

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016

**Prepared by
Frenchtown Borough School District
Department of Administration**

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Introduction	
Letter of Transmittal	1 - 5
Organizational Chart	6
Roster of Officials	7
Consultants and Advisors	8
 Financial	
Independent Auditors' Report	9 - 11
Required Supplementary Information - Part I	
Management's Discussion and Analysis	12 - 20
 Basic Financial Statements	
A. District-Wide Financial Statements	
A-1 Statement of Net Position	21
A-2 Statement of Activities	22
 B. Fund Financial Statements	
Governmental Funds	
B-1 Balance Sheet	23 - 24
B-2 Statement of Revenues, Expenditures, and Change in Fund Balances	25 - 26
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27 - 28
Proprietary Funds	
B-4 Statement of Fund Net Position	29
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	30
B-6 Statement of Cash Flows	31
Fiduciary Funds	
B-7 Statement of Fiduciary Net Position	32
B-8 Statement of Changes in Fiduciary Net Position	33
 Notes to the Financial Statements	34 - 64

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page</u>
Required Supplementary Information - Part II	
C. Budgetary Comparison Schedules	
C-1 Budgetary Comparison Schedule - General Fund	65 -71
C-1a Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	N/A
C-1b Community Development Block Grant - Budget and Actual	N/A
C-2 Budgetary Comparison Schedule - Special Revenue Fund	72
Notes to the Required Supplementary Information	
C-3 Budget-to-GAAP Reconciliation	73
Required Supplementary Information - Part III	
L. Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability - TPAF	74
L-2 Schedule of Pension Contribution - TPAF	75
L-3 Schedule of the District's Proportionate Share of the Net Position Liability - PERS	76
L-4 Schedule of Pension Contribution - PERS	77
Notes of the Required Supplementary Information - Part III	
	78
Other Supplemental Information	
D. School Based Budget Schedules	N/A
E. Special Revenue Fund	
E-1 Combining Schedule of Revenue and Expenditures - Budgetary Basis	79
E-2 Preschool Education Aid Schedule(s) of Expenditures - Budgetary Basis	N/A
F. Capital Projects Fund	
F-1 Summary Schedule of Project Expenditures	80
F-2 Summary Schedule of Revenues, Expenditures and Changes in Fund Balance - Budgetary Basis	81
F-2a - Schedule of Project Revenues, Expenditures, Project Balance and F-2d Project Status - Budgetary Basis	82 - 85

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page</u>
G. Proprietary Funds	
Enterprise Fund	
G-1 Statement of Fund Net Position	86
G-2 Statement of Revenues, Expenses and Changes in Fund Net Position	87
G-3 Statement of Cash Flows	88
H. Fiduciary Funds	
H-1 Combining Schedule of Net Position in Fiduciary Funds	89
H-2 Schedule of Changes in Fiduciary Net Position	90
H-3 Student Activity Agency Fund Schedule of Receipts & Disbursements	91
H-4 Payroll Agency Fund Schedule of Receipts & Disbursements	92
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	93
I-2 Debt Service Fund Budgetary Comparison Schedule	94
I-3 Schedule of Obligations under Capital Leases	N/A
J. Statistical Section	
Statistical Table of Contents	95
J-1 Net Position by Component	96
J-2 Changes in Net Position	97 - 99
J-3 Fund Balances - Governmental Funds	100
J-4 Changes in Fund Balances - Governmental Funds	101 - 102
J-5 General Fund - Other Local Revenues by Source	103
J-6 Assessed Value and Actual Value of Taxable Property	104
J-7 Direct and Overlapping Property Tax Rates	105
J-8 Principal Property Taxpayers	106
J-9 Property Tax Levies and Collections	107
J-10 Ratios of Outstanding Debt by Type	108
J-11 Ratios of General Bonded Debt Outstanding	109
J-12 Direct and Overlapping Governmental Activities Debt	110
J-13 Legal Debt Margin Information	111
J-14 Demographic and Economic Statistics	112
J-15 Principal Employers	113
J-16 Full Time Equivalent District Employees by Function/Program	114
J-17 Operating Statistics	115
J-18 School Building Information	116
J-19 Schedule of Required Maintenance Expenditures by School Facility	117
J-20 Insurance Schedule	118

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

TABLE OF CONTENTS (continued)

	<u>Page</u>
K. Single Audit Section	
K-1 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	119 - 120
K-2 Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by The Uniform Guidance of New Jersey OMB Circular Letter 15-08	121 - 123
K-3 Schedule of Expenditures of Federal Awards - Schedule A	124
K-4 Schedule of Expenditures State Financial Assistance - Schedule B	125
K-5 Notes to the Schedules of Awards and Financial Assistance	126 -127
K-6 Schedule of Findings and Questioned Costs	128
K-7 Summary Schedule of Prior Audit Findings	129

**EDITH ORT THOMAS ELEMENTARY SCHOOL
FRENCHTOWN ELEMENTARY SCHOOL DISTRICT
902 HARRISON STREET
FRENCHTOWN, NEW JERSEY 08825
Phone (908) 996-2751
Fax (908) 996-3599**

Daria Wasserbach
Superintendent

Teresa E. Barna
*Business Administrator/
Board Secretary*

November 4, 2016

Honorable President and
Members of the Board of Education
Frenchtown Elementary School District
Hunterdon County, New Jersey

The comprehensive annual financial report of the Frenchtown Elementary School 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 Frenchtown Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report of 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: Frenchtown School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Frenchtown Board of Education and the school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. This includes regular, as well as special education for special need students. The district completed the 2015-16 fiscal year with an enrollment of 139 students, which is essentially the same enrollment as the previous year. The following details the changes in the student enrollment of the district over the last five years.

Average Daily Enrollment

Fiscal Year	Student Enrollment	Percent Change
2015-2016	139	-4.2%
2014-2015	145	0.1%
2013-2014	144	-2.7%
2012-2013	148	-5.7%
2011-2012	157	-8.0%

2) ECONOMIC CONDITION AND OUTLOOK: The Frenchtown areas outlook for development and expansion has some potential housing/retail developments pending.

3.) MAJOR INITIATIVES: The district continues to look for opportunities to share services in an effort to improve efficiencies. In 2015/2016 the district implemented a one to one technology initiative for the middle school students. Capital projects to renovate the bathrooms, replace the roof and windows and a boiler replacement were either completed or started during the 2015/2016 school year. The first year PARCC test results were extremely strong. This allows the district to continue to focus on our curriculum and move forward in a positive direction.

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 also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with

applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the district management.

As part of the district's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the District has complied with applicable laws 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 re-appropriations of fund balances in the subsequent year. Those amounts to be re-appropriated are reported as reservations of fund balance at June 30, 2016.

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

7) FINANCIAL INFORMATION AT FISCAL YEAR-END: 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 for the fiscal year ended June 30, 2016.

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) from Prior Year</u>	<u>% of Increase (Decrease)</u>
REVENUES				
Local Sources:				
Tax Levy:				
General	\$ 1,833,860	64.46%	\$ 94,660	5.44%
Debt Service	114,100	4.01%	(33,573)	-22.73%
Other Revenues	84,148	2.96%	20,452	32.11%
State Aid	727,049	25.56%	(303,975)	-29.48%
Federal Aid	85,642	3.01%	(1,592)	-1.82%
Total	<u>\$ 2,844,799</u>	<u>96.99%</u>	<u>\$ (224,028)</u>	<u>-7.30%</u>

EXPENDITURES

Current Expense	\$2,433,603	87.97%	\$(365,741)	-13.07%
Capital Outlay	81,283	2.94%	56,305	225.42%
Special Projects	86,376	3.12%	(1,195)	-1.36%
Debt Service				
Principal	139,000	5.02%	4,000	2.96%
Interest	26,249	0.95%	13,576	107.13%
Total	<u>\$2,766,511</u>	<u>100.00%</u>	<u>\$(293,055)</u>	<u>-9.58%</u>

Note: Excludes “on behalf” payments, lease purchase acquisitions and capital projects.

The funding formula from the State of New Jersey, Department of Education established the above maximum permitted net budget, dictated the amount of fund balance the district could maintain and reduced the amount of unrestricted state aid received. Within these constraints, the Frenchtown Board of Education provided a thorough and efficient education in alignment with the emerging core curriculum standards.

8) DEBT ADMINISTRATION: At June 30, 2016 the District had outstanding debt issues of \$1,353,000 at an interest rate of 3.0%. On September 30, 2015, the voters of Frenchtown Borough authorized a bond issuance for capital improvements at the Edith Ort Thomas Elementary School in the amount of \$1,353,000. Bonds were issued at an interest rate of 3.0%.

9) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in “Notes to the Financial Statements”, Note 3. The District has adopted a cash management plan which requires it to deposit funds in public depositories protect from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted 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.


10) 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.


11) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Bedard, Kurowicki, and Co., CPA’s, PC, was appointed by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy

for Recipients of Federal Grants, State Grants and State Aid Payments." The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to single audit are included in the single audit section of this report.

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

Respectfully submitted,


Daria Wasserbach
Superintendent


Teresa E. Barna
Business Administrator/Board Secretary

Frenchtown Board of Education

902 Harrison Street • Frenchtown • New Jersey • 08825

Telephone: 908-996-2751 • Fax: 908-996-3599

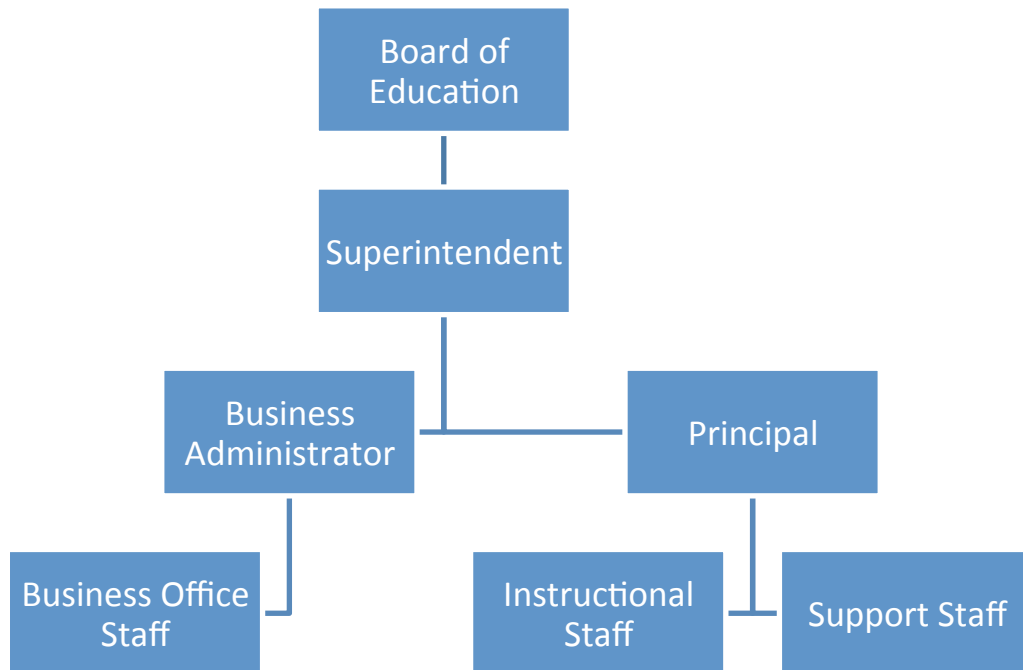
Website: www.frenchtownschoool.org



Daria A. Wasserbach
Superintendent

Teresa E. Barna
Business Administrator/Board Secretary

Christina Dalla Palu
Principal



FRENCHTOWN BOARD OF EDUCATION
Frenchtown, New Jersey
Consultants & Advisors
June 30, 2016

<u>Members of the Board of Education</u>	<u>Title</u>	<u>Term Expires</u>
Kate Nugent	President	2018
Teresa Pearson	Vice-President	2017
Mr. Adam Blackburn		2017
Jennifer Campbell		2016
Laura Einhorn		2016
Chris Guglielmo		2018
Amy Musolino		2017

Other Officials

Daria A. Wasserbach	Superintendent
Teresa E. Barna	Board Secretary/School Business Administrator
Christina Dalla Palu	Principal
Raymond B. Krov	School Treasurer

FRENCHTOWN BOARD OF EDUCATION
Frenchtown, New Jersey
Consultants & Advisors
June 30, 2016

AUDIT FIRM

Bedard, Kurowicki & Co.
114 Broad Street
Flemington, NJ 08822

ATTORNEY

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

OFFICIAL DEPOSITORY

PNC Bank
PO Box 746
Keene, NH 03431



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frenchtown Borough School District, (the District) in the County of Hunterdon, the State of New Jersey, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frenchtown 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's Discussion and Analysis and Budgetary Comparison Information, Schedule of the District's Proportionate Share of Net Pension Liability, and Schedule of the District's Pension Contributions, as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards and Schedule of Expenditures of State Financial Assistance required by New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.


In our opinion, the combining and individual non-major fund financial statements, Schedule of Expenditures of Federal Awards, and Schedule of Expenditures of State Financial Assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject 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 November 4, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 4, 2016
Flemington, New Jersey

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

The discussion and analysis of Frenchtown School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position increased \$150,541 which represents a 5.27% increase from 2015.
- General revenues accounted for \$3,512,683 in revenue or 93.92% of all revenues. Program specific revenues in the form of operating grants and contributions and capital grants and contributions accounted for \$227,295 or 6.08% of total revenues of \$3,739,978.
- Total assets of governmental activities increased by \$634,493. As cash and cash equivalents decreased by \$420,520, receivables and other assets decreased by \$326,561 and capital assets increased by \$1,381,574.
- The School District had \$3,578,665 in expenses; only \$227,295 of these expenses was offset by program specific charges, grants or contributions. General revenues (primarily property taxes) of \$3,512,683 were adequate to provide for these expenses.
- Among major funds, the General fund had \$2,944,082 in revenues and \$2,803,873 in expenditures. After factoring in transfers to other funds of \$48,865, the General fund's balance increased \$91,344 over 2015.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

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

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

In the Statement of Position Assets and the Statement of Activities, the School District reports governmental activities. Governmental activities are the activities where most of the school district's programs and services are reported, including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Governmental Funds

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

The School District as a Whole

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

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

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
ASSETS				
Current & other assets	\$ 1,401,383	\$ 2,150,826	\$ (749,443)	-34.84%
Capital assets	3,628,657	2,247,627	1,381,030	61.44%
Total assets	5,030,040	4,398,453	631,587	14.36%
Deferred outflows of resources	127,300	49,798	77,502	155.63%
LIABILITIES				
Long-term liabilities	2,062,822	727,166	1,335,656	183.68%
Other liabilities	79,227	836,041	(756,814)	-90.52%
Total liabilities	2,142,049	1,563,207	578,842	37.03%
Deferred inflows of resources	10,093	30,387	(20,294)	-66.79%
NET POSITION				
Net investment in capital assets	2,275,657	2,108,627	167,030	7.92%
Restricted	990,584	996,021	(5,437)	-0.55%
Unrestricted	(261,043)	(249,991)	(11,052)	4.42%
Total net position	\$ 3,005,198	\$ 2,854,657	\$ 150,541	5.27%

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Total assets increased \$631,587. Cash and cash equivalents decreased by \$423,297, receivables and other assets decreased by \$326,146, and capital assets increased by \$1,381,030. Unrestricted net position, the part of net position that can be used to finance day to day activities without constraints established by grants or legal requirements, of the District decreased by \$11,052.

The negative balance in unrestricted net position is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

Table 2 shows changes in net position for fiscal year 2016 compared to 2015.

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Table 2
Changes in Net Position

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>Variance</u>	
			<u>Dollars</u>	<u>Percent</u>
REVENUES				
Program revenues				
Charges for services	\$ 122,230	\$ 102,732	\$ 19,498	18.98%
Operating grants	105,065	108,442	(3,377)	-3.11%
Capital grants	-	902,000	(902,000)	-100.00%
General revenues				
Property taxes	1,947,960	1,886,873	61,087	3.24%
Unrestricted grants	1,563,704	1,432,990	130,714	9.12%
Other	1,019	3,372	(2,353)	-69.78%
Total revenues	<u>3,739,978</u>	<u>4,436,409</u>	<u>(696,431)</u>	<u>-15.70%</u>
PROGRAM EXPENSES				
Instruction				
Regular	1,626,796	1,650,507	(23,711)	-1.44%
Special	531,893	471,041	60,852	12.92%
Other	53,614	32,531	21,083	64.81%
Support services				
Tuition	149	34,919	(34,770)	-99.57%
Student & instructional staff services	651,843	501,078	150,765	30.09%
General & business administration	162,895	147,189	15,706	10.67%
School administration	147,574	119,676	27,898	23.31%
Maintenance	267,431	307,965	(40,534)	-13.16%
Transportation	18,670	84,395	(65,725)	-77.88%
Food service	61,983	71,967	(9,984)	-13.87%
Interest on long-term debt	55,817	23,400	32,417	138.53%
Total expenses	<u>3,578,665</u>	<u>3,444,668</u>	<u>133,997</u>	<u>3.89%</u>
Increase (decrease) before special items	161,313	991,741	(830,428)	
Special item				
State capital project grant de-obligated	(10,772)	-	(10,772)	
Increase (decrease) in net position	<u>\$ 150,541</u>	<u>\$ 991,741</u>	<u>\$ (841,200)</u>	<u>-84.82%</u>

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Governmental Activities

The unique nature of property taxes in New Jersey creates the need to routinely seek voter approval for the School District operations. Local property taxes made up 52.08% of revenues for governmental activities for the Frenchtown School District for fiscal year 2016.

Instruction comprises 61.82% of district expenses. Support service expenses make up 38.18% of the expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services by identifying the cost of services supported by tax revenue and unrestricted State entitlements.

Table 3
Cost of Governmental Services

	Total Cost of Services		Net Cost of Services	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Instruction	\$ 2,212,303	\$ 2,154,079	\$ 2,074,794	\$ 1,396,543
Support services				
Tuition	149	34,919	149	34,919
Student & instructional staff	651,843	501,078	623,140	307,710
General & business administration	162,895	147,189	162,895	87,858
School administration	147,574	119,676	147,574	82,322
Plant operations & maintenance	267,431	307,965	264,131	307,965
Pupil transportation	18,670	84,395	18,670	82,085
Food services	61,983	71,967	4,200	8,692
Interest on long-term debt	55,817	23,400	55,817	23,400
	<u>\$ 3,578,665</u>	<u>\$ 3,444,668</u>	<u>\$ 3,351,370</u>	<u>\$ 2,331,494</u>

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

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

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

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

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

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

Extracurricular activities include expenses related to student activities provided by the School District which are designed to provide opportunities for students to participate in school events, public events, or a combination of these for purposes of motivation, enjoyment and skill improvement.

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

The dependence upon tax revenues is apparent. For all activities, including capital projects, local tax revenue support is 62.16% of Governmental funds. The community, as a whole, is the primary support for the Frenchtown Public School District.

The Schools District's Funds

Information about the School District's major funds starts in the section entitled Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All Governmental funds had total revenues of \$3,133,786 and expenditures of \$4,459,006. The General fund had an increase fund balance of \$91,344.

General Fund Budgeting Highlights

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

During the course of fiscal year 2016, the School District amended its General fund budget as needed. The School District uses program based budgeting and the budgeting systems are designed to tightly control program budgets but provide flexibility for program management.

For the General fund, budget basis revenue and other financing sources were \$2,655,095, \$8,883 above original budgeted estimates of \$2,646,212. This difference was due primarily to rents received from facility usage, non-public transportation aid, and tuition sources.

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

Capital Assets

At the end of the fiscal year 2016, the School District had \$3,625,952 invested in land, building, furniture and equipment and vehicles. Table 4 shows fiscal year 2016 compared to 2015.

Table 4
Capital Assets (Net of Depreciation)

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
Land	\$ 69,500	\$ 69,500		
Construction in progress	546,507	159,782	\$ 386,725	242.03%
Land improvements	2,257	2,902	(645)	-22.23%
Buildings & improvements	2,905,628	1,942,135	963,493	49.61%
Machinery & equipment	102,060	73,308	28,752	39.22%
	<u>\$ 3,625,952</u>	<u>\$ 2,247,627</u>	<u>\$ 1,378,325</u>	<u>61.32%</u>

Overall capital assets increased \$1,378,325 from fiscal year 2015 to fiscal year 2016. Increases in capital assets (primarily buildings and improvements, machinery and equipment) were offset by depreciation expenses for the year.

Long-term liabilities

At June 30, 2016, the School District had \$2,062,822 of long-term liabilities. This amount is detailed in Table 5 below.

At June 30, 2016, the legal debt limit is \$4,875,396. General obligation debt at June 30, 2016 is \$2,244,227 resulting in a legal debt margin of \$2,631,169.

Table 5
Long-Term Liabilities at Year End

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
2001 General obligation bonds	\$ -	\$ 139,000	\$ (139,000)	-100%
2015 General obligation bonds	1,353,000	-	1,353,000	
PERS net pension liability	627,774	509,888	117,886	23.12%
Compensated absences	82,048	78,278	3,770	4.82%
	<u>\$ 2,062,822</u>	<u>\$ 727,166</u>	<u>\$ 1,335,656</u>	<u>183.68%</u>

FRENCHTOWN BOARD OF EDUCATION
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
Unaudited

For the Future

The Frenchtown District is in good financial condition presently. The School District is proud of its community support of the public school. A major concern is increased reliance on local property taxes.

Frenchtown Borough is primarily a residential community, with very few commercial ratables; thus a large part of the tax burden is borne by homeowners.

The Frenchtown Board of Education and Administration are acutely aware of this burden on the community and have sought alternate revenue sources. The District has actively sought tuition students in both its Preschool and Elementary programs. It has also sought out shared services opportunities with other local Districts and are currently sharing staff (Superintendent, Business Administrator and World Language Teacher), and services (satellite food service, broad band access, transportation). It also actively participated in bids for supplies, energy and communication services.

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact: Teresa E. Barna, School Business Administrator, Frenchtown School District, 902 Harrison, St., Frenchtown, NJ 08825 (908) 996-2751.

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities display information about the District. These statements include the financial activities of the overall District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the District.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 373,768	\$ 5,218	\$ 378,986
Receivables, net	924,763	3,060	927,823
Inventory	-	2,984	2,984
Restricted assets	91,590	-	91,590
Capital assets, net (Note 4)			
Land	69,500	-	69,500
Capital assets not being depreciated	546,507	-	546,507
Other capital assets, net of depreciation	3,009,945	2,705	3,012,650
Total assets	<u>5,016,073</u>	<u>13,967</u>	<u>5,030,040</u>
Deferred outflows of resources			
Deferred amount on pension activity	<u>127,300</u>	<u>-</u>	<u>127,300</u>
Liabilities			
Accounts payable	49,631	-	49,631
Payables to other governments	2,395	-	2,395
Accrued interest	18,903	-	18,903
Unearned revenue	6,070	2,228	8,298
Long-term liabilities (Note 5)			
Due within one year	75,000	-	75,000
Due beyond one year	1,987,822	-	1,987,822
Total liabilities	<u>2,139,821</u>	<u>2,228</u>	<u>2,142,049</u>
Deferred inflows of resources			
Deferred amount on pension liability	<u>10,093</u>	<u>-</u>	<u>10,093</u>
Net position			
Net investment in capital assets	2,272,952	2,705	2,275,657
Restricted for			
Capital reserve	159,550	-	159,550
Maintenance reserve	147,916	-	147,916
Capital projects	680,938	-	680,938
Debt Service	2,180	-	2,180
Unrestricted	<u>(270,077)</u>	<u>9,034</u>	<u>(261,043)</u>
Total net position	<u>\$ 2,993,459</u>	<u>\$ 11,739</u>	<u>\$ 3,005,198</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 1,088,630	\$ 538,166	\$ 79,836	\$ 17,419	\$ -	\$ (1,529,541)	\$ -	\$ (1,529,541)
Special education	366,902	164,991	-	18,500	-	(513,393)	-	(513,393)
Other special education	21,380	809	-	21,380	-	(809)	-	(809)
Other instruction	27,486	3,939	-	374	-	(31,051)	-	(31,051)
Support services								
Tuition	149	-	-	-	-	(149)	-	(149)
Students & instruction related services	456,387	195,456	-	28,703	-	(623,140)	-	(623,140)
General & business administration services	154,838	8,057	-	-	-	(162,895)	-	(162,895)
School administration services	108,745	38,829	-	-	-	(147,574)	-	(147,574)
Plant operations & maintenance	247,416	20,015	3,300	-	-	(264,131)	-	(264,131)
Pupil transportation	15,839	2,831	-	-	-	(18,670)	-	(18,670)
Interest on long-term debt	55,817	-	-	-	-	(55,817)	-	(55,817)
Total governmental activities	<u>2,543,589</u>	<u>973,093</u>	<u>83,136</u>	<u>86,376</u>	<u>-</u>	<u>(3,347,170)</u>	<u>-</u>	<u>(3,347,170)</u>
Business-type activities								
Food service	61,981	-	39,094	18,690	-	-	(4,197)	(4,197)
Total business-type activities	<u>61,981</u>	<u>-</u>	<u>39,094</u>	<u>18,690</u>	<u>-</u>	<u>-</u>	<u>(4,197)</u>	<u>(4,197)</u>
Total primary government	<u>\$ 2,605,570</u>	<u>\$ 973,093</u>	<u>\$ 122,230</u>	<u>\$ 105,066</u>	<u>\$ -</u>	<u>(3,347,170)</u>	<u>(4,197)</u>	<u>(3,351,367)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						1,833,860	-	1,833,860
Property taxes levied for debt service						114,100	-	114,100
Federal & state aid not restricted						1,563,704	-	1,563,704
Investment earnings						607	4	611
Capital grants deobligated						(10,772)	-	(10,772)
Miscellaneous income						405	-	405
Transfers						(346)	346	-
Total general revenues, special items & transfers						<u>3,501,558</u>	<u>350</u>	<u>3,501,908</u>
Change in net position						154,388	(3,847)	150,541
Net position-beginning						2,839,071	15,586	2,854,657
Net position-ending						<u>\$ 2,993,459</u>	<u>\$ 11,739</u>	<u>\$ 3,005,198</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 366,001	\$ -	\$ -	\$ 2,180	\$ 368,181
Due from other funds	5,587	-	-	-	5,587
Receivables from other governments					
State	14,673	-	891,227	-	905,900
Federal	-	18,293	-	-	18,293
Other accounts receivable	570	-	-	-	570
Restricted cash & cash equivalents	307,466	-	(210,289)	-	97,177
Total assets	\$ 694,297	\$ 18,293	\$ 680,938	\$ 2,180	\$ 1,395,708
Liabilities and fund balances					
Liabilities					
Due to other funds	\$ -	\$ 5,587	\$ -	\$ -	\$ 5,587
Accounts payable	41,320	8,311	-	-	49,631
Payables to governments					
State	-	2,395	-	-	2,395
Unearned revenue	4,070	2,000	-	-	6,070
Total liabilities	45,390	18,293	-	-	63,683

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Balance Sheet (continued)
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances					
Fund balances					
Restricted fund balance					
Capital projects fund balance	\$ -	\$ -	\$ 680,938	\$ -	\$ 680,938
Committed fund balance					-
Capital reserve	159,550	-	-	-	159,550
Maintenance reserve	147,916	-	-	-	147,916
Assigned fund balance					
Encumbrances	112,868	-	-	-	112,868
Designated for subsequent year's expenditures	50,000	-	-	-	50,000
Debt service fund balance	-	-	-	2,180	2,180
Unassigned fund balance	178,573	-	-	-	178,573
Total fund balances	648,907	-	680,938	2,180	1,332,025
 Total liabilities and fund balances	 \$ 694,297	 \$ 18,293	 \$ 680,938	 \$ 2,180	

Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$4,922,660 and the accumulated depreciation is \$1,296,708	3,625,952
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	117,207
Long-term liabilities, including bonds payable and compensated absences are not due & payable in the current period & therefore are not reported as liabilities in the funds	(2,062,822)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(18,903)
Total net position of governmental activities	\$ 2,993,459

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 1,833,860	\$ -	\$ -	114,100	\$ 1,947,960
Tuition charges					
Individuals	65,836	-	-	-	65,836
Other sources	14,000	-	-	-	14,000
Interest on investments	607	-	-	-	607
Rents and royalties	3,300	-	-	-	3,300
Miscellaneous	405	-	-	-	405
	<u>1,918,008</u>	<u>-</u>	<u>-</u>	<u>114,100</u>	<u>2,032,108</u>
State sources	1,026,074	734	(10,772)	-	1,016,036
Federal sources	-	85,642	-	-	85,642
Total revenues	<u>2,944,082</u>	<u>86,376</u>	<u>(10,772)</u>	<u>114,100</u>	<u>3,133,786</u>
Expenditures					
Current					
Instructional					
Regular instruction	1,071,211	17,419	-	-	1,088,630
Special education instruction	348,402	18,500	-	-	366,902
Other special instruction	-	21,380	-	-	21,380
Other instruction	27,112	374	-	-	27,486
Support service & undistributed costs					
Tuition	149	-	-	-	149
Student & instruction related services	427,684	28,703	-	-	456,387
General & business administrative services	154,838	-	-	-	154,838
School administrative services	108,745	-	-	-	108,745
Plant operations & maintenance	247,416	-	-	-	247,416
Pupil transportation	15,839	-	-	-	15,839
Unallocated benefits	321,194	-	-	-	321,194

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances (continued)
Governmental Funds
For the Fiscal Year Ended June 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 68,475	\$ -	\$ 1,403,508	\$ -	\$ 1,471,983
Debt service					
Principal	-	-	-	139,000	139,000
Interest & other charges	12,808	-	-	26,249	39,057
Total expenditures	<u>2,803,873</u>	<u>86,376</u>	<u>1,403,508</u>	<u>165,249</u>	<u>4,459,006</u>
Excess (deficit) of revenues over (under) expenditures	<u>140,209</u>	<u>-</u>	<u>(1,414,280)</u>	<u>(51,149)</u>	<u>(1,325,220)</u>
Other financing sources (uses)					
Proceeds from bond sale	-	-	1,353,000	-	1,353,000
Transfers in	-	-	-	48,519	48,519
Transfers out	(48,865)	-	-	-	(48,865)
Total other financing sources (uses)	<u>(48,865)</u>	<u>-</u>	<u>1,353,000</u>	<u>48,519</u>	<u>1,352,654</u>
Net change in fund balance	91,344	-	(61,280)	(2,630)	27,434
Fund balances, July 1	<u>557,563</u>	<u>-</u>	<u>742,218</u>	<u>4,810</u>	<u>1,304,591</u>
Fund balances, June 30	<u>\$ 648,907</u>	<u>\$ -</u>	<u>\$ 680,938</u>	<u>\$ 2,180</u>	<u>\$ 1,332,025</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

Total net changes in fund balances - Governmental fund (from B-2) \$ 27,434

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which capital outlays exceeds depreciation in the period:

Capital outlays	\$ 1,471,983	
Depreciation expense	<u>(90,409)</u>	1,381,574

Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:

Debt principal payments		139,000
-------------------------	--	---------

Proceeds from debt issues are financing sources in the governmental funds. They are not revenue in the statement of activities. The issuance of debt increase long-term liabilities in the statement of net assets:

Proceeds of bond sale		(1,353,000)
-----------------------	--	-------------

Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

(20,090)

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes
Fund Balances of Governmental Funds to the Statement of Activities (continued)
For the Fiscal Year Ended June 30, 2016

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	\$ (16,760)
In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>(3,770)</u>
Change in net position of governmental activities	<u><u>\$ 154,388</u></u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	<u>Food Service Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 5,218
Receivables from other governments	
State	61
Federal	2,136
Other local governments	863
Inventory	2,984
Total current assets	<u>11,262</u>
Noncurrent assets	
Capital assets	29,378
Less: accumulated depreciation	26,673
Total noncurrent assets	<u>2,705</u>
Total assets	<u>13,967</u>
Liabilities	
Current liabilities	
Unearned revenues - Commodities	1,997
Unearned revenues - Prepaid sales	231
Total liabilities	<u>2,228</u>
Net position	
Net investment in capital assets	2,705
Unrestricted	9,034
Total net position	<u>\$ 11,739</u>

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Food Service Fund
Operating revenues	
Charges for services	
Daily sales - Reimbursable programs	\$ 14,250
Daily sales - Non-reimbursable programs	4,344
Satellites sales	20,500
Total operating revenues	39,094
Operating expenses	
Cost of sales - Reimbursable programs	9,258
Cost of sales - Non-reimbursable programs	16,141
Salaries	19,774
Support services - Employee benefits	3,013
Purchased professional/technical services	
Purchased property services	671
Other purchased services	2,111
Insurance	2,046
Management fee	6,302
Supplies and materials	2,075
Depreciation	544
Miscellaneous expenditures	46
Total operating expenses	61,981
Operating income (loss)	(22,887)
Non-operating revenues (expenses)	
State sources	
State School Lunch Program	354
Federal sources	
National School Lunch Program	
Cash assistance	10,153
Non cash assistance (commodities)	7,523
National School Breakfast Program	660
Interest earned on investments	4
Total non-operating revenues (expenses)	18,694
Other financing sources	
Operating transfer in	346
Change in net position	(3,847)
Net position, beginning	15,586
Net position, ending	\$ 11,739

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Food Service Fund
Cash flows from operating activities	
Receipts from customers (net)	\$ 39,947
Payments to Food Service Management Co.	(53,506)
Payments to vendors (net)	(791)
Net cash provided by (used for) operating activities	(14,350)
 Cash flows from non-capital financing activities	
State sources	332
Federal sources	9,464
Operating transfer in	346
Net interfund transactions	1,427
Net cash provided by (used for) noncapital financing activities	11,569
 Cash flows from investing activities	
Interest on investments	4
 Net increase (decrease) in cash and cash equivalents	(2,777)
 Cash and cash equivalents, beginning	7,995
 Cash and cash equivalents, ending	\$ 5,218
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	\$ (22,887)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation	544
Federal Food Donation Program	10,153
(Increase) decrease in accounts receivable	622
(Increase) decrease in inventory	(1,093)
Increase (decrease) in unearned revenue	(1,689)
Net cash provided by (used for) operating activities	\$ (14,350)

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
Assets			
Cash and cash equivalents	\$ 45,398	\$ 31,934	\$ 81,101
Due from other funds	299	-	-
Total assets	\$ 45,697	\$ 31,934	\$ 81,101
Liabilities			
Due to other funds	\$ -	\$ -	\$ 299
Accounts payable	87	-	-
Due to student groups	-	31,934	-
Payroll deductions and withholdings	-	-	80,802
Total liabilities	87	\$ 31,934	\$ 81,101
Net position			
Held in Trust for unemployment claims & other purposes	\$ 45,610		

See accompanying notes to financial statements.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Unemployment Compensation Fund
Additions	
Contributions	
Employee contributions	\$ 2,916
Investment earnings - interest	22
Total additions	2,938
 Deductions	
Unemployment claims	416
 Change in net position	2,522
 Net position, beginning of the year	43,088
 Net position, end of the year	\$ 45,610

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

Management's Discussion and Analysis (MD&A) providing an analysis of the Districts overall financial position and results of operations.

Basic financial statements prepared using full-accrual accounting for all of the District's activities.

A. Reporting entity

The District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of nine members elected to three-year-terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2016 of 142 students.

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

1. The organization is legally separate (can sue or be sued in their own name).
2. The District holds the corporate powers of the organization.
3. The District appoints a voting majority of the organization's Board.
4. The District is able to impose its will on the organization.
5. The organization has the potential to impose a financial benefit/burden on the District.
6. There is a fiscal dependency by the organization on the District.

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for Governmental funds, Proprietary funds, and Fiduciary funds, even though the latter are excluded from the government-wide financial statements. The District has elected to treat all of its Governmental funds as major funds and they are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State statute, a municipality is required to remit to its School District the entire property tax balance, 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 money under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

Amounts reported as program revenues include 1) charges to students for tuition, fees, rental, material, supplies, or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, and unrestricted state aids.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary fund's principal ongoing operations.

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

The District reports the following major Governmental funds:

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

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

Resources for budgeted Capital Outlay purposes are normally derived from State of New Jersey aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board resolution

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources 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 in the Special Revenue fund.

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.

Additionally, the District reports the following fund types:

Proprietary fund types

Proprietary Fund - 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 funds of the District:

Enterprise Fund - The Enterprise fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are 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 current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Depreciation of all exhaustive fixed 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 are as follows:

Equipment	12 Years
Light trucks & vehicles	4 Years
Heavy trucks & vehicles	6 Years
Busses	8 Years

Fiduciary fund types

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. Agency Funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency funds of the District.

Unemployment Compensation Trust Fund - This fund is used to account for the portion of employee deductions for unemployment compensation required to be deposited and accumulated for future unemployment claims under the “Benefit Reimbursement Method.”

Student Activities Agency Fund - This fund is used to account for funds derived from athletic events or other activities of pupil organizations and accumulated for payment of student group activities.

Payroll Agency Fund - This fund accounts for the withholding and remittance of employee salary deductions.

D. Budgets/budgetary control

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue, and Debt Service funds. The budgets are submitted to the county office and, if necessary, are voted upon at the annual school election in November. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in NJAC 6:20-2A.2(m)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2016 were insignificant.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the 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.

E. 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 unearned 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.

F. 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.

G. Tuition payable

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

H. Short-term Interfund receivable/payables

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

Inventories and prepaid items, which benefit future periods, other than those recorded in the Enterprise fund are recorded as expenditures during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. The commodities inventory value at balance sheet date is reported as unearned revenue as title does not pass to the School District until the commodities are used. Prepaid items in the Enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2016.

J. Capital assets

Capital assets, which include land, land improvements, buildings and improvements, vehicles and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

All reported capital assets, except for land and construction in progress, of the District are depreciated using the straight-line method over the following estimated lives:

Assets	Years
Buildings	50
Building improvements & portable classroom	50
Land improvements	20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Vehicles	4 - 8
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (e.g., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

The liability for compensated absences was accrued using the vesting method, whereby the liability is calculated by vesting balances as of the balance sheet date for which a payment is probable. Salary related payments for the employer's share of Social Security and Medicare taxes are included.

For the government-wide statements, the current portion is the amount estimated to be used in the following year. In accordance with GAAP, in the fund financial statements, all of the compensated absences are considered long-term and therefore are not a fund liability. This represents a reconciling item between the fund and government-wide presentations.

L. Unearned revenue

Unearned revenue in the General fund and Special Revenue fund represents cash, which has been received but not yet earned. See Note 1 (E) regarding the Special Revenue fund.

Unearned revenue in the Enterprise fund includes United States government commodity inventories at year-end. The aid revenue associated with this commodity inventory is deferred until it is used in the operations of the Food Service fund. Prepaid lunch debit card revenue balances at year-end are also included in unearned revenue.

M. Long-term obligations

In the government-wide financial statements and in internal service fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Fund balances - Governmental funds

In the fund financial statements, Governmental funds report the following classifications of fund balance:

- Non-Spendable - includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.
- Restricted - includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.
- Committed - includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.
- Assigned - includes amounts that the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's policy, amounts may be assigned by the Business Administrator.
- Unassigned - includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General fund. The District reports all amounts that meet the unrestricted General fund Balance Policy described below as unassigned:

When expenditure is incurred for purposes which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

O. Comparative data/reclassifications

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. Also, certain immaterial amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

P. Allocation of indirect expenses

Certain expenses, which have not been charged to a specific function in the District's fund financial statements, have been allocated to the functions for the government-wide statements. Employee benefits, on-behalf TPAF pension contributions, reimbursed TPAF social security contributions and compensated absences accruals have been allocated based on salaries by function. Depreciation expense which was not specifically identified by function has been allocated based on the current year expenses by function.

Note 2 - Tax assessments and property taxes

Property valuations (assessments) are determined on true values as arrived at by a cost approach, market data approach and capitalization of net income where appropriate. Current assessments are the results of new assessments on a like basis with established comparable properties for newly assessed or purchased properties. This method assures equitable treatment to like property owners.

Upon the filing of certified adopted budgets by the municipality, the municipality's local School Districts, and the county, the tax rate is struck by the County Board of Taxation based on the certified amounts in each of the taxing districts for collection to fund the budgets. The statutory provision for the assessment of property, levying of taxes and the collection thereof are set forth in NJSA 54:4 et seq. Special taxing districts are permitted in New Jersey for various special services rendered to the properties located within the special districts.

Tax bills are mailed annually in June. The taxes are due August 1 and November 1 respectively, and are adjusted to reflect the current fiscal year's total tax liability. The preliminary taxes due February 1 and May 1 of the succeeding fiscal year are based upon one-half of the current year's total tax.

Tax installments not paid on or before the due date are subject to interest penalties of eight percent per annum on the first \$1,500 of the delinquency and eighteen percent per annum on any amount in excess of \$1,500. Pursuant to Chapter 75, PL 1991, the governing body may also fix a penalty to be charged to a taxpayer with a delinquency in excess of \$10,000 who fails to pay that delinquency prior to the end of the calendar year. The penalty so fixed shall not exceed six percent of the amount of the delinquency. These interest and penalties are the highest permitted under the New Jersey statutes. Delinquent taxes are annually included in a tax sale in accordance with New Jersey statutes.

School taxes are guaranteed as to amount of collection by the municipality, the collection agency, and are transmitted to the School District in accordance with the Schedule of Tax Installments as certified by the School District's Board of Education on an annual basis.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and 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. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized 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.

NJSA 17:9-41 e.t. 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 saving 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.

Deposits at June 30, 2016 appear in the financial statements as summarized below:

Cash		\$ 629,009
	<u>Ref.</u>	
Cash		
Governmental funds, Balance Sheet	B-1	\$ 465,358
Enterprise funds, Statement of Net Position	B-4	5,218
Fiduciary funds, Statement of Net Position	B-7	158,433
Total cash		\$ 629,009

Deposits - The District's carrying amount of bank deposits at June 30, 2016 is \$629,009 and the bank balance is \$1,157,923. Of the bank balance, \$250,000 is covered by Federal Depository Insurance and \$ 907,923 is insured by GUDPA.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and cash equivalents and investments (continued)

GASB Statement No. 40 “Deposit and Investment Risk Disclosures” requires state and local governments to communicate key information about deposit and investment risks. Required disclosures are as follows:

1. Custodial credit risk disclosures are required for:
 - Deposits that are uninsured and either (a) uncollateralized or (b) collateralized with securities held by the pledging financial institution, or its trust department or agent but not in the government’s name.
 - Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty’s trust department or agent but not in the government’s name.
2. Credit quality ratings for investments in debt securities, external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities. As the District has no such investments, this disclosure is not applicable.
3. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools. This disclosure is reported below under Concentration of Credit Risk.
4. Interest rate risk disclosures are required for all debt investments and non-money market like pools. As the District has no such investments, this disclosure is not applicable.
5. Investments that are exposed to foreign currency risk should be disclosed. As the District has no such investments this disclosure is not applicable.

Concentration of credit risk

The State of New Jersey does not place any limit on the amount that the District may invest with any one issuer. As of June 30, 2016, the District had no investments.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 69,500	\$ -	\$ -	\$ 69,500
Construction in progress	159,782	1,423,008	1,036,283	546,507
Total	<u>229,282</u>	<u>1,423,008</u>	<u>1,036,283</u>	<u>616,007</u>
Capital assets, being depreciated				
Land improvements	50,600	-	-	50,600
Building & improvements	2,974,744	1,036,283	-	4,011,027
Furniture & equipment	257,676	48,975	61,625	245,026
Total	<u>3,283,020</u>	<u>1,085,258</u>	<u>61,625</u>	<u>4,306,653</u>
Accumulated depreciation				
Land improvements	47,698	645	-	48,343
Building & improvements	1,032,609	72,790	-	1,105,399
Furniture & equipment	187,617	16,974	61,625	142,966
Total	<u>1,267,924</u>	<u>90,409</u>	<u>61,625</u>	<u>1,296,708</u>
Total capital assets, being depreciated, net	<u>2,015,096</u>	<u>994,849</u>	<u>-</u>	<u>3,009,945</u>
Governmental activities capital assets, net	<u>\$ 2,244,378</u>	<u>\$ 2,417,857</u>	<u>\$ 1,036,283</u>	<u>\$ 3,625,952</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business type activities				
Furniture & equipment	\$ 29,378	\$ -	\$ -	\$ 29,378
Less: accumulated depreciation	26,129	544	-	26,673
Business type activities capital assets, net	<u>\$ 3,249</u>	<u>\$ (544)</u>	<u>\$ -</u>	<u>\$ 2,705</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

Depreciation expense was charged to governmental functions in the current year as follows:

Instruction					
Regular				\$	41,205
Special education					13,888
Other special instruction					809
Other instruction					1,040
Support services					
Student & instruction					17,274
General & business administration					5,861
School administration					4,116
Plant maintenance					5,581
Transportation					635
Total depreciation expense, governmental activities				\$	90,409

Note 5 - Long-term debt

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 139,000	\$ 1,353,000	\$ 139,000	\$ 1,353,000	\$ 75,000
Compensated absences payable	78,278	24,027	20,257	82,048	-
PERS Net pension liability	509,888	137,297	19,411	627,774	-
Total governmental activities long- term liabilities	\$ 727,166	\$ 1,514,324	\$ 178,668	\$ 2,062,822	\$ 75,000

Payments on the general obligation bonds are made in the Debt Service fund from property taxes and state aid. The other long-term debts are paid in the current expenditures budget of the District's General fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016 including interest payments are listed as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 75,000	\$ 40,119	\$ 115,119
2018	75,000	37,869	112,869
2019	75,000	35,619	110,619
2020	80,000	33,294	113,294
2021	80,000	30,894	110,894
2022-2026	445,000	115,843	560,843
2027-2030	523,000	41,828	564,828
Total	\$ 1,353,000	\$ 335,466	\$ 1,688,466

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

General Obligation Bonds - General obligation school building bonds payable at June 30, 2016, with their outstanding balances are comprised of the following individual issues:

\$1,353,000 - 2015 general obligation school building bonds, due in annual installments of \$75,000 to \$139,000, beginning July 15, 2016, through July 15, 2030, interest at 3.00% to 3.125%.	<u>\$ 1,353,000</u>
--	---------------------

The general obligation bonded debt of the District is limited by state law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2016 is \$4,875,396. General obligation debt at June 30, 2016 is \$2,244,227, resulting in a legal debt margin of \$2,631,169.

Note 6 - Pension plans

Description of systems

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

A. Public employees' retirement systems (PERS)

Plan description

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans

A. Public employees' retirement systems (PERS) (continued)

Plan description (continued)

The following represents the membership Tiers for PERS:

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

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

Allocation methodology and reconciliation to financial statements

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of June 30, 2015 and 2014 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2015 and 2014, respectively.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans

A. Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements (continued)

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources and collective pension expense excluding that attributable to employer-paid member contributions. The employer allocation percentages presented in the Division's Schedule of Employer Allocations and applied to amounts presented in the Schedule of Pension Amounts by Employer are based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2015 and 2014. Employer allocation percentages have been rounded for presentation purposes, therefore amounts presented in the schedule of pension amounts by employer may result in immaterial differences.

Contributions

The contribution policy for PERS is set by NJSA 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For Fiscal years 2015 and 2014, the State's pension contribution was less than the actuarial determined amount

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

Collective net pension liability and actuarial information

Components of net pension liability

The components of the District's allocable share of the net pension liability for PERS as of June 30, 2015 and 2014 are as follows:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans

A. Public employees' retirement systems (PERS) (continued)

Components of net pension liability (continued)

	2015	2014
Total pension liability	\$ 1,205,589	\$ 1,064,057
Plan fiduciary net position	577,815	554,169
Net pension liability	\$ 627,774	\$ 509,888
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

Plan description

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

Inflation rate	3.04%
Salary increases (based on age)	
2012 - 2021	2.15% - 4.40%
Thereafter	3.15% - 5.40%
Investment rate of return	7.90%

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

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

Long-term expected rate of return

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees, and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans
A. Public employees' retirement systems (PERS) (continued)
Long-term expected rate of return (continued)

<u>Asset Class</u>	<u>Target Allocations</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grad Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Commodities	1.00%	5.32%
Global Debt ex U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount rate

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

Sensitivity of the collective net pension liability to changes in the discount rate

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans

A. Public employees' retirement systems (PERS) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate (continued)

	2015
At current discount rate (4.90%)	627,774
At a 1% lower rate (3.90%)	780,246
At a 1% higher rate (5.90%)	499,942
	2014
At current discount rate (5.39%)	509,888
At a 1% lower rate (4.39%)	641,456
At a 1% higher rate (6.39%)	699,404

Collective deferred outflows of resources and deferred inflows of resources

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
Differences between expected and actual experience	\$ 14,976	\$ -
Changes of assumptions	67,418	-
Net difference between projected and actual earnings on pension plan investments	-	10,093
Changes in proportion and differences between District contributions and proportionate share of contributions	20,863	-
District contributions subsequent to the measurement date	24,043	-
Total	\$ 127,300	\$ 10,093

The amount 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) of \$24,043 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2015:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans

A. Public employees' retirement systems (PERS) (continued)

Collective deferred inflows of resources and deferred inflows of resources (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions	\$ 16,465	\$ 83,565	\$ 17,636	\$ 82,394
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	31,203	(16,636)	4,474	10,093
Net of deferred outflows/(inflows)				\$ 72,301

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding employer specific amounts, deferrals from District contributions subsequent to the measurement date, and deferrals from change on proportion) will be recognized in pension expense as follows:

Year ending June 30,

2016	\$ 13,162
2017	13,162
2018	13,162
2019	20,964
2020	11,851
Total	\$ 72,301

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

A. Public employees' retirement systems (PERS) (continued)

Pension expense

For the year ended June 30, 2016, the District recognized net pension expense of \$44,133 which represents the District's proportionate share of allocable plan pension expense of \$41,182 plus the net amortization of deferred amounts from changes in proportion of \$4,543 and less other adjustments to the net pension liability of \$1,592. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2015 are as follows:

Service cost	\$	24,667
Interest on total pension liability		58,785
Member contributions		(13,645)
Administrative expense		459
Expected investment return net of investment expense		(42,002)
Pension expense related to specific liabilities of individual employers		(244)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		14,463
Amortization of expected versus actual experience		3,173
Amortization of projected versus actual investment earnings on pension plan investments		(4,474)
Pension expense	\$	41,182

B. Teacher's pension and annuity fund (TPAF)

Plan description

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

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Plan description (continued)

The following represents the membership Tiers for TPAF:

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

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

Special funding situation

The employer contributions for local participating employers are legally required to be funded by the State in accordance with NJSA 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 non-employer 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 non-employer contributing entities' total proportionate share of the net pension liability that is associated with the local participating employer.

For purposes of reporting required by GASB Statement No. 68, Accounting and Financial Reporting for Pensions, the District's proportionate share of allocable net pension liability, employer pension expense and related revenue, non-employer contributions and their allocable proportionate percentage for fiscal years ending June 30, 2015 and 2014 is as follows:

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

B. Teacher's pension and annuity fund (TPAF) (continued)

Special funding situation (continued)

	2015	2014
Net pension liability	\$ 8,505,094	\$ 7,476,453
Employer pension expense and related revenue	537,630	402,303
Non-employer contribution	74,870	59,422
Allocable proportionate percentage	0.0139311693%	0.0139886032%

C. Defined contribution retirement program

The Defined Contribution Retirement Program (DCRP) was established under the provisions Ch. 92, PL 2007 and expanded under the provisions of Ch. 89, PL 2008 and Ch. 1, PL 2010 to provide eligible members with a tax sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Employees eligible to enroll in the program include the following: First, employees enrolled in the Public Employees Retirement System (PERS) or Teachers Pension and Annuity Fund (TPAF) on or after July 1, 2007 who earn salary in excess of maximum compensation limits. Also, employees otherwise eligible to enroll in the TPAF and PERS who do not earn the minimum salary (\$8,300 in 2016) but who earn salary of at least \$5,000 annually are eligible to participate. The program administrator, Prudential Financial, makes information regarding the program available on its New Jersey Defined Contribution Program Web Site: www.prudential.com/njdcprp.

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

Contribution requirements

The contribution policy is set by state statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Significant legislation which became effective October 1, 2011 will gradually increase the employee contribution rate for PERS and TPAF members. Effective October 1, 2011 the rate increased from 5.50% to 6.50% of annual contractual compensation for employees enrolled in the TPAF and PERS pension plans. The rate will increase each year on the first of July over a seven year phase-in period until the withholding rate reaches 7.50% effective July 1, 2018. Contribution rates for DCRP provide for employee contributions of 5.50% of annual contractual compensation as defined. Employers are required to contribute at an actuarially determined rate in TPAF, PERS and DCRP. The actuarially determined contribution includes funding for cost-of-living adjustments, non-contributory death benefits and post-retirement medical premiums. Under current statute, the Board is a noncontributing employer of the TPAF.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

C. Defined contribution retirement program (continued)

Three-year trend information for TPAF (paid on behalf of the District):

<u>Year Funding</u>	<u>TPAF Benefit Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 191,703	100%
06/30/15	194,884	100%
06/30/14	156,203	100%

Three-year trend information for PERS:

<u>Year Funding</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 24,043	100%
06/30/15	22,451	100%
06/30/14	19,992	100%

During the year ended June 30, 2016, the State of New Jersey contributed \$104,196 to the TPAF for post-retirement medical benefits, \$4,152 for non-contributory insurance premiums and \$83,355 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$97,284 during the year ended June 30, 2016 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 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. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside 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 Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

The State is also responsible for the cost attributable to Ch. 126, PL 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. In fiscal year 2015, the State paid \$214.1 million toward Ch. 126 benefits for 19,056 eligible retired members.

GASB Statement 45 requires certain disclosures relating to governmental entities obligations for other post-employment benefits (OPEB), which are post-employment benefits other than pensions. The District's only material OPEB obligation is for healthcare provided to eligible retirees through the NJ State Health Benefits Program.

Plan Description - The School District contributes to the State Health Benefits Program (SHBP), a cost-sharing, multiple-employer defined benefit post-employment healthcare plan administered by the State of New Jersey Division of Pensions and Benefits. SHBP was established in 1961 under NJSA 52:14-17.25 et seq., to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code, SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. The School District adopted a resolution to participate in the SHBP. The State Health Benefits Commission is the executive body established by the statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for the SHBP. That report may be obtained by writing to: State of New Jersey Division of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295 by visiting their website at (www.nj.gov/treasury/pensions).

Funding Policy - Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis. Information regarding the State's annual contributions, annual OPEB cost and net OPEB obligations is available through the State as noted in the previous paragraph.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation

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

Equitable
Vanguard

Note 9 - Interfund receivable and payables

As of June 30, 2016, the Payroll Agency Fund has an Interfund payable for \$299 due to the Unemployment Compensation Fund for withholdings not yet transferred as of year-end. The Special Revenue fund had an Interfund payable for \$5,587 due to the General fund for a loan as a result of cash flow issues relating to the delayed receipt of grant revenues.

Note 10 - Inventory

Inventory in the Food Service fund as of June 30, 2016 consisted of the following:

Food	\$ 2,585
Supplies	399
Total	\$ 2,984

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

Note 11 - Contingent liabilities

The District is involved in various legal proceedings that are incidental to its operations. These legal proceedings are not likely to have a material adverse effect on the financial position of the School District.

Note 12 - Risk management

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

Property and Liability Insurance - The District maintains commercial insurance coverage for property, liability, and student accident and surety bonds. There was no significant reduction in insurance coverage from coverage of the prior year. The District did not have any insurance settlements which exceeded insurance coverage for the past three years. A complete Schedule of Insurance Coverage can be found in the Statistical Section of the Comprehensive Annual Financial Report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management (Continued)

New Jersey Unemployment Compensation Insurance - The District has elected to fund its NJ Unemployment Compensation Insurance under the “Benefit Reimbursement Method.” Under this plan, the District is required to reimburse the NJ 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, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District’s unemployment trust fund for the current and previous two years:

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2015 - 2016	\$ -	\$ 22	\$ 2916	\$ 416	\$ 45,610
2014 - 2015	-	18	3,041	241	43,088
2013 - 2014	-	23	2,976	375	40,270

Note 13 - Legal reserve accounts

A capital reserve account was established by the District for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the General fund and its activity is included in the General fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the Districts approved Long Range Facilities Plan (LRFP) and updated annually in the Quality Assurance Annual Report (QAAR). Upon submission of the LRFP to the Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual General fund budget certified for taxes. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to NJSA 19:60-2. Pursuant to NJAC 6A:26-9.1(d)1, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

Beginning in fiscal year 2008, Districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by Board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this state statute, the District deposited \$50,000 to their capital reserve account and \$127,517 to their maintenance reserve account by Board resolution in June 2016 as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 203,594	\$ 50,000	\$ -	\$ -	\$ 94,044	\$ 159,550
Maintenance	45,399	\$ 127,517	-	-	25,000	147,916
Total	<u>\$ 248,993</u>	<u>\$ 177,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,044</u>	<u>\$ 307,466</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balances - Budgetary basis

As described in Note 1 N-Fund Equity (Fund Balance) may be restricted, committed or assigned. An analysis of the General fund balance on June 30, 2016 and 2015 is as follows:

	2016	2015
Restricted		
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with state statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ -	\$ 16,187
Committed		
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	159,550	203,594
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA. (NJSA18A:76-9).	147,916	45,399
Assigned		
Designated surplus - Designated for Subsequent Year's Expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	50,000	79,870
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	112,868	33,727
Unassigned		
Undesignated - Represents fund balance which has not been restricted or designated.	250,831	251,044
Total fund balance	\$ 721,165	\$ 629,821

Note 15 - Calculation of excess surplus

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch. 73 (\$1701), 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 balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$0.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Subsequent events

The District has evaluated subsequent events through November 4, 2016, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

The following is a list of recent accounting pronouncements which are not yet effective as of the year end date of this report:

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "*Tax Abatement Disclosures*". This statement, which is effective for reporting periods beginning after December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 78 "*Pension's Provided through Certain Multiple-Employer Defined Benefit Pension Plans*". This statement, which is effective for reporting periods beginning December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In December 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 79 "*Certain External Investment Pools and Pool Participants*". This statement, which is effective for reporting periods beginning December 15, 2015, is not expected to have a material impact on the District's financial reporting.

In January 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 80 "*Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*". This statement, which is effective for reporting periods beginning June 15, 2016, is not expected to have a material impact on the District's financial reporting.

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "*Pension Issues - an amendment of GASB Statements No. 67 and No. 73*". This statement is effective for reporting periods beginning 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 date of the pension liability is on or after June 15, 2017. This statement is not expected to have a material impact on the District's financial reporting.

In August 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 77 "*Tax Abatement Disclosures*". This statement, which is effective for fiscal periods beginning December 15, 2015, is not expected to have an effect on the District's financial reporting.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Financial Statements

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2016 of \$(270,077) on schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 1,833,860	\$ -	\$ 1,833,860	\$ 1,833,860	\$ -
Tuition from individuals	76,500	-	76,500	65,836	(10,664)
Tuition from other LEAs within the state	-	-	-	14,000	14,000
Rents and royalties	-	-	-	3,300	3,300
Unrestricted miscellaneous revenues	500	-	500	1,012	512
Total	1,910,860	-	1,910,860	1,918,008	7,148
State Sources					
School Choice Aid	125,749	-	125,749	125,749	-
Categorical Transportation Aid	457	-	457	457	-
Categorical Special Education Aid	85,703	-	85,703	85,703	-
Equalization Aid	508,039	-	508,039	508,039	-
Categorical Security Aid	3,251	-	3,251	3,251	-
Other State Aids	12,153	-	12,153	13,888	1,735
TPAF Pension (on-behalf)	-	-	-	87,507	87,507
TPAF Social Security (reimbursed)	-	-	-	97,284	97,284
TPAF Post Retirement Benefits	-	-	-	104,196	104,196
Total	735,352	-	735,352	1,026,074	290,722
Total Revenues	\$ 2,646,212	\$ -	\$ 2,646,212	\$ 2,944,082	\$ 297,870
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Kindergarten	\$ 77,980	\$ -	\$ 77,980	\$ 77,980	\$ -
Grades 1-5	396,865	(2,208)	394,657	394,657	-
Grades 6-8	327,089	1,000	328,089	327,373	716
Other purchased services	9,732	(9,732)	-	-	-
General supplies	337	(337)	-	-	-
Home instruction					
Salaries of teacher	500	9,512	10,012	10,012	-
Purchased professional - educational services	-	1,890	1,890	1,890	-
Regular programs - undistributed instruction					
Other purchased services	35,808	(7,575)	28,233	26,180	2,053
General supplies	48,000	19,227	67,227	37,630	29,597
Textbooks	2,000	(2,000)	-	-	-
Other objects	3,850	(1,284)	2,566	2,007	559
Total	902,161	8,493	910,654	877,729	32,925
Special education					
Resource room/resource center					
Salaries of teachers	149,428	10,865	160,293	160,293	-
Other salaries for instruction	16,656	(106)	16,550	14,775	1,775
General supplies	1,900	-	1,900	1,155	745
Total	167,984	10,759	178,743	176,223	2,520

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Preschool disabilities - part-time					
Salaries of teachers	\$ 55,620	\$ (4,798)	\$ 50,822	\$ 50,822	\$ -
Other salaries for instruction	26,394	11,627	38,021	37,623	398
Other purchased services	150	-	150	-	150
General supplies	500	-	500	292	208
Total	<u>82,664</u>	<u>6,829</u>	<u>89,493</u>	<u>88,737</u>	<u>756</u>
Total special education	<u>250,648</u>	<u>17,588</u>	<u>268,236</u>	<u>264,960</u>	<u>3,276</u>
School-sponsored co/extra curricular activities-instruction					
Salaries	9,060	5,112	14,172	14,172	-
Supplies and materials	500	(500)	-	-	-
Total	<u>9,560</u>	<u>4,612</u>	<u>14,172</u>	<u>14,172</u>	<u>-</u>
School-sponsored athletics - instruction					
Salaries	10,500	-	10,500	10,500	-
Purchased services	2,940	-	2,940	1,962	978
Supplies and materials	500	165	665	478	187
Total	<u>13,940</u>	<u>165</u>	<u>14,105</u>	<u>12,940</u>	<u>1,165</u>
Total instruction regular	<u>\$ 1,176,309</u>	<u>\$ 30,858</u>	<u>\$ 1,207,167</u>	<u>\$ 1,169,801</u>	<u>\$ 37,366</u>
Undistributed expenditures - instruction					
Tuition to other LEAs within the state - special	\$ 81,000	\$ (55,734)	\$ 25,266	\$ 149	\$ 25,117
Total	<u>81,000</u>	<u>(55,734)</u>	<u>25,266</u>	<u>149</u>	<u>25,117</u>
Undistributed expenditures - health services					
Salaries	65,710	150	65,860	65,860	-
Purchased professional and technical services	1,400	(71)	1,329	1,208	121
Supplies and materials	1,700	739	2,439	2,225	214
Total	<u>68,810</u>	<u>818</u>	<u>69,628</u>	<u>69,293</u>	<u>335</u>
Undistributed expenditures - speech, ot, pt & related services					
Salaries	34,698	(1,493)	33,205	32,698	507
Purchased professional - educational services	28,000	-	28,000	-	28,000
Supplies and materials	1,000	-	1,000	-	1,000
Total	<u>63,698</u>	<u>(1,493)</u>	<u>62,205</u>	<u>32,698</u>	<u>29,507</u>
Undistributed expenditures- guidance					
Salaries of other professional staff	22,200	-	22,200	22,100	100
Supplies and materials	250	-	250	-	250
Total	<u>22,450</u>	<u>-</u>	<u>22,450</u>	<u>22,100</u>	<u>350</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	120,567	1,129	121,696	121,696	-
Salaries of secretarial and clerical assistants	30,948	2,053	33,001	33,001	-
Purchased professional - educational services	1,000	4,604	5,604	2,312	3,292
Other purchased services	400	-	400	-	400
Supplies and materials	1,000	-	1,000	1,000	-
Total	<u>153,915</u>	<u>7,786</u>	<u>161,701</u>	<u>158,009</u>	<u>3,692</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	\$ 7,043	\$ (7,043)	\$ -	\$ -	\$ -
Salaries of other professional staff	4,500	(4,500)	-	-	-
Other salaries	-	11,543	11,543	7,043	4,500
Total	11,543	-	11,543	7,043	4,500
Undistributed expenditures - edu. media service/sch. library					
Salaries	20,000	9,538	29,538	29,538	-
Purchased professional and technical services	7,555	90	7,645	6,296	1,349
Other purchased services	7,037	-	7,037	6,259	778
Supplies and materials	4,100	-	4,100	2,904	1,196
Total	38,692	9,628	48,320	44,997	3,323
Undistributed expenditures - instructional staff training services					
Other purchased services	-	1,536	1,536	96	1,440
Total	-	1,536	1,536	96	1,440
Undistributed expend. - support service - general admin.					
Salaries	2,000	-	2,000	2,000	-
Legal services	3,000	(1,650)	1,350	1,116	234
Audit fees	12,750	(700)	12,050	12,050	-
Other purchased professional services	-	20,000	20,000	20,000	-
Purchased technical services	20,000	(20,000)	-	-	-
Misc purch services	1,375	6,676	8,051	8,051	-
General supplies	200	36	236	235	1
Boe in-house training/meeting supplies	100	(100)	-	-	-
Miscellaneous expenditures	-	150	150	150	-
Boe membership dues and fees	2,900	(246)	2,654	2,654	-
Total	42,325	4,166	46,491	46,256	235
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	59,597	1,052	60,649	60,648	1
Salaries of secretarial and clerical assistants	29,948	-	29,948	29,948	-
Other purchased services	1,300	(300)	1,000	1,000	-
Supplies and materials	250	(27)	223	223	-
Other objects	750	50	800	800	-
Total	91,845	775	92,620	92,619	1
Undistributed expenditures - central services					
Salaries	30,312	(829)	29,483	29,483	-
Purchased professional services	52,085	620	52,705	51,927	778
Miscellaneous purchased services	700	125	825	825	-
Supplies and materials	300	(95)	205	-	205
Interest on current loans	3,623	(3,623)	-	-	-
Other objects	100	-	100	-	100
Total	87,120	(3,802)	83,318	82,235	1,083
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	25,000	57,959	82,959	24,333	58,626
Total	25,000	57,959	82,959	24,333	58,626

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - custodial services					
Salaries	\$ 82,668	\$ 7,000	\$ 89,668	\$ 88,817	\$ 851
Purchased professional and technical services	7,000	(413)	6,587	1,372	5,215
Cleaning, repair, and maintenance service	3,875	-	3,875	2,311	1,564
Other purchased property services	6,900	1,792	8,692	8,690	2
Insurance	24,600	(1,404)	23,196	20,070	3,126
Miscellaneous purchased services	300	-	300	-	300
General supplies	8,535	3,524	12,059	10,618	1,441
Energy (natural gas)	2,000	(876)	1,124	1,124	-
Energy (electricity)	32,000	(8,933)	23,067	23,067	-
Energy (oil)	55,000	(48,140)	6,860	6,860	-
Total	222,878	(47,450)	175,428	162,929	12,499
Undistributed expenditures - Care and upkeep of grounds					
Salaries	18,797	280	19,077	19,076	1
Cleaning, repair, and maintenance service	-	4,555	4,555	4,555	-
General supplies	-	7,000	7,000	6,913	87
Total	18,797	11,835	30,632	30,544	88
Undistributed expenditures - student transportation service					
Contract service-aid in lieu pymts-non-public schools	4,420	2,652	7,072	7,072	-
Contract serv-aid in lieu pymts-choice school students	3,536	4,139	7,675	7,675	-
Contr service (oth. than between home & school) - vend	2,225	160	2,385	1,092	1,293
Contract service (sp ed stds) - joint agreements	50,000	(50,000)	-	-	-
Contract service (spl. ed. students) - escs & ctsas	-	37,874	37,874	-	37,874
Total	60,181	(5,175)	55,006	15,839	39,167
Allocated benefits - employee benefits					
Regular programs - instruction					
Social security contributions	3,929	(3,500)	429	-	429
Other retirement contributions - PERS	5,000	(931)	4,069	2,836	1,233
Workmen's compensation	10,000	-	10,000	10,000	-
Health benefits	257,860	(36,866)	220,994	176,602	44,392
Tuition reimbursement	5,000	-	5,000	3,744	1,256
Other employee benefits	-	300	300	300	-
Total	281,789	(40,997)	240,792	193,482	47,310
Special programs - instruction					
Social security contributions	6,396	-	6,396	-	6,396
Other retirement contributions - PERS	7,000	-	7,000	5,817	1,183
Workmen's compensation	3,500	-	3,500	3,500	-
Health benefits	84,132	(4,758)	79,374	74,125	5,249
Total	101,028	(4,758)	96,270	83,442	12,828
Other instructional programs - instruction					
Social security contributions	1,440	(1,440)	-	-	-
Total	1,440	(1,440)	-	-	-
Health services					
Social security contributions	62	-	62	-	62
Workmen's compensation	700	-	700	700	-
Health benefits	26,255	(498)	25,757	22,781	2,976
Total	27,017	(498)	26,519	23,481	3,038

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Other supp services - speech/ot/pt& related sv					
Social security contributions	\$ 153	\$ -	\$ 153	\$ -	\$ 153
Workmen's compensation	700	-	700	700	-
Health benefits	1,000	-	1,000	900	100
Total	<u>1,853</u>	<u>-</u>	<u>1,853</u>	<u>1,600</u>	<u>253</u>
Other supp services - child study teams					
Social security contributions	3,192	(3,160)	32	-	32
Other retirement contributions - PERS	5,500	-	5,500	5,500	-
Workmen's compensation	1,800	-	1,800	1,800	-
Health benefits	29,821	(3,133)	26,688	24,036	2,652
Other employee benefits	1,900	18,785	20,685	20,685	-
Total	<u>42,213</u>	<u>12,492</u>	<u>54,705</u>	<u>52,021</u>	<u>2,684</u>
Educational media services - sch. library					
Other retirement contributions - PERS	77	3,623	3,700	3,623	77
Workmen's compensation	380	-	380	380	-
Health benefits	13,803	(90)	13,713	12,343	1,370
Total	<u>14,260</u>	<u>3,533</u>	<u>17,793</u>	<u>16,346</u>	<u>1,447</u>
Support services - general administration					
Social security contributions	153	(153)	-	-	-
Workmen's compensation	50	-	50	50	-
Total	<u>203</u>	<u>(153)</u>	<u>50</u>	<u>50</u>	<u>-</u>
Support services - school administration					
Social security contributions	2,295	(1,052)	1,243	-	1,243
Other retirement contributions - PERS	1,000	-	1,000	1,000	-
Workmen's compensation	250	-	250	250	-
Health benefits	17,821	(2,945)	14,876	14,876	-
Total	<u>21,366</u>	<u>(3,997)</u>	<u>17,369</u>	<u>16,126</u>	<u>1,243</u>
Support services - central services					
Social security contributions	1,131	-	1,131	-	1,131
Other retirement contributions - PERS	1,600	-	1,600	1,600	-
Workmen's compensation	500	-	500	500	-
Health benefits	33,594	(612)	32,982	24,197	8,785
Total	<u>36,825</u>	<u>(612)</u>	<u>36,213</u>	<u>26,297</u>	<u>9,916</u>
Operation and maintenance of plant service					
Social security contributions	6,500	(3,319)	3,181	-	3,181
Other retirement contributions - PERS	7,000	-	7,000	7,000	-
Workmen's compensation	2,000	-	2,000	2,000	-
Health benefits	27,131	-	27,131	20,610	6,521
Total	<u>42,631</u>	<u>(3,319)</u>	<u>39,312</u>	<u>29,610</u>	<u>9,702</u>
Total allocated benefits - employees	<u>\$ 570,625</u>	<u>\$ (39,749)</u>	<u>\$ 530,876</u>	<u>\$ 442,455</u>	<u>\$ 88,421</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Unallocated benefits - employee benefits					
Social security contributions	\$ 30,000	\$ -	\$ 30,000	\$ 28,707	\$ 1,293
Other retirement contributions - PERS	3,500	-	3,500	3,500	-
Total	<u>33,500</u>	<u>-</u>	<u>33,500</u>	<u>32,207</u>	<u>1,293</u>
On-behalf TPAF pension contribution	-	-	-	87,507	(87,507)
On-behalf TPAF post retirement medical benefits	-	-	-	104,196	(104,196)
Reimbursed TPAF Social Security contribution	-	-	-	97,284	(97,284)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,987</u>	<u>(288,987)</u>
Total undistributed expenditures	<u>\$ 1,592,379</u>	<u>\$ (58,900)</u>	<u>\$ 1,533,479</u>	<u>\$ 1,552,789</u>	<u>\$ (19,310)</u>
Total current	<u>\$ 2,768,688</u>	<u>\$ (28,042)</u>	<u>\$ 2,740,646</u>	<u>\$ 2,722,590</u>	<u>\$ 18,056</u>
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ -	\$ 66,842	\$ 66,842	\$ 48,975	\$ 17,867
Undistributed expenditures - admin. info. technology	-	6,219	6,219	-	6,219
Total equipment	<u>-</u>	<u>73,061</u>	<u>73,061</u>	<u>48,975</u>	<u>24,086</u>
Facilities acquisition and construction service					
Construction services	19,500	-	19,500	19,500	-
Assessment for debt service on SDA funding	12,808	-	12,808	12,808	-
Total facilities acquisition and construction service	<u>32,308</u>	<u>-</u>	<u>32,308</u>	<u>32,308</u>	<u>-</u>
Total capital outlay	<u>\$ 32,308</u>	<u>\$ 73,061</u>	<u>\$ 105,369</u>	<u>\$ 81,283</u>	<u>\$ 24,086</u>
Total expenditures	<u>\$ 2,800,996</u>	<u>\$ 45,019</u>	<u>\$ 2,846,015</u>	<u>\$ 2,803,873</u>	<u>\$ 42,142</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (154,784)</u>	<u>\$ (45,019)</u>	<u>\$ (199,803)</u>	<u>\$ 140,209</u>	<u>\$ 340,012</u>
Other financing sources (uses)					
Operating transfer out					
Transfers to cover deficit (Enterprise fund)		(1,550)	(1,550)	(346)	1,204
Capital reserve - transfer to debt service	(48,519)	-	(48,519)	(48,519)	-
Total other financing sources (uses)	<u>(48,519)</u>	<u>(1,550)</u>	<u>(50,069)</u>	<u>(48,865)</u>	<u>1,204</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(203,303)	(46,569)	(249,872)	91,344	341,216
Fund balances, July 1	629,821	-	629,821	629,821	-
Fund balances, June 30	<u>\$ 426,518</u>	<u>\$ (46,569)</u>	<u>\$ 379,949</u>	<u>\$ 721,165</u>	<u>\$ 341,216</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures:					
Adjustment for prior year encumbrances	\$ (33,727)	\$ -	\$ (33,727)	\$ (33,727)	\$ -
Increase in capital reserve	-	50,000	50,000	50,000	-
Withdrawal from capital reserve	(48,519)	(45,525)	(94,044)	(94,044)	-
Increase in maintenance reserve	-	127,517	127,517	127,517	-
Withdrawal from maintenance reserve	(25,000)	-	(25,000)	(25,000)	-
Budgeted fund balance	(96,057)	(178,561)	(274,618)	66,598	341,216
Total	<u>\$ (203,303)</u>	<u>\$ (46,569)</u>	<u>\$ (249,872)</u>	<u>\$ 91,344</u>	<u>\$ 341,216</u>
Recapitulation of fund balance					
Committed fund balance					
Capital reserve				\$ 159,550	
Maintenance reserve				147,916	
Assigned fund balance					
Designated for subsequent year's expenditures				50,000	
Year-end encumbrances				112,868	
Unassigned fund balance				<u>250,831</u>	
Fund balance per budgetary basis				721,165	
Reconciliation to governmental statements (GAAP)					
Last state aid payments not recognized on GAAP basis				<u>(72,258)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 648,907</u>	

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ (2,000)
State sources	-	3,010	3,010	615	(2,395)
Federal sources	41,790	39,323	81,113	80,977	(136)
Total revenues	<u>\$ 86,123</u>	<u>\$ 42,333</u>	<u>\$ 86,123</u>	<u>\$ 81,592</u>	<u>\$ (4,531)</u>
Expenditures					
Instruction					
Salaries	\$ 33,325	\$ -	\$ 33,325	\$ 33,325	\$ -
Other purchased services	16,365	2,384	18,749	16,365	2,384
General supplies	1,591	100	1,691	1,180	511
Textbooks	-	166	166	166	-
Other objects	1,500	-	1,500	-	1,500
Totals	<u>55,431</u>	<u>2,650</u>	<u>55,431</u>	<u>51,036</u>	<u>4,395</u>
Support services					
Employee benefits	8,664	177	8,841	8,841	-
Purchased professional & technical services	20,974	329	21,303	21,303	-
Other purchased services	-	548	548	412	136
Total	<u>30,692</u>	<u>1,054</u>	<u>30,692</u>	<u>30,556</u>	<u>136</u>
Total expenditures	<u>\$ 86,123</u>	<u>\$ 3,704</u>	<u>\$ 86,123</u>	<u>\$ 81,592</u>	<u>\$ 4,531</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to Required Supplementary Information
Budgetary Comparison Schedule

Explanation of Differences Between Budgetary Inflows and
Outflows and GAAP Revenues and Expenditures

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 2,944,082	\$ 81,592
Difference - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances prior year	-	5,875
Outstanding encumbrances current year	-	(1,091)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33)		
State aid receivable prior year	72,258	-
State aid receivable current year	(72,258)	-
Total revenues (GAAP Basis)	<u>\$ 2,944,082</u>	<u>\$ 86,376</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 2,803,873	81,592
Differences-Budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes:		
Outstanding encumbrances prior year	-	5,875
Outstanding encumbrances current year	-	(1,091)
Total expenditures (GAAP Basis)	<u>\$ 2,803,873</u>	<u>\$ 86,376</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - Percentage	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - Value	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	N/A	8,505,094	7,476,453	6,689,301	N/A	N/A	N/A	N/A	N/A	N/A
Total	\$ -	\$ 8,505,094	\$ 7,476,453	\$ 6,689,301	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	N/A	\$ 1,258,538	\$ 1,096,164	\$ 990,785	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Pension Contributions - Teacher's Pension and Annuity Fund
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 87,507	\$75,317	\$59,178	\$85,525	\$50,595	\$4,873	\$5,082	\$4,642	\$112,114	\$95,743
Contributions in relation to the contractually required contribution	(87,507)	(75,317)	(59,178)	(85,525)	(50,595)	(4,873)	(5,082)	(4,642)	(112,114)	(95,743)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$1,335,494	\$1,258,538	\$1,096,164	\$990,785	\$1,335,077	\$1,239,498	\$1,566,135	\$1,547,433	\$1,401,014	\$1,346,742
Contributions as a percentage of covered employee payroll	6.55%	5.98%	5.40%	8.63%	3.79%	0.39%	0.32%	0.30%	8.00%	7.11%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - Percentage	N/A	0.0027965698%	0.0027233616%	0.0026532902%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - Value	N/A	\$ 627,774	\$509,888	\$507,096	N/A	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	201,680	177,681	140,144	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	311.27%	286.97%	361.84%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Pension Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 24,043	\$22,451	\$19,992	\$19,957	\$19,871	\$21,065	\$14,821	\$15,610	\$8,886	\$4,845
Contributions in relation to the contractually required contribution	(24,043)	(22,451)	(19,992)	(19,957)	(19,871)	(21,065)	(14,821)	(15,610)	(8,886)	(4,845)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 197,884	\$201,680	\$177,681	\$140,144	\$183,040	\$177,294	\$190,537	\$179,116	\$162,525	\$168,479
Contributions as a percentage of covered employee payroll	12.15%	11.13%	11.25%	14.24%	10.86%	11.88%	7.78%	8.72%	5.47%	2.88%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Required Supplementary Information - Part III
(Unaudited)
June 30, 2016

Note 1 - Special funding situation - TPAF

The participating employer allocations included in the supplemental Schedule of Employer Special Funding Allocations and the supplemental Schedule of Special Funding amounts by Employer for each local employer are provided as each local employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the pension expense allocated to the State of New Jersey (the State) under the special-funding situation and include their proportionate share of the net pension liability in their respective notes to their financial statements. For this purpose, the proportionate share was developed based on actual contributions made to the Teachers' Pension and Annuity Fund allocated to employers based upon covered payroll and adjusted by expected State Early Retirement Incentive contributions for the respective fiscal year.

SPECIAL REVENUE FUND

DETAIL STATEMENTS

The special revenue fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted expenditures for specific purposes.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Revenues and Expenditures - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	Small, Rural School Achievement	NCLB Title IA	NCLB Title IIA	IDEA Basic	IDEA Preschool	NJ Non-public	Total
Revenues							
State sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615	\$ 615
Federal sources	17,456	18,679	4,422	39,323	1,097	-	80,977
Total revenues	\$ 17,456	\$ 18,679	\$ 4,422	\$ 39,323	\$ 1,097	\$ 615	\$ 81,592
Expenditures							
Instruction							
Salaries	\$ -	\$ 14,825	\$ -	\$ 18,500	\$ -	\$ -	\$ 33,325
Other purchased services	16,365	-	-	-	-	-	16,365
General supplies	1,091	-	-	-	-	89	1,180
Textbooks	-	-	-	-	-	166	166
Total	17,456	14,825	-	18,500	-	255	51,036
Support services							
Employee benefits	-	3,854	-	4,987	-	-	8,841
Purchased professional and technical services	-	-	4,010	15,836	1,097	360	21,303
Other purchased services	-	-	412	-	-	-	412
Total	-	3,854	4,422	20,823	1,097	360	30,556
Total expenditures	\$ 17,456	\$ 18,679	\$ 4,422	\$ 39,323	\$ 1,097	\$ 615	\$ 81,592

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Project Expenditures
For the Fiscal Year Ended June 30, 2016

Description	Approval Date	Revised Budgetary Appropriations	Expenditures to Date		Unexpended Appropriations 06/30/16
			Prior Years	Current Year	
Roof replacement project	1/6/14	\$ 603,069	\$ 36,356	\$ 566,713	\$ -
Toilet renovations project	1/6/14	413,715	45,508	368,207	-
Window replacement project	1/6/14	770,000	40,492	448,455	281,053
Boiler project	1/6/14	457,444	37,426	20,133	399,885
		<u>\$ 2,244,228</u>	<u>\$ 159,782</u>	<u>\$ 1,403,508</u>	<u>\$ 680,938</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Summary Schedule of Revenues, Expenditures,
and Changes in Fund Balance - Budgetary Basis
For the Fiscal Year Ended June 30, 2016

Revenues	
State sources - NJ SDA ROD Grants	\$ (10,772)
Local sources - bond proceeds	1,353,000
Total revenues	<u>1,342,228</u>
Expenditures	
Legal services	17,915
Purchased professional & services	19,216
Construction services	1,336,203
Other purchased services	30,174
	<u>1,403,508</u>
Excess (deficiency) of revenues and other financing sources	
Over (under) expenditures and other financing uses	(61,280)
Net position - beginning	<u>742,218</u>
Net position - ending	<u>\$ 680,938</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Roof Replacement Project
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ -	\$ 378,000	\$ 378,000	\$ 378,000
State source - School Development Authority Grant	252,000	(26,931)	225,069	225,069
Total revenues	<u>252,000</u>	<u>351,069</u>	<u>603,069</u>	<u>603,069</u>
Expenditures and other financing uses				
Purchased professional services	33,169	9,378	42,547	42,547
Bonding/legal fees	2,630	5,290	7,920	7,920
Construction services	557	547,124	547,681	547,681
Other purchased services	-	4,921	4,921	4,921
Total expenditures	<u>36,356</u>	<u>566,713</u>	<u>603,069</u>	<u>603,069</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 215,644</u>	<u>\$ (215,644)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 378,000
Bonds issued	378,000
Original authorized cost	630,000
Additional authorized cost	(26,931)
Revised authorized cost	603,069
Percentage completion	100%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Toilet Renovation Project
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ -	\$ 243,000	\$ 243,000	\$ 243,000
State source - School Development Authority Grant	162,000	8,715	170,715	170,715
Total revenues	<u>162,000</u>	<u>251,715</u>	<u>413,715</u>	<u>413,715</u>
Expenditures and other financing uses				
Purchased professional services	26,540	7,466	34,006	34,006
Bonding/legal fees	1,811	3,401	5,212	5,212
Construction services	17,157	354,176	371,333	371,333
Other purchased services	-	3,164	3,164	3,164
Total expenditures	<u>45,508</u>	<u>368,207</u>	<u>413,715</u>	<u>413,715</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 116,492</u>	<u>\$ (116,492)</u>	<u>\$ -</u>	<u>\$ -</u>

Additional project information

Project number	1680-050-14-2005-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 243,000
Bonds issued	243,000
Original authorized cost	405,000
Additional authorized cost	8,715
Revised authorized cost	413,715
Percentage completion	100%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Window Replacement Project
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ -	\$ 462,000	\$ 462,000	\$ 462,000
State source - School Development Authority Grant	308,000	-	308,000	308,000
Total revenues	<u>308,000</u>	<u>462,000</u>	<u>770,000</u>	<u>770,000</u>
Expenditures and other financing uses				
Purchased professional services	36,666	1,071	37,737	50,423
Bonding/legal fees	3,067	6,466	9,533	5,000
Construction services	759	434,903	435,662	645,000
Construction contingency	-	-	-	63,562
Other purchased services	-	6,015	6,015	6,015
Total expenditures	<u>40,492</u>	<u>448,455</u>	<u>488,947</u>	<u>770,000</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 267,508</u>	<u>\$ 13,545</u>	<u>\$ 281,053</u>	<u>\$ -</u>

Additional project information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 462,000
Bonds issued	462,000
Original authorized cost	770,000
Additional authorized cost	-
Revised authorized cost	770,000
Percentage completion	63%

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Capital Projects Fund
Schedule of Project Revenues, Expenditures, Project Balance and Project Status
Budgetary Basis
Boiler Project
For the Fiscal Year Ended June 30, 2016

	Prior Periods	Current Year	Totals	Revised Authorized Cost
Revenues and other financing sources				
Local sources - bond proceeds	\$ -	\$ 270,000	\$ 270,000	\$ 270,000
State source - School Development Authority Grant	180,000	7,444	187,444	187,444
Total revenues	<u>180,000</u>	<u>277,444</u>	<u>457,444</u>	<u>457,444</u>
Expenditures and other financing uses				
Purchased professional services	19,223	-	19,223	21,162
Bonding/legal fees	1,637	4,059	5,696	20,000
Construction services	16,566	-	16,566	363,825
Construction contingency	-	-	-	36,383
Other purchased services	-	16,074	16,074	16,074
Total expenditures	<u>37,426</u>	<u>20,133</u>	<u>57,559</u>	<u>457,444</u>
Excess (deficiency) of revenues over (under)				
Expenditures	<u>\$ 142,574</u>	<u>\$ 257,311</u>	<u>\$ 399,885</u>	<u>\$ -</u>

Additional project information

Project number	1680-050-14-2003-GO4
Grant date	01/06/14
Bond authorization date	07/22/14
Bonds authorized	\$ 270,000
Bonds issued	270,000
Original authorized cost	450,000
Additional authorized cost	7,444
Revised authorized cost	457,444
Percentage completion	13%

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Fund Net Position
Food Service Enterprise Fund
For the Fiscal Year Ended June 30, 2016

Assets	
Current assets	
Cash and cash equivalents	\$ 5,218
Receivables from other governments	
State	61
Federal	2,136
Other local governments	863
Inventory	2,984
Total current assets	<u>11,262</u>
Noncurrent assets	
Capital assets	29,378
Less: accumulated depreciation	<u>26,673</u>
Total noncurrent assets	<u>2,705</u>
Total assets	<u>13,967</u>
Liabilities	
Current liabilities	
Unearned revenues - Commodities	1,997
Unearned revenues - Prepaid sales	<u>231</u>
Total liabilities	<u>2,228</u>
Net position	
Net investment in capital assets	2,705
Unrestricted	<u>9,034</u>
Total net position	<u>\$ 11,739</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Food Service Enterprise Fund
For the Fiscal Year Ended June 30, 2016

Operating revenues	
Charges for services	
Daily sales - Reimbursable programs	\$ 14,250
Daily sales - Non-reimbursable programs	4,344
Satellites sales	20,500
Total operating revenues	<u>39,094</u>
Operating expenses	
Cost of sales - Reimbursable programs	9,258
Cost of sales - Non-reimbursable programs	16,141
Salaries	19,774
Support services - Employee benefits	3,013
Purchased professional/technical services	2,111
Purchased property services	671
Other purchased services	
Insurance	2,046
Management fee	6,302
Supplies and materials	2,075
Depreciation	544
Miscellaneous expenditures	46
Total operating expenses	<u>61,981</u>
Operating income (loss)	<u>(22,887)</u>
Non-operating revenues (expenses)	
State sources	
State school lunch program	354
Federal sources	
National school lunch program	
Cash assistance	10,153
Non-cash assistance (commodities)	7,523
National school breakfast program	660
Interest earned on investments	4
Total non-operating revenues (expenses)	<u>18,694</u>
Other Financing Sources	
Operating Transfer In	<u>346</u>
Change in net position	(3,847)
Net position, beginning	<u>15,586</u>
Net position, ending	<u>\$ 11,739</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statement of Cash Flows
Food Service Enterprise Fund
For the Fiscal Year Ended June 30, 2016

Cash flows from operating activities	
Receipts from customers	\$ 39,947
Payments to Food Service Management Co.	(53,506)
Payments to vendors (net)	(791)
Net cash provided by operating activities	<u>(14,350)</u>
Cash flows from noncapital financing activities	
State sources	332
Federal sources	9,464
Operating transfer in	346
Net interfund transactions	1,427
Net cash provided by (used for) non capital financing activities	<u>11,569</u>
Cash flows from investing activities	
Interest on investments	<u>4</u>
Net increase in cash and cash equivalents	(2,777)
Cash and cash equivalents, July 1	<u>7,995</u>
Cash and cash equivalents, June 30	<u><u>\$ 5,218</u></u>
Reconciliation of operating income to net cash	
Provided by operating activities	
Operating income	\$ (22,887)
Adjustments to reconcile operating income to net cash	
Provided by operating activities	
Depreciation	544
Federal Food Donation Program	10,153
(Increase) decrease in accounts receivable	622
(Increase) decrease in inventory	(1,093)
Increase (decrease) in unearned revenue	(1,689)
Net cash provided by (used for) operating activities	<u><u>\$ (14,350)</u></u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

Fiduciary funds are used to account for funds received by the School District as an agent for individuals, private organizations, other government and/or other funds.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Combining Schedule of Net Position in Fiduciary Funds
June 30, 2016

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 45,398	\$ 31,934	\$ 81,101	\$ 158,433
Due from other funds	299	-	-	299
Total assets	\$ 45,697	\$ 31,934	\$ 81,101	\$ 158,732
Liabilities				
Due to other funds	\$ -	\$ -	\$ 299	\$ 299
Accounts payable	87	-	-	87
Due to students groups	-	31,934	-	31,934
Payroll deductions & withholdings	-	-	80,802	80,802
Total liabilities	87	31,934	81,101	113,122
Net position				
Held in trust for unemployment claims & other purposes	\$ 45,610	\$ -	\$ -	\$ 45,610

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended June 30, 2016

	Unemployment Compensation Fund
Additions	
Contributions	
Employee withholdings	\$ 2,916
Investment earnings - interest	22
Total additions	2,938
Deductions	
Unemployment claims	416
Change in net position	2,522
Net position, beginning of the year	43,088
Net position, end of the year	\$ 45,610

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Student Activity Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/16</u>
Assets				
Cash and cash equivalents	<u>\$ 27,217</u>	<u>\$ 32,655</u>	<u>\$ 27,938</u>	<u>\$ 31,934</u>
Total assets	<u><u>\$ 27,217</u></u>	<u><u>\$ 32,655</u></u>	<u><u>\$ 27,938</u></u>	<u><u>\$ 31,934</u></u>
Liabilities				
Due to student groups	<u>\$ 27,217</u>	<u>\$ 32,655</u>	<u>\$ 27,938</u>	<u>\$ 31,934</u>
Total liabilities	<u><u>\$ 27,217</u></u>	<u><u>\$ 32,655</u></u>	<u><u>\$ 27,938</u></u>	<u><u>\$ 31,934</u></u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fiduciary Funds
Payroll Agency Fund
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2016

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Assets				
Cash and cash equivalents	\$ 85,930	\$ 2,843,669	\$ 2,848,498	\$ 81,101
Total assets	\$ 85,930	\$ 2,843,669	\$ 2,848,498	\$ 81,101
Liabilities				
Due to other funds	\$ 299	\$ -	\$ -	\$ 299
Summer pay	57,199	77,513	72,506	62,206
Payroll deductions and withholdings	26,804	1,781,970	1,791,711	17,063
Net payroll	1,628	984,186	984,281	1,533
Total liabilities	\$ 85,930	\$ 2,843,669	\$ 2,848,498	\$ 81,101

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

The long-term debt schedules are used to reflect the outstanding principal balances of the general long-term liabilities of the School District. This includes serial bonds outstanding, obligations under capital leases, and early retirement program.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Long-Term Debt
Schedule of Serial Bonds
For the Fiscal Year Ended June 30, 2016

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/2015	Issued	Retired	Balance 6/30/2016
			Date	Amount					
Series 2001	05/01/01	\$1,439,000	03/01/16	\$ 139,000	4.63%	\$ 139,000	\$ -	\$ 139,000	\$ -
Series 2015	07/22/15	\$ 1,353,000	07/15/16	75,000	3.00%	-	-	-	-
			07/15/17	75,000		-	-	-	-
			07/15/18	75,000		-	-	-	-
			07/15/19	80,000		-	-	-	-
			07/15/20	80,000		-	-	-	-
			07/15/21	85,000		-	-	-	-
			07/15/22	85,000		-	-	-	-
			07/15/23	90,000		-	-	-	-
			07/15/24	90,000		-	-	-	-
			07/15/25	95,000		-	-	-	-
			07/15/26	100,000	3.13%	-	-	-	-
			07/15/27	100,000		-	-	-	-
			07/15/28	105,000		-	-	-	-
			07/15/29	105,000		-	-	-	-
			07/15/30	113,000		-	1,353,000	-	1,353,000
						<u>\$ 139,000</u>	<u>\$ 1,353,000</u>	<u>\$ 139,000</u>	<u>\$ 1,353,000</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Budgetary Comparison Schedule
Debt Service Fund
For the Fiscal Year Ended June 30, 2016

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 114,100	\$ -	\$ 114,100	\$ 114,100	\$ -
Total revenues	<u>114,100</u>	<u>-</u>	<u>114,100</u>	<u>114,100</u>	<u>-</u>
EXPENDITURES					
Regular debt service					
Redemption of principal	139,000	-	139,000	139,000	-
Interest	<u>28,429</u>	<u>-</u>	<u>28,429</u>	<u>26,249</u>	<u>2,180</u>
Total expenditures	<u>167,429</u>	<u>-</u>	<u>167,429</u>	<u>165,249</u>	<u>2,180</u>
Other Financing Sources (uses)					
Capital Reserve - Transfer to debt service	<u>48,519</u>	<u>-</u>	<u>48,519</u>	<u>48,519</u>	<u>-</u>
Total other financing sources (uses)	<u>48,519</u>	<u>-</u>	<u>48,519</u>	<u>48,519</u>	<u>-</u>
Excess (deficiency) of revenues					
Over (under) expenditures	(4,810)	-	(4,810)	(2,630)	(2,180)
Fund balance, July 1	<u>4,810</u>	<u>-</u>	<u>4,810</u>	<u>4,810</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,180</u>	<u>\$ (2,180)</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Statistical Section J Series

CONTENTS	PAGE
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take	J-14 to J-15
OPERATING INFORMATION	
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.	J-16 to J-20

Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Net Position by Component
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government activities										
Net investment in capital assets	\$ 1,393,464	\$ 1,423,180	\$ 1,483,848	\$ 1,527,013	\$ 1,583,398	\$ 1,637,040	\$ 1,704,199	\$ 1,868,912	\$ 2,105,378	\$ 2,272,952
Restricted	104,791	109,159	109,287	113,604	114,219	139,675	116,934	252,904	996,021	990,584
Unrestricted	179,186	203,235	120,254	64,083	221,778	188,687	311,072	(274,355)	(262,328)	(270,077)
Total governmental activities	<u>\$ 1,677,441</u>	<u>\$ 1,735,574</u>	<u>\$ 1,713,389</u>	<u>\$ 1,704,700</u>	<u>\$ 1,919,395</u>	<u>\$ 1,965,402</u>	<u>\$ 2,132,205</u>	<u>\$ 1,847,461</u>	<u>\$ 2,839,071</u>	<u>\$ 2,993,459</u>
Business-type activities										
Net investment in capital assets	\$ 4,196	\$ 3,831	\$ 3,466	\$ 3,102	\$ 2,737	\$ 2,372	\$ 2,008	\$ 1,643	\$ 3,249	\$ 2,705
Unrestricted	(613)	7,374	9,627	9,407	13,268	12,223	15,759	13,812	12,337	9,034
Total business-type activities	<u>\$ 3,583</u>	<u>\$ 11,205</u>	<u>\$ 13,093</u>	<u>\$ 12,509</u>	<u>\$ 16,005</u>	<u>\$ 14,595</u>	<u>\$ 17,767</u>	<u>\$ 15,455</u>	<u>\$ 15,586</u>	<u>\$ 11,739</u>
District-wide										
Net investment in capital assets	\$ 1,397,660	\$ 1,427,011	\$ 1,487,314	\$ 1,530,115	\$ 1,586,135	\$ 1,639,412	\$ 1,706,207	\$ 1,870,555	\$ 2,108,627	\$ 2,275,657
Restricted	104,791	109,159	109,287	113,604	114,219	139,675	116,934	252,904	996,021	990,584
Unrestricted	178,573	210,609	129,881	73,490	235,046	200,910	326,831	(260,543)	(249,991)	(261,043)
Total district-wide	<u>\$ 1,681,024</u>	<u>\$ 1,746,779</u>	<u>\$ 1,726,482</u>	<u>\$ 1,717,209</u>	<u>\$ 1,935,400</u>	<u>\$ 1,979,997</u>	<u>\$ 2,149,972</u>	<u>\$ 1,862,916</u>	<u>\$ 2,854,657</u>	<u>\$ 3,005,198</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Changes in Net Position
Last Ten Fiscal Years (Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 1,268,495	\$ 1,283,758	\$ 1,252,784	\$ 1,361,462	\$ 1,113,235	\$ 1,186,985	\$ 1,262,847	\$ 1,259,721	\$ 1,650,507	\$ 1,626,796
Special education	322,633	325,980	371,898	356,717	408,963	416,596	418,171	440,745	454,682	531,893
Other special education	23,459	39,677	55,755	51,969	50,132	23,866	38,192	40,565	16,359	22,189
Other instruction	37,853	24,811	22,525	17,509	24,549	27,786	23,354	37,082	32,531	31,425
Support services										
Tuition	25,696	52,030	23,416	52,799	1,125	66,420	16,250	1,822	34,919	149
Student & instruction related services	406,115	414,783	439,504	469,155	424,222	427,911	412,028	388,465	501,078	651,843
General & business administrative services	156,569	165,854	179,702	164,062	121,655	154,246	161,111	206,275	147,189	162,895
School administration	65,542	74,063	70,792	63,896	99,003	102,065	73,510	82,622	119,676	147,574
Plant operations & maintenance	231,226	201,102	268,369	224,628	205,402	274,994	276,299	287,846	307,965	267,431
Pupil transportation	20,026	35,784	51,538	49,362	51,771	63,487	49,144	55,282	84,395	18,670
Interest on long-term debt	52,156	47,924	44,436	40,218	45,511	35,721	30,427	29,335	23,400	55,817
Total governmental activities expenses	<u>2,609,770</u>	<u>2,665,766</u>	<u>2,780,719</u>	<u>2,851,777</u>	<u>2,545,568</u>	<u>2,780,077</u>	<u>2,761,333</u>	<u>2,829,760</u>	<u>3,372,701</u>	<u>3,516,682</u>
Business-type activities										
Food services	66,535	66,898	67,892	59,080	58,450	71,134	65,516	69,869	71,967	61,981
Total business-type activities	<u>66,535</u>	<u>66,898</u>	<u>67,892</u>	<u>59,080</u>	<u>58,450</u>	<u>71,134</u>	<u>65,516</u>	<u>69,869</u>	<u>71,967</u>	<u>61,981</u>
Total district expenses	<u>\$ 2,676,305</u>	<u>\$ 2,732,664</u>	<u>\$ 2,848,611</u>	<u>\$ 2,910,857</u>	<u>\$ 2,604,018</u>	<u>\$ 2,851,211</u>	<u>\$ 2,826,849</u>	<u>\$ 2,899,629</u>	<u>\$ 3,444,668</u>	<u>\$ 3,578,663</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years (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	\$ 125,608	\$ 136,829	\$ 220,382	\$ 206,007	\$ 103,489	\$ 50,788	\$ 18,000	\$ 116,168	\$ 60,328	\$ 83,136
Operating grants & contributions	95,053	70,374	62,089	88,332	101,891	102,224	73,523	99,412	87,571	86,376
Capital grants & contributions	43,199	-	-	-	-	-	-	-	902,000	-
Total governmental activities program revenues	<u>263,860</u>	<u>207,203</u>	<u>282,471</u>	<u>294,339</u>	<u>205,380</u>	<u>153,012</u>	<u>91,523</u>	<u>215,580</u>	<u>1,049,899</u>	<u>169,512</u>
Business-type activities										
Charges for services										
Food service	44,320	45,781	43,262	40,296	40,901	44,751	41,312	41,534	42,404	39,094
Operating grants & contributions	12,564	14,773	17,838	18,186	21,010	16,898	17,997	20,488	20,871	18,690
Total business-type activities program revenues	<u>56,884</u>	<u>60,554</u>	<u>61,100</u>	<u>58,482</u>	<u>61,911</u>	<u>61,649</u>	<u>59,309</u>	<u>62,022</u>	<u>63,275</u>	<u>57,784</u>
Total district-program revenues	<u>\$ 320,744</u>	<u>\$ 267,757</u>	<u>\$ 343,571</u>	<u>\$ 352,821</u>	<u>\$ 267,291</u>	<u>\$ 214,661</u>	<u>\$ 150,832</u>	<u>\$ 277,602</u>	<u>\$ 1,113,174</u>	<u>\$ 227,296</u>
Net (expense) revenues										
Governmental activities	\$ (2,345,910)	\$ (2,458,563)	\$ (2,498,248)	\$ (2,557,438)	\$ (2,340,188)	\$ (2,627,065)	\$ (2,669,810)	\$ (2,614,180)	\$ (2,322,802)	\$ (3,347,170)
Business-type activities	(9,651)	(6,344)	(6,792)	(598)	3,461	(9,485)	(6,207)	(7,847)	(8,692)	(4,197)
Total district-wide net expenses	<u>\$ (2,355,561)</u>	<u>\$ (2,464,907)</u>	<u>\$ (2,505,040)</u>	<u>\$ (2,558,036)</u>	<u>\$ (2,336,727)</u>	<u>\$ (2,636,550)</u>	<u>\$ (2,676,017)</u>	<u>\$ (2,622,027)</u>	<u>\$ (2,331,494)</u>	<u>\$ (3,351,367)</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Changes in Net Position (continued)
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 1,352,227	\$ 1,423,722	\$ 1,494,908	\$ 1,547,230	\$ 1,609,121	\$ 1,641,301	\$ 1,673,305	\$ 1,705,934	\$ 1,739,200	1,833,860
Taxes levied for debt service	141,523	142,360	137,967	138,573	143,948	138,861	138,773	143,454	147,673	114,100
Unrestricted grants & contributions	904,541	948,897	822,528	851,842	797,260	904,968	1,025,587	972,029	1,432,990	1,563,704
Investment earnings	18,028	13,342	4,060	6,020	2,928	806	690	455	572	607
Capital grants deobligated	-	-	-	-	-	-	-	-	-	(10,772)
Miscellaneous income	4,327	1,875	7,652	5,084	1,626	201	7,631	199	2,796	405
Contribution-Parent Teacher Organization	-	-	17,603	-	-	-	-	-	-	-
Operating transfer	(10,400)	(13,500)	(8,655)	-	-	(13,065)	(9,373)	(5,531)	(8,819)	(346)
Total governmental activities	<u>2,410,246</u>	<u>2,516,696</u>	<u>2,476,063</u>	<u>2,548,749</u>	<u>2,554,883</u>	<u>2,673,072</u>	<u>2,836,613</u>	<u>2,816,540</u>	<u>3,314,412</u>	<u>3,501,558</u>
Business-type activities										
Investment earnings	-	-	-	14	35	10	6	4	4	4
Miscellaneous income	-	466	25	-	-	-	-	-	-	-
Operating transfer	10,400	13,500	8,655	-	-	8,065	9,373	5,531	8,819	346
Total business-type activities	<u>10,400</u>	<u>13,966</u>	<u>8,680</u>	<u>14</u>	<u>35</u>	<u>8,075</u>	<u>9,379</u>	<u>5,535</u>	<u>8,823</u>	<u>350</u>
Total district-wide	<u>\$ 2,420,646</u>	<u>\$ 2,530,662</u>	<u>\$ 2,484,743</u>	<u>\$ 2,548,763</u>	<u>\$ 2,554,918</u>	<u>\$ 2,681,147</u>	<u>\$ 2,845,992</u>	<u>\$ 2,822,075</u>	<u>\$ 3,323,235</u>	<u>\$ 3,501,908</u>
Change in net position										
Governmental activities	\$ 64,336	\$ 58,133	\$ (22,185)	\$ (8,689)	\$ 214,695	\$ 46,007	\$ 166,803	\$ 202,360	\$ 991,610	\$ 154,388
Business-type activities	749	7,622	1,888	(584)	3,496	(1,410)	3,172	(2,312)	131	(3,847)
Total district	<u>\$ 65,085</u>	<u>\$ 65,755</u>	<u>\$ (20,297)</u>	<u>\$ (9,273)</u>	<u>\$ 218,191</u>	<u>\$ 44,597</u>	<u>\$ 169,975</u>	<u>\$ 200,048</u>	<u>\$ 991,741</u>	<u>\$ 150,541</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted	\$ 54,440	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,187	\$ 16,187	\$ -
Committed	99,980	104,349	104,477	108,794	109,409	134,865	112,124	248,094	248,993	307,466
Assigned	12,049	87,662	41,587	93,266	127,959	113,718	218,474	105,017	113,597	162,868
Unassigned	165,579	186,183	150,634	85,391	149,735	171,066	209,551	179,004	178,786	178,573
Total general fund	<u>\$ 332,048</u>	<u>\$ 378,194</u>	<u>\$ 296,698</u>	<u>\$ 287,451</u>	<u>\$ 387,103</u>	<u>\$ 419,649</u>	<u>\$ 540,149</u>	<u>\$ 548,302</u>	<u>\$ 557,563</u>	<u>\$ 648,907</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 742,218	680,938
Special revenue fund	(112)	(112)	-	-	-	-	-	-	-	-
Assigned, reported in										
Debt service fund	4,811	4,810	4,810	4,810	4,810	4,810	4,810	4,810	4,810	2,180
Total all other governmental funds	<u>\$ 4,699</u>	<u>\$ 4,698</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 4,810</u>	<u>\$ 747,028</u>	<u>\$ 683,118</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 1,493,750	\$ 1,566,082	\$ 1,632,875	\$ 1,685,803	\$ 1,753,069	\$ 1,780,162	\$ 1,812,078	\$ 1,849,388	\$ 1,886,873	\$ 1,947,960
Tuition charges	60,660	67,305	83,683	75,211	52,706	24,139	18,000	72,072	58,018	79,836
Interest earnings	18,028	13,342	4,060	6,020	2,928	806	690	455	572	607
Rents and royalties	-	-	-	-	-	-	-	-	-	3,300
Miscellaneous	70,870	71,795	161,954	135,880	52,409	26,850	7,631	199	5,106	405
State sources	951,763	951,129	822,640	751,926	797,260	883,888	1,025,876	972,048	1,933,024	1,016,036
Federal sources	89,435	67,746	61,977	188,248	101,891	123,304	73,234	99,393	87,234	85,642
Total revenues	2,684,506	2,737,399	2,767,189	2,843,088	2,760,263	2,839,149	2,937,509	2,993,555	3,970,827	3,133,786
Expenditures										
Instruction										
Regular instruction	906,450	918,099	968,116	983,222	889,341	838,704	872,421	905,825	918,534	877,729
Special education instruction	188,000	211,171	249,139	261,690	245,577	279,378	300,090	294,999	270,085	264,960
Other special instruction	17,689	29,225	38,748	32,429	31,485	8,149	11,728	17,099	-	-
Other instruction	27,568	23,887	21,761	16,912	23,789	26,849	22,577	33,743	31,529	27,112
Support services										
Tuition	8,306	36,790	23,416	24,855	1,125	27,014	7,347	1,822	34,919	149
Student & inst related services	278,617	256,159	336,285	337,419	274,110	302,166	282,944	265,226	298,965	334,236
General administration	72,477	66,443	77,521	78,493	50,351	39,840	57,612	71,048	48,517	46,256
School administration services	55,446	59,387	65,348	57,652	91,681	81,968	52,987	59,422	78,590	92,619
Central services	56,951	59,812	62,564	48,559	40,196	50,180	48,320	76,185	68,257	82,235
Plant operations & maintenance	203,510	179,984	241,074	195,764	171,631	219,182	238,412	240,361	257,073	217,806
Pupil transportation	19,596	34,354	53,407	36,891	37,928	53,260	39,429	37,753	76,106	15,839
Employee benefits	297,199	275,837	265,098	326,563	344,099	370,003	360,833	382,369	413,411	474,662
On-behalf TPAF pension & social security contribution	289,344	313,871	209,894	215,451	203,051	249,708	284,670	239,992	294,539	288,987
Capital outlay	-	-	72,253	9,530	10,408	-	7,664	98,353	12,170	68,475
Capital projects	1,509	-	-	-	-	-	-	-	159,782	1,403,508
Special revenue funds	95,165	70,374	61,977	88,332	101,891	102,224	73,523	99,412	87,571	86,376
Debt service										
Principal	90,000	95,000	95,000	100,000	110,000	110,000	115,000	125,000	135,000	139,000
Interest & other charges	51,523	47,361	42,967	38,573	33,948	34,913	32,079	31,262	25,481	39,057
Total expenditures	2,659,350	2,677,754	2,884,568	2,852,335	2,660,611	2,793,538	2,807,636	2,979,871	3,210,529	4,459,006

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Changes in Fund Balances, Governmental Funds (continued)
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Excess (deficiency) of revenues over (under) expenditures	\$ 25,156	\$ 59,645	\$ (117,379)	\$ (9,247)	\$ 99,652	\$ 45,611	\$ 129,873	\$ 13,684	\$ 760,298	\$ (1,325,220)
Other financing sources (uses)										
Proceeds from bond issue	-	-	-	-	-	-	-	-	-	1,353,000
Capital leases (non-budgeted)	-	-	44,650	-	-	-	-	-	-	-
Transfers in (out)	(10,400)	(13,500)	(8,655)	-	-	(13,065)	(9,373)	(5,531)	(8,819)	(346)
Total other financing sources (uses)	(10,400)	(13,500)	35,995	-	-	(13,065)	(9,373)	(5,531)	(8,819)	1,352,654
Net change in fund balances	<u>\$ 14,756</u>	<u>\$ 46,145</u>	<u>\$ (81,384)</u>	<u>\$ (9,247)</u>	<u>\$ 99,652</u>	<u>\$ 32,546</u>	<u>\$ 120,500</u>	<u>\$ 8,153</u>	<u>\$ 751,479</u>	<u>\$ 27,434</u>
Debt service as a percentage of non-capital expenditures	5.62%	5.61%	5.16%	5.12%	5.74%	5.47%	5.54%	5.73%	5.58%	6.34%

Source: District records

NOTE: Non-capital expenditures are total expenditures less capital outlay, capital projects and debt service.

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
General Fund - Other Local Revenues by Source
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Interest income	\$ 17,936	\$ 13,342	\$ 4,060	\$ 6,020	\$ 2,928	\$ 806	\$ 690	\$ 455	\$ 572	\$ 607
Tuition	60,660	67,305	83,683	75,211	52,706	24,139	18,000	72,072	58,018	79,836
Other school districts-shared services	64,948	69,524	136,699	130,796	50,783	26,649	-	-	-	-
Prior year refunds	797	-	549	3,639	319	-	7,242	-	2,796	-
Summer music project	1,494	-	-	-	-	-	-	-	-	-
Outstanding checks voided	1,486	-	14	-	-	-	-	-	-	-
Rents and royalties	50	1,044	1,065	1,187	-	-	-	-	-	3,300
Miscellaneous other	-	729	274	18	-	-	289	199	-	101
Contributions	500	-	211	89	1,307	201	100	-	-	-
Transportation reimbursement	-	-	896	-	-	-	-	-	-	-
Joint Insurance Fund-Surplus refund	-	-	4,643	-	-	-	-	-	-	-
Contribution-Parent Teacher Organization	-	-	17,603	-	-	-	-	-	-	-
School bus rental	-	-	-	-	-	-	-	2,310	-	-
Sale of surplus equipment & materials	-	102	-	151	-	-	-	-	-	304
Annual totals	<u>\$ 147,871</u>	<u>\$ 152,046</u>	<u>\$ 249,697</u>	<u>\$ 217,111</u>	<u>\$ 108,043</u>	<u>\$ 51,795</u>	<u>\$ 26,321</u>	<u>\$ 72,726</u>	<u>\$ 63,696</u>	<u>\$ 84,148</u>

Source: District Records

See independent auditors' report.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years**

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Vacant land	\$ 2,554,500	\$ 2,554,500	\$ 2,608,300	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,505,100	\$ 2,490,600	\$ 4,480,500
Residential	108,162,700	108,094,600	108,052,500	109,384,700	108,678,000	108,976,400	108,741,700	109,474,900	109,543,700	110,307,000
Farm regular	898,600	898,600	898,600	898,600	898,600	898,600	898,600	898,600	898,600	449,600
Q farm	52,749	52,749	14,200	14,700	14,700	14,700	14,700	14,700	14,700	11,200
Commercial	26,662,500	28,085,300	27,687,500	26,861,900	26,785,700	26,737,800	26,737,800	26,449,600	26,369,600	26,503,300
Industrial	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350	3,726,350
Apartment	6,119,880	6,119,880	6,446,500	6,045,500	6,045,500	6,045,500	6,045,500	5,682,600	5,682,600	5,682,600
Total assessed value	148,177,279	149,531,979	149,433,950	149,436,850	148,653,950	148,904,450	148,669,750	148,751,850	148,726,150	151,160,550
Public utilities (a)	945,769	1,059,003	1,130,900	889,485	725,240	592,657	489,679	594,036	693,169	644,203
Net valuation taxable	\$ 149,123,048	\$ 150,590,982	\$ 150,564,850	\$ 150,326,335	\$ 149,379,190	\$ 149,497,107	\$ 149,159,429	\$ 149,345,886	\$ 149,419,319	\$ 151,804,753
Estimated actual county equalized value	\$ 180,920,032	\$ 189,110,834	\$ 182,114,565	\$ 177,418,076	\$ 171,957,166	\$ 166,644,863	\$ 159,392,422	\$ 152,424,868	\$ 164,522,483	\$ 175,578,017
Percentage of net valuation to estimated actual equalized value	82.42%	79.63%	82.68%	84.73%	86.87%	89.71%	93.58%	97.98%	90.82%	86.46%
Total direct school tax rate (b)	\$ 1.05	\$ 1.08	\$ 1.12	\$ 1.17	\$ 1.19	\$ 1.21	\$ 1.24	\$ 1.26	\$ 1.30	\$ 1.31

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

- (a) Taxable value of machinery, implements and equipments of telephone and messenger system companies
- (b) Tax rates are per \$100

- * Revalued/Reassessed
- * Limited exemptions and abatements

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate Per \$100 of Assessed Value)

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates		Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	
2008	0.992	0.092	1.084	0.502	0.542	0.422	2.55
2009	1.028	0.092	1.120	0.498	0.563	0.419	2.60
2010	1.071	0.095	1.166	0.473	0.601	0.407	2.65
2011	1.096	0.096	1.192	0.439	0.623	0.398	2.65
2012	1.121	0.092	1.213	0.477	0.655	0.398	2.74
2013	1.145	0.095	1.240	0.524	0.674	0.392	2.83
2014	1.164	0.099	1.263	0.572	0.705	0.383	2.92
2015	1.227	0.076	1.303	0.626	0.873	0.412	3.21
2016	1.232	0.074	1.306	0.694	0.869	0.433	3.30

Sources: 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 pre-budget by more than the spending growth limitation calculated as follows: the pre-budget 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.

* Revalued/Reassessed See independent auditors' report.

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago**

	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Frenchtown Associates LLC	\$ 2,950,000	1	1.94%	\$3,143,300	1	2.11%
Frenchtown Properties LLC	2,145,200	2	1.41%	-	-	-
Frenchtown Barn Center LLC	1,500,000	3	0.99%	1,032,530	4	0.69%
Davon LLC	977,200	4	0.64%	906,060	5	0.61%
Bridge Race Properties LLC	972,200	5	0.64%	901,420	6	0.60%
Individual Property Owner	830,800	6	0.55%	-	-	-
Traub Holdings LLC	758,400	7	0.50%	-	-	-
B & B Properties LLC	748,500	8	0.49%	-	-	-
T2 Services Inc	724,700	9	0.48%	-	-	-
Leahy	718,800	10	0.47%	-	-	-
Individual Property Owner	-	-	-	1,989,040	2	1.33%
Individual Property Owner	-	-	-	1,470,820	3	0.99%
Individual Property Owner	-	-	-	770,310	8	0.52%
Individual Property Owner	-	-	-	741,360	9	0.50%
United Telephone Co of NJ	-	-	-	900,230	7	0.60%
RO-MAR Enterprises	-	-	-	703,180	10	0.47%
	<u>\$ 12,325,800</u>		<u>8.12%</u>	<u>\$ 12,558,250</u>		<u>8.42%</u>

Source: Municipal Tax Assessor

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

<u>Year Ending December 31,</u>	<u>Taxes Levied for the Year</u>	<u>Collected within the Year of the Levy (a)</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>
2006	\$ 3,648,964	\$ 3,459,905	94.82%
2007	3,920,222	3,736,078	95.30%
2008	3,852,232	3,741,707	97.13%
2009	3,925,744	3,642,780	92.79%
2010	3,982,690	3,753,793	94.25%
2011	3,969,209	3,662,420	92.27%
2012	4,101,468	3,874,442	94.46%
2013	4,230,272	4,059,133	95.95%
2014	4,366,529	4,173,836	95.59%
2015	4,811,674	4,620,352	96.02%

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.

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities			Bond Anticipation Notes (BANs)	Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds (b)	Certificates of Participation	Capital Leases		Activities			
2007	\$ 1,024,000					\$ 1,024,000	1.07%	\$ 693
2008	929,000					929,000	0.92%	631
2009	834,000		\$ 34,600			868,600	0.86%	592
2010	734,000		26,451			760,451	0.79%	518
2011	624,000		17,977			641,977	0.70%	467
2012	514,000		9,165			523,165	0.53%	371
2013	399,000					399,000	0.39%	294
2014	274,000					274,000	0.27%	197
2015	139,000			\$ 800,000		939,000	0.87%	677
2016	1,353,000					1,353,000	N/A	976

NOTES: (1) Details regarding the district's outstanding debt can be found in the notes to the financial statements.

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions			
2007	\$ 1,024,000		\$ 1,024,000	0.69%	\$ 695
2008	929,000		929,000	0.62%	633
2009	834,000		834,000	0.55%	569
2010	734,000		734,000	0.49%	534
2011	624,000		624,000	0.42%	442
2012	514,000		514,000	0.34%	377
2013	399,000		399,000	0.27%	285
2014	274,000		274,000	0.18%	197
2015	139,000		139,000	0.09%	100
2016	1,353,000		1,353,000	0.89%	971

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 J-21.

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

	Debt Outstanding	Estimated % Applicable (a)	Estimated Share of Overlapping Debt
Governmental Unit			
Debt repaid with property taxes			
Municipality	\$ 2,395,274	100%	\$ 2,395,274
Regional High School	2,090,000	6.99%	146,135
County general obligation debt	62,494,492	0.78%	486,680
Subtotal, overlapping debt			3,028,089
School district direct debt			139,000
Total direct and overlapping debt			\$ 3,167,089

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

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

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal debt margin calculation for fiscal year 2016

	Equalized valuation basis	
	2015	\$ 172,017,291
	2014	163,787,547
	2013	151,734,793
		<u>\$ 487,539,631</u>
Average equalized valuation of taxable property		<u>\$ 162,513,210</u>
Debt limit (3.0% of average equalization value)	(a)	\$ 4,875,396
Total net debt applicable to limit		<u>2,244,227</u>
Legal debt margin		<u>\$ 2,631,169</u>

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 5,140,934	\$ 4,968,485	\$ 4,765,597	\$ 4,746,423	\$ 4,875,396
Total net debt applicable	<u>514,000</u>	<u>399,000</u>	<u>274,000</u>	<u>2,394,000</u>	<u>2,244,227</u>
Legal debt margin	<u>\$ 4,626,934</u>	<u>\$ 4,569,485</u>	<u>\$ 4,491,597</u>	<u>\$ 2,352,423</u>	<u>\$ 2,631,169</u>
Total net debt applicable to the limit as a percentage of debt limit	10.00%	8.03%	5.75%	50.44%	46.03%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 4,759,376	\$ 5,213,702	\$ 5,534,083	\$ 5,531,279	\$ 5,362,191
Total net debt applicable	<u>1,024,000</u>	<u>929,000</u>	<u>834,000</u>	<u>734,000</u>	<u>624,000</u>
Legal debt margin	<u>\$ 3,735,376</u>	<u>\$ 4,284,702</u>	<u>\$ 4,700,083</u>	<u>\$ 4,797,279</u>	<u>\$ 4,738,191</u>
Total net debt applicable to the limit as a percentage of debt limit	21.52%	17.82%	15.07%	13.27%	11.64%

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

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2007	1,473	\$ 100,454,181	\$ 68,197	2.7%
2008	1,467	101,305,152	69,056	3.6%
2009	1,467	96,719,310	65,930	6.3%
2010	1,374	91,256,958	66,417	6.6%
2011	1,411	99,183,423	70,293	6.5%
2012	1,358	101,336,676	74,622	6.7%
2013	1,390	103,357,620	74,358	6.7%
2014	1,387	108,108,328	77,944	5.2%
2015	1,386	N/A	N/A	3.3%
2016	N/A	N/A	N/A	N/A

Sources:

- (a) Population information provided by the NJ Dept of Labor and Workforce
- (b) Personal income has been estimated based upon the municipal population and per capita personal income presented
- (c) Per capita personal income by county estimated based upon the 2010 census published by the U.S. Bureau of Economic Analysis.
- (d) Unemployment data provided by the NJ Dept of Labor and Workforce

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Prinicpal Employers
Current Year and Nine Years Ago

2016

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2007

Employer	Employees	Rank	Percentage of Total Municipal Employment
----------	-----------	------	--

INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction	15.6	16.2	16.4	17.7	18.7	18.7	18.7	19.1	19.6	18.5
Health services	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Related services	1.0	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.4
Guidance	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Child study team	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Media center	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
General administration	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3
School administration services	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	1.1
Business office	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.8
Building maintenance	2.0	2.0	2.0	1.4	1.4	1.4	1.4	1.4	2.0	2.0
Transportation	0.1	0.1	0.1	0.7	0.7	0.7	0.7	0.8	-	-
Cafeteria	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-	-
Total	23.9	24.0	24.2	25.5	26.5	26.5	26.5	27.1	27.3	26.3

Source: District Personnel Records

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	141	2,516,318	17,846	2.62%	24.0	1 to 5.88	142.6	136.0	8.36%	95.37%
2008	143	2,535,393	17,730	-0.65%	24.0	1 to 5.96	146.3	139.0	2.59%	95.01%
2009	158	2,674,348	16,926	-4.53%	24.0	1 to 6.59	158.9	150.6	8.61%	94.78%
2010	158	2,704,232	17,115	1.12%	24.0	1 to 6.59	157.5	148.6	-0.88%	94.35%
2011	171	2,506,255	14,656	-14.37%	24.0	1 to 6.50	168.4	158.9	6.92%	94.36%
2012	157	2,648,625	16,870	15.10%	24.0	1 to 6.55	159.6	151.1	-5.23%	94.67%
2013	148	2,652,893	17,925	6.25%	24.0	1 to 6.16	147.8	140.5	-7.39%	95.06%
2014	138	2,725,256	19,748	10.17%	18.5	1 to 7.45	137.7	131.0	-6.83%	95.12%
2015	142	2,878,096	20,268	2.63%	19.6	1 to 7.24	142.8	136.3	3.71%	95.46%
2016	142	2,808,966	19,781	-2.40%	19.6	1 to 7.24	138.9	132.1	-2.74%	95.10%

Source: District Records

- (a) Operating expenditures equal total expenditures less debt service and capital outlay.
- (b) Teaching staff includes only full-time equivalents or certificated staff.
- (c) Average Daily Enrollment and Average Daily Attendance are obtained from the School Register Summary (SRS).

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
School Building Information
Last Ten Fiscal Years

District Building	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Elementary (1925)										
Square feet	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992	35,992
Capacity (students)	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Enrollment	141.0	148.0	158.0	158.0	171.0	157.0	148.0	138.0	142.0	142.0

Number of Schools at June 30, 2016

 Elementary 1

Source: District Facilities Office

N/A = Not Available

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

**FRENCHTOWN BOROUGH SCHOOL DISTRICT
 Schedule of Required Maintenance
 Last Ten Fiscal Years**

Undistributed Expenditures - Required Maintenance for School Facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2007	\$ 18,971	\$ 18,971
2008	21,309	21,309
2009	19,519	19,519
2010	15,265	15,265
2011	14,757	14,757
2012	26,903	26,903
2013	65,117	65,117
2014	20,846	20,846
2015	33,947	33,947
2016	24,333	24,333
Total school facilities	<u>\$ 260,967</u>	<u>\$ 260,967</u>

* School Facilities as Defined Under EFCFA.
 (NJAC 6A:26-1.2 and NJAC 6A:26A-1.3)

Source: District records

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Insurance Schedule
June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School commercial package policy - NJ School Boards Assoc.		
Insurance group		
Property - building blanket and contents (fund limit)	\$ 450,000,000	\$ 5,000
Accounts receivable	250,000	5,000
Electronic data processing equipment	100,000	1,000
Auto physical damage	In blanket limit	1,000
 School board legal liability - NJ School Boards Assoc.		
Insurance Group	16,000,000	5,000
 Liability		
Comprehensive general liability	16,000,000	-
Automobile liability	16,000,000	-
Employee benefit liability	16,000,000	1,000
 Workers compensation - NJ School Boards Assoc.		
Insurance Group		
Employers liability	2,000,000	-
Statutory benefits	Included	-
Supplemental coverage (optional)	Included	-
 Crime		
Blanket employee dishonesty	500,000	1000
Forgery	50,000	500
Theft/disapperance/destruction		
Inside	50,000	500
Outside	50,000	500
 Pollution Policy - NJ School Boards Assoc.		
Insurance group through Zurich		
Incident	1,000,000	25,000
Fund annual aggregate	25,000,000	-

Source: District records

See independent auditors' report.



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

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
Frenchtown Borough School District
County of Hunterdon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Frenchtown Borough School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 4, 2016.

Internal Control over Financial Reporting

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

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

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


Compliance and Other Matters

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

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 in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 4, 2016
Flemington, New Jersey



Bedard, Kurowicki & Co.
Certified Public Accountants, PC
www.bkc-cpa.com

**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by The Uniform Guidance and New Jersey
OMB Circular Letter 15-08**

Honorable President and
Members of the Board of Education
Frenchtown Borough School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major Federal Program and State Program

We have audited the Frenchtown Borough School District's, (the District), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the New Jersey OMB Circular Letter 15-08 that could have a direct and material effect on each of the District's major federal and New Jersey programs for the year ended June 30, 2016. Frenchtown Borough School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and New Jersey 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 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and New Jersey OMB Circular 15-08. Those standards, the Uniform Guidance and OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal and State Programs

In our opinion, the Frenchtown Borough School District 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 New Jersey programs for the year ended June 30, 2016.

Report on Internal Control over Compliance


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

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

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

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

Bedard, Kurowicki & Co.
BEDARD, KUROWICKI & CO., CPA'S, PC


William M. Colantano, Jr.
Public School Accountant
No. CS 0128

November 4, 2016
Flemington, New Jersey

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards - Schedule A
For the Fiscal Year Ended June 30, 2016

Grantor/Program Title	Federal	FAIN Number	Project Number	Program or Award Amount	Grant		Balance 06/30/15	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment	Repayment of Prior Year Balance	Balance June 30, 2016		
	CFDA Number				Period From	Period To							Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education															
Special Revenue Fund															
NCLB Title I A	84.010A	S010S150030	NCLB-1680-15	\$ 18,556	07/01/14	06/30/15	\$ (7,941)	\$ -	\$ 7,941	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NCLB Title II A	84.367A	S367A150029	NCLB-1680-15	4,562	07/01/14	06/30/15	(1,840)	-	1,840	-	-	-	-	-	-
NCLB Title I A	84.010A	S010S150030	NCLB-1680-16	\$ 18,679	07/01/15	06/30/16	-	-	14,825	18,679	-	-	(3,854)	-	-
NCLB Title II A	84.367A	S367A150029	NCLB-1680-16	4,558	07/01/15	06/30/16	-	-	3,563	4,422	-	-	(859)	-	-
Rural Education Achievement Program	84.358A	S358B150030	S358A-3750-15	18,942	07/01/14	09/30/15	(1,053)	-	1,053	-	-	-	-	-	-
Rural Education Achievement Program	84.358A	S358B150030	S358A-3750-16	17,456	07/01/15	09/30/16	-	-	15,617	17,456	-	-	(1,839)	-	-
IDEA basic	84.027	H027A150100	IDEA-1680-15	37,711	07/01/14	06/30/15	(14,713)	-	14,713	-	-	-	-	-	-
IDEA basic	84.027	H027A150100	IDEA-1680-16	39,323	07/01/15	06/30/16	-	-	26,935	39,323	-	-	(12,388)	-	-
IDEA preschool	84.173	H173S150114	IDEA-1680-16	1,097	07/01/15	06/30/16	-	-	653	1,097	-	-	(444)	-	-
Total Special Revenue Fund							<u>(25,547)</u>	<u>-</u>	<u>87,140</u>	<u>80,977</u>	<u>-</u>	<u>-</u>	<u>(19,384)</u>	<u>-</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture															
Enterprise Fund															
Child Nutrition Center															
National School Lunch Program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	8,098	07/01/14	06/30/15	1,287	-	-	1,287	-	-	-	-	-
National School Lunch Program non-cash assistance (commodities)	10.555	16161NJ304N1099	N/A	8,233	07/01/15	06/30/16	-	-	8,233	6,236	-	-	-	1,997	-
National School Lunch Program cash assistance	10.555	16161NJ304N1099	N/A	11,546	07/01/14	06/30/15	(735)	-	735	-	-	-	-	-	-
National School Lunch Program cash assistance	10.555	16161NJ304N1099	N/A	10,153	07/01/15	06/30/16	-	-	8,228	10,153	-	-	(1,925)	-	-
School Breakfast Program	10.553	16161NJ304N1099	N/A	660	07/01/15	06/30/16	-	-	449	660	-	-	(211)	-	-
School Breakfast Program	10.553	16161NJ304N1099	N/A	721	07/01/14	06/30/15	(52)	-	52	-	-	-	-	-	-
Total Enterprise Fund							<u>500</u>	<u>-</u>	<u>17,697</u>	<u>18,336</u>	<u>-</u>	<u>-</u>	<u>(2,136)</u>	<u>1,997</u>	<u>-</u>
Total Federal Financial Assistance							<u>\$ (25,047)</u>	<u>\$ -</u>	<u>\$ 104,837</u>	<u>\$ 99,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,520)</u>	<u>\$ 1,997</u>	<u>\$ -</u>

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Expenditures of State Financial Assistance - Schedule B
For the Fiscal Year Ended June 30, 2016

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2015		Cash Received	Budgetary Expenditure	Adjustments/Repayments	Balance June 30, 2016			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General Fund														
Special Education Categorical aid	16-495-034-5120-089	\$ 85,703	07/01/15	06/30/16	\$ -	\$ -	\$ 77,282	\$ 85,703	\$ -	\$ -	\$ -	\$ -	\$ (8,421)	\$ 85,703
Equalization aid	16-495-034-5120-078	508,039	07/01/15	06/30/16	-	-	458,117	508,039	-	-	-	-	(49,922)	508,039
Security aid	16-495-034-5120-084	3,251	07/01/15	06/30/16	-	-	2,932	3,251	-	-	-	-	(319)	3,251
Adjustment aid	16-495-034-5120-085	9,673	07/01/15	06/30/16	-	-	8,722	9,673	-	-	-	-	(951)	9,673
Transportation aid	16-495-034-5120-014	457	07/01/15	06/30/16	-	-	412	457	-	-	-	-	(45)	457
PARCC Readiness aid	16-495-034-5120-098	1,240	07/01/15	06/30/16	-	-	1,118	1,240	-	-	-	-	(122)	1,240
Per Pupil Growth aid	16-495-034-5120-097	1,240	07/01/15	06/30/16	-	-	1,118	1,240	-	-	-	-	(122)	1,240
School Choice aid	16-495-034-5120-068	125,749	07/01/15	06/30/16	-	-	113,393	125,749	-	-	-	-	(12,356)	125,749
Non-public Transportation aid	16-495-034-5120-014	1,735	07/01/15	06/30/16	-	-	-	1,735	-	(1,735)	-	-	-	1,735
Non-public Transportation aid	15-495-034-5120-014	1,044	07/01/15	06/30/16	(1,044)	-	1,044	-	-	-	-	-	-	1,044
On behalf TPAF pension contribution - Teachers' Pension & Annuity Fund	16-495-034-5094-002	83,355	07/01/15	06/30/16	-	-	83,355	83,355	-	-	-	-	-	83,355
On behalf TPAF pension contribution - Non-contributory insurance	16-495-034-5094-004	4,152	07/01/15	06/30/16	-	-	4,152	4,152	-	-	-	-	-	4,152
On behalf TPAF pension contribution - Post retirement medical	16-495-034-5094-001	104,196	07/01/15	06/30/16	-	-	104,196	104,196	-	-	-	-	-	104,196
Reimbursed TPAF Social Security contribution	16-495-034-5094-003	97,284	07/01/15	06/30/16	-	-	92,458	97,284	-	(4,826)	-	-	-	97,284
Reimbursed TPAF Social Security contribution	15-495-034-5094-003	99,655	07/01/15	06/30/16	(4,761)	-	4,761	-	-	-	-	-	-	99,655
Total General Fund					(5,805)	-	953,060	1,026,074	-	(6,561)	-	-	(72,258)	1,126,773
Special Revenue Fund														
Nonpublic Textbook Aid	16-100-034-5120-064	114	07/01/15	06/30/16	-	-	114	114	-	-	-	-	-	114
Nonpublic Nursing Services	16-100-034-5120-070	360	07/01/15	06/30/16	-	-	360	360	-	-	-	-	-	360
Nonpublic Security Aid	16-100-034-5120-509	100	07/01/15	06/30/16	-	-	100	89	-	-	-	11	-	89
Nonpublic Technology Initiative	16-100-034-5120-373	52	07/01/15	06/30/16	-	-	52	52	-	-	-	-	-	52
Nonpublic Handicapped Aid-Examination	16-100-034-5120-066	2,384	07/01/15	06/30/16	-	-	2,384	-	-	-	-	2,384	-	-
Nonpublic Nursing Services	15-100-034-5120-070	285	7/1/2014	06/30/15	-	12	-	-	12	-	-	-	-	-
Nonpublic Handicapped Aid-Examination	15-100-034-5120-066	8,819	7/1/2014	06/30/15	-	8,819	-	-	8,819	-	-	-	-	-
Total Special Revenue Fund					-	8,831	3,010	615	8,831	-	-	2,395	-	615
Capital Projects Fund														
NJ School Development Authority														
Roof replacement	1680-050-14-2003-G04	225,069	01/06/14	06/30/16	-	-	-	225,069	-	(225,069)	-	-	-	225,069
Toilet renovations	1680-050-14-2004-G04	170,715	01/06/14	06/30/16	-	-	-	170,715	-	(170,715)	-	-	-	170,715
Window replacement	1680-050-14-2005-G04	308,000	01/06/14	n/a	-	-	-	195,579	-	(195,579)	-	-	-	195,579
Boiler conversion	1680-050-14-2002-G04	187,444	01/06/14	n/a	-	-	-	23,024	-	(23,024)	-	-	-	23,024
Total capital projects fund					-	-	-	614,387	-	(614,387)	-	-	-	614,387
State Department of Agriculture														
Enterprise Fund														
State School Lunch program	16-100-010-3350-023	354	07/01/15	06/30/16	-	-	293	354	-	(61)	-	-	-	-
State School Lunch program	15-100-010-3350-023	422	07/01/14	06/30/15	(39)	-	39	-	-	-	-	-	-	-
Total Enterprise Fund					(39)	-	332	354	-	(61)	-	-	-	-
Total State Financial Assistance					\$ (5,844)	\$ 8,831	\$ 956,402	1,641,430	\$ 8,831	\$ (621,009)	\$ -	\$ 2,395	\$ (72,258)	\$ 1,741,775
Less: On behalf TPAF Pension System contributions								(191,703)						
Total for State financial assistance - major program determination								\$ 1,449,727						

See independent auditors' report.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

Note 1 - General

The accompanying Schedules of Financial Assistance present the activity of all Federal and State financial assistance programs of the Board of Education, Frenchtown Borough School District. The Board of Education is defined in Note 1 (A) to the Board's financial statements. All federal financial assistance received directly from Federal agencies, as well as federal financial assistance passed through other government agencies, is included on the Schedule of Federal Financial Assistance.

Note 2 - Basis of accounting

The accompanying Schedules of Financial Assistance are presented using the 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 Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of financial statements

The financial statements present the General fund and Special Revenue fund on a GAAP basis. Budgetary comparison statements or schedules 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 PL 2003, Ch. 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the state deferred and recording of the last state aid payment in the subsequent year. The Special Revenue fund is presented in the accompanying Schedules on the Grant Accounting Budgetary Basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$0 for the General fund and \$4,784 for the Special Revenue fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue funds.

Financial assistance revenues are reported in the Board's financial statements on a GAAP basis as follows:

	Federal	State	Total
General fund	\$ -	\$ 1,026,074	\$ 1,026,074
Special Revenue fund	85,642	734	86,376
Food Service fund	18,336	354	18,690
	\$ 103,978	\$ 1,027,162	\$ 1,131,140

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

- Note 4 - Relationship to Federal and State financial reports
Amounts reported in the accompanying schedules agree with the amounts reported in the related Federal and State financial reports.
- Note 5 - Other
Revenues and expenditures reported under the USDA Commodities Program represent current year distributions, respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district for the year ended June 30, 2016. TPAF Social Security Contribution 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.

FRENCHTOWN BOROUGH SCHOOL DISTRICT
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

Internal Control Over Financial Reporting:

1. Were material weakness(es) identified? Yes X No

2. Were reportable conditions identified that are not considered to be material weaknesses? Yes X No

Noncompliance material to General -
Were purpose financial statements noted? Yes X No

Federal Awards

Not Applicable

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes No

2. Were reportable conditions identified that are not considered to be material weaknesses? Yes No

What was the type of Auditor's Report Issued on Compliance for Major Programs? _____

Were any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? Yes No

Identification of Major Programs:

<u>CFDA Numbers</u>	<u>Amount</u>	<u>Name of Federal Program</u>
<u>Not Applicable</u>	<u>Not Applicable</u>	<u>Not Applicable</u>

What was the dollar threshold used to distinguish between Type A and Type B programs? _____

Did the auditee qualify as a low-risk auditee? Yes No

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section I - Summary of Auditor's Results (continued)

State Awards

What was the dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Did the auditee qualify as a low-risk auditee? X Yes No

What was the type of Auditor's Report Issued on Compliance for Major Programs? Unmodified

Internal Control Over Major Programs:

1. Were material weakness(es) identified? Yes X No
2. Were reportable conditions identified that are not considered to be material weaknesses? Yes X No

Were any audit findings disclosed that are required to be reported in accordance with NJ OMB Circular Letter 15-08? Yes X No

Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
<u>16-495-034-5120-078</u>	<u>\$ 508,039</u>	<u>Equalization Aid</u>
<u>Various</u>	<u>614.387</u>	<u>NJ School Development Authority</u>

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Section II - Financial Statement Findings

There were no findings or questioned costs for the year ended June 30, 2016.

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

There were no findings or questioned costs for the year ended June 30, 2016.

K-7

FRENCHTOWN BOROUGH SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

Schedule of Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.