

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE
FREEHOLD BOROUGH BOARD OF EDUCATION**

**280 Park Avenue
Freehold, New Jersey 07728**

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by

**Joseph Howe, CPA
School Business Administrator/Board Secretary
Freehold Borough Board of Education
Business Office**

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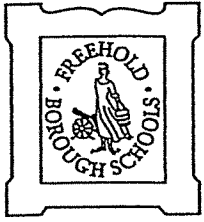
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INTRODUCTORY SECTION



Borough of Freehold Public Schools

280 PARK AVENUE
FREEHOLD, NEW JERSEY 07728
<http://www.freeholdboro.k12.nj.us>

December 1, 2016

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

Dear Board Members:

The comprehensive annual financial report of the Freehold Borough School District (the "District") for the fiscal year ended June 30, 2016 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical tables and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as the auditors' report thereon. The statistical tables section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and in addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 US *Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08. Information related to this single audit, including the auditors' report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. **REPORTING ENTITY AND ITS SERVICES:** The Freehold Borough School District is an independent reporting entity within the criteria adopted by the GASB. All funds of the District are included in this report. The Freehold Borough Board of Education and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an enrollment of 1,720 students. The following details the changes in the student enrollment of the District over the last ten years.

Average Daily Enrollment

<u>Fiscal Year</u>	<u>Student Enrollment</u>	<u>Percent Change</u>
2015-2016	1,720.0	5.30%
2014-2015	1,633.4	3.84%
2013-2014	1,573.0	3.81%
2012-2013	1,515.3	2.72%
2011-2012	1,475.2	4.88%
2010-2011	1,406.5	3.72%
2009-2010	1,356.1	2.67%
2008-2009	1,320.8	(1.55%)
2007-2008	1,341.6	(1.83%)
2006-2007	1,366.6	0.58%

2. **ECONOMIC CONDITION AND OUTLOOK:** The Borough of Freehold continues to feel the impact of the economic slowdown. The total assessed valuation declined by \$21,338,300. The assessed valuation is used to determine the tax rate for residents. As this number decreases the tax rate increases. This reduction in the tax base increases the burden of funding municipal services on all residents. The mayor and council are involved in a number of initiatives to make the Borough more attractive to homeowners, as well as to new and relocating businesses.

3. **MAJOR INITIATIVES:**

On August 4, 2016 the Commissioner of Education granted a petition to the Freehold Borough Board of Education to issue bonds to fund construction of additions and renovations to address overcrowded and aging facilities. As part of the order the Commissioner granted the Board one hundred percent of the funding needed to construct additions as a School Development Authority grant, and authorized the Board to issue bonds for portions of the project considered renovations and capital projects. The District is currently working closely with the architect to carry out all the steps necessary to execute a grant agreement and prepare project specifications for bidding.

Despite the relief granted in overcrowding the District remains significantly underfunded in state aid, in fact based on the current School Funding Reform Act the Freehold Borough School District is considered the fifth most underfunded District in New Jersey. In the Fiscal Year 17 Budget the District is considered under-adequate by \$9,567,909.00 that would be the additional amount needed from the state in order to provide a thorough and efficient education as defined by the New Jersey Constitution and Department of Education. Further exacerbating the underfunding, taxpayers in Freehold Borough pay \$1,762,704.00 more than their local fair share in property taxes toward the local school budget. The Board is hoping for legislative relief in the form of equitable distribution of state aid in the FY 18 Budget, but is mindful that there are currently three competing school funding plans one by the Governor, State Senate, and State Assembly with no current consensus among those offices on which one will be in effect in FY 18.

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

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

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

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

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

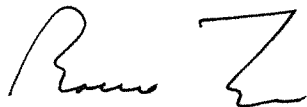
6. **ACCOUNTING SYSTEM AND REPORTS:** The District's accounting records reflect accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds. These funds are explained in the "Notes to the Financial Statements", Note 1.
7. **DEBT ADMINISTRATION:** The District's total outstanding debt as of June 30, 2016 was \$2,145,000. The remaining annual maturity schedule as of June 30, 2015 for principal as well as annual interest payments are detailed in the "Notes to Financial Statements".
8. **CASH MANAGEMENT:** The investment policy of the District is guided in large part by state statute as detailed in "Notes to Financial Statements", Note 2. The District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.
9. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents and fidelity bonds.

10. **OTHER INFORMATION:**

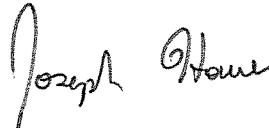
Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Gerard Stankiewicz, CPA, PSA of the accounting firm of Samuel Klein and Company, Certified Public Accountants, was selected by the Board's Finance Committee. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 US *Code of Federal Regulations* Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08. The auditors' report on the basic financial statements and combining and individual fund statements and schedules 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.

11. **ACKNOWLEDGMENTS:** We would like to express our appreciation to the members of the Freehold Borough Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our business office.

Respectfully submitted,

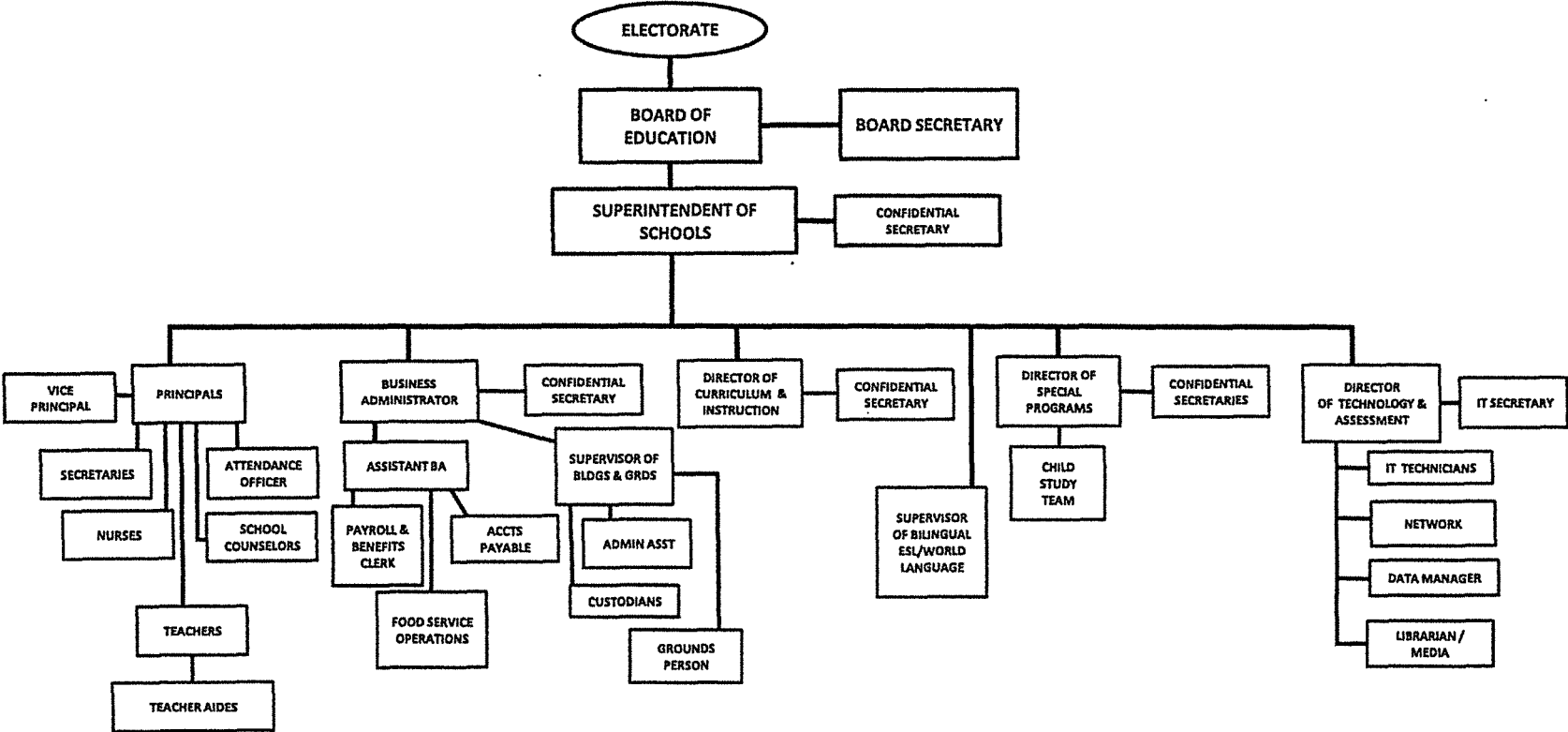


Rocco Tomazic, Ed. D.
Superintendent of Schools



Joseph Howe
School Business Administrator/Board Secretary

**FREEHOLD BOROUGH BOARD OF EDUCATION
DISTRICT TABLE OF ORGANIZATION**



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Approved: Aug, 2015

FREEHOLD BOROUGH BOARD OF EDUCATION
ROSTER OF OFFICIALS
JUNE 30, 2016

<u>Members of the Board of Education *</u>	<u>Term Expires</u>
Dr. Michael Lichardi, President.....	2018
Susan Greitz, Vice-President.....	2018
Paul Ceppi	2016
Annette Jordan.....	2016
Paul Jensen.....	2018
James Keelan	2017
Bruce Patrick.....	2017
Margaret Rogers	2017
Michele Tennant	2016

Other Officials

Rocco Tomazic, Ed. D., Superintendent of Schools

Joseph Howe, School Business Administrator

Bruce Rodman, Treasurer of School Funds

* On January 23, 2012, as authorized under Public Law 2012 Chapter 202 (Senate Bill 3148), the District passed a resolution moving the annual school election for board members to November.

FREEHOLD BOROUGH BOARD OF EDUCATION
CONSULTANTS AND ADVISORS
JUNE 30, 2016

AUDIT FIRM

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Freehold Borough Board of Education
County of Monmouth, New Jersey

Report on the Financial Statement

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 Freehold Borough School District, County of Monmouth, State of New Jersey, as of and for the year ended June 30, 2016 and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

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, business type activities each major fund and the aggregate remaining fund information of the Board of Education of the Freehold Borough School District, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis and Budgetary Comparison Information and schedule of the District's proportionate share of the net pension liability – PERS, schedule of District contributions, schedule of the State's proportionate share of the net pension liability associated with the District – TPAF and budgetary comparison information as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freehold Borough School District's basic financial statements. The introductory section, combining statements and related major fund supporting statements and schedules, and statistical section are presented for purposes of additional analysis, as required by the Division of Finance, Department of Education, State of New Jersey, and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis as required by US Office of Management and Budget *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 the other information such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

The accompanying combining statements and the Schedule of Expenditures of Federal Awards and State Financial Assistance are 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 standards generally accepted in the United States of America. In our opinion, the accompanying combining statements and Schedule of Expenditures of Federal Awards and State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the Board of Education of the Freehold Borough School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Freehold Borough School District internal control over financial reporting compliance.



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
December 1, 2016

REQUIRED SUPPLEMENTARY INFORMATION – PART I



Borough of Freehold Public Schools

280 PARK AVENUE
FREEHOLD, NEW JERSEY 07728
<http://www.freeholdboro.k12.nj.us>

December 1, 2016

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

Dear Board Members:

Management's Discussion and Analysis

The following analysis of Freehold Borough Board of Education's financial performance provides a summary of the district's financial integrity. The intent of the analysis is to provide an interpretation of the financial statements. As you know, school districts operate as a non-profit organization. Yet, GASB 34 is instrumental in providing outside entities the opportunity to measure for profit operations. Hence, financial information that is analyzed utilizing GASB 34 for non-profit entities is, in our opinion, irrelevant and misleading. School districts are required to account for asset depreciation even though the need to match revenues with purchased assets are not necessary since all similar purchases are budgeted for in capital outlay and expensed in the operating year.

Fund Financial Statements

School Districts utilize two categories for reporting assets. The first category identified as Governmental Funds records the most activity. Governmental Funds reflects activity within the following sub-groups:

General Fund (Fund 10)

Fund 11 Distributed and Undistributed Instructional Accounts – Asset Producing
Fund 12 Capital Outlay – Asset Producing

Special Revenue (Fund 20)

Fund 20 Grants and Entitlements – Asset Producing

Capital Projects (Fund 30)

Fund 30 Capital Projects/Construction in progress – Asset Producing

Debt Service (Fund 40)

Fund 40 Debt Service payments for Bonds and Interest – Non Asset Producing

The second category identified as Business Type Activities, records assets purchased for the following sub-group:

Enterprise (Fund 60)

Fund 60 Enterprise/Food Service – Asset Producing

Financial Highlights

Key financial highlights for 2016 are as follows:

In total, net position totaled \$2,678,484 which represents a \$808,676 or 43.25% increase in the net position as adjusted of \$1,869,808 from 2015.

General revenues accounted for \$26,096,681 in revenue or 86.39% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$4,110,967 or 13.61% of total revenues of \$30,207,648.

Total assets of governmental activities, exclusive of the Capital Projects Fund, increased by \$487,301 as cash and cash equivalents increased by \$601,294, receivables decreased by \$104,329 and current liabilities increased by \$331,280.

The District had \$29,307,589 in expenses; only \$3,947,720 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily property taxes and federal and state aid) of \$26,096,681 were adequate to provide for these programs.

Among major funds, the General Fund had \$22,673,677 in revenues and \$22,415,548 in expenditures. The General Fund's fund balance increased \$158,129 over 2015. The General Fund's fund balance is \$2,658,206. The increase was caused by lower than anticipated expenditure levels.

The Special Revenue Fund had \$3,340,599 in revenue and \$3,343,761 in expenditures.

Using this Comprehensive Annual Financial Report (CAFR)

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

The Statement of Net Position and Statement of Activities provides information about the activities of the District, presenting both an aggregate view of the District's finances and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the Borough of Freehold School District, the General Fund is by far the most significant.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

This document contains all funds used by the District to provide programs and activities, viewing the District as a whole and reports the culmination of all financial transactions. The report answers the question "How We Did Financially During Fiscal Year 2016". The Statement of Net Position and the Statement of activities provides the summary. The statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net position and change in those positions. This change in net position is important because they report on whether the District's financial position has improved or diminished.

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

Governmental Activities — All of the District's programs and services are reported here including, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

Business-Type Activities — This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the District's Most Significant Funds

Fund Financial Statement

The Analysis of the District's major funds begins on page 24. Fund financial reports provide detailed information about the District's major funds. The District's major governmental funds are the General Fund, Special Revenue Fund, Debt Service Fund and Capital Projects Fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, special revenue fund, capital projects fund and debt service fund, all of which are considered to be major funds.

The District adopts an annual appropriated budget for its general fund, special revenue fund and debt service fund. Budgetary comparison statements have been provided as required supplementary information for the general fund, special revenue fund and debt service fund to demonstrate compliance with this budget

The basic governmental fund financial statements can be found on pages 26-28 of this report.

Proprietary Funds

The District maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District uses agency funds to account for resources held for student activities and groups and payroll related liabilities. The fiduciary fund financial statements can be found on pages 32-33 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found on pages 34 to 73 of this report.

The School District as a Whole

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

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

The Statement of Net Position provides the financial perspective of the District as a whole.

Table 1 provides a comparative summary of the School District's net position for 2016 and 2015.

Table 1 – Comparative Summary of Net Position

	Governmental Activities		Business-Type Activities		Total School District	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Assets						
Current and other assets	\$ 3,337,861	\$ 2,917,331	\$ 383,245	\$ 311,609	\$ 3,721,106	\$ 3,228,940
Capital assets, net	8,524,587	8,334,015	66,413	56,563	8,591,000	8,390,578
Total Assets	<u>\$ 11,862,448</u>	<u>\$ 11,251,346</u>	<u>\$ 449,658</u>	<u>\$ 368,172</u>	<u>\$ 12,312,106</u>	<u>\$ 11,619,518</u>
Deferred outflows of resources						
Loss on Defeasance of Bonds	\$ 72,519	\$ 84,606			\$ 72,519	\$ 84,606
Pension	1,549,126	852,058			1,549,126	852,058
Total Deferred outflows of resources	<u>\$ 1,621,645</u>	<u>\$ 936,664</u>			<u>\$ 1,621,645</u>	<u>\$ 936,664</u>
Liabilities						
Current and other liabilities	\$ 930,510	\$ 553,490	\$ 21,021	\$ 27,372	\$ 951,531	\$ 580,862
Net pension liability	7,166,568	6,254,920			7,166,568	6,254,920
Long-term liabilities outstanding	2,786,599	3,478,133			2,786,599	3,478,133
Total Liabilities	<u>\$ 10,883,677</u>	<u>\$ 10,286,543</u>	<u>\$ 21,021</u>	<u>\$ 27,372</u>	<u>\$ 10,904,698</u>	<u>\$ 10,313,915</u>
Deferred inflow of resources						
Pension	<u>\$ 350,569</u>	<u>\$ 372,459</u>			<u>\$ 350,569</u>	<u>\$ 372,459</u>
Net Position						
Net investment in capital assets	\$ 6,392,287	\$ 5,498,976	\$ 66,413	\$ 56,563	\$ 6,458,700	\$ 5,555,539
Restricted	1,332,286	1,250,488			1,332,286	1,250,488
Unrestricted (deficit)	<u>(5,474,726)</u>	<u>(5,220,456)</u>	<u>362,224</u>	<u>284,237</u>	<u>(5,112,502)</u>	<u>(4,936,219)</u>
Total Net Position	<u>\$ 2,249,847</u>	<u>\$ 1,529,008</u>	<u>\$ 428,637</u>	<u>\$ 340,800</u>	<u>\$ 2,678,484</u>	<u>\$ 1,869,808</u>

The District's combined net position were \$2,678,484 on June 30, 2016, representing an increase of \$808,676, or 43.25% over the net position from the prior year of \$1,869,808 as adjusted for the net pension liability and payment of bonds.

The largest portion of the District's net position is its net investment in capital assets (e.g., land, construction-in-progress, buildings and improvements, and machinery, equipment and vehicles), less any related debt (bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources (namely, property taxes), since the capital assets themselves cannot be used to liquidate these liabilities.

Capital assets, net increased from the prior year due to the amount of new additions associated with the District's capital projects having exceeded the amount of depreciation of capital assets in the current year.

Long-term liabilities decreased due to the scheduled payment of principal on debt.

Table 2 shows the comparative change in net position from fiscal year 2016 and 2015.

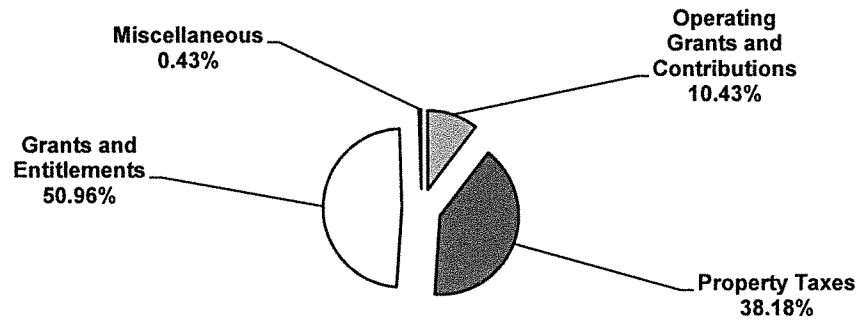
Table 2 – Comparative Change in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>	
	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2014-2015</u>
Revenues:						
Program Revenues:						
Charges for Services			\$ 163,247	\$ 143,804	\$ 163,247	\$ 143,804
Operating Grants and Contributions	\$ 3,038,795	\$ 2,520,098	908,925	803,040	3,947,720	3,323,138
General Revenue:						
Property Taxes	11,123,020	10,270,849			11,123,020	10,270,849
Federal and State Aid	14,848,687	13,749,934			14,848,687	13,749,934
Miscellaneous	124,974	147,490			124,974	147,490
Total Revenue	<u>29,135,476</u>	<u>26,688,371</u>	<u>1,072,172</u>	<u>946,844</u>	<u>30,207,648</u>	<u>27,635,215</u>
Expenses:						
Instruction	16,525,704	14,570,912			16,525,704	14,570,912
Tuition	808,801	1,033,465			808,801	1,033,465
Student and Instruction						
Related Services	4,509,672	1,047,754			4,509,672	1,047,754
School Administration	855,257	3,299,923			855,257	3,299,923
General Administration	2,290,224	3,023,707			2,290,224	3,023,707
Operation and Maintenance						
of Facilities	2,220,136	2,114,376			2,220,136	2,114,376
Pupil Transportation	1,006,637	779,883			1,006,637	779,883
Interest on Debt	105,749	134,624			105,749	134,624
Business Type Actives			985,409	919,418	985,409	919,418
Total Expenses	<u>28,322,180</u>	<u>26,004,644</u>	<u>985,409</u>	<u>919,418</u>	<u>29,307,589</u>	<u>26,924,062</u>
Special and Extraordinary Items, Net	<u>(92,457)</u>	<u>15,983</u>	<u>1,074</u>		<u>(91,383)</u>	<u>15,983</u>
Change in Net Position	<u>\$ 720,839</u>	<u>\$ 699,710</u>	<u>\$ 87,837</u>	<u>\$ 27,426</u>	<u>\$ 808,676</u>	<u>\$ 727,136</u>
Net Position - beginning	<u>1,529,008</u>	<u>829,298</u>	<u>340,800</u>	<u>313,374</u>	<u>1,869,808</u>	<u>1,142,672</u>
Net Position - ending	<u>\$ 2,249,847</u>	<u>\$ 1,529,008</u>	<u>\$ 428,637</u>	<u>\$ 340,800</u>	<u>\$ 2,678,484</u>	<u>\$ 1,869,808</u>

Governmental Activities

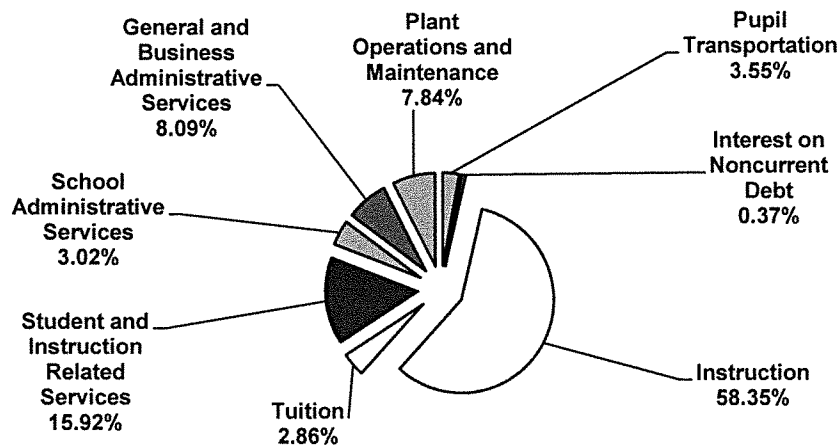
Revenue for Fiscal Year 2016

Total revenues of the Governmental Activities were \$29,135,477. Property taxes as approved made up \$11,123,020, or 38.18% of revenues for governmental activities for the fiscal year 2016. Federal, state and local grants and entitlements and contributions accounted for another \$14,848,687 or 50.96%.



Expenses for Fiscal Year 2016

The total cost of all programs and services was \$28,322,180. Instruction comprises \$16,525,704 or 58.35% of the District's expenses other than capital expenditures.



Expenditures for out-of-district placement of classified students equal about 15.92% of the operating budget. Instructional expenses equal 58.35% of the operating budget. Instructional expenses include teachers' salaries, supplies and textbooks.

Student Support Services include health, social work, child study team and guidance support.

Maintenance and Operations are expenses mandated by the State Department of Education to maintain all building systems. Costs for the maintenance and custodial departments are also included here.

Transportation costs primarily include Special Education students.

General and Business Administrative Services are expenditures associated with the business and financial aspect of the District. Expenditures include payroll, transportation, accounting, accounts payable, benefits processing, technology and personnel departments.

School Administrative Services relates to principals and oversight of the various school buildings.

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

Table 3 – Comparative Statement of Activities

	Total Cost of Services			Net Cost of Services *		
	2015-2016	2014-2015	% Change	2015-2016	2014-2015	% Change
Instruction	\$ 16,525,704	\$ 14,570,913	13.42%	\$ 14,444,522	\$ 12,865,802	12.27%
Support Services:						
Tuition	808,801	1,033,465	-21.74%	808,801	1,033,465	-21.74%
Pupils and Instructional Staff	4,509,672	1,047,754	330.41%	3,688,561	368,696	900.43%
School Administration	855,257	3,299,923	-74.08%	855,257	3,299,923	-74.08%
Other Administration	2,290,224	3,023,707	-24.26%	2,290,224	3,023,707	-24.26%
Operation and Maintenance of Facilities	2,220,136	2,114,376	5.00%	2,220,136	2,114,376	5.00%
Pupil Transportation	1,006,637	779,883	29.08%	1,006,637	779,883	29.08%
Debt Service	105,749	134,624	-21.45%	(30,753)	(1,305)	2256.55%
Total Expenses	\$ 28,322,180	\$ 26,004,645	8.91%	\$ 25,283,385	\$ 23,484,547	7.66%

Business-Type Activities

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

Food service revenues exceeded expenses by \$86,762. Charges for services represent \$163,247 of revenue. This represents the amount paid by patrons for daily food service and catering.

Federal and state reimbursements for meals, including payments for free and reduced lunches was \$908,925.

The District's Funds

Information about the District's major funds starts on page 26. These funds are accounted for using the modified accrual basis of accounting. All governmental funds exclusive of capital projects had total revenues of \$26,707,659 and expenditures of \$26,542,921. The net positive change in overall fund balance for the year was most significant in the General Fund.

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds exclusive of the capital projects fund for the fiscal years ended June 30, 2016 and June 30, 2015, and the amount and percentage of total and increases/decreases in relation to prior year revenues.

Revenue	2015-2016		2014-2015		Increase/ (Decrease) from 2014-2015 to 2015-2016
	Amount	Percent of Total	Amount	Percent of Total	
Local Sources	\$ 11,281,046	42.24%	\$ 10,478,881	42.41%	\$ 802,165
State Sources	12,409,447	46.46%	12,100,225	48.97%	309,222
Federal Sources	<u>3,017,166</u>	<u>11.30%</u>	<u>2,129,142</u>	<u>8.62%</u>	<u>888,024</u>
Total	<u>\$ 26,707,659</u>	<u>100.00%</u>	<u>\$ 24,708,248</u>	<u>100.00%</u>	<u>\$ 1,999,411</u>

The increase in Local Sources is primarily attributed to an increase in the local tax levy. The increase in State Sources is attributed to an increase of the TPAF on-behalf pension contributions and increases in other state aid. However, the increase in Federal Sources is attributed to increases in the Title I, Title II, IDEA and a Pre-School Expansion Grant.

The following schedule presents a summary of general fund expenditures for the fiscal years ended June 30, 2016 and June 30, 2015 and the amount and percent of the total and increase/(decrease) in relation to prior year expenditures, exclusive of the Capital Project Fund.

Expenditures	2015-2016		2014-2015		Increase/(Decrease) from 2014-2015 to 2015-2016
	Amount	Percent of Total	Amount	Percent of Total	
Current Expense:					
Instruction	\$ 10,712,519	40.35%	\$ 9,627,230	39.91%	\$ 1,085,289
Undistributed					
Expenditures	14,363,744	54.12%	13,485,059	55.90%	878,685
Capital Outlay	683,046	2.58%	240,771	1.00%	442,275
Debt Service	<u>783,612</u>	<u>2.95%</u>	<u>771,231</u>	<u>3.19%</u>	<u>12,381</u>
Total	<u>\$ 26,542,921</u>	<u>100.00%</u>	<u>\$ 24,124,291</u>	<u>100.00%</u>	<u>\$ 2,418,630</u>

The increase in Current Expense – Instruction is attributed to increased costs of salaries of teachers and the increased cost of other instructional programs.

The increase in Undistributed Expenses relates to higher administrative and benefits costs.

Debt Service relates to the principal and interest payments on the 1996 Series Bonds and 2011 Series Refunding Bonds, all of which were for building improvements and renovations.

General Fund Budgeting Highlights

The Freehold Borough School District's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The district uses four major funds: the General Fund, where the district records its budget for day to day operation; the Special Revenue Fund, where the district records budgeted monies from the State and Federal Governments; the Debt Service Fund, where they record expenses for noncurrent debt and interest payments; and its Proprietary Fund where the district records its operational expenses for its food service program. The most significant budgeted fund and the fund that attracts the most attention is the General Fund.

During the course of the fiscal year 2015, the District amended its General Fund budget as needed. These transfers are approved by the Board of Education and the Executive County Superintendent of Schools. Transfers that occurred during the year were necessitated by:

- Staffing changes based on student needs
- Mid-year salary adjustments as previously agreed upon
- Additional Special Education Students
- Changes in appropriations to prevent budget overruns

In creating its budget the District uses program based budgeting as defined by the State's Chart of Accounts. The budgeting program and purchase order encumbrance system are designed to control budgets and insure fiscal integrity in the district's fiscal program.

The District's final budget for the General Fund anticipated that revenues and expenditures would equal.

Revenue

Miscellaneous revenues of \$124,963 exceeded the anticipated amount of \$55,000 by \$69,963 due primarily to refunds from prior year expenditures.

Expenditures

- Regular programs – instruction in total final budget exceeded the original by \$88,977 or 1.65%. Actual expenditures of \$5,457,672 represented 99.18% of budget. This was caused additional expenditures for teachers' grades 1-8.
- Total instructional expenditures final budget exceeded the original by \$123,877 or 1.43%. Actual total instructional expenditures of \$8,631,337.15 or 98.19%. The increase in the budget was caused by additional need for preschool disability full-time.
- Undistributed – general administration final budget exceeded the original by \$52,252.04, or 10.05% due to the need for additional communications and legal expenditures.
- Undistributed – required maintenance final budget exceeded original by \$195,373.12, or 52.91%. The increase was due to unanticipated maintenance acquired throughout the year.
- Undistributed – student transportation final budget exceeded original by \$107,914.10, or 17.93%. The increase was due to the need for unanticipated transportation for special education students.
- Undistributed – unallocated benefits final budget was lower than the original by \$278,268.10, or 5.78%. The decrease was due attributed to favorable results in several benefit categories.
- Total undistributed expenditures in total were lower by \$84,156.16, or .067%. Expenditures net of on behalf payments were \$10,987,943.62, or 89.56% of final budget. This was aided by favorable operations of plant and overall benefits.

Capital Assets

At the end of the fiscal year 2016, the School District had \$51,208,318 invested in land, buildings, furniture and equipment and vehicles. Table 4 shows fiscal 2016 balances compared to 2015.

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

	Governmental Activities		Business-Type Activities		Total School District	
	2015-2016	2014-2015	2015-2016	2014-2015	2015-2016	2014-2015
Land	\$ 110,050	\$ 110,050			\$ 110,050	\$ 110,050
Construction in Progre	284,246				284,246	-
Infrastructure	15,136	15,461			15,136	15,461
Site and Site						
Improvements	250,954	281,328			250,954	281,328
Building and Building						
Improvements	7,460,525	7,632,222	\$ 6,274	\$ 6,274	7,466,799	7,638,496
Machinery and						
Equipment	403,676	294,954	60,139	50,289	463,815	345,243
Total Capital						
Assets - Net of						
Depreciations	<u>\$ 8,524,587</u>	<u>\$ 8,334,015</u>	<u>\$ 66,413</u>	<u>\$ 56,563</u>	<u>\$ 8,591,000</u>	<u>\$ 8,390,578</u>

Refer to Notes to Financial Statements (Note 6) for more detailed information.

Overall capital assets (net) increased from fiscal year 2015 to fiscal year 2016. The increase in capital assets is primarily due to fixed asset additions in excess of annual depreciation.

Debt Administration

At the end of the fiscal year 2016 and 2015, the School District had outstanding debt as follows:

Table 5 – Debt Administration

	June 30,	
	2016	2015
Capital Leases	\$ 2,773	\$ 40,189
Compensated Absences	581,689	558,488
Serial Bonds	<u>2,145,000</u>	<u>2,835,000</u>
Totals	<u>\$ 2,729,462</u>	<u>\$ 3,433,677</u>

Refer to Notes to Financial Statements (Note 7) for more detailed information.

For the Future

Continued negative growth in per pupil state aid has caused the burden of funding a growing school district to rest with the local taxpayers. What is more is that going into FY 2017, taxpayers in Freehold Borough are paying \$1,762,704.00 more than their established fair share in supporting the local school budget. The Board has no remaining banked cap available, and has taken every tax dollar available by law to provide as close to a thorough and efficient education to students as possible. Despite this there are still high percentages of classes out of compliance with class size rules imposed under NJAC 6A:13-3.1(b). Absent relief in the form of equitable distribution of state aid, class size will continue to increase with rising enrollment. The Board continues to be a zealous advocate for its students by regularly engaging with legislators and state officials for a solution to these issues.

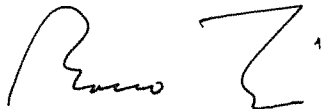
The district's fund balance remains at the statutory 2% level and it has been able to fund capital projects through the use of Capital Reserve Funds.

The district has exercised its option under State Law to move the annual election of board members from April to the General Election in November. The movement of the election has enabled the district to save the cost of holding the April Election which amount to nearly \$5,000. In addition, since the district has kept the annual increase below the maximum permitted the vote on the annual district budget is not held.

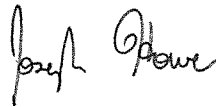
Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, you may contact the School Business Administrator/Board Secretary at Freehold Borough Board of Education, 280 Park Avenue, Freehold, NJ 07728.

Respectfully submitted,



Rocco Tomazic, Ed. D.
Superintendent of Schools



Joseph Howe
Business Administrator/Board Secretary

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,570,656.51	\$ 306,459.16	\$ 1,877,115.67
Receivables - Net	434,918.35	61,603.85	496,522.20
Inventory		15,181.90	15,181.90
Restricted Cash and Cash Equivalents:			
Capital Reserve Account	1,332,286.43		1,332,286.43
Capital Assets, Net	<u>8,524,587.08</u>	<u>66,412.65</u>	<u>8,590,999.73</u>
Total Assets	<u>\$ 11,862,448.37</u>	<u>\$ 449,657.56</u>	<u>\$ 12,312,105.93</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Unamortized Loss on Defeasance of Debt Pension	\$ 72,519.46		\$ 72,519.46
	<u>1,549,126.00</u>		<u>1,549,126.00</u>
	<u>\$ 1,621,645.46</u>		<u>\$ 1,621,645.46</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 742,951.91	\$ 21,020.56	\$ 763,972.47
Interfund Payable	2,264.78		2,264.78
Intergovernmental Accounts Payable	11,736.79		11,736.79
Unearned Revenue	148,564.37		148,564.37
Accrued Interest on Bonds Payable	25,082.81		25,082.81
Net Pension Liability	7,166,568.00		7,166,568.00
Noncurrent Liabilities:			
Due Within One Year	812,943.02		812,943.02
Due Beyond One Year	<u>1,973,565.67</u>		<u>1,973,565.67</u>
Total Liabilities	<u>\$ 10,883,677.35</u>	<u>\$ 21,020.56</u>	<u>\$ 10,904,697.91</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Pension	<u>\$ 350,569.00</u>		<u>\$ 350,569.00</u>
<u>NET POSITION</u>			
Invested in Capital Assets	\$ 6,392,287.07	\$ 66,412.65	\$ 6,458,699.72
Restricted for:			
Capital Projects	1,332,286.43		1,332,286.43
Unrestricted (Deficit)	<u>(5,474,726.02)</u>	<u>362,224.35</u>	<u>(5,112,501.67)</u>
Total Net Position	<u>\$ 2,249,847.48</u>	<u>\$ 428,637.00</u>	<u>\$ 2,678,484.48</u>

See accompanying notes to financial statements.

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 11,489,638.24		\$ 2,081,182.49	\$ (9,408,455.75)		\$ (9,408,455.75)
Special Education	3,804,409.85			(3,804,409.85)		(3,804,409.85)
Other Special Instruction	1,055,484.71			(1,055,484.71)		(1,055,484.71)
Other Instruction	176,171.45			(176,171.45)		(176,171.45)
Support Services:						
Tuition	808,800.72			(808,800.72)		(808,800.72)
Student and Instruction Related Services	4,509,671.77		821,110.80	(3,688,560.97)		(3,688,560.97)
School Administrative Services	855,257.42			(855,257.42)		(855,257.42)
Other Administrative Services	2,290,223.78			(2,290,223.78)		(2,290,223.78)
Plant Operations and Maintenance	2,220,136.04			(2,220,136.04)		(2,220,136.04)
Pupil Transportation	1,006,637.00			(1,006,637.00)		(1,006,637.00)
Interest on noncurrent debt	105,749.50		136,502.00	30,752.50		30,752.50
Total Governmental Activities	\$ 28,322,180.48		\$ 3,038,795.29	\$ (25,283,385.19)		\$ (25,283,385.19)
Business-Type Activities:						
Food Service	\$ 985,408.83	\$ 163,246.98	\$ 908,924.79		\$ 86,762.94	\$ 86,762.94
Total Primary Government	\$ 29,307,589.31	\$ 163,246.98	\$ 3,947,720.08	\$ (25,283,385.19)	\$ 86,762.94	\$ (25,196,622.25)
General Revenues						
Taxes:						
				\$ 10,566,139.00		\$ 10,566,139.00
				556,881.00		556,881.00
				14,848,687.24		14,848,687.24
				124,973.99		124,973.99
				<u>26,096,681.23</u>		<u>26,096,681.23</u>
				813,296.04	86,762.94	900,058.98
				<u>(92,456.90)</u>	<u>1,074.02</u>	<u>(91,382.88)</u>
				\$ 720,839.14	\$ 87,836.96	\$ 808,676.10
				<u>1,529,008.34</u>	<u>340,800.04</u>	<u>1,869,808.38</u>
				<u>\$ 2,249,847.48</u>	<u>\$ 428,637.00</u>	<u>\$ 2,678,484.48</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,631,866.03		\$ 89,582.88	\$ 348.73	\$ 1,721,797.64
Intergovernmental Accounts Receivable	104,835.00	\$ 330,083.35			434,918.35
Interfund Receivable				11.44	11.44
Capital Reserve Account	<u>1,242,714.99</u>				<u>1,242,714.99</u>
Total Assets	<u>\$ 2,979,416.02</u>	<u>\$ 330,083.35</u>	<u>\$ 89,582.88</u>	<u>\$ 360.17</u>	<u>\$ 3,399,442.42</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Cash and Cash Equivalents - Overdraft		\$ 61,569.69			\$ 61,569.69
Accounts Payable	\$ 264,450.27	180,888.64			445,338.91
Interfund Payable	2,264.78		\$ 11.44		2,276.22
Intergovernmental Accounts Payable -					
Federal		3,255.87			3,255.87
State		8,480.92			8,480.92
Unearned Revenue	<u>54,494.64</u>	<u>94,069.73</u>			<u>148,564.37</u>
Total Liabilities	<u>\$ 321,209.69</u>	<u>\$ 348,264.85</u>	<u>\$ 11.44</u>		<u>\$ 669,485.98</u>
Fund Balances:					
Restricted:					
Capital Reserve Account	\$ 1,242,714.99				1,242,714.99
Legal Reserve	130,270.44				130,270.44
Maintenance Reserve	540,902.68				540,902.68
Debt Service Fund				\$ 360.17	360.17
Capital Projects Fund			\$ 89,571.44		89,571.44
Excess Surplus - Designated for					
Subsequent Year's Expenditures	554,034.38				554,034.38
Assigned - Designated for Subsequent					
Year's Expenditures	14,614.76				14,614.76
Assigned for Other Purposes	175,669.08				175,669.08
Unassigned, Reported in:					
Special Revenue Fund (Deficit)		<u>\$ (18,181.50)</u>			<u>(18,181.50)</u>
Total Fund Balances	<u>\$ 2,658,206.33</u>	<u>\$ (18,181.50)</u>	<u>\$ 89,571.44</u>	<u>\$ 360.17</u>	<u>\$ 2,729,956.44</u>
Total Liabilities and Fund Balance	<u>\$ 2,979,416.02</u>	<u>\$ 330,083.35</u>	<u>\$ 89,582.88</u>	<u>\$ 360.17</u>	<u>\$ 3,399,442.42</u>
Total Fund Balance above					\$ 2,729,956.44
Amounts reported for <i>governmental activities</i> in the Statement of Net Position (A-1) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of capital assets is \$18,456,719.08 and the accumulated depreciation is \$9,932,132. (see Note 7)					
					8,524,587.08
Deferred loss on defeasance of debt, unamortized (see Note 8D)					
					72,519.46
Noncurrent liabilities, including bonds, loans and leases payable are not payable in the current period and therefore are not reported as liabilities in the funds (see Note 8).					
					(7,786,508.69)
Certain liabilities are not due and payable in the current period, and therefore, are not reported in funds:					
Accrued Interest Payable					
(Accrued interest is a current liability that will be paid from the debt service fund. Therefore, the liability reduces the restricted for debt service net position balance.)					
					(25,082.81)
Accrued Pension Liability					
(Accrued pension is a current liability that will be paid from the general fund, attributed to the fiscal year ending June 30, 2015, however will be raised in the budget for the fiscal year ending June 30, 2016.					
					900,944.00
Net pension liability is not due and payable in the current period and therefore is not reported as a liability in the funds. (see Note 9)					
					<u>(7,166,568.00)</u>
Net position of governmental activities (A-1)					
					<u>\$ 2,249,847.48</u>

See accompanying notes to financial statements

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Total</u> <u>Government</u> <u>Funds</u>
Revenues					
Local sources:					
Local tax levy	\$ 10,566,139.00			\$ 556,881.00	\$ 11,123,020.00
Interest income			\$ 11.44		11.44
Miscellaneous	<u>124,962.55</u>	<u>\$ 33,063.18</u>			<u>158,025.73</u>
Total - Local Sources	10,691,101.55	\$ 33,063.18	11.44	556,881.00	11,281,057.17
State Sources	11,950,702.85	322,242.08		136,502.00	12,409,446.93
Federal Sources	<u>31,872.21</u>	<u>2,985,294.21</u>			<u>3,017,166.42</u>
Total Revenues	<u>\$ 22,673,676.61</u>	<u>\$ 3,340,599.47</u>	<u>\$ 11.44</u>	<u>\$ 693,383.00</u>	<u>\$ 26,707,670.52</u>
Expenditures					
Current:					
Regular Instruction	\$ 5,457,672.97	\$ 2,081,182.49			\$ 7,538,855.46
Special Education Instruction	2,397,490.27				2,397,490.27
Other Special Instruction	665,152.92				665,152.92
Other Instruction	111,020.99				111,020.99
Support Services and Undistributed Costs:					
Tuition	808,800.72				808,800.72
Student and Instruction Related Services	2,132,929.02	821,110.80			2,954,039.82
School Administrative Services	538,972.25				538,972.25
Other Administrative Services	1,443,269.64				1,443,269.64
Plant Operations and Maintenance	1,399,101.24				1,399,101.24
Pupil Transportation	634,369.72				634,369.72
Unallocated Benefits	6,146,381.64	438,808.34			6,585,189.98
Debt Service:					
Principal				\$ 690,000.00	690,000.00
Interest				93,612.50	93,612.50
Capital Outlay	<u>680,386.14</u>	<u>2,659.84</u>			<u>683,045.98</u>
Total Expenditures	<u>\$ 22,415,547.52</u>	<u>\$ 3,343,761.47</u>		<u>\$ 783,612.50</u>	<u>\$ 26,542,921.49</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	<u>\$ 258,129.09</u>	<u>\$ (3,162.00)</u>	<u>\$ 11.44</u>	<u>\$ (90,229.50)</u>	<u>\$ 164,749.03</u>
Other Financing Sources/(Uses):					
Transfers In/(Out)	<u>(100,000.00)</u>		<u>\$ (90,241.44)</u>	<u>\$ 90,241.44</u>	<u>(100,000.00)</u>
Total Other Financing Sources/(Uses)	<u>(100,000.00)</u>		<u>\$ (90,241.44)</u>	<u>\$ 90,241.44</u>	<u>(100,000.00)</u>
Net Change in Fund Balances	\$ 158,129.09	\$ (3,162.00)	\$ (90,230.00)	\$ 11.94	\$ 64,749.03
Fund Balance/(Deficit) July 1	<u>2,500,077.24</u>	<u>(15,019.50)</u>	<u>\$ 179,801.44</u>	<u>348.23</u>	<u>2,665,207.41</u>
Fund Balance/(Deficit) June 30	<u>\$ 2,658,206.33</u>	<u>\$ (18,181.50)</u>	<u>\$ 89,571.44</u>	<u>\$ 360.17</u>	<u>\$ 2,729,956.44</u>

See accompanying notes to financial statements

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	64,749.03
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are different because:		
Capital outlays and related costs 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 depreciated expense or amortized expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlay	\$	683,045.98
Depreciation expense		(500,017.00)
Gain on fixed assets		<u>7,543.10</u>
		190,572.08
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces noncurrent liabilities in the statement of net position and is not reported in the statement of activities.		
		690,000.00
Repayment of lease principal is an expenditure in the governmental funds, but the payment reduces noncurrent debt in the statement of net position is not reported in the statement of activities.		
		17,416.34
Governmental funds report the effect of premiums and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the following related to the premiums on bonds.		
Amortization of premium		7,409.27
Governmental funds report the effect of defeasances and similar items when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This represents the following related to the deferred loss of refunding.		
Amortization of deferred loss		(12,086.58)
In the statement of activities, interest on noncurrent debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. The change in accrued interest is an item in the reconciliation.		
		1,800.00
Net pension obligation related to PERS which is attributable to June 30, 2015 reported in governmental funds; however, it is reported in the statement of activities.		
		(215,820.00)
In the statement of activities, certain operating expenses, e.g. compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.		
		<u>(23,201.00)</u>
Change in Net Position of Governmental Activities (A-2)	\$	<u><u>720,839.14</u></u>

See accompanying notes to financial statements

PROPRIETARY FUNDS

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
PROPRIETARY FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

		Business-Type Activities - <u>Enterprise Fund</u>
		Food Service <u>Total Enterprise</u>
<u>ASSETS</u>		
Current assets:		
Cash and Cash Equivalents	\$	306,459.16
Accounts Receivable:		
State		849.67
Federal		60,754.18
Inventory		<u>15,181.90</u>
Total Current Assets	\$	<u>383,244.91</u>
Noncurrent Assets:		
Furniture, Machinery and Equipment	\$	233,526.69
Less: Accumulated Depreciation		<u>167,114.04</u>
Total Noncurrent Assets	\$	<u>66,412.65</u>
Total Assets	\$	<u><u>449,657.56</u></u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$	<u>21,020.56</u>
Total Liabilities	\$	<u><u>21,020.56</u></u>
<u>NET POSITION</u>		
Invested in Capital Assets	\$	66,412.65
Unrestricted		<u>362,224.35</u>
Total Net Position	\$	<u><u>428,637.00</u></u>

See accompanying notes to financial statements

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business Type Activities - Enterprise Fund
	<u>Food Service Total Enterprise</u>
Operating Revenues:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 156,580.35
Miscellaneous	6,666.63
	\$ 163,246.98
Total Operating Revenues	
Operating Expenses:	
Cost of Sales - Reimbursable	\$ 405,872.63
Cost of Sales - Non-Reimbursable	32,732.00
Salaries	330,710.72
Employee Benefit	26,537.60
General Supplies	36,848.96
Insurance	36,240.81
Uniforms	1,250.29
Management Fee	39,210.00
Purchased Services	78,472.11
Depreciation	(2,466.29)
	\$ 985,408.83
Total Operating Expenses	
Operating Income/(Loss)	\$ (822,161.85)
Nonoperating Revenues:	
State Sources:	
State School Lunch Program	\$ 11,867.43
Federal Sources:	
National School Lunch Program	606,927.15
School Breakfast Program	182,428.64
Summer Program	25,304.95
After School Snack Program	25,344.48
Food Distribution Program	57,052.14
	\$ 908,924.79
Total Nonoperating Revenues	
Income/(Loss) before Contributions and Transfers	\$ 86,762.94
Contributed Capital	1,074.02
Change in Net Position	\$ 87,836.96
Total Net Position - Beginning	340,800.04
Total Net Position - Ending	\$ 428,637.00

See accompanying notes to financial statements

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business Type Activities Enterprise Funds
	<u>Food Service Total Enterprise</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers	\$ 163,246.98
Payments to Employees	(330,710.72)
Payments for Employee Benefits	(26,537.60)
Payments to Suppliers	(540,421.21)
Payments for Management Fee	<u>(39,210.00)</u>
Net Cash Provided by/(Used for) Operating Activities	\$ <u>(773,632.55)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
State Sources	\$ 11,846.09
Federal Sources	<u>839,759.34</u>
Net Cash Provided by/(Used for) Noncapital Financing Activities	\$ <u>851,605.43</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Purchases of Capital Assets	(7,383.52)
Contributed Capital	<u>\$ 1,074.02</u>
Net Cash Used for Capital and Related Financing Activities	\$ <u>(6,309.50)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	\$ 71,663.38
Balances - Beginning of Year	<u>234,795.78</u>
Balances - End of Year	<u>\$ 306,459.16</u>
Reconciliation of Operating Income/(Loss) to Net Cash <u>Provided/(Used) by Operating Activities</u>	
Operating Gain/(Loss)	\$ <u>(822,161.85)</u>
Adjustments to Reconcile Operating Loss to Cash Provided/ (Used) by Operating Activities:	
Depreciation	\$ (2,466.29)
Federal Commodities	57,052.14
Change in Assets and Liabilities:	
Decrease in Inventory	294.57
Decrease in Accounts Payable	<u>(6,351.12)</u>
Total Adjustments	\$ <u>48,529.30</u>
Net Cash Provided/(Used) by Operating Activities	\$ <u><u>(773,632.55)</u></u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Trust		Agency Fund		Fiduciary Funds Total
<u>ASSETS</u>	<u>Unemployment Compensation</u>	<u>Private Purpose Scholarship Fund</u>	<u>Student Activity</u>	<u>Payroll</u>	
Cash and Cash Equivalents	\$ 470,370.01	\$ 640.44	\$ 33,530.98	\$ 9,169.42	\$ 513,710.85
Accounts Receivable - State	3,119.59				3,119.59
Intrafund Receivable - General Fund	<u> </u>	<u> </u>	<u> </u>	2,264.78	<u>2,264.78</u>
Total Assets	<u>\$ 473,489.60</u>	<u>\$ 640.44</u>	<u>\$ 33,530.98</u>	<u>\$ 11,434.20</u>	<u>\$ 519,095.22</u>
<u>LIABILITIES</u>					
Payable to Student Groups			\$ 33,530.98		\$ 33,530.98
Payroll Deductions and Withholdings				<u>\$ 11,434.20</u>	<u>11,434.20</u>
Total Liabilities			<u>\$ 33,530.98</u>	<u>\$ 11,434.20</u>	<u>\$ 44,965.18</u>
<u>NET POSITION</u>					
Held in Trust for Unemployment Claims and Other Purposes	\$ 473,489.60				\$ 473,489.60
Reserved for Scholarships		<u>\$ 640.44</u>			<u>640.44</u>
Total Net Position	<u>\$ 473,489.60</u>	<u>\$ 640.44</u>			<u>\$ 474,130.04</u>

See accompanying notes to financial statements

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Trust		Fiduciary Funds Total
	Unemployment Compensation Trust Fund	Private Purpose Scholarship Fund	
<u>Additions</u>			
Contributions:			
Plan Members	\$ 72,548.66	\$ 57.20	\$ 72,605.86
Due from State	3,119.59		3,119.59
	<u>75,668.25</u>	<u>57.20</u>	<u>75,725.45</u>
Total Additions	\$ <u>75,668.25</u>	\$ <u>57.20</u>	\$ <u>75,725.45</u>
<u>Deductions</u>			
Quarterly Contribution Reports	\$ 19,109.60		\$ 19,109.60
Unemployment Claims	11,439.81		11,439.81
Scholarships Awarded		\$ 200.00	200.00
	<u>30,549.41</u>	<u>200.00</u>	<u>30,749.41</u>
Total Deductions	\$ <u>30,549.41</u>	\$ <u>200.00</u>	\$ <u>30,749.41</u>
Change in Net Position	\$ 45,118.84	\$ (142.80)	\$ 44,976.04
Total Net Position - Beginning of the Year	<u>428,370.76</u>	<u>783.24</u>	<u>429,154.00</u>
Total Net Position - End of the Year	<u>\$ 473,489.60</u>	<u>\$ 640.44</u>	<u>\$ 474,130.04</u>

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Borough of Freehold School District (the "District") is a Type II district located in the County of Monmouth, State of New Jersey. As a Type II district, the District functions independently through a Board of Education (the "Board"). The Board is comprised of nine (9) members elected to three-year staggered terms. The purpose of the District is to educate students in grades K-8. The District had an approximate enrollment at June 30, 2016 of 1677 students.

A reporting entity is comprised of the primary government, component units and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities 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 Governmental Accounting and Financial Reporting Standards, is whether:

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Continued)

1. Government-Wide Financial Statements (Continued)

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

2. Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance.

Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

1. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

1. Governmental Funds (Continued)

General Fund (Continued)

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by board resolution.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major capital projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

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

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. This fund is not applicable in this fiscal year.

2. Proprietary Fund Type

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

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

2. Proprietary Fund Type (Continued)

Enterprise Fund – The Enterprise Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the District is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the District has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The District's Enterprise Fund is comprised of the Food Service Fund.

All proprietary funds are accounted for on a cost of services or “capital maintenance” measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their statement of net position. Their reported fund equity (net position) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustive capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of the equipment used in the operations of the Enterprise Funds are approximately 10 years.

3. Fiduciary Funds

Trust and Agency Funds – The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Fund – An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Fund includes the Unemployment Compensation Insurance Fund.

Agency Funds – 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. Agency Funds include payroll and student activities funds.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

4. Noncurrent Debt

Noncurrent liabilities expected to be financed from governmental funds are accounted for in the General Noncurrent Debt, not in the governmental funds. This includes the outstanding principal balance on capital leases.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the Statement of Net Position.

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Fund equity (i.e., net position) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

The modified accrual basis of accounting is used for measuring financial position and operating results of all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the fund liability is incurred, except for principal and interest on general noncurrent debt which are recorded when due.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

Ad Valorem (Property) Taxes are susceptible to accrual and under New Jersey State Statute a municipality is required to remit to its school district the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive moneys under the established payment schedule and the unpaid amount is considered to be an "accounts receivable".

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

E. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the winter of each year for the general, special revenue and debt service funds. The budgets are approved by the District, submitted to the County office for review approval and if determined to be within the allowable tax levy cap and within the allowable appropriation cap, become effective upon the holding of a public hearing and final adoption by the District. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of N.J.A.C. 6A:23A-2.3 (et seq.). The Board of Education made a material supplemental budgetary appropriation of fund balance during the fiscal year.

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

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

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets/Budgetary Control (Continued)

The following presents a reconciliation of the general fund revenue and special revenue fund revenue from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources:		
Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules.	\$ 22,673,626.61	\$ 3,343,761.47
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
June 30, 2015	None	3,750.00
June 30, 2016	None	(3,750.00)
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	961,136.50	15,019.50
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(961,086.50)</u>	<u>(18,181.50)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 22,673,676.61</u>	<u>\$ 3,340,599.47</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule.	\$ 22,415,547.52	\$ 3,343,761.47
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 supplies are received for financial reporting purposes.		
June 30, 2015	None	3,750.00
June 30, 2016	<u>None</u>	<u>(3,750.00)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u>\$ 22,415,547.52</u>	<u>\$ 3,343,761.47</u>

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Assets, Liabilities and Equity

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Cash equivalents are defined as short-term, highly liquid securities that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only securities with original maturities of three (3) months or less meet this definition. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

2. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as an expenditure during the year of purchase.

Inventories in the Proprietary Funds 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.

3. Allowance for Uncollectible Accounts

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

4. Tuition Receivable

Tuition charges were established by the Board of Education based on estimated costs. The charges are subject to adjustment when the final costs have been determined.

5. Tuition Payable

Tuition charges for the fiscal years 2014-2015 and 2015-2016 were based on rates established by the receiving district. These rates are subject to change when the actual costs have been determined.

6. Current Interfund Receivables/Payables

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

7. Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000.00. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

7. Capital Assets (Continued)

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method under the half year convention over the following useful lives:

<u>Asset Class</u>	<u>Estimated Lives</u>
School Buildings	40 years
Building Improvements	20 years
Electrical/Plumbing	30 years
Vehicles	8 years
Office and Computer Equipment	5-10 years
Instructional Equipment	10 years
Grounds Equipment	15 years
Food Service Equipment	7-20 years

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

9. Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the District and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the District and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

The entire sick leave and vacation leave liabilities are reported on the government-wide financial statements.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

9. Compensated Absences (Continued)

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

10. Accrued Liabilities and Noncurrent Obligations

All payables, accrued liabilities and noncurrent obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of capital leases, compensated absences and loans payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

11. Deferred Loss on Refunding of Debt

Deferred loss on refunding arising from the issuance of the refunding bonds is recorded as a deferred outflow of resources. It is amortized in a systematic and rational manner over the duration of the related debt as a component of interest expense.

12. Net Position

GASB Statement Number 68, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* became effective for financial statements for periods beginning after December 15, 2011 and established standards for reporting deferred outflows of resources, deferred inflows of resources and net position. The adoption of this statement resulted in a change in the presentation of the statement of net position to what is now referred to as the statement of net position and the term "net assets" is changed to "net position" throughout the financial statements. Net Position represents the difference between assets, deferred outflows, deferred inflows and liabilities in the government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any noncurrent debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

13. Unearned Revenue

Unearned revenue in all funds represent program revenues that have been received but not yet earned.

14. Fund Equity

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

15. Fund Balance

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54") established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five (5) categories, as defined below:

- a. Nonspendable – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, noncurrent receivables and corpus of any permanent funds.
- b. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers or through enabling legislation.
- c. Committed – includes amounts that can be used only for the specific purposes imposed by a formal action of the government's highest level of decision-making authority. The District's highest level of decision-making authority is the Board of Education (the "Board") and formal action is taken by resolution of the Board at publicly held meetings. Once committed, amounts cannot be used for other purposes unless the Board revised or changes the specified use by taking the same action (resolution) taken to originally commit these funds.
- d. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Interest is expressed by either the Board or Business Administrator, to whom the Board has delegated the authority to assign amounts to be used for specific purposes, including the encumbering of funds.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

15. Fund Balance (Continued)

- e. Unassigned – includes all spendable amounts not contained in the other classifications in the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a position unassigned fund balance amount. In the other governmental funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the District first spends committed funds, then assigned funds, and finally, unassigned funds.

16. Proprietary Funds Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School District enterprise fund, (the Food Service) are charges to customers for sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expense and depreciation on Capital Assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

17. Non-Monetary Transactions

Commodities received under the Federal Food Distribution Program are received by the district and are recorded as nonoperating revenue when received in the food service enterprise fund at market value. The use of the commodities is included in cost of sales.

18. Allocation of Expenses

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the direct expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is reported separately on the Statement of Activities. No expenses were allocated as "Indirect Expenses".

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

19. On-Behalf Payments

Revenues and expenditures of the general fund include payments made by the State of New Jersey social security and post-retirement medical pension contributions for the certified teachers and other members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the District's annual budget.

20. Extraordinary and Special Items

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

21. Accounting and Financial Reporting for Pensions

In fiscal year 2015, the District implemented GASB 68. This Statement amends GASB Statement No. 27. It improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirement of Statement No. 27, *Accounting for Pension by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This statement is effective for periods beginning after June 15, 2014.

The District has also implemented GASB Statement 71, Pension Transition for Contributions made Subsequent to the Measurement Date-an amendment to GASB No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Continued)

21. Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported. Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

H. Other Accounting Standards

The District is currently reviewing the following for applicability and potential impact on the financial statements:

- *GASB Statement No. 74. Financial Reporting for Postemployment Benefit Other Than Pension Plans.*

Effective Date: The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 75. Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Effective Date: The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Other Accounting Standards (Continued)

- *GASB Statement No. 76. The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

Effective Date: The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 77. Tax Abatement Disclosures.*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 78. Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans.*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The District does not expect this Statement to impact its financial statements.

- *GASB Statement No. 82. Pension Issues – an amendment of GASB Statements No. 67, No. 38 and No. 73*

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement data of the pension liability is on or after June 15, 2017. Earlier application is encouraged. The District does not expect this statement to impact its financial statements

I. Subsequent Events

Management has reviewed and evaluated all events and transactions from June 30, 2016 through December 1, 2016, the date that the financial statements are issued for possible disclosure and recognition in the financial statements, and no items have come to the attention of the District that would require disclosure.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

	<u>Cash and Cash Equivalents</u>
Checking Accounts (Operating)	\$ <u><u>4,335,649.85</u></u>
Reconciliation:	
Governmental Funds	\$ 3,389,571.71
Enterprise Funds	306,309.16
Fiduciary Funds	<u>639,768.98</u>
	\$ <u><u>4,335,649.85</u></u>
Allocation of Cash and Cash Equivalents	
Unrestricted	\$ 3,299,988.83
Restricted	<u>1,035,661.02</u>
	\$ <u><u>4,335,649.85</u></u>

Included in the balance is \$1,242,713.99 allocated to the General Fund Capital Reserve Account.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Risk Analysis – All of the balances were covered by either federal depository insurance or Government Unit Deposit Protection Act (“GUDPA”) and are considered to have minimal custodial risk.

Investments

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

- Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America. This includes instruments such as Treasury bills, notes and bonds.
- Government money market mutual funds.
- Any federal agency or instrumentality obligation authorized by Congress that matures within 397 days from the date of purchase, and has a fixed rate of interest not dependent on any index or external factors.
- Bonds or other obligations of the school district or local unit of which the school district is a part.
- Any other obligations with maturities not exceeding 397 days, as permitted by the Division of Investments, New Jersey State Department of Treasury.
- Local government investment pools.
- New Jersey State Cash Management Fund.
- Repurchase agreements of fully collateralized securities, subject to special conditions.

There were no securities that would be classified as investments as of June 30, 2016.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

5. INTERGOVERNMENTAL ACCOUNTS RECEIVABLE

Intergovernmental Accounts Receivable at June 30, 2016 consisted of Federal Sources, State Sources, State Aid, and transportation. All receivables are considered collectible in full. A summary of the principal items of intergovernmental accounts receivable follows:

	<u>Government Fund</u> <u>Financial Statements</u>	<u>Business Type</u> <u>Activities</u>
General Fund:		
State Aid:		
Extraordinary Aid	\$ 102,803.00	
Non-Public Transportation - Cost Reimbursement	<u>2,032.00</u>	
	<u>\$ 104,835.00</u>	
Special Revenue Fund:		
Federal Aid:		
Title I Part A	\$ 158,907.09	
Title II Part A	17,296.32	
Title III Part A	6,826.73	
IDEA Part B	16,584.16	
21st Century Grant	31,473.43	
Preschool Expansion	<u>91,594.70</u>	
Total Federal Aid	<u>\$ 322,682.43</u>	
Local - MOESC	<u>\$ 7,400.92</u>	
	<u>\$ 330,083.35</u>	
	<u>\$ 434,918.35</u>	
Proprietary Fund:		
Enterprise Fund		
State Sources:		
Lunch		<u>\$ 849.67</u>
Federal Sources:		
Breakfast		\$ 15,044.04
Lunch		44,471.98
Snack		<u>1,238.16</u>
		<u>\$ 60,754.18</u>

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

6. INVENTORY

The value of federal donated commodities as reflected on Schedule A of \$57,052.14 (required by the Single Audit Law of 1984) is the difference between market value and cost of the commodities at the date of the purchase and has been included as an item of nonoperating revenue in the financial statements. For the year ended June 30, 2016, the federal donated commodities food inventory of \$3,398.15 was included in the year end food and supplies amount of \$15,181.90.

7. CAPITAL ASSETS, NET

The following schedule is a summarization of the changes in capital assets by source for the fiscal year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Transfer) Retirements</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets not being depreciated:				
Land	\$ 110,050.00			\$ 110,050.00
Construction in Progress		\$ 284,246.08		284,246.08
Total capital assets not being depreciated	<u>110,050.00</u>	<u>284,246.08</u>		<u>394,296.08</u>
Capital assets being depreciated:				
Infrastructure	\$ 16,275.00			16,275.00
Site Improvements	834,524.00			834,524.00
Building and building improvements	15,025,958.00	\$ 188,948.00		15,214,906.00
Machinery and equipment	1,779,323.00	217,395.00		1,996,718.00
Totals at historical cost	<u>17,656,080.00</u>	<u>406,343.00</u>		<u>18,062,423.00</u>
Less accumulated depreciation for:				
Infrastructure	\$ (814.00)	\$ (325.00)		(1,139.00)
Site Improvements	(553,196.00)	(30,374.00)		(583,570.00)
Building and building improvements	(7,393,736.00)	(360,645.00)		(7,754,381.00)
Machinery and equipment	(1,484,369.00)	(108,673.00)		(1,593,042.00)
Total accumulated depreciation	<u>(9,432,115.00)</u>	<u>(500,017.00)</u>		<u>(9,932,132.00)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>\$ 8,223,965.00</u>	<u>\$ (93,674.00)</u>	<u>\$</u>	<u>\$ 8,130,291.00</u>
Governmental activities capital assets, net	<u>\$ 8,334,015.00</u>	<u>\$ 190,572.08</u>	<u>\$</u>	<u>\$ 8,524,587.08</u>
Allocation of Additions:				
General Fund		\$ 680,386.14		
Special Revenue Fund		2,659.84		
Other contribution		7,543.10		
		<u>\$ 690,589.08</u>		

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

7. CAPITAL ASSETS, NET (CONTINUED)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
<u>Business-Type Activities:</u>				
Furniture, machinery and equipment	\$ 201,810.17	\$ 7,383.52		\$ 209,193.69
Building improvements	<u>24,333.00</u>	<u> </u>	<u> </u>	<u>24,333.00</u>
Totals at historical cost	\$ <u>226,143.17</u>	<u>7,383.52</u>	<u> </u>	\$ <u>233,526.69</u>
Less accumulated depreciation for:				
Furniture, machinery and equipment	\$ (151,521.74)	\$ (11,380.52)	13,846.81	\$ (149,055.45)
Building improvements	<u>(18,058.59)</u>	<u> </u>	<u> </u>	<u>(18,058.59)</u>
Total accumulated depreciation	\$ <u>(169,580.33)</u>	\$ <u>(11,380.52)</u>	<u>13,846.81</u>	\$ <u>(167,114.04)</u>
Business type activities capital assets, net	\$ <u>56,562.84</u>	\$ <u>(3,997.00)</u>	<u>13,846.81</u>	\$ <u>66,412.65</u>

Depreciation expense was charged to Governmental Activities functions as follows:

Regular Instruction	\$ 213,182.79
Special Education Instruction	67,795.92
Other Instruction	21,948.55
Support Services and Undistributed Cost:	
Student and Instruction Related Services	83,533.95
School Administrative Services	15,240.99
General and Business Administrative Services	40,812.59
Plant Operations and Maintenance	39,563.60
Pupil Transportation	<u>17,938.62</u>
	\$ <u>500,017.00</u>

Net Investment in Capital Assets

Prior Period Adjustment – Net investment in capital assets for the prior year June 30, 2015 was adjusted to correct for a liability that should have not been factored into the balance. This is consistent with the June 30, 2016 presentation.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

8. NONCURRENT DEBT

During the fiscal year ended June 30, 2016 the following changes occurred in liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>	<u>Noncurrent Portion</u>
<u>Governmental Activities:</u>						
Bonds Payable -						
General						
Obligation Debt	\$ 2,835,000.00		\$ (690,000.00)	\$ 2,145,000.00	\$ 675,000.00	\$ 1,470,000.00
Add - Premium on						
Sale of Bonds	<u>44,455.67</u>		<u>(7,409.27)</u>	<u>37,046.40</u>	<u>7,409.27</u>	<u>29,637.13</u>
	2,879,455.67		(697,409.27)	2,182,046.40	682,409.27	1,499,637.13
Compensated						
Absences Payable	\$ 558,488.22	\$ 23,201.00		\$ 581,689.22	\$ 116,337.84	\$ 465,351.38
Capital Leases	<u>40,189.41</u>		<u>(17,416.34)</u>	<u>22,773.07</u>	<u>14,195.91</u>	<u>8,577.16</u>
	<u>\$ 598,677.63</u>	<u>23,201.00</u>	<u>(17,416.34)</u>	<u>\$ 604,462.29</u>	<u>\$ 130,533.75</u>	<u>\$ 473,928.54</u>
	<u>\$ 3,478,133.30</u>	<u>\$ 23,201.00</u>	<u>\$ (714,825.61)</u>	<u>\$ 2,786,508.69</u>	<u>\$ 812,943.02</u>	<u>\$ 1,973,565.67</u>

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

8. NONCURRENT DEBT (CONTINUED)

A. Bonds Payable Currently Outstanding

Bonds are authorized in accordance with State law by the voters of the municipality through referendums or in the case of refunding in accordance with Local Finance Board requirements. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the District are general obligation bonds. As of June 30, 2016, the District had the following serial bonds outstanding.

General Serial Bonds:

\$5,885,000.00 General Obligation Bonds, Series 1996 - Annual maturity of \$435,000.00 on December 1, 2016 at an interest rate of 5.25%. The Bonds are not subject to redemption prior to maturity. \$ 435,000.00

\$2,485,000.00 School District Refunding Bonds Series 2011 - These bonds were issued to refinance \$2,339,000.00 of General Obligation Bonds Series 2001. Annual maturities of \$240,000.00 to \$305,000.00 through August 15, 2021 with interest rates ranging from 2.0% to 5.0%. The bonds are not subject redemption prior to maturity. 1,710,000.00

\$ 2,145,000.00

The Bonds are general obligations of the Board and are secured by a pledge of the full faith and credit of the Board for the payment of the principal thereof and the interest thereon and, unless paid from other sources, the Bonds are payable from ad valorem taxes to be levied on all taxable real property in the school district, without limitation as to rate or amount. The Bonds are additionally secured by the provisions of the New Jersey School Bond Reserve Act.

The District, in conjunction with the issuance of the Bonds, has agreed to undertake and provide certain information to Bondholders on a continuing basis. The Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) "Continuing Disclosure" requirements, which the District has adopted, requires that various financial information about the District and the Municipality be provided annually to various information repositories. This has been complied with for the year ended June 30, 2015.

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.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

8. NONCURRENT DEBT (CONTINUED)

A. Bonds Payable Currently Outstanding (continued)

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

Year Ending June 30	1996 Issue		Refunding Bonds 2011 Issue	
	Principal	Interest	Principal	Interest
2017	\$ 435,000.00	\$ 11,418.75	\$ 240,000.00	54,162.50
2018			305,000.00	48,331.25
2019			300,000.00	41,150.00
2020			295,000.00	31,500.00
2021			290,000.00	19,800.00
	<u>435,000.00</u>	<u>11,418.75</u>	<u>1,430,000.00</u>	<u>194,943.75</u>
2022			280,000.00	7,000.00
			<u>280,000.00</u>	<u>7,000.00</u>
Total	\$ <u>435,000.00</u>	\$ <u>11,418.75</u>	\$ <u>1,710,000.00</u>	\$ <u>201,943.75</u>

Year Ending June 30	Grand Total		
	Principal	Interest	Total
2017	\$ 675,000.00	\$ 65,581.25	\$ 740,581.25
2018	305,000.00	48,331.25	353,331.25
2019	300,000.00	41,150.00	341,150.00
2020	295,000.00	31,500.00	326,500.00
2021	290,000.00	19,800.00	309,800.00
	<u>1,865,000.00</u>	<u>206,362.50</u>	<u>2,071,362.50</u>
2022	280,000.00	7,000.00	287,000.00
	<u>280,000.00</u>	<u>7,000.00</u>	<u>287,000.00</u>
	\$ <u>2,145,000.00</u>	\$ <u>213,362.50</u>	\$ <u>2,358,362.50</u>

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

8. NONCURRENT DEBT (CONTINUED)

B. Bonds and Notes Authorized But Not Issued

- i. As of June 30, 2016 there were no bonds and notes authorized but not issued.
- ii. Expansion of Facilities – Refer to Note 19-D

C. Capital Lease Obligations Payable

The District is leasing various equipment. The following is a schedule of the future minimum lease payments under the two (2) capital leases, and the present value of the net minimum lease payments at June 30, 2016:

<u>Year</u>	<u>Copiers With Interest</u>
2017	\$ 15,164.64
2018	<u>8,758.28</u>
	\$ 23,922.92
Less: Interest Portion	<u>1,149.85</u>
	<u>\$ 22,773.07</u>

D. Defeasance

As a result of the accounting requirement in accordance with GASB #23/#65, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Activities, the recording of the transaction related to the new vs. old debt and related costs resulted in an accounting loss which in conjunction with the premium will be amortized over the remaining life of the bond issue.

Unamortized Loss on Defeasance

	<u>Loss</u>	<u>Beginning Balance</u>	<u>Amortization</u>	<u>Ending Balance</u>
2011 Series Refunding Bonds	\$ <u>138,952</u>	<u>84,606</u>	\$ <u>12,087</u>	\$ <u>72,519</u>

E. Compensated Absences

Refer to Notes to Financial Statements – Note 11 for further detail.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS

Basic Financial Statements

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

Teachers' Pension and Annuity Fund (TPAF): The Teachers' Pension and Annuity Fund was established in January 1955 under the provisions of N.J.S.A.18A:66 to provide coverage including post-retirement health care to substantially all full time public school employees in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for health care coverage. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 61 and 62, respectively, with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively, with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

Public Employees' Retirement System (PERS): The Public Employees' Retirement System was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county, municipality, school board or public agency provided the employee is not a member of another State-administered retirement system. Age eligibility and benefit provisions were affected by Chapters 92 and 103, P.L. 2007, Chapter 89, P.L. 2008, Chapter 1, P.L. 2010, and Chapter 78, P.L. 2011. Members are classified into one of five tiers dependent upon the date of their enrollment. Tier 1, 2 and 3 members are eligible to retire at age 60, 61 and 62, respectively with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of credited service. Tier 4 and 5 members are eligible to retire at age 62 and 65, respectively with an annual benefit generally determined to be 1/60th of the average annual compensation for the highest five fiscal years' compensation for each year of membership during years of credited service. Anyone who retires early and is under their respective tier's retirement age receives retirement benefits as calculated in the above mentioned formulas but at a reduced rate in accordance with applicable New Jersey Statute based upon their tier.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

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

During the year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension costs equals annual required contribution. For PERS, which is a cost sharing multi-employer pension plan, the annual pension costs differs from the annual required contribution due to the enactment of Chapter 114, P.L. 1997.

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Three-Year Trend Information for PERS</u>			<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Employee</u> <u>Contribution</u>
	<u>Annual Pension Cost</u>		<u>Net Cost</u> <u>to District</u>		
	<u>Normal</u>	<u>Accrued</u>			
2016	\$ 46,469	\$ 214,065	\$ 260,534	100%	\$ 164,856
2015	45,850	212,092	257,942	100%	160,552
2014	69,181	187,409	256,590	100%	145,039

Three-Year Trend Information for TPAF (Paid on-behalf of the District)

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Pension Paid on-behalf of District</u>		<u>Employee</u> <u>Contribution</u>	<u>TPAF</u> <u>FICA</u>
	<u>APC</u> <u>Contributed</u>	<u>Total</u> <u>On-Behalf of</u>		
2016	100%	\$ 688,661	\$ 664,290	\$ 693,903
2015	100%	436,588	630,103	648,095
2014	100%	356,554	573,838	639,657

During the fiscal year ended June 30, 2016 the State of New Jersey contributed \$688,661 to the TPAF on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$693,903 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 a revenue and expenditure in accordance with GASB 24.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Funding Policy: (Continued)

Legislation enacted during 1993 provided early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Board assumed the increased cost for the early retirement as it affected their district.

District-Wide Financial Statements

Public Employees Retirement System (PERS)

The information for PERS was abstracted from State of New Jersey Public Employees' Retirement System Schedules of Employer Allocations and Schedules of Pension Amounts by Employer as of June 30, 2015 and 2014 Independent Auditor's Report dated November 13, 2016.

At June 30, 2016 and June 30, 2015, the District reported a liability of \$7,166,568 and \$6,254,920, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 and June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined.

	June 30,	
	2015	2014
District Proportionate Share	0.0319265844 %	0.0334081536 %
Difference - (Decrease)	(0.0014815692)	

For the year ended June 30, 2016, the District recognized pension expense of \$490,303. 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
Changes of Assumptions	\$ 769,665	
Difference between expected and actual experience	170,977	
Net difference between projected and actual earnings on pension plan investments		\$ 115,230
Changes in proportion	310,871	235,339
District contributions subsequent to the measurement date	297,613	
Total	\$ 1,549,126	\$ 350,569

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The \$297,613 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date (i.e. for the school year ending June 30, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount</u>
2016	\$ 150,267
2017	150,267
2018	150,267
2019	239,324
2020	135,289

Additional Information:

Collective balances at June 30, 2015 and 2014 are as follows:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Collective deferred outflows of resources	\$ 5,823,297,595	\$ 1,452,705,538
Collective deferred inflows of resources	1,215,190,347	2,146,719,012
Collective net pension liability (Local Group)	22,447,996,119	20,127,103,950
Collective net pension liability	46,170,131,656	38,849,838,953
District's proportion (Local Group)	0.0319265844 %	0.0334081536 %

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which rolled forward to June 30, 2015. The total pension liability for the July 1, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

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

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

Mortality Rates

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

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Long-Term Rate of Return (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00 %	1.04 %
U.S. Treasuries	1.75	1.64
Investment Grade Credit	10.00	1.79
Mortgages	2.10	1.62
High Yield Bonds	2.00	4.03
Inflation Indexed Bonds	1.50	3.25
Broad U.S. Equities	27.25	8.52
Developed Foreign Markets	12.00	6.88
Emerging Market Equities	6.40	10.00
Private Equity	9.25	12.41
Hedge Funds/Absolute Returns	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	<u>4.25</u>	5.12
	<u>100.00 %</u>	

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.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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 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:

	June 30, 2015		
	At Current		
	1% Decrease <u>3.90%</u>	Discount Rate <u>4.90%</u>	1% Increase <u>5.90%</u>
District's proportionate share of the pension liability	\$ 8,907,553	\$ 7,166,878	\$ 5,707,509
	June 30, 2014		
	At Current		
	1% Decrease <u>4.39%</u>	Discount Rate <u>5.39%</u>	1% Increase <u>6.39%</u>
District's proportionate share of the pension liability	\$ 7,868,902	\$ 6,254,920	\$ 4,899,586

Pension Plan Fiduciary Net Position.

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

Teachers Pensions and Annuity Fund (TPAF)

Data for the TPAF was abstracted from the State of New Jersey Teachers' Pension and Annuity Fund Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer as of June 30, 2015 and 2014 Independent Auditor's Reports dated July 28, 2016 and November 13, 2015, respectively.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

The portion of the TPAF Net Pension Liability that was associated with the District recognized at June 30, 2015 was as follows:

Net Pension Liability:

Districts proportionate share	\$ -
State's proportionate share associated with the District	51,040,248.00
	\$ 51,040,248.00

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The net pension liability associated with the District was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2015, the proportion of the TPAF net pension liability associated with the District was .0807544290%.

For the year ended June 30, 2016 and June 30, 2015, the District recognized on-behalf pension expense and revenue of \$2,202,568 and \$2,423,942, respectively, for contributions provided by the State.

Actuarial Assumptions

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015. 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	2.50 Percent
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90 Percent

Mortality Rates

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return (7.90% at June 30, 2015) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2015 are summarized in the table as follows:

<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
	<u>100.00 %</u>	

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

9. PENSION PLANS (CONTINUED)

Teachers Pensions and Annuity Fund (TPAF) (Continued)

Actuarial Assumptions (Continued)

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.

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

Because the District's proportionate share of the net pension liability is zero, consideration of potential changes in the discount rate is not applicable to the District.

10. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. 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 eligible for 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 Chapter 62, P.L. 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$214.10 million toward Chapter 126 benefits for 19,056 eligible retired members in fiscal year 2015.

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

10. POST-RETIREMENT BENEFITS (CONTINUED)

The State will set the contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to SHBP Fund for PERS retirees' post-retirement benefits on behalf of the District was not determined or made available by the State of New Jersey.

Three-Year Trend Information for TPAF Medical (Paid on-behalf of the District)

Fiscal Year Ended	<u>June 30,</u>	<u>Post-Retirement Medical</u>
2016	\$	820,004
2015		693,085
2014		584,615

11. COMPENSATED ABSENCES

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

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

The liability for vested compensated absences of the governmental fund types is recorded in the Statement of Net Position. The current portion of the compensated absence balance of the governmental funds is reported separately on the Statement of Net Position.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees.

12. DEFERRED COMPENSATION

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

- AXA Equitable
- Lincoln National Life
- Legend Employee Benefit
- SBP Commerce
- Great American Life Insurance Company
- Security Benefit Life Insurance Company
- IDS Financial Services
- AIG

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

13. 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 and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>District</u> <u>Contributions</u>	<u>Employee</u> <u>Contributions</u>	<u>Amount</u> <u>Reimbursed</u>	<u>Ending Balance</u> <u>(Deficit)</u>
2016	\$ None	75,668.25	30,549.41	\$ 473,489.60
2015	None	59,247.78	36,771.34	428,370.76
2014	None	94,450.54	65,290.27	405,894.32

Health Benefits: The District has elected to provide health insurance to its employees based on a monthly per employee premium basis (a traditional plan).

14. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016 which will be liquidated in the normal course of business in the ensuing year.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Governmental Funds:		
Debt Service Fund	\$ 11.44	
Capital Projects Fund		\$ 11.44

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

15. DEFICIT FUND BALANCES – SPECIAL REVENUE FUND

The District has a deficit fund balance of \$18,181.50 in the Special Revenue Fund as of June 30, 2016 as reported in the fund statements (modified accrual basis). N.J.S.A. 18A:22-44.2 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two (2) state aid payments in the subsequent fiscal year, the school district cannot recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to N.J.S.A. 18A:22-44.2 any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of \$18,181.50 in the Special Revenue Fund is equal to the last state aid payment in Special Revenue Fund.

16. FUND BALANCE APPROPRIATED

General Fund – Of the \$2,658,206.33 General Fund fund balance at June 30, 2016, \$175,669.08 is assigned – for other purposes (encumbrances); \$1,242,714.99 is Restricted for Capital Reserve account; \$540,902.68 is Restricted for Maintenance Reserve; \$130,270.44 is Restricted for Legal Reserve; \$554,034.38 assigned – excess surplus designated for subsequent years' expenditures, and \$14,614.76 is assigned ARRA/SEMI – designated for subsequent year's expenditures.

Debt Service Fund – All of the \$360.17 fund balance at June 30, 2016 is restricted for Debt Service.

Capital Projects Fund – All of the \$89,571.44 Fund Balance at June 30, 2016, is restricted for Debt Service.

17. CALCULATION OF EXCESS SURPLUS

In accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004 c73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There was excess surplus at June 30, 2016 on the budgetary basis of accounting (refer to Note 18) as a result of fiscal year 2015-2016 school year of \$548,066.59 and for fiscal year 2014-2015 of \$554,034.38.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

18. RECONCILIATION OF FUND BALANCES – GENERAL FUND

The Unreserved General fund balance is presented on a GAAP basis and a reconciliation to the budgetary basis is as follows:

	<u>Unassigned - Fund Balance</u>	<u>Reserve for Excess Surplus</u>	<u>Legal Reserves</u>
Balance on a budgetary basis as per general fund budgetary comparison (Schedule C-1)	\$ 404,259.59	\$ 548,066.59	\$ 139,030.76
Less: Allocation of State aid payment of \$961,086.50 not recognized on a GAAP basis	<u>404,259.59</u>	<u>548,066.59</u>	<u>8,760.32</u>
Balances on a GAAP basis on the governmental fund balance sheet (Schedule B-1)	<u>None</u>	<u>None</u>	<u>\$ 130,270.44</u>

19. CONTINGENT LIABILITIES

- A. **Grant Programs** – The school district participates in federally and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.
- B. **Pending Litigation** – As of the date of this report, the management has represented that there was no litigation pending which, in the event of an adverse or unfavorable outcome, would materially impair the financial position of the District.
- C. **Commitments** - The District has contractual commitments at June 30, 2016 to various vendors, which are recorded in the general fund as fund balance assigned for other purposes in the amount of \$175,669.08.
- D. **Expansion of School Facilities** – On August 4, 2016 the NJ Commissioner of Education issued an order granting the Board authorization to issue bonds for the renovations and capital projects as presented in the September and December 2014 referendum, and issuing a Section 40 Regular Operating District (ROD) grant for one hundred percent of the costs associated with the portion deemed additions. Pursuant to the School Development Authority (SDA) the final grant and project amount won't be struck until the project is put out to public bid.

20. 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, could have an effect on the District's programs and activities.

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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	\$ 10,566,139.00		\$ 10,566,139.00	\$ 10,566,139.00	
Miscellaneous	55,000.00		55,000.00	124,962.55	\$ 69,962.55
	<u>10,621,139.00</u>		<u>10,621,139.00</u>	<u>10,691,101.55</u>	<u>69,962.55</u>
State sources:					
Categorical Special Education Aid	821,499.00		821,499.00	821,499.00	
Categorical Transportation Aid	44,314.00		44,314.00	44,314.00	
Categorical Security Aid	194,487.00		194,487.00	194,487.00	
Equalization Aid	8,115,888.00		8,115,888.00	8,115,888.00	
Underadequacy Aid	435,142.00		435,142.00	435,142.00	
PARCC Readiness Aid	15,960.00		15,960.00	15,960.00	
Per Pupil Growth Aid	15,960.00		15,960.00	15,960.00	
Extraordinary aid	100,000.00		100,000.00	102,803.00	2,803.00
Nonpublic transportation - cost reimbursement				2,032.00	2,032.00
On behalf - TPAF - pension contributions (non budgeted)				688,661.00	688,661.00
On behalf - TPAF - post retirement medical (non budgeted)				820,004.00	820,004.00
Reimbursed TPAF social security contributions (non budgeted)				693,902.85	693,902.85
				<u>693,902.85</u>	<u>693,902.85</u>
Total - state sources	<u>9,743,250.00</u>		<u>9,743,250.00</u>	<u>11,950,652.85</u>	<u>2,207,402.85</u>
Federal sources:					
Medical assistance program	45,015.00		45,015.00	31,872.21	(13,142.79)
Total - federal sources	<u>45,015.00</u>		<u>45,015.00</u>	<u>31,872.21</u>	<u>(13,142.79)</u>
Total revenues	<u>\$ 20,409,404.00</u>		<u>\$ 20,409,404.00</u>	<u>\$ 22,673,626.61</u>	<u>\$ 2,264,222.61</u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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:					
Regular programs - instruction:					
Salaries of teachers:					
Preschool	\$ 1,600.00	\$ (1,600.00)			
Kindergarten	477,046.00	(6,400.00)	\$ 470,646.00	\$ 470,646.00	
Grades 1 - 5	2,679,484.00	47,352.00	2,726,836.00	2,724,602.66	\$ 2,233.34
Grades 6 - 8	1,489,229.00	44,439.00	1,533,668.00	1,526,380.94	7,287.06
	<u>4,647,359.00</u>	<u>83,791.00</u>	<u>4,731,150.00</u>	<u>4,721,629.60</u>	<u>9,520.40</u>
Home instruction:					
Salaries of teachers	10,000.00		10,000.00	1,294.50	8,705.50
Purchased professional - educational services	10,000.00		10,000.00	391.02	9,608.98
	<u>20,000.00</u>		<u>20,000.00</u>	<u>1,685.52</u>	<u>18,314.48</u>
Regular programs - undistributed instruction:					
Other salaries for instruction	280,485.00	(15,903.00)	264,582.00	264,581.95	0.05
Purchased professional - educational services	77,220.00	(12,698.00)	64,522.00	63,523.57	998.43
Other purchased services (400-500 series)	83,711.00	16,883.00	100,594.00	97,710.93	2,883.07
General supplies	223,828.00	83,053.00	306,881.00	299,332.97	7,548.03
Textbooks	75,184.00	(66,149.00)	9,035.00	3,814.58	5,220.42
Other objects	6,400.00		6,400.00	5,393.85	1,006.15
	<u>746,828.00</u>	<u>5,186.00</u>	<u>752,014.00</u>	<u>734,357.85</u>	<u>17,656.15</u>
Total regular programs - instruction	<u>5,414,187.00</u>	<u>88,977.00</u>	<u>5,503,164.00</u>	<u>5,457,672.97</u>	<u>45,491.03</u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Special education instruction:					
Learning and/or language disabilities:					
Salaries of teachers	\$ 160,171.00	\$ (42,300.00)	\$ 117,871.00	\$ 116,399.00	\$ 1,472.00
Other salaries for instruction	171,915.00	(94,595.00)	77,320.00	75,785.00	1,535.00
General supplies	1,200.00	85.00	1,285.00	1,279.19	5.81
Textbooks	1,000.00		1,000.00		1,000.00
Other objects	400.00		400.00		400.00
	<u>334,686.00</u>	<u>(136,810.00)</u>	<u>197,876.00</u>	<u>193,463.19</u>	<u>4,412.81</u>
Total learning and/or language disabilities					
Behavioral disabilities:					
Salaries of teachers	59,042.00		59,042.00	57,802.00	1,240.00
Other salaries for instruction	51,225.00	28,735.00	79,960.00	78,818.70	1,141.30
Purchased Professional - Educational Services	15,000.00		15,000.00	11,687.50	3,312.50
General supplies	500.00	110.00	610.00	606.33	3.67
Textbooks	500.00		500.00		500.00
Other Objects	800.00	(110.00)	690.00		690.00
	<u>127,067.00</u>	<u>28,735.00</u>	<u>155,802.00</u>	<u>148,914.53</u>	<u>6,887.47</u>
Total behavioral disabilities					
Multiple disabilities:					
Salaries of teachers	260,908.00	(4,000.00)	256,908.00	249,788.00	7,120.00
Other salaries for instruction	205,215.00	25,665.00	230,880.00	216,641.53	14,238.47
General supplies	1,600.00		1,600.00	896.28	703.72
Other Objects	1,600.00	(600.00)	1,000.00		1,000.00
	<u>469,323.00</u>	<u>21,065.00</u>	<u>490,388.00</u>	<u>467,325.81</u>	<u>23,062.19</u>
Total multiple disabilities					
Resource room/resource center:					
Salaries of teachers	1,156,641.00	(97,367.00)	1,059,274.00	1,059,271.08	2.92
Other salaries for instruction	69,950.00	152,665.00	222,615.00	209,488.23	13,126.77
Other purchased services (400-500 series)		430.00	430.00	352.21	77.79
General supplies	2,550.00		2,550.00	2,317.77	232.23
Textbooks	4,500.00		4,500.00	450.86	4,049.14
	<u>\$ 1,233,641.00</u>	<u>\$ 55,728.00</u>	<u>\$ 1,289,369.00</u>	<u>\$ 1,271,880.15</u>	<u>\$ 17,488.85</u>
Total resource room/resource center					

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Special education instruction (continued):					
Preschool disabilities - part-time:					
Salaries of teachers	\$ 160,085.00	\$ (160,085.00)			
Other salaries for instruction	169,290.00	(169,290.00)			
General supplies	1,500.00	(1,500.00)			
	<u>330,875.00</u>	<u>(330,875.00)</u>			
Total Preschool disabilities - part-time					
Preschool disabilities - full-time:					
Salaries of teachers		160,436.00	\$ 160,436.00	\$ 157,895.00	\$ 2,541.00
Other salaries for instruction		187,984.00	187,984.00	151,376.93	36,607.07
General supplies		1,500.00	1,500.00	934.66	565.34
Other objects		600.00	600.00	425.00	175.00
		<u>350,520.00</u>	<u>350,520.00</u>	<u>310,631.59</u>	<u>39,888.41</u>
Total Preschool disabilities - full-time					
Early childhood:					
Salaries special ed. home instruction	5,000.00		5,000.00	2,275.00	2,725.00
Purchased Professional - Educational Services	8,000.00		8,000.00	3,000.00	5,000.00
	<u>13,000.00</u>		<u>13,000.00</u>	<u>5,275.00</u>	<u>7,725.00</u>
Total early childhood					
Total special education - instruction	<u>2,508,592.00</u>	<u>(11,637.00)</u>	<u>2,496,955.00</u>	<u>2,397,490.27</u>	<u>99,464.73</u>
Other instructional programs:					
Basic skills/remedial - instruction:					
Salaries of teachers	4,800.00	(3,480.00)	1,320.00		1,320.00
Other Purchased Services	190.00	(190.00)			
General supplies	3,919.00	490.00	4,409.00	4,011.53	397.47
	<u>8,909.00</u>	<u>(3,180.00)</u>	<u>5,729.00</u>	<u>4,011.53</u>	<u>1,717.47</u>
Total basic skills/remedial - instruction					

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Other instructional programs (continued):					
Bilingual education - instruction:					
Salaries of teachers	\$ 629,100.00	\$ 34,597.00	\$ 663,697.00	\$ 655,854.64	\$ 7,842.36
Other purchased services		390.00	390.00	216.24	173.76
General supplies	5,400.00		5,400.00	4,358.17	1,041.83
Textbooks	4,000.00		4,000.00	712.34	3,287.66
	<u>638,500.00</u>	<u>\$ 34,987.00</u>	<u>\$ 673,487.00</u>	<u>\$ 661,141.39</u>	<u>\$ 12,345.61</u>
Total bilingual education - instruction					
School sponsored co/extracurricular activities - instruction:					
Salaries	41,360.00	1,795.00	43,155.00	43,155.00	
Purchased services (300-500 series)	250.00	2,870.00	3,120.00	3,120.00	
Supplies and materials	1,400.00	(316.00)	1,084.00	1,078.68	5.32
Other Objects	6,775.00	(1,823.00)	4,952.00	4,915.00	37.00
	<u>49,785.00</u>	<u>2,526.00</u>	<u>52,311.00</u>	<u>52,268.68</u>	<u>42.32</u>
Total school sponsored co/extracurricular activities - inst.					
School sponsored athletic - instruction:					
Salaries	34,200.00	282.00	34,482.00	34,480.58	1.42
Supplies and Materials	5,000.00	11,457.00	16,457.00	16,456.73	0.27
Other objects	1,350.00	35.00	1,385.00	1,385.00	
Transfer to cover deficit	6,000.00	430.00	6,430.00	6,430.00	
	<u>46,550.00</u>	<u>12,204.00</u>	<u>58,754.00</u>	<u>58,752.31</u>	<u>1.69</u>
Total school sponsored athletic - instruction					
Total other instructional programs					
	<u>743,744.00</u>	<u>46,537.00</u>	<u>790,281.00</u>	<u>776,173.91</u>	<u>14,107.09</u>
Total instructional programs					
	<u>8,666,523.00</u>	<u>123,877.00</u>	<u>8,790,400.00</u>	<u>8,631,337.15</u>	<u>159,062.85</u>

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures:					
Instruction:					
Tuition to other LEAs within the state - regular	\$ 14,060.00		\$ 14,060.00	\$ 2,822.26	\$ 11,237.74
Tuition to other LEAs within the state - special	127,013.00	\$ 205,650.00	332,663.00	327,428.61	5,234.39
Tuition to private school for the disabled - state	827,129.00	(214,250.00)	612,879.00	478,549.85	134,329.15
	<u>968,202.00</u>	<u>(8,600.00)</u>	<u>959,602.00</u>	<u>808,800.72</u>	<u>150,801.28</u>
Total undistributed expenditures - instruction					
Attendance and social work:					
Salaries	38,742.00		38,742.00	38,741.00	1.00
	<u>38,742.00</u>		<u>\$ 38,742.00</u>	<u>38,741.00</u>	<u>1.00</u>
Total attendance and social work					
Health services:					
Salaries	186,119.00	31,674.00	\$ 217,793.00	186,348.21	31,444.79
Purchased professional - technical services	24,750.00		24,750.00	7,675.00	17,075.00
Other purchased services	2,500.00		2,500.00	831.12	1,668.88
Supplies and materials	3,860.00	200.00	4,060.00	2,941.83	1,118.17
	<u>217,229.00</u>	<u>31,874.00</u>	<u>249,103.00</u>	<u>197,796.16</u>	<u>51,306.84</u>
Total health services					
Other support services - students - related services:					
Salaries	367,516.00		367,516.00	351,925.66	15,590.34
Purchased professional - educational services	164,460.00	(1,000.00)	163,460.00	126,609.00	36,851.00
Supplies and materials	2,000.00	1,000.00	3,000.00	2,363.75	636.25
	<u>533,976.00</u>	<u>1,000.00</u>	<u>533,976.00</u>	<u>480,898.41</u>	<u>53,077.59</u>
Total other support service - student - related services					

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Other support services - students - extraordinary services:					
Salaries	\$ 24,150.00	\$ (24,150.00)			
Purchased professional - extraordinary services	42,000.00		\$ 42,000.00		\$ 42,000.00
Supplies and materials	5,700.00		5,700.00	\$ 1,974.39	3,725.61
Total other support service - student - extraordinary services	71,850.00	(24,150.00)	47,700.00	1,974.39	45,725.61
Other support services - students - regular:					
Salaries of other professional staff	158,566.00		158,566.00	158,566.00	
Salaries of secretarial/clerical assistants	72,445.00		72,445.00	63,558.90	8,886.10
Other Purchased services (400-500 series)	29,140.00	4,494.74	33,634.74	29,101.24	4,533.50
Supplies and materials	5,535.00	(869.74)	4,665.26	4,486.70	178.56
Other objects	2,115.00	(500.00)	1,615.00	353.00	1,262.00
Total other support services - students - regular	267,801.00	3,125.00	270,926.00	256,065.84	14,860.16
Other support services - students - special:					
Salaries of other professional staff	435,808.00	10,840.00	446,648.00	440,056.52	6,591.48
Salaries of secretarial and clerical assistants	121,223.00	(7,755.00)	113,468.00	102,748.75	10,719.25
Purchased professional - educational services	69,900.00	335.00	70,235.00	67,625.00	2,610.00
Other purchased professional and technical services	11,480.00		11,480.00	10,990.81	489.19
Other purchased services	2,000.00	(275.00)	1,725.00	459.53	1,265.47
Misc Purchased services (400-500 series)	2,928.00		2,928.00		2,928.00
Supplies and materials	13,500.00		13,500.00	9,507.49	3,992.51
Other objects	1,100.00		1,100.00	1,070.00	30.00
Total other support services - students - special	657,939.00	3,145.00	661,084.00	632,458.10	28,625.90

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Improvement of instructional services:					
Salaries of supervisors of instruction	\$ 209,430.00	\$ 6,115.00	\$ 215,545.00	\$ 215,545.00	
Salaries of other professional staff	28,350.00	350.00	28,700.00	27,400.00	\$ 1,300.00
Salaries of secretarial and clerical assistants	48,402.00		48,402.00	48,391.00	11.00
Salaries of Facilitators, Math Coaches and Literacy Coaches	61,812.00		61,812.00	61,812.00	
Purchased professional - educational services	1,250.00		1,250.00		1,250.00
Other Purchased Services	4,493.00		4,493.00	3,033.61	1,459.39
Supplies and materials	6,052.00		6,052.00	3,930.07	2,121.93
Other objects	3,198.00		3,198.00	2,809.00	389.00
	<u>362,987.00</u>	<u>6,465.00</u>	<u>369,452.00</u>	<u>362,920.68</u>	<u>6,531.32</u>
Total improvement of instructional services					
Educational media service/school library:					
Salaries	76,635.00		76,635.00	76,634.00	1.00
Purchased professional and technical services	2,190.00		2,190.00	2,040.00	150.00
Other purchased services (400-500 series)		125.00	125.00	62.63	62.37
Supplies and materials	8,540.00	(125.00)	8,415.00	5,597.62	2,817.38
	<u>87,365.00</u>	<u>(125.00)</u>	<u>87,365.00</u>	<u>84,334.25</u>	<u>3,030.75</u>
Total educational media service/school library	\$ 87,365.00	\$ (125.00)	\$ 87,365.00	\$ 84,334.25	\$ 3,030.75

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Instructional staff training services:					
Salaries of supervisors of instruction	\$ 49,410.00	\$ 6,938.00	\$ 56,348.00	\$ 56,343.24	\$ 4.76
Salaries of other staff	12,680.00	(7,100.00)	5,580.00	1,200.00	4,380.00
Purchased Professional - Educational Services	4,000.00	6,750.00	10,750.00	8,050.00	2,700.00
Other purchased services (400-500)	18,218.00	1,950.00	20,168.00	9,216.95	10,951.05
Supplies and materials	6,278.00	(600.00)	5,678.00	2,930.00	2,748.00
Other objects	110.00		110.00		110.00
	<u>90,696.00</u>	<u>7,938.00</u>	<u>98,634.00</u>	<u>77,740.19</u>	<u>20,893.81</u>
Total instructional staff training services					
Support services - general administration:					
Salaries	262,004.00	(7,752.00)	254,252.00	241,311.00	12,941.00
Legal services	40,000.00	26,307.80	66,307.80	58,529.86	7,777.94
Audit fees	35,000.00		35,000.00	33,300.00	1,700.00
Architect fees	5,000.00	1,100.00	6,100.00	2,530.00	3,570.00
Other purchased professional services	4,200.00	(4,200.00)			
Purchased Technical Services	800.00		800.00	800.00	
Communications/telephone	85,200.00	31,749.24	116,949.24	111,501.44	5,447.80
Travel					
BOE - other purchased services	2,500.00	950.00	3,450.00	3,449.28	0.72
Other purchased services (400-500)	58,320.00	12,663.00	70,983.00	69,725.12	1,257.88
General supplies	9,340.00	(1,554.00)	7,786.00	7,631.26	154.74
BOE In-house training/meeting supplies	500.00	(500.00)			
Miscellaneous expenditures	3,100.00	(2,360.00)	740.00	726.45	13.55
BOE membership dues and fees	13,620.00	(4,152.00)	9,468.00	9,467.84	0.16
	<u>519,584.00</u>	<u>52,252.04</u>	<u>571,836.04</u>	<u>538,972.25</u>	<u>32,863.79</u>
Total support services - general administration					

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Support services - school administration:					
Salaries of principals/assistant principals	\$ 457,423.00	\$ 11,624.00	\$ 469,047.00	\$ 450,840.00	\$ 18,207.00
Salaries of secretarial and clerical assistants	269,440.00	1,702.00	271,142.00	263,416.76	7,725.24
Other purchased services (400-500 series)	13,809.00	1,375.00	15,184.00	11,720.86	3,463.14
Supplies and materials	27,480.00	(8,576.00)	18,904.00	17,573.83	1,330.17
Other objects	4,200.00	225.00	4,425.00	3,965.00	460.00
	<u>772,352.00</u>	<u>6,350.00</u>	<u>\$ 778,702.00</u>	<u>747,516.45</u>	<u>31,185.55</u>
Total support services - school administration					
Central services:					
Salaries	\$ 368,070.00	(7,825.50)	\$ 360,244.50	360,244.15	0.35
Purchased technical services	35,000.00	17,438.00	52,438.00	52,104.26	333.74
Miscellaneous purchased services (400-500 series)	9,576.00	569.30	10,145.30	8,441.54	1,703.76
Supplies and materials	13,220.00	(5,804.00)	7,416.00	7,412.68	3.32
Miscellaneous expenditures	7,256.00	179.20	7,435.20	5,821.08	1,614.12
	<u>433,122.00</u>	<u>4,557.00</u>	<u>437,679.00</u>	<u>434,023.71</u>	<u>3,655.29</u>
Total central services					
Admin. info. Technology:					
Salaries	228,875.00	5,673.00	234,548.00	233,895.77	652.23
Purchased technical services	26,000.00	(100.00)	25,900.00	24,019.10	1,880.90
Other purchased services (400-500 series)	5,500.00	(130.00)	5,370.00	1,652.82	3,717.18
Supplies and Materials	2,930.00		2,930.00	2,161.79	768.21
	<u>263,305.00</u>	<u>5,443.00</u>	<u>268,748.00</u>	<u>261,729.48</u>	<u>7,018.52</u>
Total admin. Info. Technology					

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Required maintenance for school facilities:					
Salaries	\$ 155,642.00	\$ 560.00	\$ 156,202.00	\$ 129,257.41	\$ 26,944.59
Cleaning, repair and maintenance services	180,600.00	192,751.12	373,351.12	323,411.71	49,939.41
General supplies	30,500.00		30,500.00	20,499.21	10,000.79
Other objects	2,000.00	2,062.00	4,062.00	3,411.63	650.37
	<u>368,742.00</u>	<u>195,373.12</u>	<u>564,115.12</u>	<u>476,579.96</u>	<u>87,535.16</u>
Total required maintenance for school facilities					
Other operation and maintenance of plant:					
Salaries	448,097.00	7,790.00	455,887.00	425,920.88	29,966.12
Purchased professional and technical services	3,200.00	500.00	3,700.00	2,500.00	1,200.00
Cleaning, repair and maintenance services	33,000.00	11,095.00	44,095.00	36,880.86	7,214.14
Rental of land & bldg. other than lease per agreement	22,950.00		22,950.00	20,542.00	2,408.00
Insurance	84,750.00		84,750.00	67,634.50	17,115.50
Miscellaneous purchased services	1,130.00		1,130.00	153.20	976.80
General supplies	81,000.00	(775.00)	80,225.00	69,195.41	11,029.59
Energy (natural gas)	98,600.00		98,600.00	50,066.26	48,533.74
Energy (heat and electricity)	282,000.00	(58,990.00)	223,010.00	184,627.67	38,382.33
	<u>1,054,727.00</u>	<u>(40,380.00)</u>	<u>1,014,347.00</u>	<u>857,520.78</u>	<u>156,826.22</u>
Total other operation and maintenance of plant					
Care and upkeep of grounds:					
Salaries	38,220.00	(1,305.00)	36,915.00	34,622.22	2,292.78
Equipment Repairs		1,700.00	1,700.00	1,502.97	197.03
Cleaning, repair and maintenance services	17,000.00	5,943.00	22,943.00	7,636.22	15,306.78
General supplies	11,000.00	(500.00)	10,500.00	5,563.45	4,936.55
	<u>66,220.00</u>	<u>5,838.00</u>	<u>72,058.00</u>	<u>49,324.86</u>	<u>22,733.14</u>
Total care and upkeep of grounds					

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Security:					
Salaries		\$ 2,610.00	\$ 2,610.00	\$ 2,610.00	
Purchased professional services		5,700.00	5,700.00	5,700.00	
General supplies	\$ 10,000.00	(2,630.00)	7,370.00	7,365.64	\$ 4.36
Total security	<u>10,000.00</u>	<u>5,680.00</u>	<u>15,680.00</u>	<u>15,675.64</u>	<u>4.36</u>
Total operation and maintenance of plant	<u>1,499,689.00</u>	<u>166,511.12</u>	<u>1,666,200.12</u>	<u>1,399,101.24</u>	<u>267,098.88</u>
Student transportation:					
Contracted services - aid in lieu of payments - nonpublic schools	\$ 8,840.00		\$ 8,840.00	3,879.70	4,960.30
Contracted services - aid in lieu of payments - charter schools	884.00		884.00		884.00
Contracted services - Vendors (other than between home & school)	33,240.00		33,240.00	21,650.00	11,590.00
Contracted services - Joint Agreements (between home & school)	44,880.00	(11,940.00)	32,940.00	32,940.00	
Contracted services (special education students) - vendors	11,900.00	(1,400.00)	10,500.00	9,400.00	1,100.00
Contracted services (special education students) - joint agreements	178,850.00	104,604.10	283,454.10	258,564.10	24,890.00
Contracted Services - Reg Ed - ESC & CTSA	45,000.00	(6,405.00)	38,595.00	31,819.79	6,775.21
Contracted services (special education students) - ESC & CTSA	<u>278,000.00</u>	<u>23,055.00</u>	<u>301,055.00</u>	<u>276,116.13</u>	<u>24,938.87</u>
Total student transportation	<u>601,594.00</u>	<u>107,914.10</u>	<u>709,508.10</u>	<u>634,369.72</u>	<u>75,138.38</u>

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CURRENT EXPENSE (CONTINUED):					
Undistributed expenditures (continued):					
Unallocated benefits:					
Disability	\$ 38,550.00		\$ 38,550.00	\$ 32,885.89	\$ 5,664.11
Social security contribution	285,000.00		285,000.00	281,398.59	3,601.41
Other retirement contributions - regular	350,000.00	\$ (48,250.00)	301,750.00	276,001.30	25,748.70
Unemployment compensation	147,961.00	(99,314.10)	48,646.90	519.00	48,127.90
Workmen's compensation	150,000.00	437.00	150,437.00	150,436.84	0.16
Health benefits	3,750,000.00	(138,818.00)	3,611,182.00	3,149,582.02	461,599.98
Tuition reimbursement	25,000.00	7,277.00	32,277.00	32,277.00	
Other employee benefits	52,000.00		52,000.00	20,713.15	31,286.85
Total unallocated benefits	<u>4,798,511.00</u>	<u>(278,668.10)</u>	<u>4,519,842.90</u>	<u>3,943,813.79</u>	<u>576,029.11</u>
Total personal services - employee benefits	<u>4,798,511.00</u>	<u>(278,668.10)</u>	<u>4,519,842.90</u>	<u>3,943,813.79</u>	<u>576,029.11</u>
On behalf - TPAF - pension contributions (non budgeted)				688,661.00	(688,661.00)
On behalf - TPAF - post retirement medical (non budgeted)				820,004.00	(820,004.00)
Reimbursed TPAF social security contributions (non budgeted)				693,902.85	(693,902.85)
Total on behalf - Contributions				<u>2,202,567.85</u>	<u>(2,202,567.85)</u>
Total undistributed expenditures	<u>12,184,944.00</u>	<u>84,156.16</u>	<u>12,269,100.16</u>	<u>13,103,824.23</u>	<u>(834,724.07)</u>
TOTAL EXPENDITURES - CURRENT EXPENSE	<u>\$ 20,851,467.00</u>	<u>\$ 208,033.16</u>	<u>\$ 21,059,500.16</u>	<u>\$ 21,735,161.38</u>	<u>\$ (675,661.22)</u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED 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 (CONTINUED):					
CAPITAL OUTLAY:					
Equipment:					
Undistributed expenditures:					
Instructional Equipment		\$ 621,261.62	\$ 621,261.62	\$ 466,444.39	\$ 154,817.23
Maintenance Equipment		8,751.10	8,751.10	8,751.00	0.10
Security Equipment		<u>7,760.00</u>	<u>7,760.00</u>	<u>7,760.00</u>	
Total undistributed expenditure equipment		<u>637,772.72</u>	<u>637,772.72</u>	<u>482,955.39</u>	<u>154,817.33</u>
Facilities Acquisition and Construction Services:					
Architect Services		4,680.00	4,680.00	4,680.00	
Other Professional Services		170,000.00	170,000.00	169,851.75	148.25
Assessment for Debt Service on SDA Funding	\$ 22,899.00		<u>22,899.00</u>	<u>22,899.00</u>	
Total facilities acquisition and construction services	<u>22,899.00</u>	<u>174,680.00</u>	<u>197,579.00</u>	<u>197,430.75</u>	<u>148.25</u>
	<u>22,899.00</u>	<u>812,452.72</u>	<u>835,351.72</u>	<u>680,386.14</u>	<u>154,965.58</u>
TOTAL EXPENDITURES - CAPITAL OUTLAY	<u>22,899.00</u>	<u>812,452.72</u>	<u>835,351.72</u>	<u>680,386.14</u>	<u>154,965.58</u>
TOTAL GENERAL FUND EXPENDITURES	\$ <u>20,874,366.00</u>	\$ <u>1,020,485.88</u>	\$ <u>21,894,851.88</u>	\$ <u>22,415,547.52</u>	\$ <u>(520,695.64)</u>
Excess/(deficiency) of revenues over/(under) expenditures	\$ <u>(464,962.00)</u>	\$ <u>(1,020,485.88)</u>	\$ <u>(1,485,447.88)</u>	\$ <u>258,079.09</u>	\$ <u>1,743,526.97</u>
Other financing sources/(uses):					
Operating Transfers in/(out):					
Transfer out - PY Accounts Receivable - State Aid				\$ <u>(100,000.00)</u>	\$ <u>(100,000.00)</u>
Total other financing sources/(uses)				<u>(100,000.00)</u>	<u>(100,000.00)</u>
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures and other financing sources/(uses)	\$ <u>(464,962.00)</u>	\$ <u>(1,020,485.88)</u>	\$ <u>(1,485,447.88)</u>	\$ <u>158,079.09</u>	\$ <u>1,643,526.97</u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Fund balance, July 1	\$ 3,461,213.74		\$ 3,461,213.74	\$ 3,461,213.74	
Fund balance, June 30	\$ 2,996,251.74	\$ (1,020,485.88)	\$ 1,975,765.86	\$ 3,619,292.83	\$ 1,643,526.97
Detail of:					
Fund balance appropriated	\$ 414,962.00				
Withdrawal from Maintenance Reserve	<u>50,000.00</u>				
	<u>\$ 464,962.00</u>				
Detail of budget transfers:					
Reserve for prior year-end encumbrances		\$ 137,729.92			
Withdrawal for Maintenance Reserve		49,014.00			
Withdrawal for Capital Reserve		807,772.72			
Withdrawal for Legal Reserve		<u>25,969.24</u>			
		<u>\$ 1,020,485.88</u>			
Recapitulation of fund balance:					
Committed for year-end encumbrances				\$ 175,669.08	
Assigned-Reserve for excess surplus - designated for subsequent year's expenditures				554,034.38	
Assigned-ARRA/SEMI - designated for subsequent year end expenditures				14,614.76	
Restricted:					
Legal Reserve				139,030.76	
Maintenance reserve				540,902.68	
Capital reserve				1,242,714.99	
Reserve for Excess Surplus				548,066.59	
Unassigned				<u>404,259.59</u>	
				\$ 3,619,292.83	
Reconciliation to governmental funds statements (GAAP):					
Last State Aid Payment not recognized on GAAP basis				<u>(961,086.50)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 2,658,206.33</u>	

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Final to Actual
REVENUES:			
Federal Sources	\$ 3,316,744.36	\$ 2,985,294.21	\$ 331,450.15
State Sources	333,612.00	325,404.08	8,207.92
Local Sources	<u>67,430.05</u>	<u>33,063.18</u>	<u>34,366.87</u>
Total Revenues	<u>\$ 3,717,786.41</u>	<u>\$ 3,343,761.47</u>	<u>\$ 374,024.94</u>
EXPENDITURES:			
Instruction:			
Salaries of Teachers	\$ 1,074,744.34	\$ 1,004,031.00	\$ 70,713.34
Other Salaries for Instruction	170,471.00	160,562.00	9,909.00
Purchased Professional and Technical Services	561,726.00	519,627.26	42,098.74
Other Purchased Services	200.00		200.00
General Supplies	455,098.49	370,275.25	84,823.24
Textbooks	16,730.00	16,693.21	36.79
Other Objects	<u>20,850.76</u>	<u>9,993.77</u>	<u>10,856.99</u>
Total Instruction	<u>\$ 2,299,820.59</u>	<u>\$ 2,081,182.49</u>	<u>\$ 218,638.10</u>
Support Services:			
Salaries	\$ 110,004.47	\$ 100,185.62	\$ 9,818.85
Salaries of Other Professional Staff	334,602.56	318,549.27	16,053.29
Personal Services - Employee Benefits	457,092.06	438,808.34	18,283.72
Purchased Professional and Technical Services	261,244.28	207,127.56	54,116.72
Purchased Professional - Educational Services	22,760.00	19,010.00	3,750.00
Other Purchased Professional and Technical Services	51,514.46	26,873.67	24,640.79
Other Purchased Services	17,662.77	10,173.47	7,489.30
Transportation	56,143.00	54,900.00	1,243.00
Travel	15,589.47	11,588.41	4,001.06
Supplies and Materials	<u>81,654.75</u>	<u>72,702.80</u>	<u>8,951.95</u>
Total Support Services	<u>\$ 1,408,267.82</u>	<u>\$ 1,259,919.14</u>	<u>\$ 148,348.68</u>
Facilities Acquisition and Construction Services:			
Instructional Equipment	<u>\$ 9,698.00</u>	<u>\$ 2,659.84</u>	<u>7,038.16</u>
Total Facilities Acquisition and Construction Services	<u>\$ 9,698.00</u>	<u>\$ 2,659.84</u>	<u>7,038.16</u>
Total Expenditures	<u>\$ 3,717,786.41</u>	<u>\$ 3,343,761.47</u>	<u>\$ 374,024.94</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	C-1 \$ 22,673,626.61	C-2 \$ 3,343,761.47
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
June 30, 2015	None	3,750.00
June 30, 2016	None	(3,750.00)
State aid payments recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	961,136.50	15,019.50
State aid payments recognized for budgetary purposes, not recognized for GAAP statements.	<u>(961,086.50)</u>	<u>(18,181.50)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds.	B-2 \$ <u>22,673,676.61</u>	B-2 \$ <u>3,340,599.47</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total expenditures" from the budgetary comparison schedule	C-1 \$ 22,415,547.52	C-2 \$ 3,343,761.47
Difference - Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received is reported in the year the order are placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
June 30, 2015	None	3,750.00
June 30, 2016	<u>None</u>	<u>(3,750.00)</u>
Total expenditures as reported on the statement of revenues, expenditures, and change in fund balance - governmental funds.	B-2 \$ <u>22,415,547.52</u>	B-2 \$ <u>3,343,761.47</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

**SCHEDULES RELATED TO ACCOUNTING AND REPORTING
FOR PENSION (GASB 68)**

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST THREE (3) FISCAL YEAR *

	<u>2014</u>	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability (asset)	0.0310488841 %	0.0334081536 %	0.0319265844 %
District's proportionate share of the net pension liability (asset)	\$ 5,934,059	\$ 6,254,920	\$ 7,166,878
District's covered payroll	\$ 2,139,216	\$ 2,262,692	\$ 2,335,002
District's covered-employee payroll	\$ 2,376,901	\$ 2,514,102	\$ 2,594,447
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	360.00 %	276.00 %	307.00 %
Plan fiduciary net position as a percentage of the total pension liability	52.08	48.72	48%

* The amounts presented for each fiscal year were determined as of the fiscal year-end.

Note: Only the last three (3) years of information are presented as GASB 68 was implemented during fiscal year ended June 30, 2015. Eventually a full ten (10) years schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - There were none.

Changes of Assumptions - The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)
LAST THREE (3) FISCAL YEARS

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 233,947	\$ 275,412	\$ 297,613
Contributions in relation to the contractually required contribution	<u>\$ 233,947</u>	<u>\$ 275,412</u>	<u>\$ 297,613</u>
Contribution deficiency (excess)	<u>None</u>	<u>None</u>	<u>None</u>
District's covered payroll	\$ 2,139,216	\$ 2,262,692	\$ 2,335,062
District's covered-employee payroll	\$ 2,376,901	\$ 2,514,102	\$ 2,594,447
Contributions as a percentage of covered-employee payroll	10.93	12.17	12.74

Note: Only the last three (3) years of information are presented as GASB 68 was implemented during fiscal year ended June 30, 2015. Eventually a full ten (10) years schedule will be compiled.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS PENSION AND ANNUITY FUND (TPAF)
LAST THREE (3) FISCAL YEARS

	<u>2014</u>		<u>2015</u>		<u>2016</u>
District's proportion of the net pension liability (asset)	0.0880326060	%	0.0842835590	%	0.0807544290
District's proportionate share of the net pension liability (asset)	None		None		None
State's proportionate share of the net pension liability (asset) associated with the District	<u>\$ 44,490,987</u>		<u>\$ 45,046,819</u>		<u>\$ 51,040,248</u>
Total	<u>\$ 44,490,987</u>		<u>\$ 45,046,819</u>		<u>\$ 51,040,248</u>
District's covered payroll	\$ 8,463,685		\$ 8,796,726		\$ 9,409,200
District's covered-employee payroll	\$ 9,404,094		\$ 9,774,140		\$ 10,454,667
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	None		None		None
Plan fiduciary net position as a percentage of the total pension liability	33.76%		33.64%		28.71%

Note: Only the last three (3) years of information are presented as GASB 68 was implemented during fiscal year ended June 30, 2015. Eventually a full ten (10) years schedule will be compiled.

Notes to Required Supplementary Information:

Benefit Changes - There were none.

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

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit E-1

	Total Brought Forward (Exh. E-1a)	Title III Part A <u>2015-2016</u>	Title II Part A <u>2015-2016</u>	Title I Part A <u>2015-2016</u>	<u>Totals 2016</u>
REVENUES:					
State sources	\$ 325,404.08				\$ 325,404.08
Federal sources	1,798,734.07	\$ 83,632.73	\$ 70,553.32	\$ 1,032,374.09	2,985,294.21
Local sources	<u>33,063.18</u>				<u>33,063.18</u>
Total revenues	<u>\$ 2,157,201.33</u>	<u>\$ 83,632.73</u>	<u>\$ 70,553.32</u>	<u>\$ 1,032,374.09</u>	<u>\$ 3,343,761.47</u>
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 532,787.98	\$ 34,362.50		\$ 436,880.52	\$ 1,004,031.00
Other salaries for instruction	157,022.00			3,540.00	160,562.00
Purchased professional and technical services	519,627.26				519,627.26
General supplies	116,952.98	26,010.34		227,311.93	370,275.25
Textbooks	16,693.21				16,693.21
Other objects	<u>9,993.77</u>				<u>9,993.77</u>
Total instruction	<u>\$ 1,353,077.20</u>	<u>\$ 60,372.84</u>		<u>\$ 667,732.45</u>	<u>\$ 2,081,182.49</u>
Support services:					
Salaries	\$ 29,291.01	\$ 6,127.50	\$ 9,945.00	\$ 54,822.11	\$ 100,185.62
Salaries of other professional staff	316,636.77			1,912.50	318,549.27
Personal services-employee benefits	256,726.30	3,098.62	770.15	178,213.27	438,808.34
Purchased professional and technical services	72,295.77	4,192.54	33,850.00	96,789.25	207,127.56
Purchased professional-educational services	19,010.00				19,010.00
Other purchased professional and technical services	26,873.67				26,873.67
Other purchased services	10,173.47				10,173.47
Transportation	54,900.00				54,900.00
Travel	2,199.62	7,640.62	1,242.39	505.78	11,588.41
Supplies and materials	<u>13,357.68</u>	<u>2,200.61</u>	<u>24,745.78</u>	<u>32,398.73</u>	<u>72,702.80</u>
Total support services	<u>\$ 801,464.29</u>	<u>\$ 23,259.89</u>	<u>\$ 70,553.32</u>	<u>\$ 364,641.64</u>	<u>\$ 1,259,919.14</u>
Facilities acquisition and construction services:					
Instructional equipment	<u>\$ 2,659.84</u>				<u>\$ 2,659.84</u>
Total facilities acquisition and construction services	<u>\$ 2,659.84</u>				<u>\$ 2,659.84</u>
Total expenditures	<u>\$ 2,157,201.33</u>	<u>\$ 83,632.73</u>	<u>\$ 70,553.32</u>	<u>\$ 1,032,374.09</u>	<u>\$ 3,343,761.47</u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit E-1a

	Total Brought Forward (Exh. E-1b)	Breakfast Expansion Grant	I.D.E.A.		21st Century CLC Supplemental IDEA		Preschool Expansion Grant	Race To The Top 2015-2016	Total Carried Forward (Exh. E-1)
			Part B Regular 2015-2016	Preschool 2015-2016	2015-2016	Carryover			
REVENUES:									
State sources	\$ 325,404.08								\$ 325,404.08
Federal sources	15,510.72	\$ 1,074.02	\$ 433,162.16	\$ 18,417.00	\$ 385,357.43	\$ 113,007.36	\$ 807,077.70	\$ 25,127.68	1,798,734.07
Local sources	33,063.18								33,063.18
Total revenues	\$ 373,977.98	\$ 1,074.02	\$ 433,162.16	\$ 18,417.00	\$ 385,357.43	113,007.36	\$ 807,077.70	\$ 25,127.68	\$ 2,157,201.33
EXPENDITURES:									
Instruction:									
Salaries of teachers	\$ 109,878.84				\$ 172,650.00	\$ 60,127.50	\$ 190,131.64		\$ 532,787.98
Other salaries for instruction	54,150.00			\$ 18,417.00			84,455.00		157,022.00
Purchased professional and technical services	123,950.87		\$ 385,866.39		9,210.00		600.00		519,627.26
General supplies	32,885.20				15,654.57	5,532.00	62,881.21		116,952.98
Textbooks	16,693.21								16,693.21
Other objects	758.51				4,790.50	4,444.76			9,993.77
Total instruction	\$ 338,316.63		\$ 385,866.39	\$ 18,417.00	\$ 202,305.07	\$ 70,104.26	338,067.85		\$ 1,353,077.20
Support services:									
Salaries							\$ 29,291.01		\$ 29,291.01
Salaries of other professional staff					\$ 132,420.35	\$ 21,186.83	163,029.59		316,636.77
Personal services-employee benefits	28,992.53				25,182.75	6,220.76	196,330.26		256,726.30
Purchased professional and technical services			\$ 47,295.77					\$ 25,000.00	72,295.77
Purchased professional-educational services					11,250.00	5,260.00	2,500.00		19,010.00
Other purchased professional and technical services					6,085.21	1,006.46	19,782.00		26,873.67
Other purchased services	5,906.25				1,501.70	2,765.52			10,173.47
Transportation							54,900.00		54,900.00
Travel							1,682.47		2,199.62
Supplies and materials	762.57	\$ 1,074.02			6,612.35	4,781.06		127.68	13,357.68
Total support services	\$ 35,661.35	1,074.02	\$ 47,295.77		\$ 183,052.36	42,903.10	466,350.01	\$ 25,127.68	\$ 801,464.29
Facilities acquisition and construction services:									
Instructional equipment							\$ 2,659.84		\$ 2,659.84
Total facilities acquisition and construction services							\$ 2,659.84		\$ 2,659.84
Total expenditures	\$ 373,977.98	\$ 1,074.02	\$ 433,162.16	\$ 18,417.00	\$ 385,357.43	113,007.36	\$ 807,077.70	\$ 25,127.68	\$ 2,157,201.33

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit E-1b

	Total Brought Forward (Exh. E-1c)	21st Century Program		New Jersey Chapter 192 Auxillary			Non- Public Technology	Non- Public Security	Total Carried Forward (Exh. E-1a)
		Carrover	Local Fees	Nonpublic Comp. Education	Nonpublic Transp.	Nonpublic ESL			
REVENUES:									
State sources	\$ 279,198.33			\$ 21,150.76	\$ 5,950.00	\$ 5,090.00	\$ 7,569.99	\$ 6,445.00	\$ 325,404.08
Federal sources		\$ 15,510.72							15,510.72
Local sources	12,909.96		\$ 20,153.22						33,063.18
Total revenues	\$ 292,108.29	\$ 15,510.72	\$ 20,153.22	\$ 21,150.76	\$ 5,950.00	\$ 5,090.00	\$ 7,569.99	\$ 6,445.00	\$ 373,977.98
EXPENDITURES:									
Instruction:									
Salaries of teachers	\$ 99,468.84	\$ 10,410.00							\$ 109,878.84
Other salaries for instruction	54,150.00								54,150.00
Purchased professional and technical services	80,690.12	2,000.00	\$ 1,500.00	\$ 21,150.76	\$ 5,950.00	\$ 5,090.00	\$ 7,569.99		123,950.87
General supplies	11,388.88	2,304.35	12,746.97					\$ 6,445.00	32,885.20
Textbooks	16,693.21								16,693.21
Other objects	758.51								758.51
Total instruction	\$ 263,149.56	\$ 14,714.35	\$ 14,246.97	\$ 21,150.76	\$ 5,950.00	\$ 5,090.00	\$ 7,569.99	\$ 6,445.00	\$ 338,316.63
Support services:									
Salaries									
Salaries of other professional staff									
Personal services-employee benefits	\$ 28,196.16	\$ 796.37							\$ 28,992.53
Purchased professional and technical services									
Purchased professional-educational services									
Other purchased professional and technical services									
Other purchased services			\$ 5,906.25						5,906.25
Transportation									
Travel									
Supplies and materials	762.57								762.57
Total support services	\$ 28,958.73	\$ 796.37	\$ 5,906.25						\$ 35,661.35
Facilities acquisition and construction services:									
Instructional equipment									
Total facilities acquisition and construction services									
Total expenditures	\$ 292,108.29	\$ 15,510.72	\$ 20,153.22	\$ 21,150.76	\$ 5,950.00	\$ 5,090.00	\$ 7,569.99	\$ 6,445.00	\$ 373,977.98

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
SPECIAL REVENUE FUND - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Exhibit E-1c

	New Jersey Chapter 226	New Jersey Chapter 193 Handicapped		Nonpublic	Nonpublic	Nonpublic	NJSBIA Safety Grant	Peter J. Sharp Grant	AXA Equitable Grant	Freehold Education Foundation	Total Carried Forward (Exh. E-1b)
	Nursing Services	Nonpublic Suppl. Inst.	Nonpublic Exam. and Class.	Nonpublic Corrective Speech	Textbooks	Pre-School 2015-2016					
REVENUES:											
State sources	\$ 26,883.72	\$ 12,624.00	\$ 20,280.40	\$ 20,902.00	\$ 16,693.21	\$ 181,815.00					\$ 279,198.33
Federal sources							\$ 743.30	\$ 58.51	\$ 400.00	\$ 11,708.15	12,909.96
Local sources											
Total revenues	\$ 26,883.72	\$ 12,624.00	\$ 20,280.40	\$ 20,902.00	\$ 16,693.21	\$ 181,815.00	\$ 743.30	58.51	400.00	\$ 11,708.15	\$ 292,108.29
EXPENDITURES:											
Instruction:											
Salaries of teachers						\$ 99,468.84					\$ 99,468.84
Other salaries for instruction						54,150.00					54,150.00
Purchased professional and technical services	\$ 26,883.72	\$ 12,624.00	\$ 20,280.40	\$ 20,902.00							80,690.12
General supplies										\$ 11,388.88	11,388.88
Textbooks					\$ 16,693.21						16,693.21
Other objects								\$ 58.51	\$ 400.00	300.00	758.51
Total instruction	\$ 26,883.72	\$ 12,624.00	\$ 20,280.40	\$ 20,902.00	\$ 16,693.21	\$ 153,618.84		\$ 58.51	\$ 400.00	\$ 11,688.88	\$ 263,149.56
Support services:											
Salaries											
Salaries of other professional staff											
Personal services-employee benefits						\$ 28,196.16					\$ 28,196.16
Purchased professional and technical services											
Purchased professional-educational services											
Other purchased professional and technical services											
Other purchased services											
Transportation											
Travel											
Supplies and materials							\$ 743.30			\$ 19.27	762.57
Total support services						\$ 28,196.16	\$ 743.30			19.27	\$ 28,958.73
Facilities acquisition and construction services:											
Instructional equipment											
Total facilities acquisition and construction services											
Total expenditures	\$ 26,883.72	\$ 12,624.00	\$ 20,280.40	\$ 20,902.00	\$ 16,693.21	\$ 181,815.00	\$ 743.30	\$ 58.51	\$ 400.00	\$ 11,708.15	\$ 292,108.29

BOROUGH OF FREEHOLD SCHOOL DISTRICT
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL EDUCATION AID EXPENDITURES
PRESCHOOL - ALL PROGRAMS
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Transfer</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:					
State sources	\$ 181,815.00	_____	\$ 181,815.00	\$ 181,815.00	_____
Total revenues	\$ 181,815.00	_____	\$ 181,815.00	\$ 181,815.00	_____
EXPENDITURES:					
Instruction:					
Salaries of teachers	\$ 99,468.84	_____	\$ 99,468.84	\$ 99,468.84	_____
Other salaries for instruction	54,150.00	_____	54,150.00	54,150.00	_____
Total instruction	153,618.84	_____	153,618.84	153,618.84	_____
Support services:					
Purchased professional-educational services	28,196.16	_____	28,196.16	28,196.16	_____
Total support services	28,196.16	_____	28,196.16	28,196.16	_____
 Total expenditures	 \$ 181,815.00	 =====	 \$ 181,815.00	 \$ 181,815.00	 =====

CALCULATION OF BUDGET & CARRYOVER

Total 2015 - 2016 PreK Aid Allocation	\$ 181,815.00
Add: Actual PreK Aid Carryover June 30, 2015	_____
Total Funds Available for 2015 - 2016 Budget	181,815.00
Less: 2015 - 2016 Budgeted PreK (Including prior year budgeted carryover)	(181,815.00)
Available & Unbudgeted Funds as of June 30, 2016	\$ <u>None</u>

CAPITAL PROJECTS FUND

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CAPITAL PROJECTS FUND
SUMMARY STATEMENT OF PROJECT EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2016

<u>Number</u>	<u>Issue/Project Title</u>	<u>Original Date</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Transfer to Debt Service Fund</u>	<u>Unexpended Balance June 30, 2016</u>
				<u>Prior Years</u>	<u>Current Year</u>		
SP 201845	EDA - Park Avenue School	09/25/01	\$ <u>5,142,909.00</u>	\$ <u>4,963,107.56</u>		<u>90,230.00</u>	\$ <u>89,571.44</u>
			\$ <u>5,142,909.00</u>	\$ <u>4,963,107.56</u>		<u>90,230.00</u>	\$ <u>89,571.44</u>

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenues		
Interest on investments	\$	<u>11.44</u>
Total revenues		<u>11.44</u>
Excess(deficiency) of revenues over/(under) expenditures	\$	11.44
Other financing sources/(uses):		
Transfer in/(out) - Debt Service Fund		<u>(90,241.44)</u>
Net change in fund balance	\$	(90,230.00)
Fund balance, beginning		<u>179,801.44</u>
Fund balance, ending	\$	<u><u>89,571.44</u></u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
PARK AVENUE ELEMENTARY SCHOOL
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and Other Financing Sources				
State sources - SCC Grant	\$ 1,299,793.08		\$ 1,299,793.08	\$ 1,299,793.08
Transfer from capital outlay	73.00		73.00	73.00
Bond proceeds and transfers	3,176,400.00		3,176,400.00	3,176,400.00
Total revenues	\$ 4,476,266.08		\$ 4,476,266.08	\$ 4,476,266.08
Expenditures and Other Financing Uses				
Purchased professional and technical services	\$ 667,702.20		\$ 667,702.20	\$ 667,702.20
Construction services	3,391,641.03		3,391,641.03	3,391,641.03
Cancellation	0.29		0.29	0.29
Total expenditures	\$ 4,059,343.23		\$ 4,059,343.52	\$ 4,059,343.52
Transferred to debt service fund	\$ 237,121.12	\$ 90,230.00	\$ 327,351.12	\$ 327,351.12
Excess (deficiency) or revenues over/(under) expenditures	\$ 179,801.73	\$ (90,230.00)	\$ 89,571.44	\$ 89,571.44

Additional project information:

Project Number	SP201845
Grant Date	04/08/01 - 04/29/02
Bond Authorization Date	9/25/2001
Bonds Authorized	\$ 5,142,836.00
Bonds Issued	\$ 3,176,400.00
Original Authorized Cost	\$ 5,142,909.00
Additional Authorized Cost (Cancelled)	\$ (120,195.00)
Revised Authorized Cost	\$ 5,022,714.00

Percentage Increase over Original

Authorized Cost	XX
Percentage completion	100.00%
Original target completion date	12/30/2003
Revised target completion date	6/30/2005

FIDUCIARY FUNDS

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Agency			Balance June 30, 2016
	Balance July 1, 2015	Cash Receipts	Cash Disbursements	
Elementary Schools:				
Cash and Cash Equivalents:				
FLC	\$ 12,007.88	\$ 13,661.62	\$ 15,712.03	\$ 9,957.47
PAE	<u>8,391.60</u>	<u>9,041.50</u>	<u>8,670.34</u>	<u>8,762.76</u>
Total Elementary Schools	<u>20,399.48</u>	<u>22,703.12</u>	<u>24,382.37</u>	<u>18,720.23</u>
Middle Schools:				
Cash and Cash Equivalents	\$ <u>9,258.11</u>	\$ <u>23,926.36</u>	\$ <u>20,185.06</u>	\$ <u>12,999.41</u>
Total Middle Schools	<u>9,258.11</u>	<u>23,926.36</u>	<u>20,185.06</u>	<u>12,999.41</u>
Other Student Accounts:				
Cash and Cash Equivalents	\$ <u>419.34</u>	\$ <u>6,190.00</u>	\$ <u>4,798.00</u>	\$ <u>1,811.34</u>
Total Other Student Accounts	<u>419.34</u>	<u>6,190.00</u>	<u>4,798.00</u>	<u>1,811.34</u>
Total All Schools	<u>\$ 30,076.93</u>	<u>\$ 52,819.48</u>	<u>\$ 49,365.43</u>	<u>\$ 33,530.98</u>

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
FIDUCIARY FUNDS
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Agency			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deletions	
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 2,975.03	\$ 6,673,869.44	\$ 6,667,675.05	\$ 9,169.42
Intrafund Receivable - General Fund		2,264.78		2,264.78
Intrafund Receivable - Unemployment	<u>5,756.36</u>		<u>5,756.36</u>	
Total Assets	<u>\$ 8,731.39</u>	<u>\$ 6,676,134.22</u>	<u>\$ 6,673,431.41</u>	<u>\$ 11,434.20</u>
<u>LIABILITIES</u>				
Payroll Deductions and Withholdings		\$ 6,382,090.30	\$ 6,370,656.10	\$ 11,434.20
Interfund Payable:				
General Fund	\$ 2,975.03		2,975.03	
Intergovernmental Payable - State	<u>5,756.36</u>	<u>17,196.17</u>	<u>22,952.53</u>	
Total Liabilities	<u>\$ 8,731.39</u>	<u>\$ 6,399,286.47</u>	<u>\$ 6,396,583.66</u>	<u>\$ 11,434.20</u>

NONCURRENT DEBT

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
NONCURRENT DEBT
SCHEDULE OF SERIAL BONDS
JUNE 30, 2016

<u>Issue</u>	<u>Original</u>		<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2016</u>
	<u>Date of Original Issue</u>	<u>Amount of Issue</u>	<u>Date</u>	<u>Amount</u>					
Improvements to the Elementary Schools	12/1/1996	\$ 5,885,000.00	12/1/2016	\$ 435,000.00	5.25%	\$ 885,000.00		\$ 450,000.00	\$ 435,000.00
2011 Refunding Bonds	7/7/2011	2,485,000.00	8/15/2016	240,000.00	2.00%				
			8/15/2017	305,000.00	2.25%				
			8/15/2018	300,000.00	2.50%				
			8/15/2019	295,000.00	4.00%				
			8/15/2020	290,000.00	4.00%				
			8/15/2021	280,000.00	5.00%	<u>1,950,000.00</u>	<u>240,000.00</u>	<u>1,710,000.00</u>	
						<u>\$ 2,835,000.00</u>	<u>\$ 690,000.00</u>	<u>\$ 2,145,000.00</u>	
Total									

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
NONCURRENT DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASE
JUNE 30, 2016

<u>Series</u>	<u>Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2015</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2016</u>
Copiers	N/A	\$ 31,741.20	\$ 3,119.93	\$ 3,119.93	
Copiers	N/A	13,920.00	915.91	915.91	
Copiers	N/A	31,601.66	18,529.79	6,392.09	\$ 12,137.70
Copiers	N/A	33,875.18	<u>17,623.78</u>	<u>6,988.41</u>	<u>10,635.37</u>
Total			\$ <u>40,189.41</u>	\$ <u>17,416.34</u>	\$ <u>22,773.07</u>

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 556,881.00		\$ 556,881.00	\$ 556,881.00	
State Sources:					
Debt Service Aid Type II	<u>136,502.00</u>		<u>136,502.00</u>	<u>136,502.00</u>	
Total Revenues	<u>\$ 693,383.00</u>		<u>\$ 693,383.00</u>	<u>\$ 693,383.00</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	\$ 93,613.00		\$ 93,613.00	\$ 93,612.50	\$ 0.50
Redemption of Principal	<u>690,000.00</u>		<u>690,000.00</u>	<u>690,000.00</u>	
Total Regular Debt Service	<u>\$ 783,613.00</u>		<u>\$ 783,613.00</u>	<u>\$ 783,612.50</u>	<u>\$ 0.50</u>
Total Expenditures	<u>\$ 783,613.00</u>		<u>\$ 783,613.00</u>	<u>\$ 783,612.50</u>	<u>\$ 0.50</u>
Excess/(Deficiency) of Revenues Over/(Under) Expenditures	(90,230.00)		(90,230.00)	\$ (90,229.50)	0.50
Other Financing Sources:					
Operating Transfer In:					
Capital Projects Fund	\$ 90,230.00		\$ 90,230.00	\$ 90,241.44	\$ 11.44
	<u>90,230.00</u>		<u>90,230.00</u>	<u>\$ 90,241.44</u>	<u>11.44</u>
Excess/(Deficiency) of Revenues and Other Financing Sources Over/(Under) Expenditures				\$ 11.94	\$ 11.94
Fund Balance, July 1	\$ 348.23		\$ 348.23	348.23	0.00
Fund Balance, June 30	<u>\$ 348.23</u>		<u>\$ 348.23</u>	<u>\$ 360.17</u>	<u>\$ 11.94</u>

STATISTICAL TABLES (SECTION)
(UNAUDITED)

FREEHOLD BOROUGH SCHOOL DISTRICT
COUNTY OF MONMOUTH
INTRODUCTION TO STATISTICAL TABLES (SECTION)
(UNAUDITED)

<u>Contents</u>	<u>Exhibit</u>
Financial Trends	J-1 to J-5
<p>These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.</p>	
Revenue Capacity	J-6 to J-9
<p>These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</p>	
Debt Capacity	J-10 to J-13
<p>These schedules contain information to help the reader assess the district's outstanding debt.</p>	
Demographic and Economic Information	J-14 & J-15
<p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</p>	
Operating Information	J-16 to J-20
<p>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.</p>	

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports (CAFR) for the relevant year.*

FINANCIAL TRENDS

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
NET POSITION BY COMPONENT
LAST TEN (10) FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Invested in capital assets	\$ 2,044,545	\$ 2,205,363	\$ 2,342,335	\$ 2,586,033	\$ 2,619,340	\$ 3,321,268	\$ 4,132,408	\$ 4,762,647	\$ 5,498,976	\$ 6,392,287
Restricted	1	711,665	1,167,630	1,037,480	899,020	1,740,095	880,248	864,913	1,250,488	1,332,286
Unrestricted	270,896	357,271	703,546	511,249	586,568		795,716	1,187,662	(5,220,455)	(5,474,726)
Total governmental activities net assets	\$ 2,315,442	\$ 3,274,299	\$ 4,213,511	\$ 4,134,762	\$ 4,104,927	\$ 5,061,363	\$ 5,808,372	\$ 6,815,222	\$ 1,529,009	\$ 2,249,847
Business-type activities										
Invested in capital assets	\$ 9,658	\$ 25,206	\$ 18,474	\$ 12,794	\$ 29,375	\$ 37,925	\$ 45,656	\$ 54,700	\$ 56,563	\$ 66,413
Unrestricted	6,813	33,315	52,012	141,435	150,774	175,782	232,487	258,674	284,237	362,224
Total business-type activities net assets	\$ 16,471	\$ 58,521	\$ 70,486	\$ 154,229	\$ 180,149	\$ 213,707	\$ 278,143	\$ 313,374	\$ 340,800	\$ 428,637
District-wide										
Invested in capital assets	\$ 2,054,203	\$ 2,230,569	\$ 2,360,809	\$ 2,598,827	\$ 2,648,714	\$ 3,359,193	\$ 4,178,064	\$ 4,817,347	\$ 5,555,539	\$ 6,458,700
Restricted	1	711,665	1,167,630	1,037,480	899,020	1,740,095	880,248	864,913	1,250,488	1,332,286
Unrestricted	277,709	390,586	755,558	652,684	737,342	175,782	1,028,203	1,446,336	(4,936,218)	(5,112,502)
Total district net position	\$ 2,331,913	\$ 3,332,820	\$ 4,283,997	\$ 4,288,991	\$ 4,285,076	\$ 5,275,070	\$ 6,086,515	\$ 7,128,596	\$ 1,869,809	\$ 2,678,484

Note: In 2015 the effective date of GASB 68 an adjustment was made for the provision of the net pension liability for PERS.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CHANGE IN NET POSITION
LAST TEN (10) FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 7,842,265	\$ 8,381,421	\$ 8,590,909	\$ 8,525,481	\$ 9,118,099	\$ 8,554,496	\$ 8,840,598	\$ 9,016,413	\$ 10,228,333	\$ 11,489,638
Special education	2,213,650	1,785,986	2,106,147	2,233,631	2,280,846	2,345,285	2,660,173	3,026,315	3,237,427	3,804,410
Other special education	527,102	734,719	754,348	829,074	958,899	1,032,112	1,056,890	846,143	942,388	1,055,485
Other instruction	149,922	172,757	95,150	97,788	139,516	138,483	129,790	123,514	162,765	176,171
Support Services:										
Tuition	692,787	812,020	840,266	783,788	822,606	814,041	920,169	924,247	1,033,465	808,801
Student & instruction related services	2,988,808	2,983,162	2,949,086	3,181,058	3,785,116	3,392,310	3,527,885	3,375,872	1,047,754	4,509,672
School Administrative service	720,526	753,886	748,160	755,019	791,134	857,476	1,023,196	973,086	3,299,923	855,257
General administration	741,111	832,115	1,528,882	1,534,124	1,765,162	1,605,784	1,622,290	1,630,102	3,023,706	2,290,224
Central Services		122,028								
Central Services	309,410	328,138								
Plant operations and maintenance	1,623,617	1,598,415	1,752,133	2,056,408	1,940,801	1,764,088	1,668,166	1,677,194	2,114,376	2,220,136
Pupil transportation	565,925	578,656	493,554	551,485	470,538	537,046	765,072	656,820	779,883	1,006,637
Other support services				296,572	271,261	170,078				
Interest on long-term debt	370,869	347,679	323,155	-	-		189,826	160,571	134,624	105,749
Total governmental activities expenses	18,745,992	19,430,982	20,181,790	20,844,428	22,343,978	21,211,199	22,404,054	22,410,277	26,004,644	28,322,180
Business-type activities:										
Food service	439,133	531,422	625,274	674,929	733,025	782,883	765,615	846,112	919,418	985,409
Total business-type activities expense	439,133	531,422	625,274	674,929	733,025	782,883	765,615	846,112	919,418	985,409
Total district expenses	\$ 19,185,125	\$ 19,962,404	\$ 20,807,064	\$ 21,519,357	\$ 23,077,003	\$ 21,994,082	\$ 23,169,669	\$ 23,256,389	\$ 26,924,062	\$ 29,307,589

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CHANGE IN NET POSITION
LAST TEN (10) FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues										
Governmental activities:										
Charges for services:										
Instruction (tuition)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pupil transportation										
Central and other support services										
Special schools										
Operating grants and contributions	4,099,153	4,626,660	2,840,252	2,680,666	3,941,294	2,726,840	2,373,943	2,438,157	2,520,098	3,038,795
Capital grants and contributions										
Total governmental activities program revenues	4,099,153	4,626,660	2,840,252	2,680,666	3,941,294	2,726,840	2,373,943	2,438,157	2,520,098	3,038,795
Business-type activities:										
Charges for services										
Food service	\$ 53,111	\$ 130,927	\$ 153,976	\$ 144,444	\$ 156,161	\$ 155,093	\$ 142,253	\$ 145,086	\$ 143,804	\$ 163,247
Operating grants and contributions	356,173	407,545	483,263	614,228	602,784	661,347	687,798	736,257	803,040	908,925
Total business type activities program revenues	409,284	538,472	637,239	758,672	758,945	816,440	830,051	881,343	946,844	1,072,172
Total district program revenues	\$ 4,508,437	\$ 5,165,132	\$ 3,477,491	\$ 3,439,338	\$ 4,700,239	\$ 3,543,280	\$ 3,203,995	\$ 3,319,500	\$ 3,466,942	\$ 4,110,967
Net (Expense)/Revenue										
Governmental activities	\$ (14,646,839)	\$ (14,804,322)	\$ (17,341,538)	\$(18,163,762)	\$(18,402,684)	\$(18,484,359)	\$(20,030,111)	\$(19,972,120)	\$(23,484,546)	\$(25,283,385)
Business-type activities	(29,849)	7,050	11,965	83,743	25,920	33,557	64,437	35,231	27,426	86,763
Total district-wide net expense	\$ (14,676,688)	\$ (14,797,272)	\$ (17,329,573)	\$(18,080,019)	\$(18,376,764)	\$(18,450,802)	\$(19,965,674)	\$(19,936,889)	\$(23,457,120)	\$(25,196,622)
General Revenues and Other Change in Net Position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 6,998,482	\$ 7,504,804	\$ 7,737,636	\$ 7,956,512	\$ 8,028,124	\$ 8,268,967	\$ 8,434,346	\$ 8,911,720	\$ 9,725,469	\$ 10,566,139
Taxes levied for debt service	631,154	614,451	630,302	611,839	658,411	636,987	667,928	556,871	545,380	556,881
Unrestricted grants and contributions	6,522,607	7,462,236	9,392,206	9,307,495	9,765,675	10,586,138	11,502,743	11,311,988	13,749,934	14,848,687
Restricted grants	2,403									
Tuition Received	74,771	117,821	96,742	-	-					
Investment earnings	65,354	40,990	5,279	-	-					
Miscellaneous income	85,026	75,817	462,695	127,278	53,478	159,791	157,116	95,383	147,490	124,974
Transfers	(58,032)	(52,940)	(44,109)	81,889	(132,840)	(211,088)	13,437	103,008	15,983	
Special and Extraordinary Items										(92,457)
Total governmental activities	\$ 14,321,765	\$ 15,763,179	\$ 18,280,751	\$ 18,085,013	\$ 18,372,848	\$ 19,440,795	\$ 20,775,569	\$ 20,978,970	\$ 24,184,256	\$ 26,004,224

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CHANGE IN NET POSITION
LAST TEN (10) FISCAL YEARS
UNAUDITED
(accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Change in Net Position (Continued)										
Business-type activities:										
Investment earnings										
Transfers	\$ 25,168	\$ 35,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special and Extraordinary Items										\$ 1,074
Total business-type activities	<u>25,168</u>	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074</u>
Total district-wide	<u>\$ 14,346,933</u>	<u>\$ 15,798,179</u>	<u>\$ 18,280,751</u>	<u>\$ 18,085,013</u>	<u>\$ 18,372,848</u>	<u>\$ 19,440,795</u>	<u>\$ 20,775,569</u>	<u>\$ 20,978,970</u>	<u>\$ 24,184,256</u>	<u>\$ 26,005,298</u>
Change in Net Position										
Governmental activities	\$ (325,074)	\$ 958,857	\$ 939,213	\$ (78,749)	\$ (29,836)	\$ 956,436	\$ 745,459	\$ 1,006,850	\$ 699,710	\$ 720,839
Business-type activities	(4,681)	42,050	11,965	83,743	25,920	33,557	64,437	35,231	27,426	87,837
Total district	<u>\$ (329,755)</u>	<u>\$ 1,000,907</u>	<u>\$ 951,178</u>	<u>\$ 4,994</u>	<u>\$ (3,916)</u>	<u>\$ 989,993</u>	<u>\$ 809,895</u>	<u>\$ 1,042,081</u>	<u>\$ 727,136</u>	<u>\$ 808,676</u>

Note: 2015 includes pension expenses in accordance with GASB 68 related to pension liabilities (TPAF and PERS). Amounts from years prior to 2015 are not available.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN (10) FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 1	\$ 711,665	\$ 1,167,630	\$ 1,034,294						
Unreserved	(39,281)	62,171	265,677	-						
Restricted					\$ 882,401	\$ 1,797,396	\$ 1,787,608	\$ 1,731,217	\$ 2,361,604	\$ 2,482,537
Assigned					16,619	121,933	34,988	97,351	138,473	175,669
Unassigned						17,073				
Total general fund	\$ (39,280)	\$ 773,836	\$ 1,433,307	\$ 1,034,294	\$ 899,020	\$ 1,936,402	\$ 1,822,596	\$ 1,828,568	\$ 2,500,077	\$ 2,658,206
All Other Governmental Funds										
Reserved	\$ 99,477									
Unreserved (deficit), reported in:										
Special revenue fund	(75,722)	\$ (74,710)	\$ (36,577)	\$ (37,795)	\$ (32,828)	\$ (26,456)	\$ (14,598)	\$ (17,391)	\$ (15,020)	\$ (18,181)
Capital projects fund	1,163,744	1,167,500	1,167,500	1,167,500	1,167,500	359,602	359,602	179,802	179,801	89,571
Debt service fund	1	2	1	1	0	10,486	10,507	89,923	348	360
Total all other governmental funds	\$ 1,187,500	\$ 1,092,792	\$ 1,130,924	\$ 1,129,706	\$ 1,134,672	\$ 343,632	\$ 355,511	\$ 252,334	\$ 165,130	\$ 71,750

No GASB 54 was implemented in the 2011 fiscal year, which required the presentation of fund balances to be reported in different classifications from those presented in prior years (See Notes to financial statements - Note 2G 15(a-c). Prior years have not been restated above and are not required to be.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN (10) FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 7,629,636	\$ 8,119,255	\$ 8,367,938	\$ 8,568,351	\$ 8,686,535	\$ 8,905,954	\$ 9,102,274	\$ 9,468,591	\$ 10,270,849	\$ 11,123,020
Tuition charges	74,771	117,821	96,742							
Interest earnings	65,354	40,990	5,279	24	4	3	27	29	18	11
Miscellaneous	122,679	106,731	498,275	165,211	117,519	176,719	157,089	153,256	208,033	158,026
State sources	8,367,629	9,674,300	10,124,947	8,507,323	10,386,526	10,748,331	11,571,783	11,688,720	12,100,225	12,409,447
Federal sources	2,216,478	2,383,682	2,071,930	3,439,694	3,154,471	2,547,718	2,290,535	2,003,523	2,129,142	3,017,166
Total revenue	18,476,547	20,442,779	21,165,111	20,680,603	22,345,055	22,378,725	23,121,708	23,314,119	24,708,267	26,707,670
Expenditures										
Instruction										
Regular Instruction	6,124,949	6,465,760	6,713,493	6,623,944	6,947,817	6,316,553	6,415,514	6,691,137	6,863,550	7,538,855
Special education instruction	1,496,642	1,222,149	1,551,730	1,654,345	1,632,014	1,652,998	1,827,625	2,124,971	2,060,345	2,397,490
Other special instruction	356,365	502,763	555,775	614,056	686,122	727,450	726,233	594,131	599,749	665,153
Other instruction	64,608	66,615	70,103	72,427	99,828	97,606	89,178	86,727	103,586	111,021
Support Services:										
Tuition	692,787	812,020	840,266	783,788	822,606	814,041	920,169	924,247	1,033,465	808,801
Student & inst. related services	2,232,261	2,231,427	2,287,037	2,462,505	2,807,375	2,505,789	2,568,857	2,501,284	2,810,741	2,954,040
General administration	402,568	428,889	1,128,254	497,116	578,666	522,781	469,794	477,322	522,965	1,443,270
School administrative services	488,939	517,773	553,267	561,269	568,736	606,326	707,602	685,221	740,856	538,972
Central services	309,410	328,138	435,003	392,181	403,822	385,073	414,271	412,805	416,507	
Admin. information technology		122,028	223,552	248,796	283,763	226,816	237,624	256,628	244,004	
Plant operations and maintenance	1,098,471	1,093,672	632,351	1,523,085	1,388,702	1,243,360	1,150,508	1,177,666	1,345,619	1,399,101
Pupil transportation	410,488	424,477	387,522	431,362	336,684	378,519	527,658	461,196	496,329	634,370
Employee benefits	4,024,824	4,553,425	4,200,043	4,372,740	5,078,497	5,017,859	5,680,303	5,512,353	5,874,573	6,585,190
Capital outlay	72,279	178,056	93,321	71,544	137,243	70,076	744,540	706,168	240,771	683,046
Debt service:										
Principal	425,000	425,000	475,000	475,000	525,000	580,000	630,000	650,000	650,000	690,000
Interest and other charges	365,077	343,589	320,790	296,677	271,321	179,238	179,200	149,169	121,231	93,612
Total expenditures	18,564,668	19,715,781	20,467,507	21,080,835	22,568,196	21,324,485	23,289,076	23,411,025	24,124,291	26,542,921
Excess (Deficiency) of revenues over (under) expenditures	(88,121)	726,998	697,604	(400,232)	(223,141)	1,054,240	(167,368)	(96,906)	583,976	164,749

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN (10) FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Other Financing sources (uses)										
Capital leases (non-budgeted)	\$ 59,011	\$ 27,410			\$ 92,837		\$ 65,477			
Cancellation of Grant Receivable						\$ (807,898)				
Transfers out	(25,168)	(35,000)			(4)		(6)			(100,000)
Total other financing sources (uses)	33,843	(7,590)	-	-	92,833	(807,898)	65,471	-	-	(100,000)
Net change in fund balances	\$ (54,278)	\$ 719,408	\$ 697,604	\$ (400,232)	\$ (130,308)	\$ 246,342	\$ (101,897)	\$ (96,906)	\$ 583,976	\$ 64,749
Debt service as a percentage of noncapital expenditures	4.27%	3.93%	3.91%	3.67%	3.55%	3.57%	3.59%	3.52%	3.23%	3.03%

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN (10) FISCAL YEARS
UNAUDITED
(modified accrual basis of accounting)

Fiscal Year Ending June 30,	<u>Interest on Investments</u>	<u>E-Rate</u>	<u>Miscellaneous</u>	<u>Tuition</u>	<u>Refund of Prior Year Expenditures</u>	<u>Use of Building</u>	<u>Annual Totals</u>
2007	\$ 57,849	\$ 41,084	\$ 29,828	\$ 3,886	\$ 10,228		\$ 142,875
2008	38,860	35,614	20,547	11,014	8,641		114,676
2009	5,128	35,460	426,034	96,742	-	\$ 1,200	564,564
2010	181	13,942	16,250	96,081		800	127,254
2011	3	19,134	29,744	3,796		800	53,478
2012	3	125,193	20,957	8,957	4,681	-	159,791
2013	-	25,939	68,734	9,709	32,570	5,770	142,721
2014	-	27,639	44,350	4,928	14,666	3,771	95,354
2015	-	65,541	59,654	8,148	11,328	2,800	147,471
2016	-	40,119	31,465	12,470	39,229	1,680	124,963

Source: District records

REVENUE CAPACITY

**BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN (10) FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Tax-Exempt Property	Net Valuation	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^b
2007	13,574,000	761,011,000	-	-	238,891,500	34,727,100	22,941,400	1,071,145,000	9,846,278	206,975,000	1,287,966,278	1,177,761,253	0.736
2008	11,815,100	763,101,500	-	-	237,093,900	34,727,100	22,941,400	1,069,679,000	10,469,969	207,916,700	1,288,065,669	1,251,360,049	0.756
2009	11,552,000	765,785,300	-	-	236,440,200	25,345,900	23,097,700	1,062,221,100	11,377,335	206,266,600	1,279,865,035	1,277,270,269	0.780
2010	11,375,600	766,577,000	-	-	242,880,100	25,345,900	22,374,900	1,068,553,500	10,281,773	206,266,600	1,285,101,873	1,209,211,673	0.796
2011	10,342,700	768,700,500	-	-	241,539,000	25,345,900	22,388,400	1,068,316,500	9,917,155	206,266,600	1,284,500,255	1,214,517,164	0.810
2012	10,244,400	767,610,400	-	-	241,264,600	25,345,900	22,388,400	1,066,853,700	-	206,799,500	1,273,653,200	1,136,846,368	0.842
2013	10,236,400	764,565,800	-	-	239,840,300	25,345,900	22,388,400	1,062,376,800	-	207,086,800	1,269,463,600	1,029,563,181	0.862
2014	10,235,100	755,357,200	-	-	237,225,100	25,345,900	22,388,400	1,050,551,700	-	208,299,500	1,258,851,200	971,249,860	0.934
2015	10,120,100	741,225,500	-	-	230,456,500	25,345,900	22,065,400	1,029,213,400	-	209,864,800	1,239,078,200	939,635,035	1.032
2016	10,627,200	739,568,800	-	-	229,822,500	25,353,000	22,454,100	1,027,825,600	-	205,667,600	1,233,493,200	989,718,062	1.098

Source: 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 taxatic

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 of Assessed Valuation

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN (10) FISCAL YEARS
UNAUDITED
(rate per \$100 of assessed value)

Fiscal Year Ended June 30,	Borough of Freehold School District Direct Rate (From J-6)			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct School Tax Rate ^c	Municipality of Freehold	Freehold Regional High School	County of Monmouth	
2007	0.663	0.073	0.736	0.659	0.368	0.277	2.040
2008	0.697	0.059	0.756	0.718	0.375	0.278	2.127
2009	0.723	0.050	0.780	0.756	0.382	0.289	2.207
2010	0.740	0.056	0.796	0.791	0.376	0.283	2.246
2011	0.750	0.060	0.810	0.822	0.378	0.300	2.310
2012	0.779	0.063	0.842	0.850	0.341	0.293	2.326
2013	0.810	0.052	0.862	0.883	0.321	0.277	2.343
2014	0.884	0.050	0.934	0.907	0.312	0.268	2.421
2015	0.978	0.054	1.032	0.944	0.295	0.263	2.534
2016	1.043	0.055	1.098	0.976	0.320	0.261	2.655

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.

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

**BOROUGH OF FREEHOLD SCHOOL DISTRICT
 COUNTY OF MONMOUTH
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND TEN YEARS AGO
 UNAUDITED**

	2016			2006			
	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	Taxable Assessed Value	Rank [Optional]	% of Total District Net Assessed Value	
Nestle USA	\$ 23,674,400	1	2.30%	Nestle USA	\$ 33,055,600	1	3.04%
Freehold Racing Association	21,225,300	2	2.06%	Freehold Racing Association	29,225,300	2	2.69%
AEW Brookside	15,076,000	3	1.46%	Millennium Assisted	14,269,000	3	1.31%
East Coast Post & Coach	6,760,000	4	0.66%	Post & Coach	6,495,700	4	0.60%
Park Plaza Shopping Center	5,412,400	5	0.53%	Park Plaza Shopping	5,560,900	5	0.51%
Freefern Associates	5,330,000	6	0.52%	Freefern Associates	5,344,000	6	0.49%
E. Main Street LLC	4,295,700	7	0.42%	Freehold Racing Association	4,282,800	7	0.39%
Spring Terrace Apartments	3,575,000	8	0.35%	Bell Atlantic - NJ	4,193,700	8	0.39%
Chiu's Property	2,631,000	9	0.26%	Chiu's Property, Inc.	3,774,000	9	0.35%
JCP & L	2,626,200	10	0.26%	Delli Santi, Nicholas	3,722,800	10	0.34%
Total	\$ 90,606,000		8.80%		\$ 109,923,800		10.12%
 Net Valuation Taxable	 <u>\$ 1,029,213,400</u>				 <u>\$ 1,086,203,557</u>		

Source: Municipal Tax Assessor

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN (10) FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Fiscal Tax Levy ^a</u>		<u>Collections in Subsequent Years</u>
		<u>Amount</u>	<u>Percentage of Levy</u>	
2007	22,313,025	21,992,755	98.56%	\$ 420,500
2008	23,236,126	22,780,509	98.04%	297,895
2009	24,069,140	23,572,143	97.94%	434,433
2010	24,511,865	23,918,982	97.58%	460,299
2011	25,178,131	24,582,100	97.63%	572,124
2012	25,088,345	24,363,083	97.11%	529,942
2013	25,187,171	24,415,921	96.94%	529,992
2014	25,699,245	25,076,603	97.58%	624,398
2015	26,379,750	25,797,936	97.81%	588,736
2016	27,287,503	N/A	97.14% <i>(anticipated)</i>	520,000 <i>(anticipated)</i>

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.

DEBT CAPACITY

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN (10) FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases				
2007	7,099,000	-	157,456	-	-	7,256,456	3.32%	661	
2008	6,674,000	-	128,216	-	-	6,802,216	3.11%	620	
2009	6,199,000	-	74,608	-	-	6,273,608	2.87%	572	
2010	5,724,000	-	23,739	-	-	5,747,739	2.63%	524	
2011	5,199,000	-	86,413	-	-	5,285,413	1.88%	439	
2012	4,765,000	-	59,299	-	-	4,824,299	1.71%	400	
2013	4,135,000	-	93,007	-	-	4,228,007	1.48%	345	
2014	3,485,000	-	61,406	-	-	3,546,406	1.26%	294	
2015	2,835,000	-	40,189	-	-	2,875,189	1.02%	239	
2016	2,145,000	-	22,773	-	-	2,167,773	0.77%	180	

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.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN (10) FISCAL YEARS
UNAUDITED

<u>General Bonded Debt Outstanding</u>					
<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Deductions</u>	<u>Net General Bonded Debt Outstanding</u>	<u>Percentage of Actual Taxable Value ^a of Property</u>	<u>Per Capita ^b</u>
2007	7,099,000	-	7,099,000	0.55%	647
2008	6,674,000	-	6,674,000	0.51%	608
2009	6,199,000	-	6,199,000	0.48%	565
2010	5,724,000	-	5,724,000	0.44%	522
2011	5,199,000	-	5,199,000	0.40%	431
2012	4,765,000	-	4,765,000	0.37%	395
2013	4,135,000	-	4,135,000	0.32%	343
2014	3,485,000	-	3,485,000	0.27%	289
2015	2,835,000	-	2,835,000	0.23%	235
2016	2,145,000	-	2,145,000	0.22%	178

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.

Deductions are allowable for resources that are restricted to repaying the principal of debt outstanding.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016
UNAUDITED

<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 Freehold	\$ 10,269,986	100.000%	\$ 10,269,986
County of Monmouth	479,236,724	0.854344%	4,094,330
Other debt			
Freehold Regional High School District	\$ 19,300,000	2.4992%	<u>\$ 482,347</u>
Subtotal, overlapping debt			\$ 14,846,663
Borough of Freehold District Direct Debt:			
Issued and Outstanding	\$ 2,145,000		
Authorized but not Issued	<u>None</u>		<u>2,145,000</u>
Total direct and overlapping debt			<u><u>\$ 16,991,663</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 Freehold Borough. This process recognizes that, when considering the District's ability to issue and repay noncurrent 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.

**BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
LEGAL DEBT MARGIN INFORMATION
LAST TEN (10) FISCAL YEARS
UNAUDITED**

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis	
	2015	\$ 986,304,992
	2014	951,845,338
	2013	<u>974,389,434</u>
		<u>\$ 2,912,539,764</u>
Average equalized valuation of taxable property		\$ 970,846,588
Debt limit (3 % of average equalization value)		29,125,398 ^a
Total Net Debt Applicable to Limit		<u>2,145,000</u>
Legal debt margin		<u>\$ 26,980,398</u>

	Fiscal Year									
	<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>
Debt limit	\$ 34,595,408	\$ 36,700,251	\$ 36,789,898	\$ 36,789,848	\$ 36,514,977	\$ 35,162,509	\$ 33,494,756	\$ 27,805,160	\$ 29,515,627	\$ 29,125,398
Total net debt applicable to limit	<u>8,237,816</u>	<u>7,812,816</u>	<u>7,337,816</u>	<u>6,862,816</u>	<u>6,337,816</u>	<u>4,765,000</u>	<u>4,135,000</u>	<u>3,485,000</u>	<u>2,835,000</u>	<u>2,145,000</u>
Legal debt margin	<u>\$ 26,357,592</u>	<u>\$ 28,887,435</u>	<u>\$ 29,452,082</u>	<u>\$ 29,927,032</u>	<u>\$ 30,177,161</u>	<u>\$ 30,397,509</u>	<u>\$ 29,359,756</u>	<u>\$ 24,320,160</u>	<u>\$ 26,680,627</u>	<u>\$ 26,980,398</u>
Total net debt applicable to the limit as a percentage of debt limit	23.81%	21.29%	19.95%	18.65%	17.36%	13.55%	12.35%	12.53%	9.61%	7.36%

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN (10) FISCAL YEARS
UNAUDITED

<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	10,976	218,532,160	19,910	6.30%
2008	10,976	218,532,160	19,910	5.70%
2009	10,976	218,532,160	19,910	7.30%
2010	10,976	218,532,160	19,910	11.90%
2011	12,052	281,185,212	23,331	12.00%
2012	12,052	281,185,212	23,331	12.10%
2013	12,052	281,185,212	23,331	12.60%
2014	12,052	281,185,212	23,331	5.80%
2015	12,052	281,185,212	23,331	6.70%
2016	12,052	281,185,212	23,331	5.00%

Source:

^a Population information provided by the 2000 census for 2007 through 2010 and the 2010 census for 2011 through 2016

^b Personal income has been estimated based upon the municipal population and per capita personal income presented.

^c Per capita personal income by municipality estimated based upon the 2000 Census for 2007 through 2010 and 2010 census for the 2011 through 2016 published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development (Monmouth County rate).

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO
UNAUDITED

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Municipal Employment</u>
County of Monmouth (Est)	900	1	a	1,100	1	a
Freehold Borough Board of Education	219	2	a	192	4	a
Nestle-Hills Coffee Company	200	3	a	350	2	a
Freehold Regional High School (Est)	197	4	a	150	5	a
Freehold Racing Association (Est)	100	5	a	200	3	a
Freehold Borough - Municipality	101	6	a	-		a
	<u>1,717</u>		<u>a</u>	<u>1,992</u>		<u>a</u>

Source: Borough of Freehold

^a No authoritative source exists for Total Municipal Employment in the Borough.

OPERATING INFORMATION

**BOROUGH OF FREEHOLD SCHOOL DISTRICT
 COUNTY OF MONMOUTH
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN (10) FISCAL YEARS**

<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	87.0	83.1	89.0	94.0	99.1	102.1	96.9	86.8	84.8	95.0
Special education	40.0	38.0	38.0	39.0	31.5	30.6	27.5	54.5	57.0	63.0
Other instruction	11.0	16.6	16.8	18.1	20.5	20.0	40.1	9.5	10.0	10.0
Support Services:										
Student & instruction related services	24.0	18.8	21.2	24.2	24.2	22.0	22.8	26.0	27.0	28.0
General administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
School administrative services	9.0	11.5	13.0	16.7	16.7	16.3	11.0	11.0	11.0	11.0
Central services	5.0	4.3	5.0	7.0	7.0	7.0	8.8	8.8	8.8	8.8
Plant operations and maintenance	11.0	11.0	12.0	12.0	12.0	12.0	11.0	11.0	11.0	11.0
Pupil transportation	3.0	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0	0.0
Total	<u>192.0</u>	<u>188.3</u>	<u>200.0</u>	<u>216.0</u>	<u>216.0</u>	<u>215.0</u>	<u>223.1</u>	<u>209.6</u>	<u>211.6</u>	<u>228.8</u>

Source: District Personnel Records

**BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
OPERATING STATISTICS
LAST TEN (10) FISCAL YEARS**

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^d	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	1,377	17,702,312	12,856	16.02%	59.00	1:22	1:25	1366.6	1,298	25.73%	94.97%
2008	1,347	18,769,135	13,934	8.39%	63.00	1:20	1:24	1341.6	1,277	-0.96%	95.18%
2009	1,328	19,578,397	14,743	5.80%	69.00	1:18	1:23	1320.8	1,292	-1.55%	97.82%
2010	1,369	20,237,614	14,783	0.27%	68.00	1:19	1:23	1356.1	1,297	2.67%	95.63%
2011	1,426	21,736,564	15,243	3.11%	67.00	1:20	1:23	1406.5	1,347	3.72%	95.73%
2012	1,496	20,495,171	13,700	-10.12%	67.00	1:22	1:23	1475.2	1,411	4.88%	95.65%
2013	1,538	21,735,337	14,132	3.15%	76.00	1:22	1:23	1515.3	1,443	2.72%	95.23%
2014	1,573	21,905,887	13,926	1.65%	72.00	1:22	1:23	1567.9	1,511	6.28%	96.37%
2015	1,633	23,112,288	14,153	0.15%	75.00	1:24	1:18	1633.4	1,586	7.79%	97.09%
2016	1,677	25,076,263	14,953	7.37%	84.00	1:23	1:18	1692.0	1,630	3.59%	96.33%

Sources: District records

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated classroom teaching staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d Cost per Pupil calculated using Total Enrollment + Operating Expenditures. This is not intended to represent the statutory calculation of cost per pupil.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHOOL BUILDING INFORMATION
LAST TEN (10) FISCAL YEARS

	<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 School</u>										
Freehold Learning Center (1972, 1996 and 2001)										
Square Footage	49,239	49,239	49,239	49,239	49,239	49,239	49,239	49,239	49,239	49,329
Functional Capacity	460	460	460	460	460	460	460	394*	394*	394*
Enrollment	516	453	503	490	504	525	552	552	596	593
<u>Elementary/Intermediate School</u>										
Park Avenue Complex (1957, 1962, 1969, 1996, 2001 and 2006)										
Square Footage	97,810	97,810	97,810	97,810	97,810	97,810	97,810	97,810	97,810	97,810
Functional Capacity	660	660	660	660	660	660	660	754*	754*	754*
Enrollment	829	829	809	865	906	953	949	949	1046	1,084
<u>Other</u>										
Central Administration										
Square Feet	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164	1,164

Number of Schools at June 30, 2016

Elementary = 1

Elementary/Intermediate = 1

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.

* During 2014 as part of a referendum initiative the Board's Architect and the DOE independently reviewed and certified functional capacity for each building.

BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF REQUIRED MAINTENANCE EXPENDITURES
LAST TEN (10) FISCAL YEARS

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

	* School Facilities Project # (s)	Freehold Learning Center	Park Avenue Complex	Total
2007	N/A	\$ 16,797	\$ 31,194	\$ 47,991
2008	N/A	24,874	36,124	60,998
2009	N/A	34,205	68,821	103,026
2010	N/A	88,602	178,272	266,874
2011	1640-060-09-0ZUZ	78,972	158,895	237,867
2012	N/A	56,584	113,850	170,434
2013	N/A	46,493	92,293	138,786
2014	N/A	29,440	84,574	114,014
2015	N/A	71,374	144,937	216,311
2016	N/A	158,306	318,274	476,580
Total School Facilities		<u>\$ 685,454</u>	<u>\$ 1,387,650</u>	<u>\$ 2,073,104</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

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

<u>Type of Policy</u>	<u>Coverage</u>	<u>Deductible</u>
School Package Policy - Utica:		
Property - Blanket Building and Contents	\$ 31,386,418.00	\$ 1,000.00
Employee Benefits Coverage	1,000,000.00	1,000.00
General Liability Coverage:		
Limit of Liability - Aggregate	3,000,000.00	
Products - Completed Operations	3,000,000.00	
Personal and Advertising Liability	1,000,000.00	
Fire Damage	1,000,000.00	
Premises Medical Payments	10,000.00	
Inland Marine		
Misc. Articles Floater:		
Valuable Papers and Records	100,000.00	100.00
Cameras	50,000.00	250.00
Musical Instruments	500,000.00	250.00
Mobile Equipment	500,000.00	250.00
Electronic Data Processing:		
Hardware	400,000.00	250.00
Software	425,000.00	250.00
Extra Expense	50,000.00	
Automobile Coverage:		
Liability	1,000,000.00	
Medical Payments	10,000.00	
Uninsured/Underinsured Motorist	1,000,000.00	
Commercial Crime:		
Employee Dishonesty Blanket	100,000.00	
Commercial Umbrella Policy	10,000,000.00	10,000.00
Educators Legal Liability Policy	1,000,000.00	10,000.00
Boiler & Machinery - Hartford Steam Boiler - Limit for Accident	31,386,418.00	1,000.00

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
INSURANCE SCHEDULE
JUNE 30, 2016
UNAUDITED

(CONTINUED)

<u>Type of Policy</u>	<u>Coverage</u>	<u>Deductible</u>
Workers Compensation and Employers Liability Insurance Policy - New Jersey School Board Association Insurance Group (MOCSSIF) Section "A" Section "B"		
Each accident	\$ 2,000,000.00	
Each employee	2,000,000.00	
Aggregate	2,000,000.00	
Volunteer Accident Policy - Peoples Benefit/Bollinger	25,000.00	
Student Accident for All Students Including Interscholastic Athletics Except Football	5,000,000.00	
Public Official Bonds - Selective Way Insurance Company:		
Bruce Rodman - Treasurer	210,000.00	
Joseph Howe - School Business Administrator/Board Secretary	200,000.00	
Patricia Saxton - Assistant Business Administrator	25,000.00	

Source: District records.

SINGLE AUDIT SECTION

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Exhibit K-1
Sheet 1 of 2

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

Honorable President and Members
of the Board of Education
Borough of Freehold Board of Education
County of Monmouth, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance Department, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Freehold Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Borough of Freehold Board of Education's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

**INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

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

Compliance and Other Matters

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

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* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, and federal and state awarding agencies and pass-through entities in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

Freehold, New Jersey
December 1, 2016

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Exhibit K-2
Sheet 1 of 3

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJOMB 15-08**

The Honorable President and Members
of the Board of Education
Borough of Freehold Board of Education
County of Monmouth, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Borough of Freehold Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *New Jersey State Aid/Grant Compliance supplement* that could have a direct and material effect on each of District's major federal and state programs for the year ended June 30, 2016. The Borough of Freehold School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJOMB 15-08
(CONTINUED)**

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

Opinion on Each Major Federal and State Program

In our opinion, the Borough of Freehold Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Borough of Freehold Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Freehold Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and New Jersey State Aid/Grant Compliance Supplement, 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 Borough of Freehold Board of Education's internal control over compliance.

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

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

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND NJOMB 15-08
(CONTINUED)**

Purpose of Report

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



Gerard Stankiewicz
Certified Public Accountant
Licensed Public School Accountant #912



SAMUEL KLEIN AND COMPANY

December 1, 2016
Freehold, New Jersey

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor / Pass - Through Grantor / Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period		Award Amount	Balance, June 30, 2015			Cash Received	Budgetary (Expenditures)	Balance, June 30, 2016		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Adjustment			Deferred Revenue	(Accounts Receivable)	Due to Grantor
General Fund:													
ARRA/SEMI	93.778	1605NJ5MAP	10/1/2008	- 12/31/2010	\$ 14,614.76	\$ (14,614.76)			\$ 14,614.76				
Medical Assistance Program	93.778	1605NJ5MAP	7/1/2015	- 6/30/2016	31,948.13				31,948.13	\$ (31,948.13)			
					\$ (14,614.76)			\$ 46,562.89	\$ (31,948.13)				
Enterprise Fund:													
U.S. Department of Agriculture													
Passed - Through NJS Department of Education:													
Food Distribution Program	10.555	16161NJ304N1099	7/1/2015	- 6/30/2016	\$ 57,052.14			\$ 57,052.14	\$ (53,653.99)	\$ 3,398.15			
Food Distribution Program	10.555	16161NJ304N1099	7/1/2014	- 6/30/2015	46,672.51	\$ 7,942.58				(7,942.58)			
School Breakfast Program	10.553	16161NJ304N1099	7/1/2015	- 6/30/2016	162,428.64			167,384.60	(162,428.64)	\$ (15,044.04)			
School Breakfast Program	10.553	16161NJ304N1099	7/1/2014	- 6/30/2015	154,126.08	(13,604.78)		13,604.78					
National School Lunch Program	10.555	16161NJ304N1099	7/1/2015	- 6/30/2016	593,932.29			550,419.11	(593,932.29)	(43,513.18)			
National School Lunch Program	10.555	16161NJ304N1099	7/1/2014	- 6/30/2015	537,069.70	(41,305.50)		41,305.50					
Healthy Hunger Free Kids Program	10.555	16161NJ304N1099	7/1/2015	- 6/30/2016	12,994.86			12,036.06	(12,994.86)	(958.80)			
Healthy Hunger Free Kids Program	10.555	16161NJ304N1099	7/1/2014	- 6/30/2015	12,100.26	(933.90)		933.90					
Fruit & Vegetable Program	10.582	16161NJ304L1603	7/1/2014	- 6/30/2015	11,431.96	(3,635.83)		3,635.83					
After School Snack Program	10.555	16161NJ304N1099	7/1/2015	- 6/30/2016	25,344.48			24,106.32	(25,344.48)	(1,238.16)			
After School Snack Program	10.555	16161NJ304N1099	7/1/2014	- 6/30/2015	30,897.60	(1,028.28)		1,028.28					
Summer Food Service Program	10.559	16161NJ304N1099	7/1/2015	- 8/30/2015	25,304.95			25,304.95	(25,304.95)				
Total Enterprise Fund					\$ (52,565.71)			\$ 896,811.47	\$ (901,601.79)	\$ 3,398.15	\$ (60,754.18)		
Total					\$ (67,180.47)			\$ 943,374.36	\$ (933,549.92)	\$ 3,398.15	\$ (60,754.18)		

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor / Pass - Through Grantor / Program Title	Federal CFDA Number	Federal FAIN Number	Grant Period		Award Amount	Balance, June 30, 2015			Cash Received	Budgetary (Expenditures)	Balance, June 30, 2016		
			From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor	Adjustment			Deferred Revenue	(Accounts Receivable)	Due to Grantor
Special Revenue Fund													
U.S. Department of Education													
Passed - Through NJS Department of Education:													
Title I	84.010A	S010A150030	7/1/2014	- 6/30/2015	\$ 1,082,537.00	\$ (135,352.18)		\$ 0.18	\$ 135,352.00				
Title I	84.010A	S010A150030	7/1/2015	- 6/30/2016	1,138,348.00				873,467.00	\$ (1,032,374.09)		\$ (158,907.09)	
Title II, Part A	84.367A	S367A150029	7/1/2014	- 6/30/2015	77,587.00	(34,285.00)		(2.00)	34,287.00				
Title II, Part A	84.367A	S367A150029	7/1/2015	- 6/30/2016	73,116.00				53,257.00	(70,553.32)		(17,296.32)	
Title III, Part A	84.365A	S365A150030	7/1/2014	- 6/30/2015	69,706.00	(17,852.00)		(1.00)	17,853.00				
Title III, Part A	84.365A	S365A150030	7/1/2015	- 6/30/2016	94,076.00				76,806.00	(83,632.73)		(6,826.73)	
I.D.E.A. Part B	84.027A	H027A150100	7/1/2014	- 6/30/2015	428,696.00	(6,008.00)			6,008.00				
I.D.E.A. Part B	84.027A	H027A150100	7/1/2015	- 6/30/2016	471,794.00				416,578.00	(433,162.16)		(16,584.16)	
I.D.E.A. Part B	84.027A	H027A150100	7/1/2009	- 6/30/2010	3,255.87				3,255.87				\$ 3,255.87
I.D.E.A. Preschool	84.173	H173A150114	7/1/2014	- 6/30/2015	17,665.00	(63.00)			63.00				
I.D.E.A. Preschool	84.173	H173A150114	7/1/2015	- 6/30/2016	18,417.00				18,417.00	(18,417.00)			
21st Century CLC Program	84.287C	S287C150030	7/1/2014	- 6/30/2015	500,000.00	(36,763.73)		1.09	146,020.00	(109,257.36)			
21st Century CLC Program	84.287C	S287C150030	7/1/2015	- 6/30/2016	544,995.00				357,634.00	(389,107.43)		(31,473.43)	
21st Century CLC IDEA	84.027A	H027A150100	7/1/2014	- 6/30/2015	29,999.00	(1,866.00)		(1.28)	17,378.00	(15,510.72)			
Race To The Top	84.413A	B413A120008	9/1/2012	- 9/30/2015	87,954.00	(18,000.65)		(0.67)	43,129.00	(25,127.68)			
Preschool Expansion Grant	84.419A	S419B150020	7/1/2015	- 6/30/2016	865,654.00				715,483.00	(807,077.70)		(91,594.70)	
						\$ (250,190.56)		\$ (3.68)	\$ 2,914,987.87	\$ (2,984,220.19)		\$ (322,682.43)	\$ 3,255.87
U.S. Department of Agriculture													
Passed - Through NJS Department of Education:													
Preschool Breakfast Expansion	10.579	15151NJ354N8103	7/1/2014	- 6/30/2015	\$ 7,125.00	(914.17)			\$ 1,988.19	(1,074.02)			
Total Special Revenue Fund						\$ (251,104.73)		\$ (3.68)	\$ 2,916,976.06	\$ (2,985,294.21)		\$ (322,682.43)	\$ 3,255.87
Total Federal Financial Assistance						\$ (318,285.20)		\$ (3.68)	\$ 3,860,350.42	\$ (3,918,844.13)	\$ 3,398.15	\$ (383,436.61)	\$ 3,255.87

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/ Program Title	Grant or State Project Number	Grant Period		Award Amount	June 30, 2015		Cash Received	Budgetary (Expenditures)	Repayment of Prior Year's Balance	Balance, June 30, 2016		MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
		From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				Deferred Revenue (Accounts Receivable)	Due to Grantor		
State Department of Education:													
General Fund:													
Categorical Special Education Aid	16-495-034-5120-089	7/1/2015	6/30/2016	\$ 821,499.00			\$ 821,499.00	\$ (821,499.00)				\$ (81,874.02)	\$ (821,499.00)
Equalization Aid	16-495-034-5120-078	7/1/2015	6/30/2016	8,115,888.00			8,115,888.00	(8,115,888.00)				(808,863.24)	(8,115,888.00)
Categorical Security Aid	16-495-034-5120-084	7/1/2015	6/30/2016	194,487.00			194,487.00	(194,487.00)				(19,383.39)	(194,487.00)
Categorical Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	44,314.00			44,314.00	(44,314.00)				(4,416.50)	(44,314.00)
Underadequacy Aid	16-495-034-5120-096	7/1/2015	6/30/2016	435,142.00			435,142.00	(435,142.00)				(43,368.07)	(435,142.00)
PARCC Readiness Aid	16-495-034-5120-098	7/1/2015	6/30/2016	15,960.00			15,960.00	(15,960.00)				(1,590.64)	(15,960.00)
Per Pupil Growth Aid	16-495-034-5120-097	7/1/2015	6/30/2016	15,960.00			15,960.00	(15,960.00)				(1,590.64)	(15,960.00)
Extraordinary Aid	16-100-034-5120-044	7/1/2015	6/30/2016	102,803.00				(102,803.00)		\$ (102,803.00)			(102,803.00)
Extraordinary Aid	15-100-034-5120-044	7/1/2014	6/30/2015	230,227.00	\$ (230,227.00)		130,227.00		\$ 100,000.00				
Nonpublic Transportation Aid	16-495-034-5120-014	7/1/2015	6/30/2016	2,032.00				(2,032.00)				(2,032.00)	(2,032.00)
Nonpublic Transportation Aid	15-495-034-5120-014	7/1/2014	6/30/2015	1,392.00	(1,392.00)		1,392.00						
Reimbursed T.P.A.F. Social Security Contributions (Non Budgeted)	16-495-034-5095-002	7/1/2015	6/30/2016	693,902.85			693,902.85	(693,902.85)					(693,902.85)
Reimbursed T.P.A.F. Social Security Contributions (Non Budgeted)	15-495-034-5095-002	7/1/2014	6/30/2015	648,095.39	(33,380.63)		33,380.63						
Total General Fund					\$ (264,999.63)		\$ 10,502,152.48	\$ (10,441,987.85)	100,000.00	\$ (104,835.00)		\$ (961,086.50)	\$ (10,441,987.85)

**BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/ Program Title	Grant or State Project Number	Grant Period		Award Amount	June 30, 2015		Cash Received	Budgetary (Expenditures)	Repayment of Prior Year's Balance	Balance, June 30, 2016		MEMO Budgetary Receivable	MEMO Cumulative Total Expenditures
		From	To		Deferred Revenue/ (Accounts Receivable)	Due to Grantor				Deferred Revenue (Accounts Receivable)	Due to Grantor		
State Department of Education (Continued):													
Special Revenue Fund:													
N.J. Nonpublic Aid:													
Textbook Aid	16-100-034-5120-064	7/1/2015	- 6/30/2016	\$ 16,730.00			\$ 16,730.00	\$ (16,693.21)		\$ 36.79		\$ (16,693.21)	
Textbook Aid	15-100-034-5120-064	7/1/2014	- 6/30/2015	17,457.00	\$ 49.76			\$ (49.76)					
Nursing Services	16-100-034-5120-070	7/1/2015	- 6/30/2016	27,090.00			27,090.00	(26,883.72)		206.28		(26,883.72)	
Nursing Services	15-100-034-5120-070	7/1/2014	- 6/30/2015	28,265.00		367.86			(367.86)				
Technology	16-100-034-5120-373	7/1/2015	- 6/30/2016	7,618.00			7,618.00	(7,569.99)		48.01		(7,569.99)	
Technology	15-100-034-5120-373	7/1/2014	- 6/30/2015	9,376.00		0.09			(0.09)				
Security	16-100-034-5120-509	7/1/2015	- 6/30/2016	7,525.00			7,525.00	(6,445.00)		1,080.00		(6,445.00)	
Auxiliary Services:													
Compensatory Education	16-100-034-5120-067	7/1/2015	- 6/30/2016	27,919.00			27,919.00	(21,150.76)		6,768.24		(21,150.76)	
Transportation	16-100-034-5120-068	7/1/2015	- 6/30/2016	5,950.00			5,950.00	(5,950.00)				(5,950.00)	
English as a Second Language	16-100-034-5120-067	7/1/2015	- 6/30/2016	5,090.00			5,090.00	(5,090.00)				(5,090.00)	
Handicapped Services:													
Supplemental Instruction	16-100-034-5120-066	7/1/2015	- 6/30/2016	12,624.00			12,624.00	(12,624.00)				(12,624.00)	
Examination and Classification	16-100-034-5120-066	7/1/2015	- 6/30/2016	20,622.00			20,622.00	(20,280.40)		341.60		(20,280.40)	
Corrective Speech	16-100-034-5120-066	7/1/2015	- 6/30/2016	20,902.00			20,902.00	(20,902.00)				(20,902.00)	
Corrective Speech	15-100-034-5120-066	7/1/2014	- 6/30/2015	28,272.00		6,184.50			(6,184.50)				
Other:													
Preschool Education Aid	16-495-034-5120-086	7/1/2015	- 6/30/2016	181,815.00			163,633.50	(181,815.00)		\$ (18,181.50)		(18,181.50)	
Preschool Education Aid	15-495-034-5120-086	7/1/2014	- 6/30/2015	150,195.00	\$ (15,019.50)		15,019.50						
Total Special Revenue Fund					\$ (15,019.50)	\$ 6,602.21	\$ 330,723.00	\$ (325,404.08)	\$ (6,602.21)	\$ (18,181.50)	\$ 8,480.92	\$ (325,404.08)	
Debt Service Fund:													
Debt Service Support	16-100-034-5120-075	7/1/2015	- 6/30/2016	\$ 136,502.00			\$ 136,502.00	(136,502.00)				\$ (136,502.00)	
Total Debt Service Fund							\$ 136,502.00	(136,502.00)				\$ (136,502.00)	
Enterprise Fund:													
National School Lunch Program (State Share)	15-100-010-3350-023	7/1/2012	- 6/30/2015	10,741.88	\$ (828.34)		\$ 828.34						
National School Lunch Program (State Share)	15-100-010-3350-023	7/1/2014	- 6/30/2015	327.32			327.32	(327.32)				\$ (327.32)	
National School Lunch Program (State Share)	16-100-010-3350-023	7/1/2015	- 6/30/2016	11,540.11			10,690.44	(11,540.11)		\$ (849.67)		(11,540.11)	
Total Enterprise Fund					\$ (828.34)		\$ 11,846.10	(11,867.43)		\$ (849.67)		\$ (11,867.43)	
Total State Financial Assistance					\$ (280,847.47)	\$ 6,602.21	\$ 10,981,223.58	(10,915,761.36)	\$ 93,397.79	\$ (123,866.17)	\$ 8,480.92	\$ (961,086.50)	\$ (10,915,761.36)

**BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016**

1. GENERAL

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education, Borough of Freehold School District. The information in this Schedule is presented in accordance with the requirements of Title 2, *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and NJOMB 15-08. The Board of Education is defined in Note 1 (A) to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules or expenditures of federal awards and state financial assistance.

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in this Schedule is presented in accordance with the requirements of Title 2, *US Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and NJOMB 15-08. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last 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 two (2) state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the last state aid payment in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*.

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE (CONTINUED)
YEAR ENDED JUNE 30, 2016

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (CONTINUED)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is an increase of \$50.00 for the General Fund and a decrease of \$3,162.00 for the Special Revenue Fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as presented on the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ 31,872.21	\$ 11,950,702.85	\$ 11,982,575.06
Special Revenue Fund	2,985,294.21	322,242.08	3,307,536.29
Debt Service Fund		136,502.00	136,502.00
Food Service Fund	<u>897,057.36</u>	<u>11,867.43</u>	<u>908,924.79</u>
	<u>\$ 3,914,223.78</u>	<u>\$ 12,421,314.36</u>	<u>\$ 16,335,538.14</u>

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.

5. FEDERAL AND STATE LOANS OUTSTANDING

The District had no loans outstanding payable to federal or state entities at June 30, 2016.

6. 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 Contribution and Post Retirement Medical Contributions represents the amount paid by the State on behalf of the District for the fiscal 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.

The State of New Jersey also makes TPAF post-retirement medical and pension contribution expenditures on-behalf of the District. These expenditures are not subject to New Jersey OMB Circular 15-08 because the contributions are made by the State directly and do not have any compliance related requirements, and therefore have not been included on the Schedule of State Awards, as directed by the funding agency.

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified, dated
December 1, 2016

Internal control over financial reporting:

1. Material weakness(es) identified? _____ yes no
2. Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes none reported
- Noncompliance material to basic financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

1. Material weakness(es) identified? _____ yes no
2. Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified, dated
December 1, 2016

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of the Uniform Guidance? _____ yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010A	Title I, Part A
84.419A	Preschool Expansion

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00

Auditee qualified as low-risk auditee? _____ yes no

BOARD OF EDUCATION
BOROUGH OF FREEHOLD SCHOOL DISTRICT
COUNTY OF MONMOUTH
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

FOR THE YEAR ENDED JUNE 30, 2015:

There were no findings for the year ended June 30, 2015.