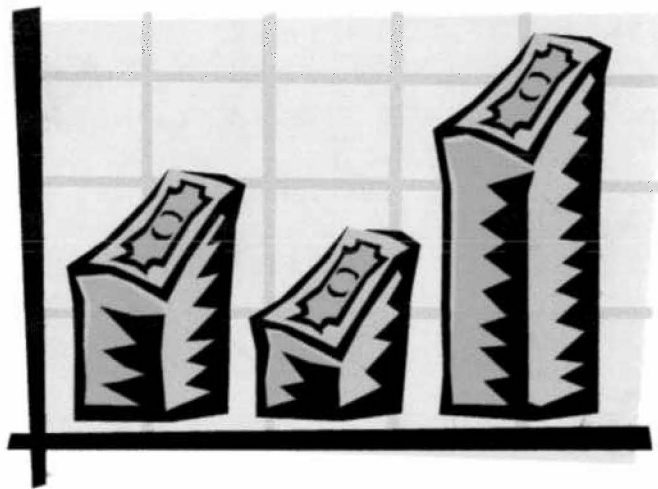




Comprehensive Annual Financial Report



Farmingdale Board of Education
Farmingdale, New Jersey

For the Fiscal Year Ended June 30, 2016

PREPARED BY:
FARMINGDALE BOARD OF EDUCATION
FINANCE DEPARTMENT

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

FARMINGDALE BOARD OF EDUCATION

FARMINGDALE, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PREPARED BY

**FARMINGDALE BOARD OF EDUCATION
FINANCE DEPARTMENT**

FARMINGDALE SCHOOL DISTRICT

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INTRODUCTORY SECTION

FARMINGDALE SCHOOL DISTRICT

49 Academy Street
Farmingdale, New Jersey 07727
Phone 732-938-9611 Fax 732-938-2317
www.farmingdaleschool.com

Mrs. Edith Conroy
Superintendent of Schools
Principal

Mrs. Karen Minutolo
Business Administrator /
Board Secretary

October 24, 2016

Honorable President and
Members of the Board of Education
Farmingdale School District
County of Monmouth
Farmingdale, New Jersey

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Farmingdale School District for the fiscal year ended June 30, 2016. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. 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. This report will provide the taxpayers of the Farmingdale School District with comprehensive financial data in a format enabling them to gain an understanding of the School District's financial affairs.

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

- The Introductory Section contains this Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the School District;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the School District's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section, which has been updated with the implementation of GASB Statement 44, includes selected economic and demographic information, financial trends, and the fiscal revenue and debt capacities and other operating information of the School District;
- The Single Audit Section – The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, Title 2 U.S. C.F.R., Part 200, "Audits of States, Local Governments and Non-Profit Organizations", and the

State Treasury Circular Letter 15-08 OMB, “Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid”. Information related to this single audit, including the independent auditors’ report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, is included in the single audit section of this report.

School District Organization

An elected five member Board of Education (the “Board”) serves as the policy maker for the School District. The Board adopts an annual budget and directly approves all expenditures, which serve as the basis for control over and authorization for all expenditures of School District tax money.

The Superintendent is the chief executive officer of the School District, responsible to the Board for total educational and support operations. The Board Secretary and Business Administrator are the chief financial officers of the School District, responsible to the Board for maintaining all financial records, issuing warrants in payments of liabilities incurred by the School District, acting as custodian of all School District funds, and investing idle funds as permitted by New Jersey law.

Reporting Entity

The Farmingdale School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board’s (GASB) as established by Statement No. 14. All funds of the District are included in this report.

Major Initiatives

Farmingdale School District’s Major Initiatives include:

A balanced literacy/reading and writing workshop initiative which provides students with a supportive environment that involves them in authentic reading experiences that focus on the strengths and needs of each individual student. In addition, it allows students to spend an extended amount of time reading and discussing texts at a “just right” level. The text are student chosen based on their interest. The ultimate goal of a Reading Workshop is to develop life-long passionate readers.

In addition, academic achievement will continue to be assessed by the New Jersey State Assessments, using small group instruction, differentiated instructional methods and formative and summative assessments. As part of the student achievement component of evaluation under AchieveNJ®, each teacher will continue to craft SGOs with input and approval from CSA at the start of the year. Specifically, teachers and CSA are expected to collaborate around the instructional content that will be covered for the skills and knowledge that will be measured.

Effective use of technology for teaching and learning will continue to be a major focus for the Farmingdale Public School. Faculty will continue to infuse technology into curriculum and instruction

with the use of both Dell Laptops and Apple ipads. The Faculty's capacity to deliver high quality instruction is a key lever to student success. Collaborative, data-informed decision-making processes and practice and continued systemic professional development are essential to our success as a school district.

Communication between student/teacher, teacher/parent, and school/community continues to be an initiative. In order for the Board to provide effective leadership, it must communicate with and establish working relationships with the community, other governmental agencies, staff, families, and students, and engage these stakeholders in supporting our students and schools. Our updated district website as well as district social media Twitter and Facebook accounts will continue to aid communication between home and school to ensure students' success.

The Farmingdale School District continues to support the Five-Year facility plan. This facility plan involves school planning and design as seen as an opportunity to enhance academic outcomes by creating better learning environments. This logic is compelling – how can we expect students to perform at high levels in school buildings that need repair. The Board is aware that clean, quiet, safe, comfortable and healthy environments are an important component of successful teaching and learning. With the newly hired architectural firm, Spiezele, the Board will review their goals in six categories: lighting, acoustics, roofing; building age and quality; school size and class size. The Board will direct district resources to support the instructional core and provide educational equity and choice while maximizing administrative and operational efficiency within a sustainable budget.

Financial Information

Internal Accounting and Budgetary Control: 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 presentation of financial statements in conformity with accounting principles generally accepted in the United States. 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 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 awards, 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. The internal control system is also subject to periodic evaluation by the District management.

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

In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are

adopted for the general fund, the special revenue fund and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund.

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

Cash Management

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

Risk Management

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

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Robert A. Hulsart & Company was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996, and the related U.S. Office of Management and Budget Circular, “Audits of State, Local Governments and Non-Profit Organizations” Title 2 U.S. C.F.R, Part 200 and the State Treasury Circular Letter 15-08 OMB “Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid.” The auditor’s report on the basic financial statements and specific required supplemental information is included in the financial section of this report. The auditors’ reports related specifically to the single audit are included in the single audit section of this report.

Acknowledgements

We would like to express our appreciation to the members of the Farmingdale 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,

Mrs. Edith Conroy

Mrs. Edith Conroy
Superintendent of Schools

Karen Minuto

Karen Minuto
SBA/BS

FARMINGDALE BOARD OF EDUCATION

ROSTER OF OFFICIALS

JUNE 30, 2016

<u>Members of the Board of Education</u>	<u>Term Expires</u>
William Shaffer, President	2018
Gary Maser, Vice-President	2016
Bonnie Wright	2016
Elizabeth Rhein	2017
Beau Byrtus	2016

Other Officials

Mrs. Edith Conroy, Superintendent/Principal

Karen Minutolo, Business Administrator/Board Secretary

George Lang, Treasurer

**FARMINGDALE BOARD OF EDUCATION
CONSULTANTS AND ADVISORS**

Audit Firm

Robert A. Hulsart and Company
2807 Hurley Pond Road
Wall, New Jersey 07719

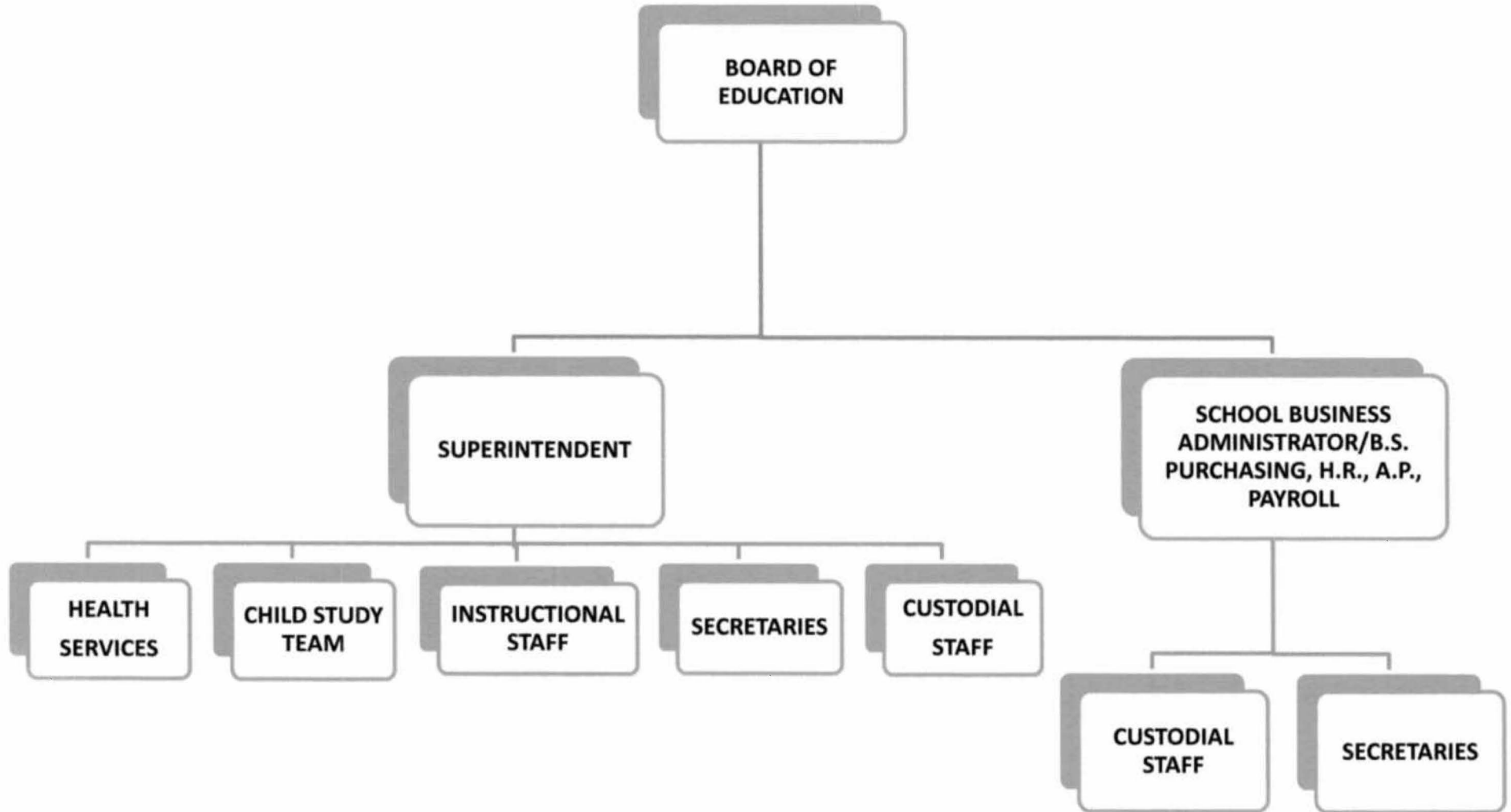
Attorney

Campbell & Pruchnik, L.L.C.
Counselors-at-Law
43 West Front Street
Suite 10
Red Bank, New Jersey 07701

Official Depository

New York Community Bank
Main Street
Farmingdale, New Jersey 07727

Farmingdale School Organization Chart



FINANCIAL SECTION

Robert A. Hulsart and Company
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

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RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
 of the Board of Education
 Farmingdale School District
 County of Monmouth
 Farmingdale, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Farmingdale School District, in the County of Monmouth, State of New Jersey, as of and for the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates 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 standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information 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.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Title 2 U.S. Code of Federal Regulations Part 200, Audits of States, Local Governments, and Non-Profit Organizations, and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2016 on our consideration of the Farmingdale's Board of Education internal control over financial reporting and 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 Farmingdale Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

October 24, 2016

**REQUIRED SUPPLEMENTARY INFORMATION
PART I**

FARMINGDALE PUBLIC SCHOOL DISTRICT

BOROUGH OF FARMINGDALE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The discussion and analysis of Farmingdale Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Reports (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

Financial Highlights

Key Financial highlights for the 2015-2016 fiscal year are as follows:

- General revenues accounted for \$2,993,061 in revenue or 97 percent of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$105,387 or 3 percent to total revenues of \$3,098,448.
- The School District had \$3,105,365 in expenses; only \$105,387 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes) of \$2,993,061 were adequate to provide for these programs.
- The General Fund had \$3,098,448 in revenues and \$3,118,891 in expenditures. The General Fund's balance decreased \$20,443 from 2015.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Farmingdale Public School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Using this Comprehensive Annual Financial Report (CAFR) – (Continued)

The Statement of Net Position and Statement of Activities provide information about the activities of the whole school district, presenting both an aggregate view of the School District's finances and a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. In the case of Farmingdale Public School District, the General Fund is the most significant fund.

The School Board's auditor has provided assurance in his Independent Auditor's Report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the other parts of the Financial Section.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2015-2016 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Government Funds

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

The School District as a Whole

Table 1 provides a summary of the School District's net position for the fiscal year 2016 comparison data for 2015 is also presented.

**Table 1
Net Position**

	<u>2016</u>	<u>2015</u>
<u>Assets</u>		
Current and Other Assets	\$ 642,222	422,552
Capital Assets, Net	<u>489,838</u>	<u>523,795</u>
Total Assets	<u>\$ 1,132,060</u>	<u>946,347</u>
<u>Deferred Outflow of Resources</u>		
Contribution to Pension Plan	<u>\$ 102,951</u>	<u>69,326</u>
<u>Deferred Inflow of Resources</u>		
Pension Deferrals	<u>\$64,256</u>	<u>21,669</u>
<u>Liabilities</u>		
Non-Current Liabilities:		
Accounts Payable	\$1,494	6,792
Due Beyond One Year	<u>596,006</u>	<u>405,605</u>
Total Liabilities	<u>\$ 597,500</u>	<u>412,397</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ 489,838	523,795
Restricted	136,611	233,319
Unrestricted	<u>(53,269)</u>	<u>(175,507)</u>
Total Net Position	<u>\$ 573,180</u>	<u>581,607</u>

Table 2 shows the changes in net position for fiscal year 2016. Comparative information for 2015 is also presented.

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 36,185	27,416
Operating Grants and Contributions	98,020	96,696
General Revenues		
Property Taxes	1,680,867	1,560,784
Other	<u>1,312,224</u>	<u>1,069,151</u>
Total Revenues	<u>3,127,296</u>	<u>2,754,047</u>
<u>Program Expenses</u>		
Instruction	1,342,102	1,260,949
Support Services		
Pupils and Instructional Staff	387,867	349,325
General Administration, School Administration, Business Operations and Maintenance of Facilities	1,361,934	1,107,496
Pupil Transportation	13,462	22,125
Food Service	<u>30,358</u>	<u>42,530</u>
Total Expenses	<u>3,135,723</u>	<u>2,782,425</u>
Increase/(Decrease) in Net Position	<u>\$ (8,427)</u>	<u>(28,378)</u>

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services.

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

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

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

Governmental Activities (Continued)

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

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

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

Other includes unallocated depreciation and amortization.

The School Board Funds

The School Board uses funds to control and manage money for particular purposes. The Fund's basic financial statements allows the School Board to demonstrate its stewardship over and accountability for resources received from the Borough of Farmingdale's taxpayer's and other entities, including the State of New Jersey and the Federal Government. These statements also allow the reader to obtain more insight into the financial workings of the School Board, and assess further the School Board's overall financial health.

As the School Board completed the fiscal year ended June 30, 2016, it reported a combined net position of \$573,180. The Reconciliation of the Statement of Revenue Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in activities.

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

Over the course of the year, the School Board revises its budget as it attempts to take into consideration unexpected changes in revenue and expenditures.

A schedule showing the School Board's original and final budget compared with actual operating results is provided in the section of the CAFR, entitled Budgetary Comparison Schedules. The School Board generally did better than had been budgeted in its General Fund since it practices conservative budgetary practices in which revenues are forecasted very conservatively and expenditures are budgeted with worst case scenarios in mind.

Capital Assets

At June 30, 2016, the School Board had approximately \$489,838 in capital assets. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2016 fiscal year.

Governmental Activities

Table II

Capital Assets at June 30, 2016

Building and Improvements	\$ 218,703
Land	149,706
Equipment	<u>121,227</u>
	<u>489,636</u>

Business-Type Activities

Equipment	<u>345</u>
Total	<u>\$ 489,981</u>

Debt Administration

At June 30, 2016, the School District had \$42,000 in compensated absences payable and a net pension liability of \$353,170.

Economic Factors and Next Year's Budget

The Farmingdale Public School District is in very good financial condition presently. Future finances are not without challenges as the community continues to grow and state funding is decreased.

The Borough of Farmingdale is primarily a residential community, with very few ratables. The majority of revenues needed to operate the District are derived from homeowners through property tax assessments and collections.

For the 2015-2016 school year, the School Board was able to sustain its general fund budget through the local tax levy, state education aid, tuition and local revenue sources. Approximately 42% of the School Board's general fund revenue is from State Aid; 58% of total revenue is from local tax levy, the remainder is from miscellaneous revenue, which among other things includes interest on deposits.

The \$(53,269) is unrestricted net position for all governmental activities represent the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's noncurrent liabilities such as compensated absences, the School Board would have a deficit of \$(53,269).

Economic Factors and Next Year's Budget (Continued)

At this time, the most important factor affecting the budget is the unsettled situation with State Aid. While State Aid may be frozen, the District may experience growth in student population. The tax levy will be the area that will need to absorb any increase in budget obligations.

The School Board cannot accurately forecast future enrollment, but most Districts in Monmouth County are facing increased enrollments.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Karen Minutolo, School Business Administrator, Board Secretary, at Farmingdale Board of Education, 49 Academy Street, Farmingdale, New Jersey 07727.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

FARMINGDALE SCHOOL DISTRICT**STATEMENT OF NET POSITION**

Exhibit A-1

JUNE 30, 2016

	<u>Governmental Funds</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents - Unrestricted	\$ 175,351	10,991	186,342
Accounts Receivables, Net	8,010	1,002	9,012
Restricted Assets:			
Cash and Cash Equivalents	419,742		419,742
Capital Reserve	31,344		31,344
Capital Assets - Not Depreciated	149,706		149,706
Capital Assets, Net	<u>339,930</u>	<u>202</u>	<u>340,132</u>
Total Assets	<u>\$ 1,124,083</u>	<u>12,195</u>	<u>1,136,278</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>\$ 102,951</u>		<u>102,951</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals	<u>\$ 64,256</u>		<u>64,256</u>
<u>Liabilities</u>			
Non-Current Liabilities:			
Deferred Revenue	\$ 200,836		200,836
Accounts Payable	75	1,494	1,494
Due Beyond One Year	<u>395,170</u>		<u>395,170</u>
Total Liabilities	<u>\$ 596,081</u>	<u>1,494</u>	<u>597,500</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	\$ 489,636	202	489,838
Restricted For:			
Other Purposes	136,611		136,611
Unrestricted	<u>(59,550)</u>	<u>10,499</u>	<u>(49,051)</u>
Total Net Position	<u>\$ 566,697</u>	<u>10,701</u>	<u>577,398</u>

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

FARMINGDALE SCHOOL DISTRICT

Exhibit A-2

Sheet 1 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 831,905			(831,905)		(831,905)
Special Education	506,142			(506,142)		(506,142)
Other Instruction	4,055			(4,055)		(4,055)
Support Services:						
Tuition	43,442	26,045		(17,397)		(17,397)
Student & Instruction Related Services	344,425		79,342	(265,083)		(265,083)
School Administrative Services	179,323			(179,323)		(179,323)
Plant Operations and Maintenance	226,394			(226,394)		(226,394)
Pupil Transportation	13,462			(13,462)		(13,462)
Business and Other Support Services	59,280			(59,280)		(59,280)
Unallocated Benefits	682,702			(682,702)		(682,702)
Capital Outlay Not in Fixed Assets	180,421			(180,421)		(180,421)
Unallocated Depreciation	33,814			(33,814)		(33,814)
Total Government Activities	<u>3,105,365</u>	<u>26,045</u>	<u>79,342</u>	<u>(2,999,978)</u>	<u>-</u>	<u>(2,999,978)</u>
Business-Type Activities:						
Food Service	<u>29,713</u>	<u>13,204</u>	<u>19,187</u>		<u>2,678</u>	<u>2,678</u>
Total Business-Type Activities	<u>29,713</u>	<u>13,204</u>	<u>19,187</u>	<u>-</u>	<u>2,678</u>	<u>2,678</u>
Total Primary Government	<u>3,135,078</u>	<u>39,249</u>	<u>98,529</u>	<u>(2,999,978)</u>	<u>2,678</u>	<u>(2,997,300)</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit A-2

Sheet 2 of 2

STATEMENT OF ACTIVITIES

JUNE 30, 2016

	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purpose, Net			1,680,867		1,680,867
Federal and State Aid Not Restricted			1,107,341		1,107,341
Miscellaneous Income			204,615	30	204,645
Adjustment			238		238
Total General Revenues, Special Items, Extraordinary Items and Transfers			<u>2,993,061</u>	<u>30</u>	<u>2,993,091</u>
Change in Net Position			(6,917)	2,708	(4,209)
Net Position - Beginning			<u>573,614</u>	<u>7,993</u>	<u>581,607</u>
Net Position - Ending			<u>\$ 566,697</u>	<u>10,701</u>	<u>577,398</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 175,351		175,351
Cash and Cash Equivalents - Restricted	218,906	200,836	419,742
Cash and Cash Equivalents - Capital Reserve	31,344		31,344
Accounts Receivables, Net	8,010		8,010
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 433,611</u>	<u>200,836</u>	<u>634,447</u>
<u>Liabilities</u>			
Prepaid School Taxes	75		75
Deferred Revenue		200,836	200,836
Total Liabilities	<u>75</u>	<u>200,836</u>	<u>200,911</u>
<u>Fund Balance</u>			
Fund Balances:			
Restricted For:			
Excess Surplus Designated for Subsequent Year's Expenditures	\$ 17,302		17,302
Excess Surplus - Current Year	44,465		44,465
Maintenance Reserve	20,000		20,000
Capital Reserve	31,344		31,344
Assigned To:			
Designated by the BOE for Subsequent Year's Expenditures	142,465		142,465
Reserve for Encumbrances	2,897		2,897
Unassigned:			
General Fund	175,063		175,063
Total Fund Balance	<u>433,536</u>	<u>-</u>	<u>433,536</u>
Total Liabilities and Fund Balances	<u>\$ 433,611</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 not reported in the funds. The cost of the assets is \$2,146,883 and the accumulated depreciation is \$1,657,247	489,636
Deferred outflow of resources - contributions to the pension plan	102,951
Deferred inflow of resources - acquisition of assets applicable to future reporting periods	(64,256)
Long-Term liabilities including bonds payable are payable in the current period and therefore are not reported as liabilities in the funds (see Note 3)	<u>(395,170)</u>
Net position of governmental activities	<u>\$ 566,697</u>

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

FARMINGDALE SCHOOL DISTRICT

Exhibit B-2

Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Local Sources:			
Local Tax Levy	\$ 1,680,867		1,680,867
Tuition	26,045		26,045
Miscellaneous	3,778		3,778
Total Local Sources	<u>1,710,690</u>	-	<u>1,710,690</u>
State Sources	1,107,341		1,107,341
Federal Sources		79,342	79,342
Total Revenues	<u>2,818,031</u>	<u>79,342</u>	<u>2,897,373</u>
Expenditures:			
Current:			
Regular Instruction	831,905		831,905
Special Education Instruction	426,800	79,342	506,142
Other Instruction	4,055		4,055
Support Services and Undistributed Costs:			
Tuition	43,442		43,442
Student and Instruction Related Services	344,425		344,425
School Administrative Services	179,323		179,323
Plant Operations and Maintenance	226,394		226,394
Pupil Transportation	13,462		13,462
Business and Other Support Services	59,280		59,280
Unallocated Benefits	663,305		663,305
Capital Outlay	454		454
Total Expenditures	<u>2,792,845</u>	<u>79,342</u>	<u>2,872,187</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,186	-	25,186
Net Change in Fund Balances	25,186	-	25,186
Fund Balance - July 1	<u>408,350</u>	<u> </u>	<u>408,350</u>
Fund Balance - June 30	<u><u>\$ 433,536</u></u>	<u><u> </u></u>	<u><u>433,536</u></u>

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

FARMINGDALE SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS Exhibit B-3TO THE STATEMENT OF ACTIVITIESJUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 25,186
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Capital Outlay	21,108
Depreciation Expense	(33,814)
Deferred Outflow of Resources - Contributions to the pension plan	33,625
Deferred Inflow of Resources - Acquisition of assets applicable to to future reporting periods	(42,587)
Net Pension Liability	<u>(10,435)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (6,917)</u></u>

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

FARMINGDALE SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2016

	Business-Type Activities Enterprise Fund Totals
	<hr/> <hr/>
<u>Assets</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 10,991
Accounts Receivable:	
Federal Aid	983
State Aid	19
Total Current Assets	<hr/> 11,993 <hr/>
Noncurrent Assets:	
Equipment	6,896
Accumulated Depreciation	(6,694)
Total Fixed Assets	<hr/> 202 <hr/>
Total Assets	<hr/> \$ 12,195 <hr/> <hr/>
<u>Liabilities</u>	
Accounts Payable	<hr/> \$ 1,494 <hr/>
<u>Net Position</u>	
Invested in Capital Assets	\$ 202
Unreserved	<hr/> 10,499 <hr/>
Total Net Position	<hr/> \$ 10,701 <hr/> <hr/>

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

FARMINGDALE SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND

Exhibit B-5

CHANGES IN FUND NET POSITIONPROPRIETARY FUNDSJUNE 30, 2016

	Business-Type Activities Enterprise Fund Totals
Operating Revenues:	
Charge for Services:	
Tuition	\$ 1,920
Daily Sales	11,284
Total Operating Revenues	<u>13,204</u>
Operating Expenses:	
Cost of Sales	27,650
Depreciation	143
Salaries	1,920
Total Operating Expenses	<u>29,713</u>
Operating Loss	(16,509)
Non-Operating Revenues:	
Interest Income	30
State School Lunch Program	401
National Breakfast Program	2,620
National PB Lunch Program	490
National School Lunch Program	15,676
Total Non-Operating Revenues	<u>19,217</u>
Change in Net Position	2,708
Net Position, July 1	<u>7,993</u>
Net Position, June 30	<u>\$ 10,701</u>

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

FARMINGDALE SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2016

	Business-Type Activities Enterprise Fund Totals
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 13,204
Payments for Supplies and Salaries	(29,980)
Total Cash Flows from Operating Activities	<u>(16,776)</u>
Cash Flows For Noncapital Financing Activities:	
Federal and State Subsidies	19,187
Total Cash Flows For Noncapital Financing Activities	<u>19,187</u>
Cash Flows For Investing Activities:	
Interest Income	30
Total Cash Flows For Investing Activities	<u>30</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,441
Balances Beginning of Year	<u>8,550</u>
Balances End of Year	<u>\$ 10,991</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (16,509)
Depreciation	143
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	4,888
Increase/(Decrease) in Accounts Payable	<u>(5,298)</u>
Net Cash Used by Operating Activities	<u>\$ (16,776)</u>

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

FARMINGDALE SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDJUNE 30, 2016

	<u>Agency Account</u>
Assets:	
Cash and Cash Equivalents	<u>\$ 20,765</u>
Total Assets	<u><u>\$ 20,765</u></u>
Liabilities:	
Payroll Deductions and Withholdings	<u>\$ 20,765</u>
Total Liabilities	<u><u>\$ 20,765</u></u>

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

FARMINGDALE SCHOOL DISTRICTSTATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Exhibit B-8

JUNE 30, 2016

	<u>Agency Account</u>
<u>Additions</u>	
Receipts	\$ 1,035,776
<u>Deductions</u>	
Disbursements	<u>1,035,537</u>
Change in Net Position	239
Net Position- July 1	<u>20,526</u>
Net Position - June 30	<u><u>\$ 20,765</u></u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
FARMINGDALE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

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

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in Farmingdale. 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. Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities such as student activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by state and federal aid, tuition and county tax levies, from business-type activities generally financed in whole or in part with fees charged to external parties.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. The New Jersey Department of Education (the "Department") 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 Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

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

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

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

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; 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. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2016 were insignificant.

The Public School Education Act of 1975, limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued):

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

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

F. 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 reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

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

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

G. Short-Term Interfund Receivables/Payables:

Short-Term interfund receivables/payables represents amounts that are owed, other than charges for good or services rendered to/from a particular fund in the District and that are due within one year.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Inventories and Prepaid Expenses (Continued)

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

I. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company during the 2012 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2011-2012 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2016, fiscal year 2016 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

Capital asset activity for the year ended June 30, 2016 was as follows:

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Governmental Activities:				
Capital Assets that are Not Being Depreciated:				
Land	\$ 149,706	_____	_____	149,706
Total Capital Assets Not Being Depreciated	<u>149,706</u>	_____	_____	<u>149,706</u>
Depreciable Assets:				
Buildings & Sites	1,174,195			1,174,195
Equipment	<u>822,982</u>	_____	_____	<u>822,982</u>
Totals at Historical Cost	<u>1,997,177</u>	_____	_____	<u>1,997,177</u>
Less: Accumulated Depreciation for:				
Buildings & Sites	(929,955)	(25,537)		(955,492)
Equipment	<u>(693,478)</u>	<u>(8,277)</u>	_____	<u>(701,755)</u>
Total Accumulated Depreciation	<u>(1,623,433)</u>	<u>(33,814)</u>	_____	<u>(1,657,247)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>373,744</u>	<u>(33,814)</u>	_____	<u>339,930</u>
Governmental Activities Capital Assets, Net	<u>\$ 523,450</u>	<u>(33,814)</u>	=====	<u>489,636</u>
Business-Type Activities:				
Equipment	\$ 6,896			6,896
Less: Accumulated Depreciation:				
Equipment	<u>(6,551)</u>	_____	_____	<u>(6,551)</u>
Business-Type Capital Assets (Net)	<u>\$ 345</u>	=====	=====	<u>345</u>

Depreciation expense was charged to governmental function as follows:

Unallocated	<u>\$ 33,814</u>
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The fixed assets were done by Industrial Appraisal Company which indicated no additions or deletions only depreciation.

NOTE 1: Summary of Significant Accounting Policies (Continued)**J. Compensated Absences**

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

K. Deferred Revenue

Deferred revenue in the special revenue funds represent cash which has been received but not yet earned or reclassified from encumbrances per GAAP.

L. Accrued Salaries and Wages

Certain District employees, who provide services to the District over the ten-month academic year, have the option to have their salaries evenly disbursed during the entire twelve-month year. New Jersey statutes require that these earned but undisbursed amounts be retained in a separate bank account. As of June 30, 2016, there were no employees optioning for the twelve-month year.

M. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 7).

NOTE 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents includes 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 District 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.

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:

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Deposits (Continued)**

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 District to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following categories described below:

FDIC	\$ 250,000
GUDPA	<u>463,592</u>
	<u>\$ 713,592</u>

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

	Cash and Cash
	<u>Equivalents</u>
Interest Bearing Checking Accounts	<u>\$713,592</u>

The carrying amount of the Board's cash, cash equivalents and investments at June 30, 2016 was \$674,822 and the bank balance was \$713,592. Of the bank balance \$250,000 was covered by federal depository insurance and \$463,592 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Long-Term</u> <u>Portion</u>	<u>2016-17</u> <u>Payment</u>
Compensated Absences Payable	\$ 42,000			42,000	42,000	
Pension Liability	<u>363,605</u>	_____	<u>10,435</u>	<u>353,170</u>	<u>353,170</u>	_____
	<u>\$ 405,605</u>	=====	<u>10,435</u>	<u>395,170</u>	<u>395,170</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. There were no bonds payable.

B. Bonds Authorized But Not Issued

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

NOTE 4: Pension Plans

Description of Plans – All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

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

NOTE 4: Pension Plans (Continued)

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

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

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

Contribution Requirements – The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for both cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

NOTE 4: Pension Plans (Continued)

Year Funding	<u>Three-Year Trend Information for PERS</u>		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/16	\$ 13,526	100%	\$ 0
6/30/15	16,007	100%	0
6/30/14	13,552	100%	0

Year Funding	<u>Three-Year Trend Information for TPAF (Paid On-Behalf of the District)</u>		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/16	\$ 220,926	100%	\$0
6/30/15	184,339	100%	0
6/30/14	147,596	100%	0

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$220,926 to the TPAF for normal and post-retirement benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$103,066 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenue and expenditure in accordance with GASB 24.

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS

For the year ended June 30, 2016, the District recognized pension expense of \$13,526. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 8,425	
Changes of Assumptions	37,928	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		5,678
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	43,072	58,578
District Contributions Subsequent to the Measurement Date	<u>13,526</u>	<u> </u>
Total	<u>\$ 102,951</u>	<u>64,256</u>

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS (Continued)

\$102,951 was reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at December 31, 2014 and 2015 are as follows:

	<u>Dec. 31, 2015</u>	<u>Dec. 31, 2014</u>
Collective Deferred Outflows of Resources	\$ 102,951	69,326
Collective Deferred Inflows of Resources	64,256	21,669
Collective Net Pension Liability	353,170	363,605
District's Proportion	.00157%	.00194%

Components of Net Pension Liability

The components of the net pension liability of the participating employers for PERS as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 31,614,118,524	43,109,580,038	74,723,698,562
Plan Fiduciary Net Position	<u>7,891,982,987</u>	<u>20,661,583,919</u>	<u>28,553,566,906</u>
Net Pension Liability	<u>\$ 23,722,135,537</u>	<u>22,447,996,119</u>	<u>46,170,131,656</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.96%	47.93%	38.21%
	<u>2014</u>		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 28,777,950,141	39,071,470,586	67,849,420,727
Plan Fiduciary Net Position	<u>8,650,846,191</u>	<u>20,348,735,583</u>	<u>28,999,581,774</u>
Net Pension Liability	<u>\$ 20,127,103,950</u>	<u>18,722,735,003</u>	<u>38,849,838,953</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	30.06%	52.08%	42.74%

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS (Continued)

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2103, which was rolled forward to June 30, 2015. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation 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) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

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.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 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%
Intermediate 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 US 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 US	3.50%	-0.40%
REIT	4.25%	5.12%

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS (Continued)**Discount Rate**

The discount rate used to measure the total pension liability was 4.90% and 5.39% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2015 and 2014, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2015		
	At 1% Decrease (3.90%)	At Current Discount Rate (4.90%)	At 1% Increase (5.90%)
State	\$ 27,802,122,942	23,722,135,537	20,314,768,782
Local	<u>27,900,112,533</u>	<u>22,447,996,119</u>	<u>17,876,981,108</u>
Total	<u>\$ 55,702,235,475</u>	<u>46,170,131,656</u>	<u>38,191,749,890</u>
	2014		
	At 1% Decrease (4.39%)	At Current Discount Rate (5.39%)	At 1% Increase (6.39%)
State	\$ 23,772,450,916	20,127,103,950	17,069,920,644
Local	<u>23,553,838,159</u>	<u>18,722,735,003</u>	<u>14,665,837,859</u>
Total	<u>\$ 47,326,289,075</u>	<u>38,849,838,953</u>	<u>31,735,758,503</u>

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS (Continued)**Teachers Pensions and Annuity Fund (TPAF)****Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Total Pension Liability	\$ 89,182,662,000	81,095,320,000
Plan Fiduciary Net Position	<u>25,604,797,560</u>	<u>27,282,252,461</u>
Net Pension Liability	<u>\$ 63,577,864,440</u>	<u>53,813,067,539</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2015</u>	<u>2014</u>
District's Liability	<u>\$ 8,328,814</u>	<u>7,064,268</u>
District's Proportion	.01310%	.01313%

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. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2014. 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 Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvements. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality 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.

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF'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>
US Cash	5.00%	0.53%
US Government Bonds	1.75%	1.39%
US Credit Bonds	13.50%	2.72%
US Mortgages	2.10%	2.54%
US Inflation-Indexed Bonds	1.50%	1.47%
US High Yield Bonds	2.00%	4.57%
US Equity Market	27.25%	5.63%
Foreign – Developed Equity	12.00%	6.22%
Emerging Markets Equity	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%

Discount Rate

The discount rate used to measure the total pension liability was 4.13% and 4.68% as of June 30, 2015 and 2014, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

NOTE 5: Pension Expense Deferred Outflows/Inflows – PERS (Continued)**Sensitivity 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 was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2015 (3.13%, 4.13%, 5.13%)	\$ 75,559,915,440	63,577,864,440	53,254,610,440
2014 (3.68%, 4.68%, 5.68%)	64,722,984,539	53,813,067,539	44,738,870,539

NOTE 6: Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 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 benefits 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 health benefits to members of PERS and the Alternate Benefit Program (APB) 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.

NOTE 7: Contingent Liabilities

It is the opinion of the school board officials that there is no litigation threatened or pending that would materially affect the financial position of the school district.

NOTE 8: Equity Balance

At June 30, 2016, the General Fund equity balance was as follows:

Restricted Fund Balance:	
Maintenance Reserve	\$ 20,000
Excess Surplus	44,465
Capital Reserve	31,344
Assigned Fund Balance:	
Reserved for Encumbrances	2,897
Designated for Subsequent Year's Expenditures	142,465
Designated for Subsequent Year's Expenditures – Excess Surplus	17,302
Unassigned fund Balance	<u>253,071</u>
	<u>\$ 511,544</u>

Reserved excess surplus represents a calculation under N.J.S.A. 18A:7F-7 which identifies an amount of surplus under the statute which must be restricted for use in the next succeeding budget.

2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Per the CAFR	\$ 2,792,845
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(323,992)</u>
Adjusted 2015-16 General Fund Expenditures	<u>\$ 2,468,853</u>
2% of Adjusted 2015-16 General Fund Expenditures	<u>\$ 49,377</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustment	<u>3,071</u>
Maximum Unassigned Fund Balance	<u>\$ 253,071</u>

Section 2

Total General Fund – Fund Balance @ 6-30-16	\$ 511,544
Decreased by:	
Designated for Subsequent Years Expenditures	(142,465)
Designated for Subsequent Years Expenditures – Excess Surplus	(17,302)
Reserve for Encumbrances	(2,897)
Other Reserves	<u>(51,344)</u>
Total Unassigned Fund Balance	<u>\$ 297,536</u>
Restricted Fund Balance – Excess Surplus	<u>\$ 44,465</u>

NOTE 8: Equity Balance (Continued)

Designated for Subsequent Year's Expenditures – Excess Surplus	\$ 17,302
Excess Surplus	<u>44,465</u>
	<u>\$ 61,767</u>
 <u>Detail of Allowable Adjustments</u>	
Extraordinary Aid	\$ 1,331
Non-Public Transportation	<u>1,740</u>
	<u>\$ 3,071</u>
 <u>Detail of Other Restricted Fund Balance</u>	
Maintenance Reserve	\$ 20,000
Capital Reserve	<u>31,344</u>
	<u>\$ 51,344</u>

NOTE 9: Risk Management

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds.

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Employee Contributions</u>	<u>Reimbursed</u>	<u>Ending Balance</u>
2013-2014	\$ -0-	5,478	2,944	17,471
2014-2015	-0-	4,771	1,716	20,526
2015-2016	0	239	0	20,765

NOTE 10: Capital Reserve Account

A Capital Reserve account was established by the Borough of Farmingdale Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Fund placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the department, a district may deposit funds into the capital reserve at any time upon board resolution through the transfer of undesignated, unreserved general fund balance or of excess undesignated, unreserved general fund balance that is anticipated in the budget certified for taxes. 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.

"A board of education may, by resolution of the board: transfer undesignated general fund balance or excess undesignated general fund balance to the capital reserve account at any time during the budget year; transfer funds from the capital reserve account to the appropriate line item account for the funding of capital projects as contained in the district's long-range facilities plan; and transfer funds from the capital reserve account to the debt service account for the purpose of offsetting principal and interest payments for bonded projects which are included in the district's long-range facilities plan." (N.J.S.A. 18A:7G-31c).

Withdrawals may not be used for current expense. Only funds in a capital reserve account in existence prior to July 18, 2000 can be withdrawn before receiving approval of the district's LRFP and such withdrawals must be for the original purpose deposited. (N.J.A.C. 6:23A-5.1(f)1).

"Any capital reserve account in existence as of July 18, 2000 shall be subject to EFCFA and these regulations." (N.J.A.C. 6:23A-5.1(j)).

Balance July 1, 2015	\$ 31,344
Balance June 30, 2016	<u>\$ 31,344</u>

NOTE 11: Fund Balance Appropriated

General Fund – Of the \$511,544 General Fund balance at June 30, 2016, \$20,000 is Maintenance Reserve; \$31,344 is Capital Reserve; \$44,465 is excess surplus; \$17,302 is excess surplus designated for subsequent year's expenditures; \$142,465 is designated by the Board of Education for subsequent year's expenditures; \$2,897 is reserved for encumbrances and \$253,071 is unreserved and undesignated.

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: Operating Leases

A new lease was approved for 48 months from December 28, 2015 to November 28, 2019 at \$411 per month plus a monthly service charge of \$198. Payment schedule June 30, 2016:

2016-17	\$4,932
2017-18	4,932
2018-19	4,932
2019-20	<u>2,055</u>
	16,851
Less Interest	<u>1,422</u>
Net Lease Cost	<u>\$ 15,429</u>

NOTE 14: Recent Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2016. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2016 through October 24, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

FARMINGDALE SCHOOL DISTRICT

Exhibit C-1

Sheet 1 of 7

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2016

	<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	\$ 1,680,867		1,680,867	1,680,867	-
Tuition	10,454		10,454	26,045	15,591
Interest			-	3,247	3,247
Miscellaneous	4,000		4,000	531	(3,469)
Total Local Sources	<u>1,695,321</u>	<u>-</u>	<u>1,695,321</u>	<u>1,710,690</u>	<u>15,369</u>
State Sources:					
Equalization Aid	496,434		496,434	496,434	-
Adjustment Aid	180,573		180,573	180,573	-
Security Aid	15,561		15,561	15,561	-
Transportation Aid	2,612		2,612	2,612	-
Special Education Aid	82,456		82,456	82,456	-
Extraordinary Aid				1,331	1,331
PARCC Readiness Aid	1,440		1,440	1,440	-
Per Pupil Growth Aid	1,440		1,440	1,440	-
Non Public Transportation			-	1,740	1,740
On-behalf TPAF Pension Contributions (Non-Budgeted)				220,926	220,926
Reimbursed TPAF Social Security Contributions (Non-Budgeted)			-	103,066	103,066
Total State Sources	<u>780,516</u>	<u>-</u>	<u>780,516</u>	<u>1,107,579</u>	<u>327,063</u>
Total Revenues	<u>2,475,837</u>	<u>-</u>	<u>2,475,837</u>	<u>2,818,269</u>	<u>342,432</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit C-1

Sheet 2 of 7

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Expenditures:					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Preschool	31,527	-	31,527	31,395	132
Kindergarten	49,915	575	50,490	50,490	-
Grades 1-5	403,299	(1,576)	401,723	391,651	10,072
Grades 6-8	284,005	5,015	289,020	286,388	2,632
Regular Programs - Undistributed Instruction					
Other Salaries For Instruction	40,500	(5,000)	35,500	35,261	239
Purchased Professional Educational Services	1,500	-	1,500		1,500
General Supplies	28,600	1,507	30,107	30,107	-
Textbooks	7,000	-	7,000	6,613	387
Total Regular Programs - Instruction	<u>846,346</u>	<u>521</u>	<u>846,867</u>	<u>831,905</u>	<u>14,962</u>
Resource Room/Resource Center:					
Salaries of Teachers	<u>419,713</u>	<u>7,087</u>	<u>426,800</u>	<u>426,800</u>	<u>-</u>
Total Special Education	<u>419,713</u>	<u>7,087</u>	<u>426,800</u>	<u>426,800</u>	<u>-</u>
School Sponsored Co-Curricular Activities - Instruction:					
Other Objects	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>4,055</u>	<u>945</u>
Before and After School Instruction:					
Teachers Salaries	<u>3,000</u>	<u>-</u>	<u>3,000</u>		<u>3,000</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit C-1

Sheet 3 of 7

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Summer School:					
Salaries	<u>3,000</u>	<u>-</u>	<u>3,000</u>		<u>3,000</u>
Total Instruction	<u>1,277,059</u>	<u>7,608</u>	<u>1,284,667</u>	<u>1,262,760</u>	<u>21,907</u>
Tuition - Special Ed	<u>40,000</u>	<u>3,442</u>	<u>43,442</u>	<u>43,442</u>	<u>-</u>
Attendance and Social Work Services:					
Salaries	<u>38,156</u>		<u>38,156</u>	<u>38,156</u>	<u>-</u>
Health Services:					
Salaries	<u>82,799</u>	<u>1,533</u>	<u>84,332</u>	<u>84,332</u>	<u>-</u>
Other Purchased Services	<u>2,000</u>	<u>(652)</u>	<u>1,348</u>	<u>1,348</u>	<u>-</u>
Supplies and Materials	<u>800</u>	<u>(568)</u>	<u>232</u>	<u>232</u>	<u>-</u>
Total Health Services	<u>85,599</u>	<u>313</u>	<u>85,912</u>	<u>85,912</u>	<u>-</u>
Other Support Services Students:					
Purchased Professional Educational Services	<u>80,222</u>	<u>-</u>	<u>80,222</u>	<u>73,351</u>	<u>6,871</u>
Other Support Services - Students Regular:					
Salaries - Secretarial and Clerical	<u>25,331</u>	<u>-</u>	<u>25,331</u>	<u>25,330</u>	<u>1</u>
Purchased Professional - Educational Services	<u>87,440</u>	<u>(17,186)</u>	<u>70,254</u>	<u>39,766</u>	<u>30,488</u>
Total Other Support Services - Students Regular	<u>112,771</u>	<u>(17,186)</u>	<u>95,585</u>	<u>65,096</u>	<u>30,489</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit C-1

Sheet 4 of 7

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media Services/School Library:					
Salaries	53,107	-	53,107	52,964	143
Purchased Professional & Technical Services	2,682	11,538	14,220	14,220	-
Supplies and Materials	12,530	2,888	15,418	14,121	1,297
Total Educational Media Services School Library	<u>68,319</u>	<u>14,426</u>	<u>82,745</u>	<u>81,305</u>	<u>1,440</u>
Instructual Staff Training Services:					
Purchased Professional- Educational Services	<u>1,000</u>		<u>1,000</u>	<u>605</u>	<u>395</u>
Support Services General Administration:					
Salaries	74,831	1,261	76,092	75,968	124
Legal Services	10,000	564	10,564	10,564	-
Audit Fees	7,600		7,600	7,500	100
Communications/Telephone	3,800	(955)	2,845	2,845	-
Other Purchased Services	2,000	559	2,559	2,559	-
Miscellaneous Expenditures	13,599	(1,390)	12,209	12,197	12
BOE Membership Dues And Fees	2,300	(94)	2,206	2,090	116
Total Support Services General Administration	<u>114,130</u>	<u>(55)</u>	<u>114,075</u>	<u>113,723</u>	<u>352</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	58,739	1,261	60,000	60,000	-
Salaries of Secretarial and Clerical Assistants	5,600	-	5,600	5,600	-
	<u>64,339</u>	<u>1,261</u>	<u>65,600</u>	<u>65,600</u>	<u>-</u>
Support Services - Central Services:					
Salaries	43,027	-	43,027	43,027	-
Purchased Technical Services	16,025	228	16,253	16,253	-
Total Support Services - Central Services	<u>59,052</u>	<u>228</u>	<u>59,280</u>	<u>59,280</u>	<u>-</u>

FARMINGDALE SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Exhibit C-1
Sheet 5 of 7

JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final to Actual</u>
Required Maintenance of Plant Services:					
Cleaning, Repair and Maintenance Services	88,112	2,191	90,303	86,447	3,856
Other Operations and Maintenance of Plant:					
Salaries	34,759	(2,191)	32,568	31,518	1,050
Other Purchased Property Services	2,100	-	2,100	1,885	215
Insurance	42,550	-	42,550	39,922	2,628
General Supplies	11,200	-	11,200	10,731	469
Energy (Heat & Electricity)	37,000	-	37,000	28,998	8,002
Natural Gas	20,000	-	20,000	12,595	7,405
Other Objects	4,300	-	4,300	4,225	75
Total Other Operations and Maintenance of Plant	<u>151,909</u>	<u>(2,191)</u>	<u>149,718</u>	<u>129,874</u>	<u>19,844</u>
Care and Upkeep of Grounds:					
Salaries	9,945		9,945	9,483	462
Total Operations and Maintenance of Plant	<u>249,966</u>	<u>-</u>	<u>249,966</u>	<u>225,804</u>	<u>24,162</u>
Security:					
Purchased Professional and Technical Services	700	-	700	590	110
Student Transportation Services:					
Contracted Services - Other Than Between Home and School	6,000	-	6,000	4,390	1,610
Contracted Services - Non Public	8,840	-	8,840	7,072	1,768
Contracted Services - Special-ESCs & CTSS	2,000	(500)	1,500		1,500
Contracted Services - Special, Jointures	1,500	500	2,000	2,000	-
Total Student Transportation Services	<u>18,340</u>	<u>-</u>	<u>18,340</u>	<u>13,462</u>	<u>4,878</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit C-1

Sheet 6 of 7

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Unallocated Benefits:					
Social Security Contribution - PERS	17,500		17,500	17,417	83
Social Security Contribution - TPAF	6,000	-	6,000	4,270	1,730
Other Retirement Contributions - PERS	18,500	-	18,500	13,526	4,974
Other Retirement Contributions - ERIP	15,000	-	15,000	6,787	8,213
Unemployment Compensation	14,000	-	14,000	138	13,862
Health Benefits	355,646	(10,788)	344,858	286,986	57,872
Tuition Reimbursements	10,000	-	10,000	6,667	3,333
Other Employee Benefits	4,315	751	5,066	3,522	1,544
Total Unallocated Benefits	<u>440,961</u>	<u>(10,037)</u>	<u>430,924</u>	<u>339,313</u>	<u>91,611</u>
On-behalf TPAF Pension Contributions (Non-Budgeted)		-		220,926	(220,926)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)		-		103,066	(103,066)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>323,992</u>	<u>(323,992)</u>
Total Undistributed Expenditures	<u>1,373,555</u>	<u>(7,608)</u>	<u>1,365,947</u>	<u>1,529,631</u>	<u>(163,684)</u>
Total Expenditures - Current Expense	<u>2,650,614</u>	<u>-</u>	<u>2,650,614</u>	<u>2,792,391</u>	<u>(141,777)</u>
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Debt Service Assessment	454		454	454	
Total Capital Outlay	<u>454</u>	<u>-</u>	<u>454</u>	<u>454</u>	<u>-</u>

FARMINGDALE SCHOOL DISTRICT

Exhibit C-1

Sheet 7 of 7

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Total Expenditures	<u>2,651,068</u>	<u>-</u>	<u>2,651,068</u>	<u>2,792,845</u>	<u>(141,777)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(175,231)</u>	<u>-</u>	<u>(175,231)</u>	<u>25,424</u>	<u>200,655</u>
Fund Balance July 1	<u>486,120</u>	<u>-</u>	<u>486,120</u>	<u>486,120</u>	<u>-</u>
Fund Balance June 30	<u>\$ 310,889</u>	<u>-</u>	<u>310,889</u>	<u>511,544</u>	<u>200,655</u>
Recapitulation:					
Restricted Fund Balance:					
Designated For Subsequent Years Expenditures -					
Excess Surplus				\$ 17,302	
Maintenance Reserve				20,000	
Excess Surplus				44,465	
Capital Reserve				31,344	
Assigned Fund Balance:					
Reserved for Encumbrances				2,897	
Designated For Subsequent Years Expenditures				142,465	
Unassigned				<u>253,071</u>	
				<u>511,544</u>	
Reconciliation to Governmental Funds Statement (GAAP):					
Final State Aid Payments Not Recognized on GAAP Basis				<u>(78,008)</u>	
Fund Balance Per Governmental Funds (GAAP)				<u>\$ 433,536</u>	

FARMINGDALE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit C-2

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Federal Sources	\$ 55,686	23,656	79,342	79,342	-
Total Revenues	<u>\$ 55,686</u>	<u>23,656</u>	<u>79,342</u>	<u>79,342</u>	<u>-</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 19,209	1,698	20,907	20,907	
Other Instructional Salaries		5,436	5,436	5,436	
Purchased Professional and Technical Services	36,477	15,792	52,269	52,269	
Supplies		730	730	730	
Total Instruction	<u>55,686</u>	<u>23,656</u>	<u>79,342</u>	<u>79,342</u>	<u>-</u>
Total Expenditures	<u>\$ 55,686</u>	<u>23,656</u>	<u>79,342</u>	<u>79,342</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

BUDGET-TO-GAAP RECONCILIATION

NOTE RSI

FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary) "revenues" from the budgetary basis	\$ 2,818,269	79,342
Difference-budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized		
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33)		
	(78,008)	
Delayed State Aid Received	<u>77,770</u>	<u> </u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - governmental funds	<u>\$ 2,818,031</u>	<u>79,342</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 2,792,845</u>	<u>79,342</u>
Differences - Budget to GAAP:		
Encumbrances for Supplies and Equipment Ordered but not Received are Reported in the Year the Order is Placed for Budgetary Purposes, but in the Year the Supplies are Received for Financial Reporting Purposes		
	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 2,792,845</u>	<u>79,342</u>

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING
FOR PENSIONS (GASB 68) - L**

FARMINGDALE SCHOOL DISTRICTSCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THENET PENSION LIABILITY - PERS

Exhibit L-1

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 353,170	363,605	308,692
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	_____	_____	_____
Total	<u>\$ 353,170</u>	<u>363,605</u>	<u>308,692</u>
District's Covered-Employee Payroll	\$ 87,578	108,527	122,691
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	24.80%	29.85%	39.75%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.21%	42.74%	40.71%

FARMINGDALE SCHOOL DISTRICT**SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS**

Exhibit L-2

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 16,607	13,552	15,719
Contributions in Relation to the Contractually Required Contribution	<u>16,607</u>	<u>13,552</u>	<u>15,719</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 87,578	108,527	122,691
Contributions as a Percentage of Covered-Employee Payroll	18.28%	12.49%	12.81%

FARMINGDALE SCHOOL DISTRICTSCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THENET PENSION LIABILITY - TPAF

Exhibit L-3

LAST THREE FISCAL YEARS

	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>8,328,814</u>	<u>7,064,268</u>	<u>6,488,366</u>
Total	<u>\$ 8,328,814</u>	<u>7,064,268</u>	<u>6,488,366</u>
District's Covered-Employee Payroll	\$ 1,331,812	1,297,168	1,264,168
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	15.99%	18.36%	19.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

FARMINGDALE SCHOOL DISTRICT

SPECIAL REVENUE FUND

Exhibit E-1

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>I.D.E.A. Basic</u>	<u>I.D.E.A. Preschool</u>	<u>Title 1 Part A</u>	<u>Title IIA</u>	<u>Total</u>
Revenues:					
Federal Sources	\$ 45,984	730	26,343	6,285	79,342
Total Revenues	<u>\$ 45,984</u>	<u>730</u>	<u>26,343</u>	<u>6,285</u>	<u>79,342</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ -		20,907		20,907
Other Instructional Salaries			5,436		5,436
Purchased Professional and Technical Services	45,984			6,285	52,269
Supplies		730			730
Total Instruction	<u>45,984</u>	<u>730</u>	<u>26,343</u>	<u>6,285</u>	<u>79,342</u>
Total Expenditures	<u>\$ 45,984</u>	<u>730</u>	<u>26,343</u>	<u>6,285</u>	<u>79,342</u>

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

FARMINGDALE SCHOOL DISTRICT**COMBINING SCHEDULE OF NET POSITION**

Exhibit G-1

PROPRIETARY FUNDS**JUNE 30, 2016**

	Business-Type Activities Enterprise Fund		Totals
	Food Service	Latch-Key Program	
<u>Assets</u>			
Current Assets:			
Cash and Cash Equivalents	\$ 6,773	4,218	10,991
Accounts Receivable:			
Federal Aid	983		983
State Aid	19		19
Total Current Assets	<u>7,775</u>	<u>4,218</u>	<u>11,993</u>
Noncurrent Assets:			
Equipment	6,896		6,896
Accumulated Depreciation	(6,694)		(6,694)
Total Fixed Assets	<u>202</u>		<u>202</u>
Total Assets	<u>\$ 7,977</u>	<u>4,218</u>	<u>12,195</u>
<u>Liabilities</u>			
Accounts Payable	<u>\$ 1,494</u>		<u>1,494</u>
<u>Net Position</u>			
Investment in Capital Assets	\$ 202		202
Unreserved	<u>6,281</u>	<u>4,218</u>	<u>10,499</u>
Total Net Position	<u>\$ 6,483</u>	<u>4,218</u>	<u>10,701</u>

FARMINGDALE SCHOOL DISTRICTCOMBINING SCHEDULE OF REVENUES, EXPENSES AND

Exhibit G-2

CHANGES IN FUND NET POSITIONPROPRIETARY FUNDSFOR THE YEAR ENDED JUNE 30, 2016

	<u>Business-Type Activities</u>			<u>Totals</u>
	<u>Enterprise Fund</u>			
	<u>Food Service</u>	<u>Latch-Key Program</u>	<u>Pay To Play</u>	
Operating Revenues:				
Charge for Services:				
Daily Sales	\$ 11,284			11,284
Tuition			1,920	1,920
Total Operating Revenues	<u>11,284</u>	<u>-</u>	<u>1,920</u>	<u>13,204</u>
Operating Expenses:				
Salaries			1,920	1,920
Depreciation	143			143
Cost of Sales	27,650			27,650
Total Operating Expenses	<u>27,793</u>	<u>-</u>	<u>1,920</u>	<u>29,713</u>
Operating Loss	(16,509)		-	(16,509)
Non-Operating Revenues:				
Interest Income	30			30
State School Lunch Program	401			401
National Breakfast Program	2,620			2,620
National PB Program	490			490
National School Lunch Program	15,676			15,676
Total Non-Operating Revenues	<u>19,217</u>	<u>-</u>	<u>-</u>	<u>19,217</u>
Change in Net Position	2,708	-	-	2,708
Net Position, July 1	<u>3,775</u>	<u>4,218</u>	<u>-</u>	<u>7,993</u>
Net Position, June 30	<u>\$ 6,483</u>	<u>4,218</u>	<u>-</u>	<u>10,701</u>

FARMINGDALE SCHOOL DISTRICT**COMBINING SCHEDULE OF CASH FLOWS**

Exhibit G-3

PROPRIETARY FUNDS**FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities			Totals
	Enterprise Fund			
	Food Service	Latch-Key Program	Pay To Play	
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 11,284		1,920	13,204
Payments for Supplies	(28,060)		(1,920)	(29,980)
Total Cash Flows from Operating Activities	<u>(16,776)</u>	<u>-</u>	<u>-</u>	<u>(16,776)</u>
Cash Flows For Noncapital Financing Activities:				
Federal and State Subsidies	19,187			19,187
Total Cash Flows For Noncapital Financing Activities	<u>19,187</u>	<u>-</u>	<u>-</u>	<u>19,187</u>
Cash Flows For Investing Activities:				
Interest Income	30			30
Total Cash Flows For Investing Activities	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,441	-	-	2,441
Balances Beginning of Year	<u>4,332</u>	<u>4,218</u>		<u>8,550</u>
Balances End of Year	<u>\$ 6,773</u>	<u>4,218</u>	<u>-</u>	<u>10,991</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (16,509)			(16,509)
Depreciation	143			143
Change in Assets and Liabilities:				
(Increase)/Decrease in Accounts Receivable	4,888			4,888
Increase/(Decrease) in Accounts Payable	(5,298)			(5,298)
Net Cash Used by Operating Activities	<u>\$ (16,776)</u>	<u>-</u>	<u>-</u>	<u>(16,776)</u>

FIDUCIARY FUND – H

FARMINGDALE SCHOOL DISTRICT

TRUST AND AGENCY FUND

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2016

	<u>Student Activities</u>	<u>Agency Account</u>	<u>Net Salary</u>	<u>Total 2016</u>
Assets:				
Cash and Cash Equivalents	\$ 12,693	20,765	3,936	37,394
Liabilities:				
Payroll Deductions and Withholdings	\$ -	20,765	3,936	24,701
Due to Student Groups	12,693			12,693
Total Liabilities	\$ 12,693	20,765	3,936	37,394

FARMINGDALE SCHOOL DISTRICT**STUDENT ACTIVITIES AGENCY FUND**

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS**FOR THE YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Cash Receipts	Cash Disbursements	Balance June 30, 2016
Farmingdale Elementary School	<u>\$ 18,064</u>	<u>41,006</u>	<u>46,377</u>	<u>12,693</u>

PAYROLL AGENCY

Exhibit H-4

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Assets:				
Cash and Cash Equivalents	<u>\$ 20,526</u>	<u>1,035,776</u>	<u>1,035,537</u>	<u>20,765</u>
Liabilities:				
Payroll Deductions and Withholdings	<u>\$ 20,526</u>	<u>1,035,776</u>	<u>1,035,537</u>	<u>20,765</u>

LONG-TERM DEBT – I

N/A

STATISTICAL SECTION

(Unaudited)

FARMINGDALE SCHOOL DISTRICT

NET POSITION BY COMPONENT

J-1

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Governmental Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 489,636	523,450	560,970	604,568	523,254	505,938	533,199	561,178	591,587	623,898
Restricted	136,611	233,319	261,855	237,592	202,255	170,922	221,719	152,143	111,252	105,743
Unrestricted	<u>(59,550)</u>	<u>(183,155)</u>	<u>135,354</u>	<u>144,445</u>	<u>170,759</u>	<u>138,753</u>	<u>110,781</u>	<u>158,313</u>	<u>157,008</u>	<u>125,160</u>
Total Government Activities	<u>\$ 566,697</u>	<u>573,614</u>	<u>958,179</u>	<u>986,605</u>	<u>896,268</u>	<u>815,613</u>	<u>865,699</u>	<u>871,634</u>	<u>859,847</u>	<u>854,801</u>
Business Type Activities:										
Invested in Capital Assets, Net of Related Debt	\$ 202	345	488	775	-	-	-		5,057	4,609
Unrestricted	<u>10,499</u>	<u>7,648</u>	<u>14,922</u>	<u>11,675</u>	<u>11,763</u>	<u>6,883</u>	<u>2,275</u>	<u>5,723</u>		<u>1,024</u>
Total Business Type Activities	<u>\$ 10,701</u>	<u>7,993</u>	<u>15,410</u>	<u>12,450</u>	<u>11,763</u>	<u>6,883</u>	<u>2,275</u>	<u>5,723</u>	<u>5,057</u>	<u>5,633</u>
District-Wide:										
Invested in Capital Assets, Net of Related Debt	\$ 489,838	523,795	561,458	605,343	523,254	505,938	533,199	561,178	591,587	623,898
Restricted	136,611	233,319	261,855	237,592	202,255	170,922	221,719	152,143	133,384	110,352
Unrestricted	<u>(49,051)</u>	<u>(175,507)</u>	<u>150,276</u>	<u>156,120</u>	<u>182,522</u>	<u>145,636</u>	<u>113,056</u>	<u>164,036</u>	<u>139,933</u>	<u>126,184</u>
Total District Assets	<u>\$ 577,398</u>	<u>581,607</u>	<u>973,589</u>	<u>999,055</u>	<u>908,031</u>	<u>822,496</u>	<u>867,974</u>	<u>877,357</u>	<u>864,904</u>	<u>860,434</u>

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Expenses:										
Governmental Activities	\$ 3,105,365	2,739,895	2,682,432	962,848	2,463,290	2,526,821	2,419,354	2,451,908	2,663,433	2,520,027
Business Type Activities	29,713	42,530	31,100	36,009	28,073	18,342	18,746	20,206	17,637	37,966
Total District Expenses	<u>3,135,078</u>	<u>2,782,425</u>	<u>2,713,532</u>	<u>998,857</u>	<u>2,491,363</u>	<u>2,545,163</u>	<u>2,438,100</u>	<u>2,472,114</u>	<u>2,681,070</u>	<u>2,557,993</u>
Program Revenues:										
Governmental Activities	105,387	89,029	93,507	53,646	82,141	76,289	71,438	57,244	82,308	60,815
Business Type Activities	32,391	15,083	34,033	35,535	19,215	7,973	19,692	12,776	11,132	31,482
Total District Program Revenues	<u>137,778</u>	<u>104,112</u>	<u>127,540</u>	<u>89,181</u>	<u>101,356</u>	<u>84,262</u>	<u>91,130</u>	<u>70,020</u>	<u>93,440</u>	<u>92,297</u>
Net (Expense):										
Government Activities	2,999,978	(2,650,866)	(2,588,925)	(2,879,202)	(2,353,181)	(2,450,532)	(2,419,354)	(2,394,664)	(2,581,125)	(2,459,212)
Business Type Activities	2,678	(7,447)	2,933	(474)	4,861	(16)	946	(7,430)	(6,505)	(6,484)
Total District-Wide Net Expense	<u>3,002,656</u>	<u>(2,658,313)</u>	<u>(2,585,992)</u>	<u>(2,879,676)</u>	<u>(2,348,320)</u>	<u>(2,450,548)</u>	<u>(2,418,408)</u>	<u>(2,402,094)</u>	<u>(2,587,630)</u>	<u>(2,465,696)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities	2,993,061	2,629,905	2,560,499	2,605,599	2,433,836	2,400,446	2,413,420	2,406,451	2,586,171	2,523,117
Business Type Activities	30	30	27	24	19	15	28	8,096	5,802	4,000
Total District-Wide	<u>2,993,091</u>	<u>2,629,935</u>	<u>2,560,526</u>	<u>2,605,623</u>	<u>2,433,855</u>	<u>2,400,461</u>	<u>2,413,448</u>	<u>2,414,547</u>	<u>2,591,973</u>	<u>2,527,117</u>
Change in Net Position:										
Governmental Activities	(6,917)	(20,961)	(28,426)	(273,603)	80,655	(50,086)	(5,934)	11,787	5,046	63,905
Business Type Activities	2,708	(7,417)	2,960	(450)	4,880	(1)	974	666	(703)	(2,484)
Total District	<u>\$ (4,209)</u>	<u>(28,378)</u>	<u>(25,466)</u>	<u>(274,053)</u>	<u>85,535</u>	<u>(50,087)</u>	<u>(4,960)</u>	<u>12,453</u>	<u>4,343</u>	<u>61,421</u>

FARMINGDALE SCHOOL DISTRICT

FUND BALANCES, GOVERNMENT FUNDS

LAST TEN FISCAL YEARS

UNAUDITED

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Fund:										
Reserved	\$ 258,473	233,409	261,214	237,592	202,255	170,922	221,719	152,143	108,775	121,014
Unreserved	<u>175,063</u>	<u>174,703</u>	<u>177,995</u>	<u>156,120</u>	<u>212,759</u>	<u>138,753</u>	<u>110,781</u>	<u>158,313</u>	<u>206,255</u>	<u>148,609</u>
Total General Fund	<u>\$ 433,536</u>	<u>408,112</u>	<u>439,209</u>	<u>393,712</u>	<u>415,014</u>	<u>309,675</u>	<u>332,500</u>	<u>310,456</u>	<u>315,030</u>	<u>269,623</u>
All Other Governmental Funds:										
Unreserved, Reported in:										
Capital Projects Fund	\$ -	-	-	-	-	-	-	-	-	-
Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Farmingdale School District
Changes in Fund Balances,
Governmental Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-4

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 1,347,216	\$ 1,429,736	\$ 1,414,925	\$ 1,394,544	\$ 1,422,435	\$ 1,443,073	\$ 1,555,883	\$ 1,530,181	\$ 1,504,784	\$ 1,680,867
Tuition charges	N/A	N/A	6,990	15,500	29,465	16,641	13,960	20,105	14,784	26,045
Interest earnings	17,149	13,655	9,976	4,572	2,902					3,247
Miscellaneous	-	25,000	747	4,438	6,982	3,094	8,159	3,280	4,078	201,368
State sources	800,752	823,847	856,634	809,587	938,662	985,990	1,041,557	1,027,038	1,065,043	1,107,341
Federal sources	62,418	57,309	57,244	74,039	76,289	93,468	69,686	73,402	74,245	79,342
Total revenue	\$ 2,227,535	\$ 2,349,547	\$ 2,346,516	\$ 2,302,680	\$ 2,476,735	\$ 2,542,266	\$ 2,689,245	\$ 2,654,006	\$ 2,662,934	\$ 3,098,210
Expenditures										
Instruction										
Regular Instruction	\$ 983,219	\$ 936,113	\$ 882,485	\$ 763,563	\$ 778,411	\$ 780,436	\$ 777,093	\$ 810,432	\$ 829,781	\$ 831,905
Special education instruction	122,951	209,077	270,424	311,716	369,934	376,121	390,906	418,861	425,087	506,142
Other special instruction	-	-	-	-	-	-	-	-	-	-
Other instruction	7,954	5,617	5,097	4,331	2,200	1,240	6,999	7,750	6,081	4,055
Support Services:										
Student & inst. related services	263,391	293,271	279,396	333,634	338,235	361,878	440,416	304,562	349,325	387,867
General administration	102,829	119,756	111,257	94,070	100,252	101,574	168,523	122,855	149,126	113,723
School administrative services	53,500	55,551	58,199	60,527	60,527				67,143	65,600
Central services	32,268	45,791	46,673	60,951	71,325	121,780	56,004		58,551	59,280
Admin. information technology	14,534									
Plant operations and maintenance	216,407	222,802	202,688	199,850	227,275	218,798	237,936	261,693	213,177	226,394
Pupil transportation	18,621	17,277	16,402	10,427	10,614	8,362	12,010	32,195	22,125	13,462
Bus. & Other Supp Serv.: Employee Bene	-	-	-	-	-	-	-	118,697		
Other Support Services	-	-	-	-	-	-	-			
Employee benefits	327,550	324,953	318,229	318,229	314,120	260,936	318,249	315,760	347,123	339,313
On-Behalf TPAF Pension Contrib.	188,966	210,304	77,519	91,045	128,890	123,901	176,756	147,596	184,339	220,926
Reimbursed TPAF SS Contributions	94,709	1,000,151	94,654	99,922	97,777	97,398	95,036	97,979	97,719	103,066
Food Service	4,000	5,700	8,000	-	-					
Education Jobs						27,968				
Capital outlay	-	-	-	-	-	214	294	454	454	454
Debt service:										
Principal	78,000	-	-	-	-	-	-	-	-	-
Interest and other charges	2,438	-	-	-	-	-	-	-	-	-
Total expenditures	\$ 2,511,337	\$ 3,446,363	\$ 2,371,023	\$ 2,348,265	\$ 2,499,560	\$ 2,480,606	\$ 2,680,222	\$ 2,638,834	\$ 2,750,031	\$ 2,872,187
Excess (Deficiency) of revenues over (under) expenditures	(283,802)	(1,096,816)	(24,507)	(45,585)	(22,825)	61,660	9,023	15,172	-31,097	25,424
Other Financing sources (uses)										
Adjustments to Net Assets	-	-	-	-	-	1,679				
Total other financing sources (uses)	-	-	-	-	-	1,679				
Net change in fund balances	\$ (283,802)	\$ (1,096,816)	\$ (24,507)	\$ (45,585)	\$ (22,825)	\$ 63,339	\$ 9,023	\$ 15,172	\$ (31,097)	\$ 25,424
Debt service as a percentage of noncapital expenditures	3.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

Central Service and Administrative Information Technology account classifications were added beginning with year end June 30, 2005.

Prior to June 30, 2005, Central Service and Administrative Information Technology were combined in Other Support Services as Business and Other Support Services.

Farmingdale School District
General Fund - Other Local Revenue by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Exhibit J-5

Fiscal Year Ending June 30,	<u>Interest on Investments</u>	<u>Rental</u>	<u>Miscellaneous</u>	<u>Tuition</u>	<u>ERATE</u>	<u>Annual Totals</u>
2007	17,149	-	-			17,149
2008	13,535	-	120			13,655
2009	9,975	-	31	6,989	1,766	18,761
2010	4,571	-	2,431	15,500	2,007	24,509
2011	2,902	-	4,115	29,465	837	37,319
2012	2,979	-	114	16,641	735	20,469
2013	2,586	-	120	13,960	1,246	17,912
2014	2,818	-	492	20,105	2,738	26,153
2015	2,935	-	1,070	14,784	2,232	21,021
2016	3,281	-	340	26,045	1,824	31,490

Source: District records

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

Exhibit J-6

Fiscal Year Ended June 30,	Vacant Land	Land	Residential	Buildings	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Less : Tax Exempt Property	Public Utilities ^a	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2007	2,192,700	-	110,413,000	-	721,700	14,200	19,617,700	2,742,800	13,507,100	149,209,200	-	1,971,969	151,181,169	152,148,947	0.928
2008	2,129,800	-	110,554,200	-	721,700	14,200	19,871,300	2,742,800	13,947,400	149,981,400	-	2,330,926	152,312,326	158,250,956	0.915
2009	2,179,300	-	110,849,000	-	721,700	14,200	19,871,300	2,742,800	13,947,400	150,325,700	-	2,462,182	152,787,882	160,364,106	0.900
2010	1,918,800	-	112,002,400	-	721,700	14,200	20,480,300	2,742,800	13,947,400	151,827,600	-	2,815,873	154,643,473	156,397,464	0.920
2011	1,918,800	-	111,858,800	-	721,700	14,200	20,480,300	2,742,800	13,947,400	151,684,000	-	2,558,005	154,242,005	148,365,439	0.926
2012	1,918,800	-	112,133,500	-	721,700	14,200	20,320,000	2,742,800	13,947,400	151,798,400	-	2,529,438	154,327,838	150,852,464	0.960
2013	1,865,300	-	111,706,500	-	721,700	14,200	20,320,000	2,742,800	13,947,400	151,317,900	-	-	151,317,900	150,852,464	1.041
2014	1,865,300	-	110,869,600	-	600,000	14,200	20,523,500	2,742,800	13,947,400	150,562,800	-	-	150,562,800	138,417,398	1.027
2015	1,905,600	-	106,279,000	-	563,600	2,700	27,115,000	3,319,800	15,314,700	154,500,400	-	-	154,500,400	138,780,348	1.078
2016	1,898,600	-	105,737,300	-	590,000	2,700	27,171,700	3,318,200	15,315,400	154,033,900	-	-	154,033,900	145,958,075	1.192

**Sources: Monmouth County Certified General Tax Rates
Monmouth County Net Valuation Taxable
Municipal Tax Assessor**

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

Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment

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

b Tax rates are per \$100

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

Exhibit J-7

(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Farmingdale School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	(From J-6) Total Direct School Tax Rate	Farmingdale Borough	Regional District	Monmouth County	
2007	0.928	-	0.928	0.140	0.372	0.276	1.716
2008	0.915	-	0.915	0.173	0.335	0.269	1.692
2009	0.900	-	0.900	0.183	0.316	0.275	1.674
2010	0.920	-	0.920	0.203	0.277	0.278	1.678
2011	0.926	-	0.926	0.208	0.360	0.275	1.769
2012	0.960	-	0.960	0.211	0.350	0.290	1.811
2013	1.041	-	1.041	0.212	0.397	0.293	1.943
2014	1.027	-	1.027	0.212	0.298	0.290	1.827
2015	1.078	-	1.078	0.217	0.308	0.281	1.884
2016	1.192	-	1.192	0.241	0.326	0.288	2.047

Source: Municipal Tax Collector

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

- a** The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net valuation taxable.
- b** Rates for debt service are based on each year's requirements.

**Farmingdale School District
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2016			2007		
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value
Farmingdale Garden Apartments	\$ 12,799,200	1	8.31%	\$ 11,500,000	1	7.71%
Farmingdale LLC, F. Stern	7,522,700	2	4.88%	3,795,400	2	2.54%
Farmingdale Shopping Center LLC	3,600,300	3	2.34%	2,442,200	4	1.64%
R. T. Equities, LLC	2,387,200	4	1.55%	2,107,200	5	1.41%
Farmingdale BP , JFD Associates	1,496,500	5	0.97%	904,100	9	0.61%
Academy Apartments LLC	1,386,200	6	0.90%	-	-	-
Farmingdale Train Station, LLC	1,142,600	7	0.74%	-	-	-
Bell Atlantic	1,011,900	8	0.66%	992,800	8	0.67%
Roadside Holdings, LLC	829,400	9	0.54%	-	-	-
Bank of America	717,400	10	0.46%	-	-	-
Merkler, Walter & Mary C.				2,876,600	3	1.92%
Verizon Communications				1,971,969	6	1.32%
Morgan, John P.				1,297,000	7	0.87%
Boud Ave. Co., LLC				896,700	10	0.60%
Total	\$ 32,893,400		21.35%	\$ 28,783,969		19.29%

Source: Municipal Tax Assessor

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

Exhibit J-9

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	1,347,216	1,347,216	100.00%	-
2008	1,429,736	1,429,736	100.00%	-
2009	1,394,545	1,394,545	100.00%	-
2010	1,394,545	1,394,545	100.00%	-
2011	1,422,436	1,422,436	100.00%	-
2012	1,443,073	1,443,073	100.00%	-
2013	1,495,833	1,495,833	100.00%	-
2014	1,530,181	1,530,181	100.00%	-
2015	1,560,784	1,560,784	100.00%	-
2016	1,680,867	1,680,867	100.00%	-

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

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.

Farmindale School District
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Exhibit J-10

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	Total District		
2007	172,612	-	-	-	-	172,612	0.22%	110
2008	131,511	-	-	-	-	131,511	0.16%	83
2009	87,674	-	-	-	-	87,674	0.10%	56
2010	90,000	-	-	-	-	90,000	0.10%	28
2011	47,481	-	-	-	-	47,481	0.05%	30
2012	-	-	-	-	-	-	0.00%	-
2013	-	-	-	-	-	-	0.00%	-
2014	-	-	-	-	-	-	0.00%	-
2015	-	-	-	-	-	-	0.00%	-
2016	-	-	-	-	-	-	0.00%	-

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

a See Exhibit NJ J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

b Includes Early Retirement Incentive Plan (ERIP) refunding

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

Exhibit J-11

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	-	-	-	0.00%	-
2008	-	-	-	0.00%	-
2009	-	-	-	0.00%	-
2010	-	-	-	0.00%	-
2011	-	-	-	0.00%	-
2012	-	-	-	0.00%	-
2013	-	-	-	0.00%	-
2014	-	-	-	0.00%	-
2015	-	-	-	0.00%	-
2016	-	-	-	0.00%	-

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

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

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

FARMINGDALE SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

Exhibit J-12

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Borough of Farmingdale	\$ 608,337	100.000%	\$ 608,337
County of Monmouth	479,236,724	0.127%	608,631
Other debt			
Freehold Regional High School District	19,300,000	0.383%	<u>73,919</u>
Subtotal, overlapping debt			1,290,887
Farmingdale School			<u>-</u>
Total direct and overlapping debt			<u><u>\$ 1,290,887</u></u>

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

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

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

Legal Debt Margin Calculation for Fiscal Year 2016

Equalized valuation basis

2016	\$	145,958,075
2015	\$	138,780,348
2014	\$	138,417,398
[A]	\$	<u>423,155,821</u>

Average equalized valuation of taxable property	[A/3]	\$	141,051,940
Debt limit (4 % of average equalization value)	[B]		5,642,078 ^a
Total Net Debt Applicable to Limit	[C]		-
Legal debt margin	[B-C]	\$	<u>5,642,078</u>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 6,033,084	\$ 6,061,699	\$ 6,090,315	\$ 6,146,961	\$ 6,094,336	\$ 6,074,872	\$ 6,000,938	\$ 5,868,298	\$ 5,707,336	\$ 5,642,078
Total net debt applicable to limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.00%	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Legal debt margin	<u>\$ 5,821,448</u>	<u>\$ 6,061,699</u>	<u>\$ 6,090,315</u>	<u>\$ 6,146,961</u>	<u>\$ 6,094,336</u>	<u>\$ 6,074,872</u>	<u>\$ 6,000,938</u>	<u>\$ 5,868,298</u>	<u>\$ 5,707,336</u>	<u>\$ 5,642,078</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Monmouth County Tax Office

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

**Farmingdale School District
Demographic and Economic Statistics
Last Ten Fiscal Years**

Exhibit J-14

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2007	1,563	75,814,878	48,506	2.40%
2008	1,581	81,350,355	51,455	2.20%
2009	1,569	85,982,769	54,801	2.80%
2010	1,587	90,070,185	56,755	4.70%
2011	1,572	86,100,012	54,771	4.70%
2012	1,330	75,750,150	56,955	4.80%
2013	1,319	76,970,245	58,355	4.80%
2014	1,311	77,592,846	59,186	5.80%
2015	1,279 **	46,510,835	36,365 **	4.90%
2016	1,289 **	38,921,355	30,195 **	4.40%

Source:

^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 and labor force

^c Per capita personal income by municipality estimated based upon the 2010 Census published by the US Bureau of Economic Analysis. by county. Per Capita personal income for Farmingdale Borough was not available

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

** Population and Per Capita data from newjersey.hometownlocator.com

Farmingdale School District
Principal Employers,
Current Year and Nine Years Ago

Exhibit J-15

Employer	2016			2007		
	Employees	Rank [Optional]	Percentage of Total Municipal Employment	Employees	Rank [Optional]	Percentage of Total Municipal Employment
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
N/A	-		N/A	N/A		N/A
	-		-			-
	-		-			-
	-		-			-
	-		-			-
	-		-			-
	-		0.00%	-		0.00%

Source: Information is not available

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

Exhibit J-16

<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	12.5	12.5	12.5	12	12	12	12	13.5	13.5	13.5
Special education	3	6	5.5	5.5	5.5	6	6	6	7	8
Support Services:										
Student & instruction related services	1	-	3	3	3	3	3	3	3	3
General administration	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
School administrative services	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Other administrative services	1	1	2	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Central services	-	-	-	-	-	-	-	-	-	-
Administrative Information Technology	1	1.2	1.2	1.2	1.2	1	1	1	1	1
Plant operations and maintenance	2	2	2	2	2	2	2	2	1	1
Pupil transportation	-	-	-	-	-	-	-	-	-	-
Other support services	3	2	1	1	1	1	1	1	1	1
Total	<u>24.7</u>	<u>25.2</u>	<u>27.7</u>	<u>27.2</u>	<u>27.2</u>	<u>27.5</u>	<u>27.5</u>	<u>29.0</u>	<u>29.0</u>	<u>30.0</u>

Source: District Personnel Records

Farmingdale School District
 Operating Statistics,
 Last Ten Fiscal Years

Exhibit J-17

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio</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	151	2,145,999	14,212	1.40%	18	1:08	149.8	141	-0.13%	93.79%
2008	142	2,241,435	15,785	11.07%	18	1:08	142.7	134	-4.74%	93.90%
2009	146	2,360,799	16,170	2.44%	19	1:08	146.6	139	2.73%	94.82%
2010	152	2,207,186	14,521	-10.20%	18	1:08	151.6	143	3.41%	94.33%
2011	159	2,193,626	13,796	-4.99%	18	1:08	158.4	149	4.49%	94.07%
2012	159	2,174,346	13,675	-0.88%	18	1:08	154.7	147	-2.34%	95.02%
2013	151	2,342,472	15,513	13.44%	18	1:08	151.3	144	-2.20%	95.18%
2014	153	2,319,402	15,159	-2.28%	18	1:08	148.6	142	-1.78%	95.56%
2015	165	2,393,274	14,505	-4.32%	18	1:08	166.1	156	11.78%	93.92%
2016	166	2,468,399	14,870	2.52%	19	1:08	166.0	158	-0.06%	95.18%

Sources: District records

- 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).

**Farmingdale School District
School Building Information
Last Ten Fiscal Years**

Exhibit J-18

	<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>										
<u>Elementary (1928) a</u>										
Square Feet	21,366	21,366	21,366	21,366	21,366	21,366	21,366	21,366	21,366	21,366
Capacity (students)	275	275	275	275	275	275	275	275	275	275
Enrollment	151	142	146	152	159	159	151	153	165	166

Number of Schools at June 30, 2016

Elementary = 1

Middle School = N/A

Senior High School = N/A

Other = N/A

Source: District Facilities Office

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

a Farmingdale School was originally built in 1928 with a new wing added in 1992.

**Farmingdale School District
 Schedule of Required Maintenance
 Last Six Fiscal Years**

Exhibit J-19

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

* School Facilities			
	Project # (s)	<u>Farmingdale</u>	<u>Total</u>
2011	N/A	72,116	72,116
2012	N/A	79,580	79,580
2013	N/A	92,830	92,830
2014	N/A	105,537	105,537
2015	N/A	87,112	87,112
2016	N/A	89,344	89,344
Total School Facilities		<u>\$ 526,519</u>	<u>\$ 526,519</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: District records

**Farmingdale School District
Insurance Schedule
30-Jun-16**

Exhibit J-20

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Building and Contents (All Locations)	\$ 11,090,038	\$ 5,000
Comprehensiv General Liability	5,000,000	
Comprehensive Automobile Liability	5,000,000	
Comprehensive Crime Coverage	100,000	
Computers and Scheduled Equipment (1)		
Data Processing Equipment	200,000	1,000
Other	N/A	
Boiler and Machinery (1)	\$ 11,090,038	-
Umbrella Liability (1)	5,000,000	
School Board Legal Liability (1)	5,000,000	5,000
Student Accident (1)	1,000,000	
Environmental (1)	1,000,000	25,000
CAP/Umbrella (4)	50,000,000.00	
(1) NJ Schools Insurance Group		
(2) Selective		
(3) Chubb Group Insurance		
(4) Fireman's Fund Ins. Co.		
(5) School Allian Ins. Fund		
Workers Compensation (1)	2,000,000.00	
Supplemental workers compensation (3)	1,750. per week	
Bonds: (2) Treasurer	161,000.00	
BS/BA	161,000.00	

Source: G.R. Murray Ins. Broker

SINGLE AUDIT SECTION

Robert A. Hulsart and Company
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
 ROBERT A. HULSART, JR., C.P.A., P.S.A.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable President and Members
 of the Board of Education
 Farmingdale School District
 County of Monmouth
 Farmingdale, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Farmingdale Board of Education, County of Monmouth, State of New Jersey as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Farmingdale Board of Education, County of Monmouth, State of New Jersey's basic financial statements, and have issued our report thereon dated October 24, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Farmingdale Board of Education, County of Monmouth, State of New Jersey'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 of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Farmingdale Board of Education, County of Monmouth, State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of the Farmingdale Board of Education, County of Monmouth, State of New Jersey'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

October 24, 2016

Robert A. Hulsart and Company
 CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
 ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
 PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
 BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200**

Honorable President and Members
 of the Board of Education
 Farmingdale School District
 County of Monmouth
 Farmingdale, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's compliance with the types of compliance requirements described in Title 2 U.S. Code of Federal Regulations Part 200 and the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's major state programs for the year ended June 30, 2016. The Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and prescribed by the Office of School Finance, Department of Education, State of New Jersey; Title 2 U.S. Code of Federal Regulations Part 200, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Board of Education of the Farmingdale School District, County of Monmouth, and State of New Jersey's compliance.

Opinion on Each Major State Program

In our opinion, the Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's 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 Board of Education of the Farmingdale School District, County of Monmouth, State of New Jersey's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Education of the Farmingdale School District, County of Monmouth, and State of New Jersey's internal control over compliance.

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

Our consideration of internal control was for the limited purposes 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 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 Title 2 U.S. Code of Federal Regulations Part 200. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company
Wall Township, New Jersey

October 24, 2016

FARMINGDALE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Schedule A
K-3

Federal Grantor/Pass-Through State Department of Education:	Federal CFDA Number	Federal FAIN Number	Program or Award Amount	Grant Period		Balance June 30, 2015	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2016		
				From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor
U.S. Department of Education													
Passed Through State Department of Education:													
Special Revenue Fund:													
Title I	84.010A	S010A150030	26,343	9/1/15	8/31/16	\$ -		26,343	(26,343)				
Title IIA	84.367	S367A150029	6,285	9/1/15	8/31/16			6,285	(6,285)				
I.D.E.A.:													
Part B - Basic	84.027	H025A150100	45,984	9/1/15	8/31/16			45,984	(45,984)				
Preschool	84.173	H173A150114	730	9/1/15	8/31/16			730	(730)				
Total Special Revenue						-	-	79,342	(79,342)	-	-	-	
U.S. Department of Agriculture													
Passed Through State Department of Education:													
School Breakfast Program	10.553	16161NJ304N1099	2,193	7/1/2014	6/30/2015	(581)		581					
School Breakfast Program	10.533	16161NJ304N1099	2,620	7/1/2015	6/30/2016			2,456	(2,620)		(164)		
National PB Program	10.555	16161NJ304N1099	490	7/1/2015	6/30/2016			468	(490)		(22)		
National School Lunch Program	10.555	16161NJ304N1099	19,710	7/1/2014	6/30/2015	(5,174)		5,174			(797)		
National School Lunch Program	10.555	16161NJ304N1099	15,676	7/1/2015	6/30/2016			14,879	(15,676)		(797)		
						(5,755)		23,558	(18,786)		(983)		
Total Federal Financial Assistance						\$ (5,755)	-	102,900	(98,128)	-	(1,966)	-	

See accompanying Notes to Schedules of Financial Assistance.

FARMINGDALE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Schedule B

K-4

<u>State Grantor/Program Title</u> <u>State Department of Education</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance June 30, 2015</u>		<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Balance at June 30, 2016</u>			<u>MEMO</u>		
			<u>From</u>	<u>To</u>	<u>Deferred Revenue (Accounts Receivable)</u>	<u>Carryover (Walkover) Amount</u>			<u>(Accounts Receivable)</u>	<u>Deferred Revenue</u>	<u>Due to Grantor</u>	<u>Budgetary Receivable</u>	<u>Cumulative Total Expenditures</u>	
General Fund:														
Equalization aid	16-495-034-5120-078	\$ 496,434	7/1/15	6/30/16	\$ -		\$ 496,434	(496,434)					49,708	496,434
Adjustment Aid	16-495-034-5120-085	180,573	7/1/15	6/30/16			180,573	(180,573)					18,061	180,573
Transportation Aid	16-495-034-5120-014	2,612	7/1/15	6/30/16			2,612	(2,612)					156	2,612
Special Education Aid	16-495-034-5120-089	82,456	7/1/15	6/30/16			82,456	(82,456)					8,242	82,456
Security Aid	16-495-034-5120-084	15,561	7/1/15	6/30/16			15,561	(15,561)					1,561	15,561
PARCC Readiness Aid	16-495-034-5120-098	1,440	7/1/15	6/30/16			1,440	(1,440)					140	1,440
Per Pupil Growth Aid	16-495-034-5120-097	1,440	7/1/15	6/30/16			1,440	(1,440)					140	1,440
Non-Public Transportation	16-495-034-5120-014	1,740	7/1/15	6/30/16				(1,740)	(1,740)					1,740
Non-Public Transportation	15-495-034-5120-014	1,380	7/1/14	6/30/15	(1,380)		1,380							
Extraordinary Aid	15-495-034-5120-044	1,331	7/1/14	6/30/15	(1,331)		1,331							
Extraordinary Aid	16-495-034-5120-044	1,331	7/1/15	6/30/16				(1,331)	(1,331)					1,331
Reimbursed T.P.A.F. Social Security Contributions	16-495-034-5094-003	103,066	7/1/15	6/30/16			98,127	(103,066)	(4,939)					103,066
Total General Fund					(2,711)	-	881,354	(886,653)	(8,010)	-	-		78,008	886,653
Enterprise Fund:														
State School Lunch Program	15-100-010-3350-023	517	7/1/14	6/30/15	(135)		135							
State School Lunch Program	16-100-010-3350-023	401	7/1/15	6/30/16			382	(401)	(19)					401
Total State Financial Assistance					\$ (2,711)	-	881,871	(887,054)	(8,029)	-	-		78,008	887,054

See accompanying Notes to Schedules of Financial Assistance.

BOARD OF EDUCATION

K-5

FARMINGDALE SCHOOL DISTRICT**NOTES TO SCHEDULES OF AWARDS AND FINANCIAL ASSISTANCE****JUNE 30, 2016****NOTE 1: General**

The accompanying schedules of financial assistance present the activity of all federal and state financial assistance programs of the Board of Education, Farmingdale School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of federal financial assistance.

NOTE 2: Basis of Accounting

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting. This basis of accounting is described in Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

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

Awards and financial assistance revenues are reported in the Board's general purpose financial statements on a GAAP basis as presented below:

NOTE 3: Relationship to General Purpose Financial Statements

	<u>General Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>			
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of State Financial Assistance	\$ 886,653	401	887,054
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized			
On Behalf Payments Recognized for GAAP Statements but Not Included in the Schedule of Expenditures of State Financial Assistance	220,926		220,926
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	____ (288)	____	____ (288)
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 1,107,291</u>	<u>401</u>	<u>1,107,692</u>

NOTE 3: Relationship to General Purpose Financial Statements (Continued)

	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>			
Actual Amounts (Budgetary) “Revenues” from the Schedule of Expenditures of Federal Awards	\$ 79,342	18,786	98,128
Difference – Budget to “GAAP” Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances	<u>\$ 79,342</u>	<u>18,786</u>	<u>98,128</u>

NOTE 4: 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 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state of behalf of the District for the year ended June 30, 2016. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer’s share of social security contributions for TPAF members for the year ended June 30, 2016.

FARMINGDALE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part 1 - Summary of Auditor's Results

Financial Statement Section

A) Type of auditor's report issued on financial statements	<u>Unmodified</u>
B) Internal control over financial reporting:	
1) Material weakness(es) identified?	_____ Yes <u> x </u> No
2) Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes <u> x </u> None Reported
Noncompliance material to basic financial statements noted?	_____ Yes <u> x </u> No

Federal Awards

NOT APPLICABLE

FARMINGDALE SCHOOL DISTRICT**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2016*Part 2 - Financial Statement Findings*

This section identifies the reportable conditions, material weaknesses, and instances of noncompliance related to the general purpose financial statements that are required to be reported in accordance with paragraphs 5.18 through 5.20 of *Government Auditing Standards*.

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's Response: N/A

FARMINGDALE SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Part 3 - Federal Awards and State Financial Assistance Findings and Questioned Costs

This section identifies audit findings required to be reported by Title 2 U.S. Code of Federal Regulations Part 200 and NJOMB Circular Letter 15-08.

STATE AWARDS

Finding: NONE

Information on the State Program: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Cause: N/A

Recommendation: N/A

Management's response: N/A

FARMINGDALE SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prior Audit Findings:

None