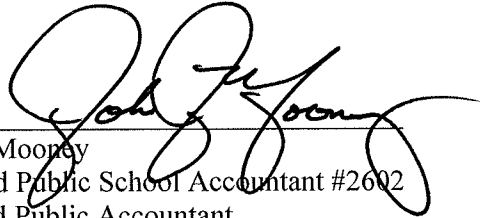
The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

October 7, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This section of Fairfield Township School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2015-16 school year are as follows:

- The District's net position decreased \$195,710 during the year.
- In 2015/16, the Governmental Activities had \$14,103,720 in revenue.
- The total expenses for 2015/16 were \$14,299,430.
- The District's total bonded debt decreased by \$115,000 during the current fiscal year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-1
Organization of School District's Financial Report**

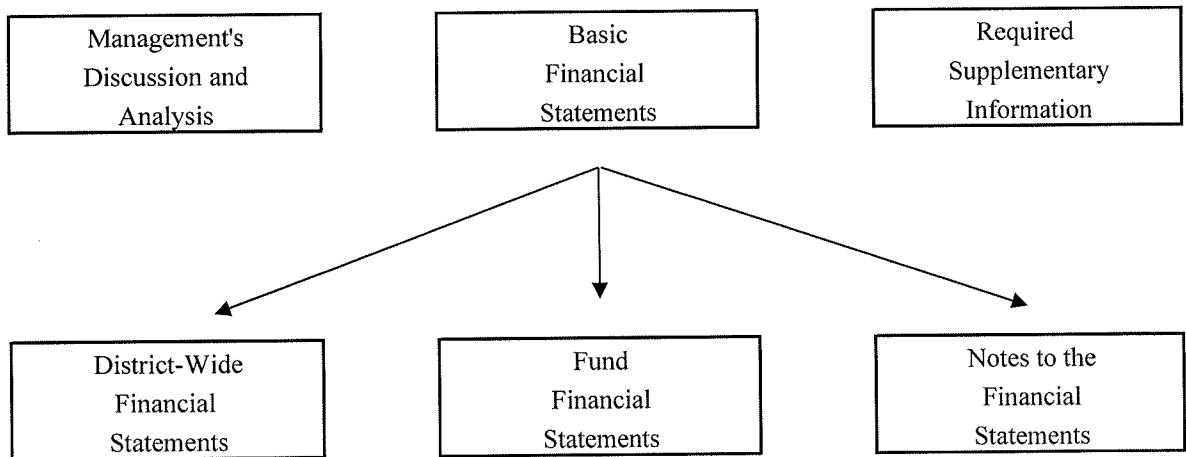


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	Fund Financial Statements		
	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances where the district administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenue, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual Accounting and Economic Resources focus	Modified Accrual Accounting and Current Financial Focus	Accrual Accounting and Economic Resources focus
Type of Asset/Liability Information	All Assets and Liabilities, both Financial and Capital, Short-Term and Long-Term	Generally assets expected to be used and liabilities that come due during the year or soon thereafter no capital assets or long-term liabilities included	All assets and liabilities, both short-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All Revenue and Expenses during the year, regardless of when Cash is received or paid	Revenue for which cash is received during or soon after year-end, expenditures when goods or services have been received and the related liabilities are due and payable	All Additions and Deductions during the year, regardless of when cash is received or paid

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the basic financial statements can be found immediately following the fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's net position is shown in Figure A-3. It is important to note here that depreciation of the District's capital assets is computed into the total. The depreciation factored into the District's net position for 2015/16 is \$199,078. This same amount is also factored in as an expense in this audit.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-3

Condensed Statement of Net Position

	Governmental Activities		Total School District		Total Percentage Change
	2014/15*	2015/2016	2014/15*	2015/2016	2015/2016
Current and Other Assets	\$ 978,208	\$ 1,012,796	\$ 978,208	\$ 1,012,796	3.42%
Capital Assets, Net	4,113,941	3,995,687	4,113,941	3,995,687	-2.96%
Total Assets	<u>5,092,149</u>	<u>5,008,483</u>	<u>5,092,149</u>	<u>5,008,483</u>	-1.67%
Deferred Outflows of Resources	<u>226,473</u>	<u>656,364</u>	<u>226,473</u>	<u>656,364</u>	65.50%
Long-Term Liabilities	3,951,963	4,274,253	3,951,963	4,274,253	7.54%
Other Liabilities	17,619	255,187	17,619	255,187	93.10%
Total Liabilities	<u>3,969,582</u>	<u>4,529,440</u>	<u>3,969,582</u>	<u>4,529,440</u>	12.36%
Deferred Inflows of Resources	<u>166,463</u>	<u>148,540</u>	<u>166,463</u>	<u>148,540</u>	-12.07%
Net Position:					
Net Investment in Capital					
Assets	3,563,941	3,390,687	3,563,941	3,390,687	-5.11%
Restricted	495,975	478,380	495,975	478,380	-3.68%
Unrestricted / (Deficit)	<u>(2,877,339)</u>	<u>(2,882,200)</u>	<u>(2,877,339)</u>	<u>(2,882,200)</u>	0.17%
Total Net Position	<u>\$ 1,182,577</u>	<u>\$ 986,867</u>	<u>\$ 1,182,577</u>	<u>\$ 986,867</u>	-19.83%

* Restated

Changes in net position. The District's net position was \$986,867 on June 30, 2016, \$195,710 or 19.83% less than it was the year before. (See Figure A-3). The increase in the net pension liability, offset with the reduction of District long-term liabilities associated with capital assets and the unspent budget appropriations were the primary reason for the decrease in the year end governmental net position.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Total School District		Total Percentage Change
	2014/15	2015/16	2014/15	2015/16	2015/16
Revenue:					
Program Revenue:					
Charges for Services	\$ 21,000	\$ 25,000	\$ 21,000	\$ 25,000	-16.00%
Operating Grants and Contributions	2,740,885	3,397,663	2,740,885	3,397,663	19.33%
General Revenue:					
Property Taxes	10,400,059	10,635,425	10,400,059	10,635,425	2.21%
Unrestricted Federal and State Aid	22,316	1,145	22,316	1,145	-1849.00%
Other	49,723	44,487	49,723	44,487	-11.77%
Total Revenue	13,233,983	14,103,720	13,233,983	14,103,720	6.17%
Expenses:					
Instruction	8,366,077	9,304,154	8,366,077	9,304,154	10.08%
Pupil & Instruction Services	1,648,642	1,860,336	1,648,642	1,860,336	11.38%
Administrative and Business	1,376,748	1,378,581	1,376,748	1,378,581	0.13%
Maintenance & Operations	1,097,537	1,112,433	1,097,537	1,112,433	1.34%
Transportation	670,156	601,724	670,156	601,724	-11.37%
Other	37,100	42,202	37,100	42,202	12.09%
Total Expenses	13,196,260	14,299,430	13,196,260	14,299,430	7.71%
Change in Net Position	\$ 37,723	\$ (195,710)	\$ 37,723	\$ (195,710)	-119.27%

Revenue Sources. The District's total revenue for the 2015/16 school year was \$14,103,720. (See Figure A-4). Property taxes accounted for most of the District's revenue, with local taxes accounting for \$10,635,425 of the total, or 75.41 percent. (See Figure A-5). Another 24.10 percent came from state formula aid and other state and federal aid and grants, and the remainder came from miscellaneous sources and charges for services. Fairfield Borough School District basically conducts its operations from the revenues it receives from its local taxpayers and state funding.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-5
Sources of Revenue for Fiscal Year 2016

Sources of Income	Amount	Percentage
State Formula Aid	\$ 3,397,663	24.09%
Property Taxes	10,635,425	75.41%
Federal and State Categorical Grants	1,145	0.01%
Charges for Services	25,000	0.18%
Other	44,487	0.31%
	\$ 14,103,720	100.00%

The total cost of all programs and services was \$14,299,430. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (82.29 percent). (See Figure A-6). The District's administrative and business activities accounted for 9.64 percent of total costs. The most significant contributor to the costs of Maintenance and Operations was higher cleaning and repair service costs.

Figure A-6
Expenses for Fiscal Year 2016

Expense Category	Amount	Percentage
Instruction	\$ 9,304,154	65.07%
Pupil & Instruction Services	1,860,336	13.01%
Administrative and Business	1,378,581	9.64%
Maintenance & Operations	1,112,433	7.78%
Transportation	601,724	4.21%
Other	42,202	0.29%
	\$ 14,299,430	100.00%

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District declined significantly. Maintaining current levels of regular and special programs and services for special needs pupils place great demands on the District's resources. Careful management of expenses generated from declining revenues is essential for the District's financial stability.

Financial resources are at their tightest level in a decade, while demands for new educational activities and programs continue. It has never been more challenging to balance the needs of the District with the financial resources available to the District. Thus, it is critical that the District remains steadfast to thoroughly examine its budget choices carefully.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7

Net Cost of Governmental Activities

	Total		Net	
	Cost of Services		Cost of Services	
	2014/15	2015/16	2014/15	2015/16
Instruction	\$ 8,366,077	\$ 9,304,154	\$ 6,045,080	\$ 6,249,111
Pupil & Instruction Services	1,648,642	1,860,336	1,419,557	1,686,572
Administrative and Business	1,376,748	1,378,581	1,165,408	1,213,242
Maintenance & Operations	1,097,537	1,112,433	1,093,315	1,101,347
Transportation	670,156	601,724	652,915	584,293
Other	37,100	42,202	37,100	42,202
Total	\$ 13,196,260	\$ 14,299,430	\$ 10,413,375	\$ 10,876,767

- The cost of all governmental activities this year was \$14,299,430.
- The federal and state governments subsidized certain programs with grants and contributions (\$3,397,663).
- Most of the District's costs (\$10,635,425), however, were financed by District taxpayers.
- The remainder of the funding came from charges for services, miscellaneous revenue and investment earnings.

Financial Analysis of the District's Funds

The District's financial position is relatively sound despite significant declining budget revenues during a difficult economic environment. The significant reduction in State aid has had a direct impact upon the District's revenues and has directly increased pressure on the local tax burden. The District had the luxury in past years of using excess fund balance to reduce the taxes for the ensuing school year; however, legislation enacted has limited the amount of fund balance to 2% going forward. Accordingly, the Fairfield Township School District has taken measures to reduce expenses and not be dependent on excess fund balance going forward which has been a challenge during 2015/16 and will continue to be a larger challenge going forward.

To maintain a stable financial position, the District must continue to practice sound fiscal management.

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the year, the District revised its annual operating budget several times due to the following:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and maintenance activities.

Capital Assets

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Total School District		Total Percentage Change
	2014/15	2015/16	2014/15	2015/16	2015/16
Land	\$ 308,000	\$ 308,000	\$ 308,000	\$ 308,000	0.00%
Site Improvements	23,292	21,685	23,292	21,685	-7.41%
Buildings & Building Improvements	3,680,888	3,522,201	3,680,888	3,522,201	-4.51%
Machinery and Equipment	101,761	143,801	101,761	143,801	29.23%
Total Capital Assets, Net	<u>\$ 4,113,941</u>	<u>\$ 3,995,687</u>	<u>\$ 4,113,941</u>	<u>\$ 3,995,687</u>	-2.96%

Depreciation expense for Governmental Activities totaled \$199,078 in 2015/16.

Long-Term Liabilities

At year-end, the District had \$605,000 in general obligation bonds, \$3,262,324 of net pension liability and \$406,929 in other long-term liabilities outstanding – an increase of \$322,290 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 7 to the basic financial statements.)

**FAIRFIELD BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-9
Outstanding Long-Term Liabilities**

	Total School District		Percentage
	2014/15	2015/16	Change 2015/16
General Obligation Bonds and Notes (Financed with Property Taxes)	\$ 720,000	\$ 605,000	-19.01%
Net Pension Liability	2,843,481	3,262,324	12.84%
Other Long Term Liabilities	388,482	406,929	4.53%
Total	<u>\$ 3,951,963</u>	<u>\$ 4,274,253</u>	<u>7.54%</u>

- The District continued to pay down its debt, retiring \$115,000 of general obligation bonds.
- In 2015/16, the District had more employees become eligible for accrued compensated absences payouts which accounted for the \$18,447 net increase.
- The District’s net pension liability increased \$418,843 from the prior year.

Factors Bearing on the District’s Economic Future

The Board and the administration have had discussions on how existing circumstances could affect the future financial health of the school district. The following examples may have an impact and affect the financial operation in the future:

- The slow economic recovery in our state has generated concern in the educational community for public school funding.
- A major concern is the continued reduction of State Aid and the increased reliance on local property taxes. The District is committed to striking a fair balance between the local taxpayer and the educational necessities of its pupils.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s citizens, taxpayers, customers and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Administrator/Board Secretary at Fairfield Township School District Board of Education, 15 Knoll Road, Fairfield, New Jersey 07004.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Total
ASSETS:		
Cash and Cash Equivalents	\$ 36,596	\$ 36,596
Receivables:		
Other Governments	578,833	578,833
Other Receivables	1,750	1,750
Interfund Receivable	4,355	4,355
Restricted Cash and Cash Equivalents:		
Capital Reserve Account	391,262	391,262
Capital Assets:		
Sites (Land)	308,000	308,000
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	3,687,687	3,687,687
Total Assets	5,008,483	5,008,483
DEFERRED OUTFLOWS OF RESOURCES:		
Changes in Assumptions - Pension	344,955	344,955
Changes in Proportions - Pension	113,153	113,153
Difference between Expected and Actual Experience- Pension	76,630	76,630
District Contribution Subsequent to the Measurement Date - Pension	121,626	121,626
Total Deferred Outflows of Resources	656,364	656,364
LIABILITIES:		
Accounts Payable - Cash Deficit	113,176	113,176
Accounts Payable - Vendors	8,405	8,405
Accounts Payable - State of New Jersey	121,626	121,626
Payable to Federal Government	2,358	2,358
Unearned Revenue	7,154	7,154
Accrued Interest Payable	2,468	2,468
Noncurrent Liabilities:		
Due Within One Year	115,000	115,000
Due Beyond One Year	4,159,253	4,159,253
Total Liabilities	4,529,440	4,529,440
DEFERRED INFLOWS OF RESOURCES:		
Investment Gains - Pensions	51,645	51,645
Changes in Proportion - Pension	96,895	96,895
Total Deferred Inflows of Resources	148,540	148,540
NET POSITION:		
Net Investment in Capital Assets	3,390,687	3,390,687
Restricted for:		
Capital Projects	391,262	391,262
Excess Surplus	87,118	87,118
Unrestricted/(Deficit)	(2,882,200)	(2,882,200)
Total Net Position	\$ 986,867	\$ 986,867

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 6,357,873	\$ 25,000	\$ 1,930,875		\$ (4,401,998)	\$ (4,401,998)
Special Education	2,185,110		888,827		(1,296,283)	(1,296,283)
Other Special Instruction	636,496		132,294		(504,202)	(504,202)
Other Instruction	124,675		78,047		(46,628)	(46,628)
Support Services:						
Tuition	228,441				(228,441)	(228,441)
Student & Instruction Related Services	1,631,895		173,764		(1,458,131)	(1,458,131)
General Administrative Services	447,705		165,339		(282,366)	(282,366)
School Administrative Services	627,866				(627,866)	(627,866)
Central Services	303,010				(303,010)	(303,010)
Plant Operations and Maintenance	1,112,433		11,086		(1,101,347)	(1,101,347)
Pupil Transportation	601,724		17,431		(584,293)	(584,293)
Capital Outlay	11,855				(11,855)	(11,855)
Interest on Long-Term Debt	30,347				(30,347)	(30,347)
Total Governmental Activities	14,299,430		3,397,663		(10,876,767)	(10,876,767)

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Total Primary Government	<u>\$ 14,299,430</u>	<u>\$ -0-</u>	<u>\$ 3,397,663</u>	<u>\$ -0-</u>	<u>\$ (10,876,767)</u>	<u>\$ (10,876,767)</u>
General Revenue:						
Taxes:						
Property Taxes, Levied for General Purposes, Net				10,487,978	10,487,978	
Taxes Levied for Debt Service				147,447	147,447	
Federal and State Aid not Restricted				1,145	1,145	
Miscellaneous Income				44,487	44,487	
Total General Revenue				<u>10,681,057</u>	<u>10,681,057</u>	
Change in Net Position				(195,710)	(195,710)	
Net Position - Beginning (Restated)				<u>1,182,577</u>	<u>1,182,577</u>	
Net Position - Ending				<u>\$ 986,867</u>	<u>\$ 986,867</u>	

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

FAIRFIELD BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Cash Equivalents			\$ 36,596	\$ 36,596
Receivables From State Government	\$ 170,216		217,819	388,035
Receivables From Federal Governments	1,145	\$ 189,653		190,798
Other Receivables	1,750			1,750
Interfund Receivable	295,904			295,904
Restricted Cash and Cash Equivalents	391,262			391,262
Total Assets	<u>\$ 860,277</u>	<u>\$ 189,653</u>	<u>\$ 254,415</u>	<u>\$ 1,304,345</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts Payable	\$ 113,176	\$ 8,405		\$ 121,581
Interfunds Payable		171,736	\$ 119,813	291,549
Payable to Federal Government		2,358		2,358
Unearned Revenue		7,154		7,154
Total Liabilities	<u>113,176</u>	<u>189,653</u>	<u>119,813</u>	<u>422,642</u>
Fund Balances:				
Restricted:				
Capital Reserve Account	391,262			391,262
Excess Surplus	52,687			52,687
Excess Surplus - Designated for Subsequent Years' Expenditures	34,431			34,431
Committed			134,602	134,602
Assigned:				
Year-end Encumbrances	47,521			47,521
Unassigned	221,200			221,200
Total Fund Balances	<u>747,101</u>		<u>134,602</u>	<u>881,703</u>
Total Liabilities and Fund Balances	<u>\$ 860,277</u>	<u>\$ 189,653</u>	<u>\$ 254,415</u>	

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$9,417,138 and the accumulated depreciation is \$5,421,451.	3,995,687
Accrued liability for interest on long-term debt is not due and payable in the current period and is not reported as a liability in the funds.	(2,468)
Certain amounts related to the Net Pension Liability are deferred and amortized in the Statement of Activities and are not reported in the Governmental Funds:	
Deferred Outflows Changes in Assumptions - Pensions	344,955
Deferred Outflows Changes in Proportions - Pensions	113,153
Deferred Outflows Difference between Expected and Actual Experience - Pensions	76,630
Deferred Inflows Investment Gains - Pensions	(51,645)
Deferred Inflows Changes in Proportions	(96,895)
Long-term liabilities, including bonds payable, net pension liability and other long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(4,274,253)</u>
Net Position of Governmental Activities	<u>\$ 986,867</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Local Sources:					
Local Tax Levy	\$ 10,487,978			\$ 147,447	\$ 10,635,425
Tuition	25,000				25,000
Miscellaneous	44,487	\$ 2,500			46,987
Total - Local Sources	10,557,465	2,500		147,447	10,707,412
State Sources	1,671,177				1,671,177
Federal Sources	1,145	189,653			190,798
Total Revenues	12,229,787	192,153		147,447	12,569,387
EXPENDITURES:					
Current:					
Regular Instruction	3,596,475	175,071			3,771,546
Special Education Instruction	1,198,020	17,082			1,215,102
Other Special Instruction	420,788				420,788
Support Services and Undistributed Costs:					
Tuition	228,441				228,441
Student & Instruction Related Services	1,163,828				1,163,828
General Administrative Services	381,594				381,594
School Administrative Services	381,192				381,192
Central Services	246,833				246,833
Plant Operations and Maintenance	824,979				824,979
Pupil Transportation	590,271				590,271
Unallocated Benefits	3,188,141				3,188,141
Capital Outlay	92,679				92,679

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Debt Service:					
Principal				\$ 115,000	\$ 115,000
Interest and Other Charges				32,448	32,448
Total Expenditures	\$ 12,313,241	\$ 192,153		\$ 147,448	12,652,842
Excess/(Deficiency) of Revenue over / (under) Expenditures	(83,454)			(1)	(83,455)
OTHER FINANCING SOURCES/(USES):					
Transfers In	119,813				119,813
Transfers Out			\$ (119,813)		(119,813)
Total Other Financing Sources/(Uses)	119,813		(119,813)		
Net Change in Fund Balances	36,359		(119,813)	(1)	(83,455)
Fund Balance - July 1*	710,742		254,415	1	965,158
Fund Balance - June 30	\$ 747,101	\$ - 0 -	\$ 134,602	\$ - 0 -	\$ 881,703

* Restated

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

FAIRFIELD BOARD OF EDUCATION
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, 2016

Total Net Change in Fund Balances - Governmental Funds (from Exhibit B-2) \$ (83,455)

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 depreciation differs from the capital asset additions for the current year.

Depreciation Expense	\$	(199,078)
Capital Asset Additions		80,824

(118,254)

In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).

2,101

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

(18,447)

FAIRFIELD BOARD OF EDUCATION
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, 2016

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:	\$ (418,843)
Change in Net Pension Liability	
Deferred Outflows:	
Changes in Assumptions	257,120
Changes in Proportion	(25,485)
Difference between Expected and Actual Experience	76,630
Deferred Inflows:	
Changes in Proportion	(96,895)
Net difference between projected and actual investment earnings on pension plan investments	114,818
Repayment of serial bonds are 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.	115,000
Change in Net Position of Governmental Activities (Exhibit A-2)	\$ (195,710)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-4

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-7

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2016

	<u>Agency Funds</u>	<u>Total</u>
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 123,867	\$ 123,867
Total Assets	<u>123,867</u>	<u>123,867</u>
<u>LIABILITIES:</u>		
Payroll Deductions and Withholdings	86,176	86,176
Interfund Payable	4,355	4,355
Due to Student Groups	<u>33,336</u>	<u>33,336</u>
Total Liabilities	<u>\$ 123,867</u>	<u>\$ 123,867</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

FAIRFIELD BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

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

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall District in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

District-Wide Financial Statements: (Cont'd)

B. Basis of Presentation: (Cont'd)

the extent to which each government function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

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

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting:

The district-wide financial statements and the fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by unassigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets 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 detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget Amendments/Transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the 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 revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

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	\$ 12,229,737	\$ 192,153
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements not Recognized for Budgetary Purposes	28,850	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(28,800)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 12,229,787</u>	<u>\$ 192,153</u>

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,313,241	\$ 192,153
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,313,241	\$ 192,153

E. Cash and Cash Equivalents, and Investments:

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

New Jersey school districts are limited as to type 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 the deposits of which are federally insured. 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 Government Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

Short-term 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.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets: (Cont'd)

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	50 Years
Site Improvements	20 Years
Machinery and Equipment	10 to 15 Years
Computer and Related Technology	5 Years
Vehicles	8 Years

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

L. Long Term Liabilities:

In the District-wide statement of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts, as expenditures in the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District does not allow employees who provide services over the ten-month academic year the option to have their salaries evenly distributed during the entire twelve-month year, therefore, there are no accrued salaries and wages as of June 30, 2016.

N. Compensated Absences:

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

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. In the event of termination, an employee is reimbursed for accumulated vacation. Sick leave benefits provide for ordinary sick pay and begin vesting with the employee after fifteen years of service.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences: (Cont'd)

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

O. Unearned Revenue:

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned. See Note 1(D) regarding the special revenue fund.

P. Fund Balance Appropriated:

General Fund: Of the \$747,101 General Fund fund balance at June 30, 2016, \$391,262 is restricted in the capital reserve account; \$52,687 is current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2018; \$34,431 is the prior year excess surplus and has been restricted for and included as anticipated revenue for the year ending June 30, 2017; \$47,521 is assigned for year end encumbrances; and \$221,200 is unassigned which is \$28,800 less than the calculated maximum unassigned fund balance, on a GAAP basis, due to the final state aid payments, which are not recognized until the fiscal year ended June 30, 2017.

Capital Projects Fund: The District has \$134,602 in Capital Projects Fund has committed fund balance at June 30, 2016.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2003, c.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996(CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District had excess surplus as described above.

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$28,800 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event a state school aid payments are not made until the following school budget year, districts must record the state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize the last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final two state aid payments and not the fund balance reported on the fund statement which excludes the last state aid payments.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. Deficit Net Position:

The District has a \$2,882,200 deficit in its governmental activities Unrestricted Net Position at June 30, 2016 primarily as a result of the investment gains in pensions of \$51,645, changes in proportion in pensions of \$96,895, net pension liability of \$3,262,324, and compensated absences payable \$406,929 offset by the changes in assumptions \$344,955, changes in proportion – pensions \$113,153, difference between expected and actual experience – pension \$76,630, and unassigned and assigned General Fund and committed Capital Projects fund balances. This deficit does not indicate that the District is having financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources for the changes in assumptions, and proportions in pension, the difference between expected and actual experience and the district contribution subsequent to the measurement date related to pension. The District had deferred inflows of resources at June 30, 2016 for the changes in proportion in pension and the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's, highest level of decision making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes by do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund balance restrictions have been established for a capital reserve and excess surplus.

The Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District had \$134,602 committed resources in its Capital Projects Fund at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources of \$47,521 for year-end encumbrances in the General Fund at June 30, 2016.

T. Revenue - Exchange and Nonexchange Transactions:

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

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

U. Management Estimates:

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

V. Pensions

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

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents, and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed on the following pages.

Custodial Credit Risk - The District does not have a policy with respect to custodial credit risk but ensures that funds are only deposited in financial institutions permitted by NJ statute.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Deposits:

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

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

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

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

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

Investments:

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (d) the underlying securities are purchased through a public depository as defined in statute; and
- (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2016, cash and cash equivalents of the District consisted of the following:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents	Total
Checking and Savings Accounts	\$ 47,287	\$ 391,262	\$ 438,549
	\$ 47,287	\$ 391,262	\$ 438,549

The carrying amount of the Board's cash and cash equivalents at June 30, 2016, was \$438,549 and the bank balance was \$655,013. The District did not hold any investments during the fiscal year ended June 30, 2016. There was a deficit in cash in the general fund of \$113,176.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established 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 State Department of Education, 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 amount 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. 6:23A-5.1(d)7, 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, 2015 to June 30, 2016 fiscal year is as follows:

Balance at June 30, 2015	\$ 376,161
Increased by:	
Return of Unexpended Funds from Capital Projects Fund	119,813
	495,974
Decreased by:	
Budgeted Withdrawal	(104,712)
Balance at June 30, 2016	\$ 391,262

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

The June 30, 2016 LRFP balance of local support costs of uncompleted capital projects exceeds the balance in the capital reserve account at June 30, 2016. The withdrawal from the capital reserve account was for use in DOE approved facilities project, consistent with the District's LRFP.

NOTE 5: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$60,482 from equipment to facilities acquisition line items within capital outlay which was approved by the County Superintendent.

NOTE 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets not being Depreciated:				
Sites (Land)	\$ 308,000			\$ 308,000
Total Capital Assets not Being Depreciated	308,000	- 0 -	- 0 -	308,000
Capital Assets Being Depreciated				
Site Improvements	193,233			193,233
Buildings and Building Improvements	8,054,458	\$ 19,108		8,073,566
Machinery and Equipment	780,623	61,716		842,339
Total Capital Assets Being Depreciated	9,028,314	80,824	- 0 -	9,109,138
Governmental Activities Capital Assets	9,336,314	80,824	- 0 -	9,417,138
Less Accumulated Depreciation for:				
Site Improvements	(169,941)	(1,607)		(171,548)
Buildings and Building Improvements	(4,373,570)	(177,795)		(4,551,365)
Machinery and Equipment	(678,862)	(19,676)		(698,538)
Total Accumulated Depreciation	(5,222,373)	(199,078)	- 0 -	(5,421,451)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 4,113,941	\$ (118,254)	\$ - 0 -	\$ 3,995,687

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 10,140
Support Services - Student Instructional Staff	1,659
School Administration	7,023
Operations and Maintenance of Plant	<u>180,256</u>
Total Depreciation Expense	<u>\$ 199,078</u>

NOTE 7. GENERAL LONG-TERM DEBT

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Issued/ Accrued	Retired	Balance 6/30/2016	Amounts Due in a Year
Compensated Absences Payable	\$ 388,482	\$ 20,054	\$ 1,607	\$ 406,929	
Serial Bonds Payable	720,000		115,000	605,000	\$ 115,000
Net Pension Liability	<u>2,843,481</u>	<u>418,843</u>		<u>3,262,324</u>	
	<u>\$ 3,951,963</u>	<u>\$ 438,897</u>	<u>\$ 116,607</u>	<u>\$ 4,274,253</u>	<u>\$ 115,000</u>

A. 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. The Debt Service Fund will be used to liquidate the serial bonds.

Principal and interest due on serial bonds outstanding are as follows:

Year Ending June 30,	Serial Bonds		Total
	Principal	Interest	
2017	\$ 115,000	\$ 26,773	\$ 141,773
2018	125,000	20,801	145,801
2019	125,000	14,514	139,514
2020	80,000	9,480	89,480
2021	80,000	5,700	85,700
2022	<u>80,000</u>	<u>1,900</u>	<u>81,900</u>
	<u>\$ 605,000</u>	<u>\$ 79,168</u>	<u>\$ 684,168</u>

The District had serial bonds outstanding as of June 30, 2016 as follows:

Purpose	Issue Dates	Interest Rates	Final Date of Maturity	Balance June 30, 2016
2002 School Bonds	5/1/2002	4.50-4.75%	12/1/2021	\$ 475,000
Pension Series 2003	4/14/2003	5.75%	10/1/2018	<u>130,000</u>
				<u>\$ 605,000</u>

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 7. GENERAL LONG-TERM DEBT (Cont'd)

B. Bonds Authorized But Not Issued:

As of June 30, 2016, the Board has no bonds authorized but not issued.

C. Capital Leases Payable:

The District had no capital leases payable at June 30, 2016.

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded as a long-term liability. There is no current portion of the compensated absences balance of the governmental funds in the current year. The long-term liability balance of compensated absences is \$406,929. The General Fund will be used to liquidate compensated absences payable.

E. Net Pension Liability

The Public Employee's Retirement System (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long term portion is \$3,262,324. See Note 8 for further information on the PERS.

NOTE 8. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

<u>Tier</u>	<u>Definition</u>
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$135,635 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2015, the District reported a liability of \$3,212,109 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.014%, which was a decrease of 0.000249% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$215,670. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Year</u>	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	2014	6.44	\$ 68,758	
	2015	5.72	276,197	
Difference between Expected and Actual Experience	2015	5.72	76,630	
Changes in Proportion	2014	6.44	113,153	
	2015	5.72		\$ 96,895
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2014	5.00		51,645
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2015	5.00		
District Contribution Subsequent to the Measurement Date	2015	1.00	121,626	
			<u>\$ 656,364</u>	<u>\$ 148,540</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 67,347
2017	67,348
2018	67,348
2019	107,262
2020	60,635
	<u>\$ 369,940</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that 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.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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 in which best-estimate ranges of expected future real rates of return (expected returned, 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' target asset allocation as of June 30, 2015 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%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of 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 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 8. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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 collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, 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 or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 3,992,259	\$ 3,212,109	\$ 2,558,038

Pension plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

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

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided (Cont'd)

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

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, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$383,524 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$1,917,857.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

At June 30, 2016, the State's proportionate share of the net pension liability associated with the District was \$31,409,905. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. 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 members, actuarially determined. At June 30, 2015, the District's proportion was 0.050%, which was an increase of 0.003% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>31,409,905</u>
Total	<u><u>\$ 31,409,905</u></u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$1,917,857 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period in Years</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions - 2014	8.5	\$ 1,999,074,013	
Changes in Assumptions - 2015	8.3	5,201,079,373	
Difference Between Expected and Actual Experience - 2014	8.5		\$ 19,039,817
Difference Between Expected and Actual Experience - 2015	8.3	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2014	5		1,305,927,430
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments - 2015	5		(770,568,242)
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Contributions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014 which was rolled forward to June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

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

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) 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 in which best-estimate ranges of expected future real rates of return (expected returned, 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, 2015 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Cash	5.00%	0.53%
U.S. Government Bonds	1.75%	1.39%
U.S. Credit Bonds	13.50%	2.72%
U.S. Mortgages	2.10%	2.54%
U.S. Inflation-Indexed Bonds	1.50%	1.47%
U.S. High Yield Bonds	2.00%	4.57%
U.S. Equity Market	27.25%	5.63%
Foreign-Developed Equity	12.00%	6.22%
Emerging Market Equities	6.40%	8.46%
Private Real Estate Property	4.25%	3.97%
Timber	1.00%	4.09%
Farmland	1.00%	4.61%
Private Equity	9.25%	9.15%
Commodities	1.00%	3.58%
Hedge Funds - MultiStrategy	4.00%	4.59%
Hedge Funds - Equity Hedge	4.00%	5.68%
Hedge Funds - Distressed	4.00%	4.30%

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.13% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90% and a municipal bond rate of 3.80% as of June 30, 2015 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in 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 net pension liability of the State as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 37,329,498	\$ 31,409,905	\$ 26,309,821

Pension Plan Fiduciary Net Position - TPAF

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

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

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$7,920 for the fiscal year ended June 30, 2016. Employee contributions to DCRP amounted to \$16,350 for the fiscal year ended June 30, 2016.

D. Board of Education Employees' Pension Fund of Essex County (the Plan)

Plan Description

The Board of Education Employees' Pension Fund of Essex County (the "Plan"), is a multiple-employer contributory defined benefit pension plan that provides pension and life insurance benefits to employees of the Boards of Education within Essex County employed before July 1, 1981, except temporary employees and employees eligible for coverage under any New Jersey State administered pension plan created under prior New Jersey laws.

The ECPF became effective April 16, 1929. The Plan provides for retirement, service, and non-service connected death and disability benefits for its members. The Plan is governed by New Jersey Statutes under Title 18A, and is administered by a Board of Trustees for the Plan who is also responsible for the management and investment of Plan assets. The Board of Trustees consists of one active and five retired elected Plan members.

Pursuant to New Jersey Public Law enacted in 1980, members were given the option to transfer their membership in the Plan to the PERS. Approximately 2,775 members, 58% of the membership, elected to transfer to PERS effective July 1, 1981. The Plan is closed to new entrants.

Benefits Provided

Regular service retirement benefits are determined as $1/45^{\text{th}}$ of the highest 3 year average salary multiplied by the member's years of credited service. A member may elect early retirement benefits if they are under age 60 and have at least 25 years of credited service. The Plan also offers a special veterans benefit, disability and deferred benefits. Group life insurance benefits and death benefits are available to be paid to beneficiaries if elected by the member.

For more complete information about the Plan agreement and vesting and benefit provisions, participants are referred to the pamphlet, *A Summary of Benefits*. Copies of this pamphlet are available from the Pension Fund Administration Office.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

D. Board of Education Employees' Pension Fund of Essex County (the Plan) (Cont'd)

Contributions

Contributions are made by the members at 3%, the maximum contribution rate required by statute, of their annual compensation. Contributions made by the Boards are determined annually based upon actuarial valuations. The Boards are required to reimburse the Plan for administrative expenses and cost of living increases associated with its retirees. Plan provisions and contribution requirements are established by New Jersey state statute assets. District contributions to the Plan amounted to \$7,753 for fiscal year 2016.

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

At June 30, 2016, the District reported a liability of \$50,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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 members, actuarially determined. The District rolled forward the net pension liability to June 30, 2016 with no adjustments. At June 30, 2015, the District's proportion was 0.130%, which was a decrease of 0.005% from its proportion measured as of June 30, 2014. The District utilized the proportion at June 30, 2015 for June 30, 2016 as there were no known changes to the proportion as of June 30, 2016.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$9,021. At June 30, 2016, the District reported deferred outflows of resources related to pension from the sources noted in the below table. For the fiscal year ended June 30, 2016 we amortized the deferred outflow of resources at June 30, 2015 by the amount to be amortized for the fiscal year ended June 30, 2016 per the June 30, 2015 actuarial valuation. There were no deferred inflows of resources.

	Amortization Period in Years	Deferred Outflows of Resources
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	5	\$ 1,268
District Contribution Subsequent to the Measurement Date	1	<u>2,723</u>
		<u>\$ 3,991</u>

The amounts reported as a deferred outflows of resource related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2017	\$ 317
2018	317
2019	317
2020	<u>317</u>
	<u>\$ 1,268</u>

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 8. PENSION PLANS (Cont'd)

D. Board of Education Employees' Pension Fund of Essex County (the Plan) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2015. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2014. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.30%
Salary Increases	4.50%
Investment Rate of Return, net of Plan investment expense, including inflation	7.00%
Cost of Living Adjustments ("COLA")	3.00%

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 separate annuitant and non-annuitant tables with static projections using Scale AA through the valuation year plus 7 years for annuitants and the valuation year plus 15 years for no annuitants. For disabled retirees, mortality rates are based on the 1994 Group Annuity Mortality Table set forward 10 years. No changes to the actuarial assumptions as of June 30, 2015 are known as of June 30, 2016 so the actuarial assumptions as of June 30, 2015 were utilized for June 30, 2016.

Long Term Expected Rate of Return

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 including in the Plan's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
U.S. Fixed Income	40.00%	1.60%
U.S. Large CAP Equities	50.00%	6.70%
U.S. Small CAP Equities	10.00%	6.70%

* - Net of 2.6% inflation assumption

No changes to the long term expected rate of return as of June 30, 2015 are known as of June 30, 2016 so the discount rate as of June 30, 2015 was utilized for June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that contributions will be made at the actuarially determined amount, including the reimbursement of administrative expenses and COLA payments. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. PENSION PLANS (Cont'd)

D. Board of Education Employees' Pension Fund of Essex County (the Plan) (Cont'd)

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 collective net pension liability as of June 30, 2015 calculated using the discount rate of 7%, 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 or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the Net Pension Liability	\$ 68,337	\$ 50,215	\$ 34,534

Pension Plan Fiduciary Net Position

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

NOTE 9. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and 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 Law amended the law to eliminate the funding of post-retirement medical benefits through 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, 2015, there were 107,314 retirees receiving post-retirement medical benefits, and the State contributed \$1.25 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 prefunding 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 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pension and Benefits issues a publically 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/financial2015combinedpdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$456,672, \$426,519 and \$323,306 for 2016, 2015 and 2014 respectively.

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 10. DEFERRED COMPENSATION

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

AXA Equitable
VALIC

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. Health Benefits are provided to the employees through the State of New Jersey Health Benefits Plan.

Property and Liability

The Fairfield Township School District is currently a member of the New Jersey Schools Insurance Group (the "Group"). The Group provides its members with Workers' Compensation, Property Building and Contents, General Liability, Automotive Liability, and Employer Liability Insurance. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Group is risk-sharing public entity risk pools that are both an insured and self-administered group of school districts established for the purpose of providing low-cost insurance coverage for their members in order to keep local property taxes at a minimum. Each member appoints an official to represent their respective district for the purpose of creating a governing body from which officers for the Group is elected. As a member of the Group, the Board of Education could be subject to supplemental assessments in the event of deficiencies. If the assets of the Group were to be exhausted, members would become responsible for their respective shares of the Group's liabilities.

The Group can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Governmental Accounting Standards Board, these distributions are used to reduce the amount recorded for membership expense in the year in which the distribution was declared.

The June 30, 2016 financial information was not available as of the date of the audit. Selected financial information for the Group is of June 30, 2015 is as follows:

	New Jersey Schools Insurance Group June 30, 2015
Total Assets	\$ 294,626,089
Net Position	\$ 57,315,326
Total Revenue	\$ 124,104,560
Total Expenses	\$ 121,185,870
Change in Net Position	\$ 2,918,690
Members Dividends	\$ -0-

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT (Cont'd)

Financial statements for the Group are available at the respective Group's Executive Director's Office:
New Jersey Schools Insurance Group

6000 Midlantic Drive
Mount Laurel, NJ 08054
(609) 386-6060
www.njsig.org

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit the New Jersey Unemployment Trust Fund employee withholdings and employer share of contributions for future benefits to be paid to its former employees charged to its account with the State.

NOTE 12. ECONOMIC DEPENDENCY

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District's programs and activities.

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the municipality and are remitted to the local school district on predetermined, agreed-upon schedules.

NOTE 14. INTERFUND RECEIVABLES, PAYABLES

The District had the following interfunds payables or receivables on their various balance sheets as of June 30, 2016:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 295,904	
Special Revenue Fund		\$ 171,736
Capital Projects Fund		119,813
Payroll Agency Fund		4,355
	\$ 295,904	\$ 295,904

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 15. ACCOUNTS PAYABLE

At year end June 30, 2016, the Board has the following accounts payable in the governmental funds:

	Governmental Funds		District Contri- bution Subsequent to the Measure- ment Date	Total Governmental Activities
	General Fund	Special Revenue Fund		
Cash Deficit	\$ 113,176			\$ 113,176
Vendors		\$ 8,405		8,405
State of New Jersey			\$ 121,626	121,626
	<u>\$ 113,176</u>	<u>\$ 8,405</u>	<u>\$ 121,626</u>	<u>\$ 243,207</u>

NOTE 16. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the prior year extraordinary aid receivable on a GAAP basis, and the net pension liability for the Board of Education Employees' Pension Fund of Essex County as of June 30, 2015 as a result of implementing Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions- An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 71*. The receivable for extraordinary aid was previously reported only on the budgetary basis of accounting.

	Balance 6/30/15 as Previously Reported	Retroactive Adjustments	Balance 6/30/15 as Restated
<u>Statement of Net Position:</u>			
<u>Governmental Activities:</u>			
<u>Statement of Net Position:</u>			
Assets:			
Receivables from Other Governments	\$ 392,604	\$ 55,528	\$ 448,132
Total Assets	4,986,406	55,528	5,041,934
Liabilities:			
Non-Current Liabilities:			
Due Beyond One Year	3,663,728	50,215	3,713,943
Total Liabilities	3,919,367	50,215	3,969,582
Net Position:			
Unrestricted/(Deficit)	(3,067,469)	55,528	(3,011,941)
Total Net Position	1,127,049	55,528	1,182,577
<u>Governmental Funds Balance Sheet:</u>			
<u>General Fund:</u>			
Assets:			
Receivable from Other Governments	19,224	105,743	124,967
Total Assets	605,000	105,743	710,743
Fund Balances:			
General Fund	115,407	105,743	221,150
Total Fund Balances	604,999	105,743	710,742

FAIRFIELD BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 17. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Encumbrances

As of June 30, 2016, there were encumbrances as detailed below in the governmental funds.

General Fund	Total Governmental Funds
\$ 47,521	\$ 47,521

Litigation

The Board is periodically involved in pending lawsuits. The Board estimates that the potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the Board.

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

L-1

FAIRFIELD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0149100000%	0.0143091135%
District's proportionate share of the net pension liability	\$ 2,793,266	\$ 3,212,109
District's covered employee payroll	\$ 996,819	\$ 984,013
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	280.22%	326.43%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

L-2

FAIRFIELD TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 122,991	\$ 135,635
Contributions in relation to the contractually required contribution	<u>(122,991)</u>	<u>(135,635)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 984,013	\$ 959,246
Contributions as a percentage of covered employee payroll	12.50%	14.14%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

FAIRFIELD TOWNSHIP SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
State's proportion of the net pension liability attributable to the District	0.0466109431%	0.0496958788%
State's proportionate share of the net pension liability attributable to the District	\$ 24,912,032	\$ 31,409,905
District's covered employee payroll	\$ 4,776,026	\$ 4,676,920
State's proportionate share of the net pension liability attributed to the District as a percentage of its covered employee payroll	521.61%	671.59%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

L-4

FAIRFIELD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 1,340,501	\$ 1,917,857
Contributions in relation to the contractually required contribution	<u>(250,642)</u>	<u>(383,524)</u>
Contribution deficiency/(excess)	<u>\$ 1,089,859</u>	<u>\$ 1,534,333</u>
District's covered employee payroll	\$ 4,776,026	\$ 4,676,920
Contributions as a percentage of covered employee payroll	28.07%	41.01%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

L-5

FAIRFIELD BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
BOARD OF EDUCATION EMPLOYEES' PENSION FUND OF ESSEX COUNTY
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually Required Contribution	\$ 6,370	\$ 7,630
Contributions in Relation to the Contractually Required Contribution	<u>(6,370)</u>	<u>(7,630)</u>
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ -0-	\$ -0-
Contributions as a Percentage of Covered Employee Payroll	0.00%	0.00%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

FAIRFIELD BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Unaudited)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.68% as of June 30, 2014 to 4.13% as of June 30, 2015.

C. BOARD OF EDUCATION EMPLOYEES' PENSION FUND OF ESSEX COUNTY

Benefit Changes

There were none known.

Changes of Assumptions

There were none known.

BUDGETARY COMPARISON SCHEDULES

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 10,487,978		\$ 10,487,978	\$ 10,487,978	
Tuition - From other LEAs within the State	25,000		25,000	25,000	
Rents and Royalties	32,630		32,630	40,109	\$ 7,479
Miscellaneous	475		475	4,378	3,903
Total - Local Sources	<u>10,546,083</u>		<u>10,546,083</u>	<u>10,557,465</u>	<u>11,382</u>
State Sources:					
Special Education Aid	268,309		268,309	268,309	
Transportation Aid	17,428		17,428	17,428	
Security Aid	11,083		11,083	11,083	
Additional Adjustment Aid	1		1	1	
PARCC Readiness Aid	6,260		6,260	6,260	
Per Pupil Growth Aid	6,260		6,260	6,260	
Extraordinary Aid	138,542		138,542	132,420	(6,122)
On-Behalf TPAF Pension (Non-Budgeted)				383,524	383,524
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				456,672	456,672
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				389,170	389,170
Total State Sources	<u>447,883</u>		<u>447,883</u>	<u>1,671,127</u>	<u>1,223,244</u>
Federal Sources:					
Disaster Grant - Public Assistance - FEMA January Snowstorm				1,145	1,145
Total Federal Sources				<u>1,145</u>	<u>1,145</u>
TOTAL REVENUES	<u>10,993,966</u>		<u>10,993,966</u>	<u>12,229,737</u>	<u>1,235,771</u>

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current Expense:					
Regular Programs - Instruction:					
Salaries of Teachers:					
Kindergarten	\$ 330,440	\$ (23,084)	\$ 307,356	\$ 307,356	
Grades 1-5	2,171,677	190,168	2,361,845	2,360,503	\$ 1,342
Grades 6-8	362,932	(25,867)	337,065	337,065	
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	180,169	2,120	182,289	182,289	
Other Purchased Services (400-500 series)	147,137	58,479	205,616	204,001	1,615
General Supplies	123,224	(10,351)	112,873	111,260	1,613
Textbooks	90,692	2,516	93,208	93,208	
Other Objects		793	793	793	
Total Regular Programs	<u>3,406,271</u>	<u>194,774</u>	<u>3,601,045</u>	<u>3,596,475</u>	<u>4,570</u>
Special Education:					
Multiple Disabilities:					
Salaries of Teachers	47,224	2,950	50,174	50,174	
Other Salaries for Instruction	107,909	(52,066)	55,843	55,843	
Total Multiple Disabilities	<u>155,133</u>	<u>(49,116)</u>	<u>106,017</u>	<u>106,017</u>	
Resource Room/Resource Center:					
Salaries of Teachers	715,906	(90,027)	625,879	625,879	
Other Salaries for Instruction	281,590	30,829	312,419	312,419	
General Supplies	2,000	2,158	4,158	4,158	
Total Resource Room/Resource Center	<u>999,496</u>	<u>(57,040)</u>	<u>942,456</u>	<u>942,456</u>	

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Current Expense:					
Autism:					
Salaries of Teachers	\$ 70,172	\$ 38,026	\$ 108,198	\$ 108,198	
Other Salaries for Instruction	23,905	17,444	41,349	41,349	
Total Preschool Disabilities - Full-Time	94,077	55,470	149,547	149,547	
Total Special Education	1,248,706	(50,686)	1,198,020	1,198,020	
Basic Skills/Remedial:					
Salaries of Teachers	263,381	(1,629)	261,752	261,752	
General Supplies	800	2,494	3,294	3,294	
Total Basic Skills/Remedial	264,181	865	265,046	265,046	
Bilingual Education:					
Salaries of Teachers	32,792	6,479	39,271	39,271	
Purchase Professional-Educational Services	1,000	(295)	705	705	
General Supplies	500		500	500	
Textbooks	200	(87)	113	113	
Total Bilingual Education	34,492	6,097	40,589	40,589	
Summer School - Instruction:					
Salaries of Teachers	60,179	(7,109)	53,070	53,070	
Total Summer School - Instruction	60,179	(7,109)	53,070	53,070	
Other Supplemental/At-Risk Programs - Instruction:					
Salaries of Teachers	62,083		62,083	62,083	
General Supplies	200	(200)			
Total Other Supplemental/At-Risk Programs - Instruction	62,283	(200)	62,083	62,083	
Total Instruction	5,076,112	143,741	5,219,853	5,215,283	\$ 4,570

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Instruction:					
Tuition to Private Schools for the Disabled - Within State	\$ 249,152	\$ (20,181)	\$ 228,971	\$ 228,441	\$ 530
Total Instruction	<u>249,152</u>	<u>(20,181)</u>	<u>228,971</u>	<u>228,441</u>	<u>530</u>
Health Services:					
Salaries	144,218	500	144,718	144,718	
Other Purchased Services (400-500 series)	9,572	(655)	8,917	8,917	
Supplies and Materials	<u>2,855</u>	<u>(1,542)</u>	<u>1,313</u>	<u>1,313</u>	
Total Health Services	<u>156,645</u>	<u>(1,697)</u>	<u>154,948</u>	<u>154,948</u>	
Other Support Services - Speech, OT, PT and Related Services:					
Salaries	133,834		133,834	133,834	
Purchased Professional - Educational Services	6,000	(93)	5,907	5,907	
Supplies and Materials	<u>1,700</u>	<u>(127)</u>	<u>1,573</u>	<u>1,573</u>	
Total Other Support Services - Speech, OT, PT and Related Services	<u>141,534</u>	<u>(220)</u>	<u>141,314</u>	<u>141,314</u>	
Other Support Services Student - Extraordinary Services:					
Salaries	84,929		84,929	84,929	
Purchased Professional - Educational Services	238,147	(42,558)	195,589	182,140	13,449
Supplies and Materials	<u>500</u>	<u>(375)</u>	<u>125</u>	<u>125</u>	
Total Other Support Services Student - Extraordinary Services	<u>323,576</u>	<u>(42,933)</u>	<u>280,643</u>	<u>267,194</u>	<u>13,449</u>

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Other Support Services - Guidance:					
Salaries	\$ 49,674	\$ 500	\$ 50,174	\$ 50,174	
Other Purchased Professional and Technical Services	500	(2)	498	498	
Supplies and Materials	700		700	700	
Total Other Support Services - Guidance	<u>50,874</u>	<u>498</u>	<u>51,372</u>	<u>51,372</u>	
Other Support Services - Child Study Team:					
Salaries of Other Professional Staff	265,120	(8,580)	256,540	256,540	
Salaries of Secretarial and Other Clerical Assistants	41,601	(20,800)	20,801	20,801	
Purchased Professional - Educational Services	250	(250)			
Other Purchased Professional and Technical Services	9,103	2,866	11,969	11,969	
Supplies and Materials	3,600	(429)	3,171	3,171	
Other Objects	1,120	(100)	1,020	1,020	
Total Other Support Services - Child Study Team	<u>320,794</u>	<u>(27,293)</u>	<u>293,501</u>	<u>293,501</u>	
Educational Media Services/School Library:					
Salaries	101,207		101,207	101,207	
Salaries of Technology Coordinators	140,000	(18,968)	121,032	121,032	
Other Purchased Services (400-500 series)	4,107	2	4,109	4,075	\$ 34
Supplies and Materials		368	368	368	
Total Educational Media Services/School Library	<u>245,314</u>	<u>(18,598)</u>	<u>226,716</u>	<u>226,682</u>	<u>34</u>
Instructional Staff Training Services:					
Other Purchased Services (400-500 series)	32,800	(9,650)	23,150	23,150	
Other Objects	3,500	2,167	5,667	5,667	
Total Instructional Staff Training Services	<u>36,300</u>	<u>(7,483)</u>	<u>28,817</u>	<u>28,817</u>	

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Support Services - General Administration:					
Salaries	\$ 228,848	\$ (61)	\$ 228,787	\$ 228,787	
Legal Services	31,000	17,510	48,510	48,510	
Audit Fees	18,275	(210)	18,065	18,065	
Other Purchased Professional Services	9,915	(5,380)	4,535	4,535	
Purchased Technical Services	17,750	14,070	31,820	31,820	
Communications/Telephone	34,885	(3,343)	31,542	31,542	
BOE Other Purchased Services	10,465	(5,111)	5,354	4,879	\$ 475
Miscellaneous Purchased Services (400-500 series)	625	1,331	1,956	1,936	20
General Supplies	2,750	(1,617)	1,133	1,133	
Miscellaneous Expenditures	3,310	222	3,532	3,532	
BOE Membership Dues and Fees	5,555	1,300	6,855	6,855	
Total Support Services - General Administration	<u>363,378</u>	<u>18,711</u>	<u>382,089</u>	<u>381,594</u>	<u>495</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	262,522	(2,582)	259,940	259,940	
Salaries of Secretarial and Clerical Assistants	81,606	20,801	102,407	102,407	
Purchased Professional and Technical Services	15,146	(524)	14,622	14,622	
Other Purchased Services (400-500 series)	7,240	(6,577)	663	663	
Supplies and Materials	3,000	(260)	2,740	2,740	
Other Objects	300	520	820	820	
Total Support Services - School Administration	<u>369,814</u>	<u>11,378</u>	<u>381,192</u>	<u>381,192</u>	

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Central Services:					
Salaries	\$ 153,167	\$ 46,511	\$ 199,678	\$ 194,873	\$ 4,805
Purchased Professional Services	22,000	20,958	42,958	42,958	
Miscellaneous Purchased Services (400-500 series)	5,456	145	5,601	5,339	262
Supplies and Materials	4,300	(1,745)	2,555	2,555	
Miscellaneous Expenditures	3,400	(2,292)	1,108	1,108	
Total Central Services	<u>188,323</u>	<u>63,577</u>	<u>251,900</u>	<u>246,833</u>	<u>5,067</u>
Required Maintenance for School Facilities:					
Cleaning, Repair and Maintenance Services	40,000	18,194	58,194	58,194	
General Supplies	3,405	3,762	7,167	7,167	
Total Required Maintenance for School Facilities	<u>43,405</u>	<u>21,956</u>	<u>65,361</u>	<u>65,361</u>	
Custodial Services:					
Salaries	378,272	(11,325)	366,947	366,307	640
Other Purchased Property Services	92,728	(3,406)	89,322	80,933	8,389
Insurance	62,225	2,548	64,773	64,773	
General Supplies	45,000	(769)	44,231	44,231	
Energy (Natural Gas)	70,289	(27,035)	43,254	43,254	
Energy (Electricity)	125,938	(15,746)	110,192	110,192	
Other Objects	1,075	804	1,879	1,374	505
Total Custodial Services	<u>775,527</u>	<u>(54,929)</u>	<u>720,598</u>	<u>711,064</u>	<u>9,534</u>

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
Undistributed Expenditures:					
Security:					
Salaries	\$ 48,554		\$ 48,554	\$ 48,554	
Total Security	48,554		48,554	48,554	
Student Transportation Services:					
Salaries for Pupil Transportation - (Between Home and School) - Regular	42,208	\$ (2,013)	40,195	40,195	
Other Purchased Professional and Technical Services	4,000	1,200	5,200	5,200	
Contracted Services - (Between Home and School) - Vendors	324,733	1,200	325,933	325,933	
Contracted Services - (Other than Between Home and School) - Vendors	3,500	(806)	2,694	2,694	
Contracted Services - (Special Education Students) - Joint Agreements	143,211	59,778	202,989	202,989	
Contracted Services - Aid in Lieu Payments- Non-public Schools	14,336	(1,076)	13,260	13,260	
Total Student Transportation Services	531,988	58,283	590,271	590,271	
Unallocated Benefits:					
Unemployment Compensation	27,500	301	27,801	27,801	
Workmen's Compensation	61,899	(3,745)	58,154	58,154	
Health Benefits	1,744,277	(138,160)	1,606,117	1,596,294	\$ 9,823
Tuition Reimbursement	20,000	(3,400)	16,600	16,600	
Other Employee Benefits	400	(97)	303	303	
Social Security Contributions	115,000	1,235	116,235	116,235	
Other Retirement Contributions - PERS	138,000	(182)	137,818	135,635	2,183
Other Retirement Contributions - Regular	15,113	(7,360)	7,753	7,753	
Total Unallocated Benefits	2,122,189	(151,408)	1,970,781	1,958,775	12,006

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Current Expense:					
On-Behalf Contributions:					
On-Behalf TPAF Pension (Non-Budgeted)				\$ 383,524	\$ (383,524)
On-Behalf TPAF Post Retirement Medical Benefits (Non-Budgeted)				456,672	(456,672)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				389,170	(389,170)
Total On-Behalf Contributions				<u>1,229,366</u>	<u>(1,229,366)</u>
Total Undistributed Expenditures	<u>\$ 5,967,367</u>	<u>\$ (150,339)</u>	<u>\$ 5,817,028</u>	<u>7,005,279</u>	<u>(1,188,251)</u>
Total Expenditures - Current Expense	<u>11,043,479</u>	<u>(6,598)</u>	<u>11,036,881</u>	<u>12,220,562</u>	<u>(1,183,681)</u>
Capital Outlay:					
Equipment:					
Instruction:					
Grades 1-5	3,000	19,565	22,565	22,565	
Undistributed Expenditures:					
Support Services - Instructional Staff		3,856	3,856	3,856	
Required Maintenance for School Facilities	54,512	(19,072)	35,440	35,295	145
Custodial Services	2,200	(2,200)			
Security	62,631	(62,631)			
Total Equipment	<u>122,343</u>	<u>(60,482)</u>	<u>61,861</u>	<u>61,716</u>	<u>145</u>
Facilities Acquisition and Construction:					
Construction Services		60,482	60,482	19,108	41,374
Assessment for Debt Service- SDA Funding	11,855		11,855	11,855	
Total Facilities Acquisition and Construction	<u>11,855</u>	<u>60,482</u>	<u>72,337</u>	<u>30,963</u>	<u>41,374</u>
Total Capital Outlay	<u>134,198</u>		<u>134,198</u>	<u>92,679</u>	<u>41,519</u>

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)
(Continued)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
Total Expenditures	\$ 11,177,677	\$ (6,598)	\$ 11,171,079	\$ 12,313,241	\$ (1,142,162)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(183,711)	6,598	(177,113)	(83,504)	93,609
Other Financing Sources:					
Transfer from Capital Projects Fund				119,813	119,813
Total Other Financing Sources / Fund (Uses)				119,813	119,813
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources	(183,711)	6,598	(177,113)	36,309	213,422
Fund Balance, July 1	739,592		739,592	739,592	
Fund Balance, June 30	<u>\$ 555,881</u>	<u>\$ 6,598</u>	<u>\$ 562,479</u>	<u>\$ 775,901</u>	<u>\$ 213,422</u>
<u>Recapitulation:</u>					
Restricted Fund Balance:					
Capital Reserve				\$ 391,262	
Excess Surplus				52,687	
Excess Surplus - Designated for Subsequent Year's Expenditures				34,431	
Assigned Fund Balance:					
Year End Encumbrances				47,521	
Unassigned Fund Balance				<u>250,000</u>	
				775,901	
Reconciliation to Governmental Funds Statements (GAAP):					
Last Two State Aid Payments not recognized on GAAP Basis				<u>(28,800)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 747,101</u>	

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 145,000	\$ 44,718	\$ 189,718	\$ 189,653	\$ (65)
Local Sources		2,500	2,500	2,500	
Total Revenues	<u>145,000</u>	<u>47,218</u>	<u>192,218</u>	<u>192,153</u>	<u>(65)</u>
EXPENDITURES:					
Instruction					
Salaries of Teachers		31,850	31,850	31,839	11
Tuition	136,000	(4,678)	131,322	131,321	1
Other Purchased Services		53	53		53
Supplies and Materials		11,911	11,911	11,911	
Total Instruction	<u>136,000</u>	<u>39,136</u>	<u>175,136</u>	<u>175,071</u>	<u>65</u>
Support Services					
Personal Services - Employee Benefits		8,405	8,405	8,405	
Other Purchased Services	9,000	(323)	8,677	8,677	
Total Support Services	<u>9,000</u>	<u>8,082</u>	<u>17,082</u>	<u>17,082</u>	
Total Expenditures	<u>145,000</u>	<u>47,218</u>	<u>192,218</u>	<u>192,153</u>	<u>65</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Exhibit C-3

FAIRFIELD BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 12,229,737	\$ 192,153
Difference - Budget to GAAP:		
Prior year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	28,850	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(28,800)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 12,229,787	\$ 192,153
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 12,313,241	\$ 192,153
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,313,241	\$ 192,153

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets 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 detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are not substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of 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 General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

FAIRFIELD BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>IDEA Part B, Basic</u>	<u>IDEA Part B, Preschool</u>	<u>Title I</u>	<u>Title II</u>	<u>Safety Grant</u>	<u>Totals June 30, 2016</u>
REVENUE:						
Federal Sources	\$ 131,321	\$ 9,411	\$ 40,244	\$ 8,677		\$ 189,653
Local Sources					\$ 2,500	2,500
Total Revenue	<u>131,321</u>	<u>9,411</u>	<u>40,244</u>	<u>8,677</u>	<u>2,500</u>	<u>192,153</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers			31,839			31,839
Tuition	131,321					131,321
Supplies and Materials		9,411			2,500	11,911
Total Instruction	<u>131,321</u>	<u>9,411</u>	<u>31,839</u>		<u>2,500</u>	<u>175,071</u>
Support Services:						
Personal Services -						
Employee Benefits			8,405			8,405
Other Purchased Services				8,677		8,677
Total Support Services			<u>8,405</u>	<u>8,677</u>		<u>17,082</u>
Total Expenditures	<u>\$ 131,321</u>	<u>\$ 9,411</u>	<u>\$ 40,244</u>	<u>\$ 8,677</u>	<u>\$ 2,500</u>	<u>\$ 192,153</u>

CAPITAL PROJECTS FUND

Exhibit F-1

FAIRFIELD BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenue and Other Financing Sources:	
State Sources - SDA Grant	<u>\$ (1,746)</u>
Total Revenues	<u>(1,746)</u>
Other Financing Uses:	
Transfer to Capital Reserve	<u>119,813</u>
Total Other Financing Uses	<u>119,813</u>
Deficiency of Revenues and Other Financing Sources	
Under Other Financing Uses	(121,559)
Fund Balance - Beginning Balance	<u>256,161</u>
Fund Balance - Ending Balance	<u><u>\$ 134,602</u></u>
Recapitulation:	
Fund Balance Budgetary Basis	<u>\$ 134,602</u>
Fund Balance per Governmental Funds (GAAP)	<u><u>\$ 134,602</u></u>

Exhibit F-1a

FAIRFIELD BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS
BUDGETARY BASIS
REPLACE ROOF IN STEVENSON SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Total</u>	<u>Revised Authorized Cost</u>
Revenue and Other Financing Sources:				
Transfers from Capital Reserve	\$ 765,772	\$ (104,712)	\$ 661,060	\$ 661,060
State Sources - SDA Grant	<u>352,600</u>		<u>352,600</u>	<u>352,600</u>
Total Revenue and Other Financing Sources	<u>1,118,372</u>	<u>(104,712)</u>	<u>1,013,660</u>	<u>1,013,660</u>
Expenditures:				
Construction Services	809,500		809,500	893,660
Other Purchased Professional Technical Services	<u>72,176</u>		<u>72,176</u>	<u>120,000</u>
Total Expenditures	<u>881,676</u>		<u>881,676</u>	<u>1,013,660</u>
Excess of Revenue and Other Financing Sources Over Expenditures	<u>\$ 236,696</u>	<u>\$ (104,712)</u>	<u>\$ 131,984</u>	<u>\$ - 0 -</u>
Additional Project Information:				
Project Number	1465-005-09-0ZNB			
Grant Date	6/23/2010			
Original Authorized Cost	\$ 1,825,200			
Reduction of Authorized Cost	(706,828)			
Cancelled to Capital Reserve	<u>(104,712)</u>			
Revised Authorized Cost	<u>\$ 1,013,660</u>			
Percentage Decrease over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	9/1/2010			
Revised Target Completion Date	9/1/2010			

Exhibit F-1b

FAIRFIELD BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCES AND PROJECT STATUS
BUDGETARY BASIS
STEVENSON SCHOOL TOILET ROOM RENOVATIONS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Total	Revised Authorized Cost
Revenue and Other Financing Sources:				
Transfer from Capital Reserve	\$ 112,980		\$ 112,980	\$ 112,980
State Sources - SDA Grant	75,320	\$ (1,746)	73,574	73,574
 Total Revenue and Other Financing Sources	188,300	(1,746)	186,554	186,554
 Expenditures:				
Construction Services	170,949		170,949	172,554
Other Purchased Professional Technical Services	12,987		12,987	14,000
 Total Expenditures	183,936		183,936	186,554
 Excess of Revenue and Other Financing Sources Over Expenditures	\$ 4,364	\$ (1,746)	\$ 2,618	\$ - 0 -
 Additional Project Information:				
Project Number	1465-005-10-1001			
Grant Date	2/17/2012			
Original Authorized Cost	\$ 188,300			
SDA Grant Cancelled	(1,746)			
 Revised Authorized Cost	\$ 186,554			
 Percentage Increase over Original Authorized Cost	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	6/30/2012			
Revised Target Completion Date	6/30/2012			

PROPRIETARY FUNDS
(NOT APPLICABLE)

FIDUCIARY FUNDS

Exhibit H-1

FAIRFIELD BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Agency</u>		<u>Totals</u>
	<u>Payroll</u>	<u>Student Activities</u>	
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 90,531	\$ 33,336	\$ 123,867
Total Assets	<u>90,531</u>	<u>33,336</u>	<u>123,867</u>
<u>LIABILITIES:</u>			
Payroll Deductions and Withholdings	86,176		86,176
Interfund Payable - General Fund	4,355		4,355
Due to Student Groups		33,336	33,336
Total Liabilities	<u>\$ 90,531</u>	<u>\$ 33,336</u>	<u>\$ 123,867</u>

Exhibit H-2

FAIRFIELD BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

Exhibit H-3

FAIRFIELD BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 24,218	\$ 76,835	\$ 67,717	\$ 33,336
Total Assets	<u>\$ 24,218</u>	<u>\$ 76,835</u>	<u>\$ 67,717</u>	<u>\$ 33,336</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 24,218	\$ 76,835	\$ 67,717	\$ 33,336
Total Liabilities	<u>\$ 24,218</u>	<u>\$ 76,835</u>	<u>\$ 67,717</u>	<u>\$ 33,336</u>

FAIRFIELD BOARD OF EDUCATION
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY

	Balance June 30, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
SCHOOLS:				
Winston S. Churchill School	\$ 15,681	\$ 41,056	\$ 35,957	\$ 20,780
Adlai E. Stevenson School	8,537	35,779	31,760	12,556
	\$ 24,218	\$ 76,835	\$ 67,717	\$ 33,336

Exhibit H-5

FAIRFIELD BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 81,988	\$ 8,142,322	\$ 8,133,779	\$ 90,531
Total Assets	<u>\$ 81,988</u>	<u>\$ 8,142,322</u>	<u>\$ 8,133,779</u>	<u>\$ 90,531</u>
<u>LIABILITIES:</u>				
Payroll Deductions and Withholdings	\$ 81,988	\$ 3,399,142	\$ 3,394,954	\$ 86,176
Net Payroll		4,738,825	4,738,825	
Interfund Payable - General Fund		4,355		4,355
Total Liabilities	<u>\$ 81,988</u>	<u>\$ 8,142,322</u>	<u>\$ 8,133,779</u>	<u>\$ 90,531</u>

LONG-TERM DEBT

FAIRFIELD BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2016		Interest Rate	Balance June 30, 2015	Matured	Balance June 30, 2016
			Date	Amount				
2002 School Bonds	5/1/2002	\$ 1,200,000	12/1/2016	\$ 75,000	4.500%	\$ 550,000	\$ 75,000	\$ 475,000
			12/1/2017	80,000	4.600%			
			12/1/2018	80,000	4.650%			
			12/1/2019	80,000	4.700%			
			12/1/2020	80,000	4.750%			
			12/1/2021	80,000	4.750%			
Pension Series 2003	4/14/2003	500,000	10/1/2016	40,000	5.750%	170,000	40,000	130,000
			10/1/2017	45,000	5.750%			
			10/1/2018	45,000	5.750%			
						\$ 720,000	\$ 115,000	\$ 605,000

Exhibit I-2

FAIRFIELD BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOT APPLICABLE

FAIRFIELD BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Variance Final to Actual
REVENUE:				
Local Sources:				
Local Tax Levy	\$ 147,447	\$ 147,447	\$ 147,447	
Total Revenue	147,447	147,447	147,447	
EXPENDITURES:				
Regular Debt Service:				
Interest	32,448	32,448	32,448	
Redemption of Principal	115,000	115,000	115,000	
Total Regular Debt Service	147,448	147,448	147,448	
Total Expenditures	147,448	147,448	147,448	
Deficit of Revenue and Other Financing Sources Under Expenditures	(1)	(1)	(1)	
Fund Balance, July 1	1	1	1	
Fund Balance / (Deficit), June 30	\$ -0-	\$ -0-	\$ -0-	\$ -0-

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <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>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <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>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

FAIRFIELD BOARD OF EDUCATION
NET ASSETS BY COMPONENT,
LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Governmental Activities:										
Net Investment in Capital Assets	\$ 2,301,207	\$ 2,338,503	\$ 2,381,110	\$ 2,157,665	\$ 355,560	\$ 3,770,962	\$ 3,678,701	\$ 3,586,415	\$ 3,563,941	\$ 3,390,687
Restricted	17,470	1,566	1,050,000	1,079,562	258,052	511,220	510,837	510,576	495,975	478,380
Unrestricted (Deficit)	(141,907)	914,841	166,628	644,681	510,632	(7,804)	(228,353)	(320,449)	(2,877,339)	(2,882,200)
Total Governmental Activities Net Position	<u>\$ 2,176,770</u>	<u>\$ 3,254,910</u>	<u>\$ 3,597,738</u>	<u>\$ 3,881,908</u>	<u>\$ 1,124,244</u>	<u>\$ 4,274,378</u>	<u>\$ 3,961,185</u>	<u>\$ 3,776,542</u>	<u>\$ 1,182,577</u>	<u>\$ 986,867</u>
District-Wide:										
Net Investment in Capital Assets	\$ 2,301,207	\$ 2,338,503	\$ 2,381,110	\$ 2,157,665	\$ 355,560	\$ 3,770,962	\$ 3,678,701	\$ 3,586,415	\$ 3,563,941	\$ 3,390,687
Restricted	17,470	1,566	1,050,000	1,079,562	258,052	511,220	510,837	510,576	495,975	478,380
Unrestricted/(Deficit)	(141,907)	914,841	166,628	644,681	510,632	(7,804)	(228,353)	(320,449)	(2,877,339)	(2,882,200)
Total District-Wide Net Position	<u>\$ 2,176,770</u>	<u>\$ 3,254,910</u>	<u>\$ 3,597,738</u>	<u>\$ 3,881,908</u>	<u>\$ 1,124,244</u>	<u>\$ 4,274,378</u>	<u>\$ 3,961,185</u>	<u>\$ 3,776,542</u>	<u>\$ 1,182,577</u>	<u>\$ 986,867</u>

* Restated

Source: Fairfield Township School District Financial Reports.

FAIRFIELD BOARD OF EDUCATION
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$ 4,406,234	\$ 4,414,171	\$ 4,487,725	\$ 4,712,777	\$ 4,786,248	\$ 5,014,792	\$ 5,135,600	\$ 5,159,835	\$ 5,954,422	\$ 6,357,873
Special Education	1,896,565	1,836,382	1,567,998	1,825,210	1,648,812	1,551,694	1,648,215	1,708,647	1,677,704	2,185,110
Other Special Education	147,563	203,548	319,498	372,002	381,848	475,982	593,897	553,730	745,287	636,496
Other Instruction										124,675
Support Services:										
Tuition										228,441
Student & Instruction Related Services	1,255,658	1,269,760	1,275,326	1,195,790	1,238,375	1,473,284	1,590,375	1,485,298	1,665,215	1,631,895
General and Business Administrative Services	1,033,695	375,334	343,283	454,077	486,661	486,480	531,004	474,601	497,986	447,705
School Administrative Services	232,499	338,389	384,178	394,120	397,491	417,125	441,325	500,631	603,042	627,866
Central Services									3,119	303,010
Plant Operations And Maintenance	979,702	807,570	910,988	969,531	892,979	1,195,945	1,168,796	1,090,468	1,104,453	1,112,433
Pupil Transportation	691,809	731,148	924,915	764,729	601,912	639,095	640,052	689,318	670,923	601,724
Business and Other Support Services	254,691	258,232	193,386	209,616	203,912	235,239	240,591	245,246	287,224	
Capital Outlay										11,855
Interest On Long-Term Debt	78,008	67,550	64,013	60,066	59,476	55,220	46,999	42,148	37,100	30,347
Total Governmental Activities Expenses	\$ 10,976,424	\$ 10,302,084	\$ 10,471,310	\$ 10,957,918	\$ 10,697,714	\$ 11,544,856	\$ 12,036,854	\$ 11,949,922	\$ 13,246,475	\$ 14,299,430
Program Revenues:										
Governmental Activities:										
Charges For Services:										
Instruction (Tuition)	\$ 147,250	\$ 162,168	\$ 122,989	\$ 30,535	\$ 24,500	\$ 22,500	\$ 20,000	\$ 25,000	\$ 21,000	\$ 25,000
Operating Grants and Contributions	1,559,453	1,526,855	1,304,022	1,409,370	1,045,130	1,331,785	1,644,037	1,490,683	2,736,663	3,397,663
Capital Grants and Contributions				23,110	329,560	218,132			4,222	
Total Governmental Activities Program Revenues	\$ 1,706,703	\$ 1,689,023	\$ 1,427,011	\$ 1,463,015	\$ 1,399,190	\$ 1,572,417	\$ 1,664,037	\$ 1,515,683	\$ 2,761,885	\$ 3,422,663

FAIRFIELD BOARD OF EDUCATION
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
UNAUDITED
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Net (Expenses)/Revenue:										
Governmental Activities	\$ (9,269,721)	\$ (8,613,061)	\$ (9,044,299)	\$ (9,494,903)	\$ (9,298,524)	\$ (9,972,439)	\$ (10,372,817)	\$ (10,434,239)	\$ (10,484,590)	\$ (10,876,767)
Total District-Wide Net Expense	<u>\$ (9,269,721)</u>	<u>\$ (8,613,061)</u>	<u>\$ (9,044,299)</u>	<u>\$ (9,494,903)</u>	<u>\$ (9,298,524)</u>	<u>\$ (9,972,439)</u>	<u>\$ (10,372,817)</u>	<u>\$ (10,434,239)</u>	<u>\$ (10,484,590)</u>	<u>\$ (10,876,767)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	\$ 8,324,601	\$ 8,746,549	\$ 9,137,080	\$ 9,456,878	\$ 9,600,585	\$ 9,768,596	\$ 9,858,894	\$ 10,056,071	\$ 10,257,192	\$ 10,487,978
Taxes Levied for Debt Service	151,461	127,156	137,963	147,315	141,560	140,693	147,723	142,873	142,867	147,447
Federal and State Aid not Restricted	140,117	154,754	34,210	35,053	5,490		8,949	11,079	22,316	1,145
Investment Earnings	101,830	60,403	23,508	31,251	13,690	1,695				
Miscellaneous Income	48,979	560,339	54,366	108,576	8,560	11,589	44,058	39,573	49,723	44,487
Total Governmental Activities General Revenue and Other Changes in Net Position	<u>8,766,988</u>	<u>9,649,201</u>	<u>9,387,127</u>	<u>9,779,073</u>	<u>9,769,885</u>	<u>9,922,573</u>	<u>10,059,624</u>	<u>10,249,596</u>	<u>10,472,098</u>	<u>10,681,057</u>
Change in Net Position:										
Governmental Activities	<u>\$ (502,733)</u>	<u>\$ 1,036,140</u>	<u>\$ 342,828</u>	<u>\$ 284,170</u>	<u>\$ 471,361</u>	<u>\$ (49,866)</u>	<u>\$ (313,193)</u>	<u>\$ (184,643)</u>	<u>\$ (12,492)</u>	<u>\$ (195,710)</u>
Total District-Wide Change in Net Position	<u>\$ (502,733)</u>	<u>\$ 1,036,140</u>	<u>\$ 342,828</u>	<u>\$ 284,170</u>	<u>\$ 471,361</u>	<u>\$ (49,866)</u>	<u>\$ (313,193)</u>	<u>\$ (184,643)</u>	<u>\$ (12,492)</u>	<u>\$ (195,710)</u>

* Restated

Source: Fairfield Township School District Financial Reports.

FAIRFIELD BOARD OF EDUCATION
 FUND BALANCES, GOVERNMENTAL FUNDS,
 LAST TEN FISCAL YEARS
 UNAUDITED
 (Modified Accrual Basis of Accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2013	2015*	2016
General Fund										
Reserved	\$ 437,668	\$ 1,424,596	\$ 1,797,371	\$ 957,751						
Unreserved	204,063	224,851	177,721	130,779						
Restricted					\$1,027,590	\$ 771,105	\$ 605,542	\$ 407,115	\$ 440,743	\$ 478,380
Committed						7,499	19,150		48,849	
Assigned					47,217	125,071	11,931	73,612	115,407	47,521
Unassigned					116,284	62,307	82,395	79,313		221,200
Total General Fund	<u>\$ 641,731</u>	<u>\$ 1,649,447</u>	<u>\$ 1,975,092</u>	<u>\$ 1,088,530</u>	<u>\$ 1,191,091</u>	<u>\$ 965,982</u>	<u>\$ 719,018</u>	<u>\$ 560,040</u>	<u>\$ 604,999</u>	<u>\$ 747,101</u>
All Other Governmental Funds										
Reserved				\$ 809,500						
Unreserved	\$ 33,556	\$ 17,652		268,640						
Committed					\$ 583,800	\$ 254,798	\$ 254,415	\$ 254,415	\$ 254,415	\$ 134,602
Total All Other Governmental Funds	<u>\$ 33,556</u>	<u>\$ 17,652</u>	<u>\$ - 0 -</u>	<u>\$ 1,078,140</u>	<u>\$ 583,800</u>	<u>\$ 254,798</u>	<u>\$ 254,415</u>	<u>\$ 254,415</u>	<u>\$ 254,415</u>	<u>\$ 134,602</u>
Total Governmental Funds:										
Reserved	\$ 437,668	\$ 1,424,596	\$ 1,797,371	\$ 1,767,251						
Unreserved	237,619	242,503	177,721	399,419						
Restricted					\$ 1,611,390	\$ 1,025,903	\$ 859,957	\$ 661,530	\$ 695,158	\$ 478,380
Committed						7,499	19,150		48,849	134,602
Assigned					47,217	125,071	11,931	73,612	115,407	47,521
Unassigned					116,284	62,307	82,395	79,313		221,200
Total Governmental Funds:	<u>\$ 675,287</u>	<u>\$ 1,667,099</u>	<u>\$ 1,975,092</u>	<u>\$ 2,166,670</u>	<u>\$ 1,774,891</u>	<u>\$ 1,220,780</u>	<u>\$ 973,433</u>	<u>\$ 814,455</u>	<u>\$ 859,414</u>	<u>\$ 881,703</u>

* Restated

Source: Fairfield Township School District Financial Reports.

FAIRFIELD BOARD OF EDUCATION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Revenues										
Tax Levy	\$ 8,476,062	\$ 8,873,705	\$ 9,275,043	\$ 9,604,193	\$ 9,742,145	\$ 9,909,289	\$ 10,006,617	\$ 10,198,944	\$ 10,400,059	\$ 10,635,425
Tuition Charges	147,250	162,168	122,989	30,535	24,500	22,500	20,000	25,000	21,000	25,000
Interest Earnings - Capital Reserve	101,830	60,403	23,508	31,251	13,690	1,695				
Miscellaneous	173,979	560,339	55,396	112,675	13,906	13,730	43,200	40,857	53,945	46,987
State Sources	1,699,570	1,552,282	1,179,949	1,224,429	1,164,035	1,363,575	1,493,703	1,339,665	1,639,080	1,671,177
Federal Sources		129,327	157,283	239,005	210,799	184,201	156,795	160,813	153,815	190,798
Total Revenue	10,598,691	11,338,224	10,814,168	11,242,088	11,169,075	11,494,990	11,720,315	11,765,279	12,267,899	12,569,387
Expenditures										
Instruction										
Regular Instruction	4,284,666	4,324,991	4,370,301	4,591,814	4,685,942	4,865,311	5,114,932	5,161,779	5,301,155	3,771,546
Special Education Instruction	1,841,526	1,830,055	1,562,298	1,816,092	1,658,130	1,546,647	1,642,068	1,709,692	1,529,658	1,215,102
Other Instruction	141,014	203,074	319,040	371,727	381,417	475,724	593,897	553,299	667,988	420,788
Support Services:										
Tuition										228,441
Student/Instruction Related Services	1,220,226	1,260,593	1,256,261	1,186,770	1,232,887	1,465,888	1,591,195	1,492,564	1,539,039	1,163,828
General Administrative Services	1,023,633	377,045	336,845	449,524	486,173	485,081	530,797	474,601	462,901	381,594
School Administrative Services	222,534	339,172	377,457	391,102	381,520	408,828	433,477	493,855	532,931	381,192
Other Administrative Services	244,051	295,943	188,239	200,117	208,057	234,539	240,609	245,295	262,820	246,833
Plant Operations And Maintenance	960,896	794,564	904,224	764,729	601,912	1,191,976	990,926	915,153	902,324	824,979
Pupil Transportation	689,915	731,148	924,915	963,361	893,291	639,095	640,052	689,318	668,910	590,271
Unallocated Benefits										3,188,141
Capital Outlay	39,662	46,767	110,980	185,645	889,965	593,689	41,986	45,828	106,604	92,679
Debt service:										
Principal	75,000	75,000	75,000	85,000	85,000	90,000	100,000	100,000	105,000	115,000
Interest And Other Charges	76,460	68,060	64,529	60,685	56,560	52,323	47,723	42,873	37,866	32,448
Total Expenditures	10,819,583	10,346,412	10,490,089	11,066,566	11,560,854	12,049,101	11,967,662	11,924,257	12,117,196	12,652,842
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	(220,892)	991,812	324,079	175,522	(391,779)	(554,111)	(247,347)	(158,978)	150,703	(83,455)

FAIRFIELD BOARD OF EDUCATION
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
UNAUDITED
(Modified Accrual Basis of Accounting)

	For the Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015*	2016
Other Financing Sources (Uses):										
Cancellation of Receivable from Other Governments			\$ (30)							
Transfers In	\$ 163,884			\$ 1,095,120						\$ 119,813
Transfers Out	(163,884)			(1,095,120)						(119,813)
Total Other Financing Sources (Uses)			(30)							
Net Change In Fund Balances	<u>\$ (220,892)</u>	<u>\$ 991,812</u>	<u>\$ 324,049</u>	<u>\$ 175,522</u>	<u>\$ (391,779)</u>	<u>\$ (554,111)</u>	<u>\$ (247,347)</u>	<u>\$ (158,978)</u>	<u>\$ 150,703</u>	<u>\$ (83,455)</u>
Debt Service As A Percentage Of Noncapital Expenditures	1.41%	1.39%	1.34%	1.34%	1.33%	1.24%	1.24%	1.20%	1.18%	1.17%

* Restated

Source: Fairfield Township School District Financial Reports.

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

Fiscal Year Ended June 30,	Interest on Investments	Tuition	Prior Year Orders Cancelled	Rentals	Other	Total
2007	\$ 101,830	\$ 147,250	\$ 7,609		\$ 41,370	\$ 298,059
2008	60,403	162,168	7,315		553,024	782,910
2009	23,508	122,989	11,091		43,305	200,893
2010	31,251	30,535	7,833		100,743	170,362
2011	13,690	24,500	7,912		648	46,750
2012	1,695	22,500	8,310		3,279	35,784
2013	242	20,000	28,689		11,781	60,712
2014	8,894	25,000	30,329		350	64,573
2015	7,174	21,000	31,370		11,179	70,723
2016		25,000		\$ 40,109	4,378	69,487

Source: Fairfield Township School District Financial Reports.

FAIRFIELD BOARD OF EDUCATION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006	\$ 26,889,000	\$ 636,472,300	\$ 481,200		\$ 425,368,300	\$ 461,083,000	\$ 11,701,000	\$ 1,561,994,800	\$ 6,031,200	\$ 1,568,026,000	\$ 0.540	\$ 2,393,673,899
2007	20,315,800	650,134,500	434,600	\$ 46,600	418,904,900	479,097,500	11,701,000	1,580,634,900	5,278,100	1,585,913,000	0.560	2,935,460,557
2008	23,548,300	656,158,400	241,600	46,600	397,923,400	476,087,700	11,701,000	1,565,707,000	5,617,500	1,571,324,500	0.590	3,033,568,912
2009	* 44,949,900	1,317,292,700	492,900	47,500	777,919,000	946,905,400	16,500,000	3,104,107,400	10,901,748	3,115,009,148	0.310	3,109,397,060
2010	50,823,000	1,317,526,000	492,900	47,500	775,320,000	938,752,800	16,500,000	3,099,462,200	10,901,748	3,110,363,948	0.310	3,125,008,280
2011	48,359,400	1,320,103,100	492,900	55,900	781,577,300	921,611,600	16,500,000	3,088,700,200	10,130,737	3,098,830,937	0.321	3,004,475,056
2012	* 40,010,500	1,105,701,000	424,200	33,300	692,955,600	823,057,500	15,000,000	2,677,182,100	10,025,440	2,687,207,540	0.372	2,962,755,685
2013	38,877,100	1,108,782,600	424,200	33,300	665,905,200	817,502,000	15,000,000	2,646,524,400	7,898,040	2,654,422,440	0.384	2,783,791,725
2014	38,420,800	1,111,492,100	424,200	33,300	653,979,100	802,744,600	15,000,000	2,622,094,100	7,402,303	2,629,496,403	0.395	2,591,005,944
2015	35,777,700	1,119,961,500	424,200	33,300	650,582,100	791,236,800	15,000,000	2,613,015,600	7,466,353	2,620,481,953	0.406	2,648,934,593

* Revaluation/Reassessment Year

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

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

b Tax rates are per \$100 of assessed valuation.

Source: Fairfield Township Tax Assessor.

Exhibit J-7

FAIRFIELD BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(rate per \$100 of assessed value)

Year Ended December 31,	Fairfield Board of Education			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Direct Rate			West Essex Regional			
	Basic Rate ^a	Debt Service ^b	Total Direct	School District	Fairfield Township	Essex County	
2006	\$ 0.530	\$ 0.010	\$ 0.540	\$ 0.670	\$ 0.580	\$ 0.730	\$ 2.520
2007	0.550	0.010	0.560	0.740	0.610	0.720	2.630
2008	0.580	0.010	0.590	0.780	0.670	0.750	2.790
2009	* 0.305	0.005	0.310	0.400	0.360	0.390	1.460
2010	0.305	0.005	0.310	0.440	0.400	0.410	1.560
2011	0.027	0.005	0.321	0.468	0.416	0.422	1.627
2012	* 0.367	0.005	0.372	0.525	0.503	0.486	1.886
2013	0.378	0.006	0.384	0.529	0.512	0.512	1.937
2014	0.389	0.006	0.395	0.538	0.526	0.497	1.956
2015	0.401	0.005	0.406	0.554	0.544	0.515	2.019

* Revaluation/Reassessment Year

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 calculation.

- 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.

Source: Fairfield Township Tax Collector and School Business Administrator.

FAIRFIELD BOARD OF EDUCATION
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2015			2006		
Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value	Taxpayer	Taxable Assessed Value	% of Total District Net Assessed Value
Prudential Financial - 80 Livingston	\$ 67,100,400	4.10%	Prudential	\$ 27,000,700	9.98%
ADP Incorporated	61,626,400	3.77%	Cali (Office Associates)	17,850,100	6.60%
56 Livingston Owner	57,127,200	3.49%	ADP Incorporated	16,652,000	6.16%
Segal Development	53,906,200	3.30%	Gale and Wentworth	15,944,700	5.89%
Prudential Financial - 55 Livingston	48,850,000	2.99%	Organon	15,310,300	5.66%
Mack-Cali Realty Corp - 4 Beckham	38,406,100	2.35%	Segal Development	7,616,900	2.82%
Mack-Cali Realty Corp - 101 Eisenhower	31,189,200	1.91%	Eagle Rock Associate	2,400,000	0.89%
Mack-Cali Realty Corp - 105 Eisenhower	28,952,000	1.77%	American Bobst Holdings	2,127,400	0.79%
Mack-Cali Realty Corp - 103 Eisenhower	20,535,800	1.26%	556 Eagle Rock Associates	1,235,100	0.46%
Mack-Cali Realty Corp - 85 Livingston	15,811,100	0.97%	426 Eagle Rock Associates	1,235,100	0.46%
Total	\$ 423,504,400	25.91%		\$ 107,372,300	39.71%

Note: Revaluation of real property was effective in 2010.

Source: Fairfield Township Tax Assessor.

Exhibit J-9

FAIRFIELD BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected within the Fiscal</u> <u>Year of the Levy^a</u>		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2007	\$ 8,476,062	\$ 8,476,062	100.00%	-0-
2008	8,873,705	8,873,705	100.00%	-0-
2009	9,275,043	9,275,043	100.00%	-0-
2010	9,604,193	9,604,193	100.00%	-0-
2011	9,742,145	9,742,145	100.00%	-0-
2012	9,909,289	9,909,289	100.00%	-0-
2013	10,006,617	10,006,617	100.00%	-0-
2014	10,198,944	10,198,944	100.00%	-0-
2015	10,400,059	10,400,059	100.00%	-0-
2016	10,635,425	10,635,425	100.00%	-0-

- 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.

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

Exhibit J-10

FAIRFIELD BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities General Obligation Bonds	Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
2007	\$ 1,435,000		\$ 1,435,000	0.37%	\$ 186
2008	1,360,000		1,360,000	0.34%	183
2009	1,285,000		1,285,000	0.34%	173
2010	1,200,000		1,200,000	0.31%	161
2011	1,115,000		1,115,000	0.27%	148
2012	1,025,000		1,025,000	0.25%	136
2013	925,000		925,000	0.22%	123
2014	825,000		825,000	0.19%	109
2015	720,000		720,000	0.16%	95
2016	605,000		605,000	0.14%	80

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.

Source: Fairfield Township School District Financial Reports.

Exhibit J-11

FAIRFIELD BOARD OF EDUCATION
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Percentage of Actual Taxable Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Net General Bonded Debt Outstanding		
2007	\$ 1,435,000	\$ 1,435,000	0.09%	\$ 186
2008	1,360,000	1,360,000	0.09%	183
2009	1,285,000	1,285,000	0.08%	173
2010	1,200,000	1,200,000	0.04% *	161
2011	1,115,000	1,115,000	0.04%	148
2012	1,025,000	1,025,000	0.03%	136
2013	925,000	925,000	0.03%	123
2014	825,000	825,000	0.03%	109
2015	720,000	720,000	0.03%	95
2016	605,000	605,000	0.02%	80

* - Revaluation year

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

- a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.
- b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Fairfield Township School District Financial Reports.

Exhibit J-12

FAIRFIELD BOARD OF EDUCATION
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED
AS OF DECEMBER 31, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes:			
West Essex Regional High School	\$ 6,039,435	100.00%	\$ 6,039,435
Township of Fairfield	18,160,593	100.00%	18,160,593
			<u>24,200,028</u>
Overlapping Debt Appropriated to the Municipality			
Essex County	463,895,104	98.93%	458,912,331
Essex County Utilities Authority			1,143,862
			<u>460,056,193</u>
Subtotal, Overlapping Debt			<u>484,256,221</u>
Township of Fairfield School District			<u>605,000</u>
Total Direct And Overlapping Debt			<u><u>\$ 484,861,221</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Essex 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 Fairfield. This process recognizes that, when considering the District's ability to issue and repay long-term, 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 unit.

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

Exhibit J-13

FAIRFIELD BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION,
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 63,032,157	\$ 70,103,457	\$ 74,880,193	\$ 76,725,807	\$ 76,409,385
Total Net Debt Applicable to Limit	1,435,000	1,360,000	1,285,000	1,200,000	1,115,000
Legal Debt Margin	<u>\$ 61,597,157</u>	<u>\$ 68,743,457</u>	<u>\$ 73,595,193</u>	<u>\$ 75,525,807</u>	<u>\$ 75,294,385</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	28.43%	24.40%	22.85%	21.18%	20.31%

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 74,879,899	\$ 72,329,443	\$ 68,971,880	\$ 66,531,417	\$ 68,152,750
Total Net Debt Applicable to Limit	1,025,000	925,000	825,000	720,000	605,000
Legal Debt Margin	<u>\$ 73,854,899</u>	<u>\$ 71,404,443</u>	<u>\$ 68,146,880</u>	<u>\$ 65,811,417</u>	<u>\$ 67,547,750</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	20.06%	19.31%	18.71%	1.08%	0.89%

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2015 \$ 3,045,472,727
	2014 2,625,244,393
	2013 <u>2,580,212,928</u>
	<u>\$ 8,250,930,048</u>
Average Equalized Valuation of Taxable Property	\$ 2,750,310,016
Debt Limit (2.5% of average equalization value) ^a	68,757,750
Net Bonded School Debt	<u>605,000</u>
Legal Debt Margin	<u>\$ 68,152,750</u>

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

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation.

Exhibit J-14

FAIRFIELD BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Essex County Per Capita Personal Income ^c	Personal Income (thousands of dollars) ^b	Unemployment Rate ^d
2007	7,481	\$ 51,568	\$ 385,780,208	3.40%
2008	7,442	53,136	395,438,112	3.80%
2009	7,447	51,288	381,941,736	7.60%
2010	7,473	52,324	391,017,252	7.60%
2011	7,513	55,014	413,320,182	7.70%
2012	7,511	55,404	416,139,444	7.30%
2013	7,536	55,692	419,694,912	7.50%
2014	7,566	58,319	441,241,554	4.60%
2015	7,578	58,319 *	441,941,382	5.70%
2016	7,578 **	58,319 *	441,941,382 ***	N/A

* - Latest Essex County per capita personal income available (2014) was used for calculation purposes.

** - Latest population data available (2015) was used for calculation purposes.

*** - Latest per capital personal income available (2014) and latest population data available (2015) was used for calculation purposes.

Sources:

- a Population information provided by the NJ Dept of Labor and Workforce Development.
- b Personal income has been estimated based upon the municipal population and per capita personal income presented.
- c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.
- d Unemployment data provided by the NJ Dept of Labor and Workforce Development.

FAIRFIELD BOARD OF EDUCATION
PRINCIPAL EMPLOYERS, ESSEX COUNTY
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

2015			2006		
Employer	Employees	Percentage of Total Employment	Employer	Employees	Percentage of Total Employment
St. Barnabas Health Care System	23,000	N/A	Saint Barnabas Health Care System	22,300	N/A
Verizon	17,100	N/A	Verizon	18,148	N/A
Prudential Ins. Co. of America	16,850	N/A	Prudential Financial	17,487	N/A
Rutgers University - Newark Campus	15,500	N/A	Continental Airlines	11,200	N/A
Continental Airlines	11,000	N/A	PSE&G	11,000	N/A
Newark Board of Education	7,050	N/A	Ricoh Corporation	5,500	N/A
Automatic Data Processing	5,649	N/A	Automatic Data Processing	5,300	N/A
New Jersey Transit	4,000	N/A	Horizon Blue Cross/Blue Sheild	4,735	N/A
City of Newark	4,000	N/A	Essex County	4,500	N/A
Essex County	3,500	N/A	UMDNJ University Hospital	2,730	N/A
	<u>107,649</u>	<u>N/A</u>		<u>102,900</u>	<u>N/A</u>

Note - Principal employers are that of Essex County.

N/A - Information not available

Source: Essex County Economic Development Corporation.

FAIRFIELD BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:										
Regular	53.0	52.0	52.0	51.0	50.0	51.0	50.1	52.0	52.0	52.0
Special Education	31.0	32.0	32.0	32.0	32.0	33.0	29.0	31.0	31.0	31.0
Other Special Education	4.0	4.0	4.0	4.0	4.0	4.0	3.0	4.0	4.0	5.0
Support Services:										
Student & Instruction Related Services	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0
General Administrative Services	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School Administrative Services	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Central Services	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Plant Operations and Maintenance	7.0	7.5	7.5	7.5	7.5	7.5	7.5	6.5	6.5	6.5
Total	<u>108.0</u>	<u>108.5</u>	<u>109.5</u>	<u>108.5</u>	<u>107.5</u>	<u>109.5</u>	<u>103.6</u>	<u>108.5</u>	<u>108.5</u>	<u>109.5</u>

Source: Fairfield Township School District personnel records.

FAIRFIELD BOARD OF EDUCATION
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^d</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2007	710	\$ 10,628,461	\$ 14,970	20.23%	58	12.2	710.0	683.5	-4.63%	95.22%
2008	729	10,156,585	13,932	-6.93%	58	12.6	732.4	704.5	3.15%	96.19%
2009	731	10,239,580	14,008	0.54%	58	12.7	735.9	710.4	0.48%	96.53%
2010	717	10,735,236	14,972	6.89%	57	12.9	736.7	718.0	0.11%	97.46%
2011	690	10,529,329	15,260	1.92%	56	12.4	694.2	666.1	-5.77%	95.95%
2012	699	11,313,089	16,185	6.06%	56	12.3	690.5	665.7	-0.53%	96.41%
2013	692	11,777,953	17,020	5.16%	56	12.3	691.1	662.9	0.09%	95.92%
2014	644	11,735,556	18,223	7.07%	58	11.1	645.0	616.4	-6.67%	95.57%
2015	625	11,867,726	18,988	4.20%	59	10.6	627.2	599.1	-2.76%	95.52%
2016	621	12,412,715	19,988	5.27%	60	10.8	648.4	615.5	3.37%	94.93%

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total 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).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment. This Cost Per Pupil may be different from other Cost Per Pupil Calculations.

Source: Fairfield Township School District records.

FAIRFIELD BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>										
Stevenson										
Square Feet	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000	49,000
Capacity (Students)	450	450	450	450	450	450	450	450	450	450
Enrollment	409	417	427	416	389	394	382	350	335	339
Chruchill										
Square Feet	38,350	38,350	38,350	38,350	38,350	38,350	38,350	38,350	38,350	38,350
Capacity (Students)	400	400	400	400	400	400	400	400	400	400
Enrollment	308	312	311	292	301	305	310	294	290	282

Number of Schools at June 30, 2016:

Elementary = 2

Note: Enrollment is based on the annual October District count.

Source: Fairfield Township School District Facilities Office.

FAIRFIELD BOARD OF EDUCATION
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
UNAUDITED

Undistributed Expenditures:
 Required Maintenance for School Facilities
 11-000-261-XXX

<u>School Facilities *</u>	<u>Projects #</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Stevenson Elementary School	N/A	\$ 93,289	\$ 52,869	\$ 48,157	\$ 82,481	\$ 44,260	\$ 328,613	\$ 33,606	\$ 26,491	\$ 15,093	\$ 32,233
Churchill Elementary School	N/A	76,328	24,399	72,625	63,766	72,065	40,614	44,059	42,864	11,859	33,128
		<u>\$ 169,617</u>	<u>\$ 77,268</u>	<u>\$ 120,782</u>	<u>\$ 146,247</u>	<u>\$ 116,325</u>	<u>\$ 369,227</u>	<u>\$ 77,665</u>	<u>\$ 69,355</u>	<u>\$ 26,952</u>	<u>\$ 65,361</u>

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

Source: Fairfield Township School District records.

Exhibit J-20

FAIRFIELD BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

Type of Coverage	Coverage	Deductible
Commercial Package - NJSIG		
Property - Blanket Building & Contents	\$ 400,000,000	\$ 5,000
Electronic Data Processing Equipment	600,642	1,000
Comprehensive Crime Coverage	250,000	1,000
Comprehensive General Liability Per Occurrence	31,000,000	
School District Legal Liability - Per Claim/Annual Aggregate	31,000,000	5,000
Equipment Breakdown - Pooled Aggregate	100,000,000	5,000
Comprehensive Automobile Liability - NJSIG		
Business Auto Coverage - Per Occurrence	31,000,000	
Business Auto Physical Damage	Actual Cash Value	1,000
Worker's Compensation - NJSIG		
Bodily Injury by Accident (each accident)	2,000,000	
Bodily Injury by Disease (policy limit)	2,000,000	
Bodily Injury by Disease (each employee)	2,000,000	
Public Official Bonds		
Business Administrator / Board Secretary - NJSIG	175,000	1,000
Treasurer - CNA Surety	175,000	1,000

Source: Fairfield Township School District records.

SINGLE AUDIT SECTION



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

Independent Auditors' Report

The Honorable President and Members of
 the Board of Education
 Fairfield Board of Education
 County of Essex, New Jersey

We have audited, in accordance with the 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Fairfield Township School District, in the County of Essex (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 7, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the 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.

The Honorable President and Members of
the Board of Education
Fairfield Board of Education
Page 2

Compliance and Other Matters


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

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 result of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 7, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP



John J. Mooney
Licensed Public School Accountant #2602
Certified Public Accountant



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Report on Compliance For Each Major State Program;
Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members of
 the Board of Education
 Fairfield Board of Education
 County of Essex, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Fairfield Township School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2016. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

The Honorable President and Members of
the Board of Education
Fairfield Board of Education
Page 2

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

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

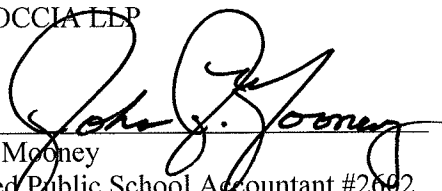
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

October 7, 2016
Mount Arlington, New Jersey

NISIVOCCIA LLP


John J. Mooney
Licensed Public School Accountant #2802
Certified Public Accountant

FAIRFIELD BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor Program Title\Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance Unearned Revenue		Budgetary Expenditures	Balance 6/30/16		Due to Grantor 6/30/16	Amount Provided to Subrecipient
					(Accounts Receivable) 6/30/15	Cash Received		Accounts Receivable	Unearned Revenue		
Passed-through State Department of Law and Public Safety:											
General Fund:											
Disaster Grants - Public Assistance (FEMA):											
Snow Storm January 2016	97.036	N/A	7/1/15-6/30/16	\$ 1,145			\$ (1,145)	\$ (1,145)			
							(1,145)	(1,145)			
Total General Fund											
U.S. Department of Education											
Passed-through State Department of Education:											
No Child Left Behind Consolidated Grant:											
Title I	84.010A	NCLB-3630-16	7/1/15-6/30/16	40,308			(40,244)	(40,244)			
Title II	84.278A	NCLB-3630-15	7/1/14-6/30/15	8,818	\$ (8,818)	8,818					
Title II	84.278A	NCLB-3630-16	7/1/15-6/30/16	8,677			(8,677)	(8,677)			
Special Education Cluster:											
I.D.E.A. Part B, Preschool	84.173	FT-3630-15	7/1/14-6/30/15	9,367	(9,367)	9,367					
I.D.E.A. Part B, Preschool	84.173	FT-3630-16	7/1/15-6/30/16	9,411			(9,411)	(9,411)			
I.D.E.A. Part B, Basic	84.027	FT-3630-15	7/1/14-6/30/15	135,630	(135,630)	135,630					
I.D.E.A. Part B, Basic	84.027	FT-3630-16	7/1/15-6/30/16	131,322			(131,321)	(131,321)			
Total Special Education Cluster											
					(144,997)	144,997	(140,732)	(140,732)			
Total Special Revenue/U.S. Department of Education											
					(144,997)	144,997	(189,653)	(189,653)			
Total Federal Financial Awards											
					\$ (144,997)	\$ 144,997	\$ (190,798)	\$ (190,798)	\$ -0-	\$ -0-	\$ -0-

N/A Not Available

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FAIRFIELD BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance (Accounts Receivable) 06/30/15	Due to Grantor	Cash Received	Cancelled	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance 6/30/16	MEMO	
										GAAP (Accounts Receivable)	Budgetary Receivable	Cumulative Total Expenditures
NJ Department of Education:												
Special Education Aid	15-495-034-5120-089	7/1/14 - 6/30/15	\$ 268,309	\$ (25,023)		\$ 25,023						\$ 268,309
Transportation Aid	15-495-034-5120-014	7/1/14 - 6/30/15	17,428	(1,625)		1,625						17,428
Security Aid	15-495-034-5120-084	7/1/14 - 6/30/15	11,083	(1,034)		1,034						11,083
PARCC Readiness Aid	15-495-034-5120-098	7/1/14 - 6/30/15	6,260	(584)		584						6,260
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14 - 6/30/15	6,260	(584)		584						6,260
Extraordinary Aid	15-100-034-5210-473	7/1/14 - 6/30/15	105,743	(105,743)		105,743						105,743
Reimbursed TPAF Social Security Contributions	15-495-034-5095-002	7/1/14 - 6/30/15	385,440	(19,224)		19,224						385,440
Special Education Aid	16-495-034-5120-089	7/1/15 - 6/30/16	268,309			243,329		\$ (268,309)			\$ (24,980)	268,309
Transportation Aid	16-495-034-5120-014	7/1/15 - 6/30/16	17,428			15,806		(17,428)			(1,622)	17,428
Security Aid	16-495-034-5120-084	7/1/15 - 6/30/16	11,083			10,051		(11,083)			(1,032)	11,083
Extraordinary Aid	16-495-034-5210-044	7/1/15 - 6/30/16	132,420					(132,420)		\$ (132,420)	(132,420)	132,420
Adjustment Aid	16-495-034-5120-085	7/1/15 - 6/30/16	1			1		(1)				1
PARCC Readiness Aid	16-495-034-5120-098	7/1/15 - 6/30/16	6,260			5,677		(6,260)			(583)	6,260
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15 - 6/30/16	6,260			5,677		(6,260)			(583)	6,260
Reimbursed TPAF Social Security Contributions	16-495-034-5094-003	7/1/15 - 6/30/16	389,170			351,374		(389,170)		(37,796)	(37,796)	389,170
Total General Fund State Aid				<u>(153,817)</u>		<u>785,732</u>		<u>(830,931)</u>		<u>(170,216)</u>	<u>(199,016)</u>	<u>1,631,454</u>
Special Revenue Fund:												
Non Public Compensatory Education	15-100-034-5120-067	7/1/14-6/30/15	1,792		\$ 1,792				\$ 1,792			
Total Special Revenue Fund					<u>1,792</u>				<u>1,792</u>			
NJ Schools Development Authority:												
Capital Projects Fund:												
Educational Facilities Construction and Financing												
Stevenson School Toilet Renovations	1465-005-10-1001	7/1/11-6/30/12	75,320	(75,320)			\$ 1,746			(73,574)	(73,574)	73,574
Churchill School Toilet Renovations	1465-005-10-1004	7/1/11-6/30/12	70,700	(70,700)						(70,700)	(70,700)	70,700
Churchill School Window Replacement	1465-005-10-1005	7/1/11-6/30/12	73,545	(73,545)						(73,545)	(73,545)	73,545
				<u>(219,565)</u>			<u>1,746</u>			<u>(217,819)</u>	<u>(217,819)</u>	<u>217,819</u>
Total State Awards				<u>\$ (373,382)</u>	<u>\$ 1,792</u>	<u>\$ 785,732</u>	<u>\$ 1,746</u>	<u>\$ (830,931)</u>	<u>\$ 1,792</u>	<u>\$ (388,035)</u>	<u>\$ (416,835)</u>	<u>\$ 1,849,273</u>

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FAIRFIELD BOARD OF EDUCATION
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1: Basis of Presentation:

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of the Fairfield Board of Education under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of the 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's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the District's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3: Indirect Cost Rate

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4: Relationship to Basic Financial Statements:

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

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$50 for the general fund. See exhibit C-3 for a reconciliation of the Budgetary Basis to the modified accrual basis of accounting for the general and special revenue funds. The schedule of expenditures of state awards does not include the TPAF Pension and Post-Retirement Medical contributions paid by the State on behalf of the District of \$383,524 and \$456,672, respectively.

FAIRFIELD BOARD OF EDUCATION
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Note 4: Relationship to Basic Financial Statements (Cont'd)

Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 1,145	\$ 1,671,177	\$ 1,672,322
Special Revenue Fund	<u>189,653</u>		<u>189,653</u>
Total Financial Awards	<u>\$ 190,798</u>	<u>\$ 1,671,177</u>	<u>\$ 1,861,975</u>

Note 5: Relationship to Federal and State Financial Reports

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

Note 6: Other

T.P.A.F. Social Security Contributions represent the amount reimbursed by the State for the employer's share of social security contributions for T.P.A.F. members for the fiscal year ended June 30, 2016.

Note 7: NJ Schools Development Authority (SDA) Grants:

The District has active grants awarded in the amount of \$217,819 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, \$217,819 has been expended, and submitted for reimbursement. The District realizes grant revenue in the Capital Projects Fund on the GAAP basis as it is expended and submitted for reimbursement.

FAIRFIELD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Uniform Guidance.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 05-18 or 2 CFR 200.156(a) of the Uniform Guidance.
- The District's program tested as a major state program for the current fiscal year consisted of the following award:

<u>State Program:</u>	<u>State Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
State Awards:				
Reimbursed TPAF Social Security Contributions	16-495-034-5095-002	7/1/15-6/30/16	\$ 389,170	\$ 389,170

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The District qualified as a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

FAIRFIELD BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.

FAIRFIELD BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings/Recommendations:

The District had no prior year audit findings.