

SCHOOL DISTRICT

OF

LAKEHURST



**LAKEHURST BOARD OF EDUCATION
LAKEHURST, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

OF THE

LAKEHURST BOARD OF EDUCATION

LAKEHURST, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY

**LAKEHURST BOARD OF EDUCATION
FINANCE DEPARTMENT**

LAKEHURST SCHOOL DISTRICT

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INTRODUCTORY SECTION

**Lakehurst Board of Education
401 Union Avenue
Lakehurst, New Jersey 08733
(732) 657-5751
Fax (732) 657-9023**

November 27, 2017

Honorable President and Members
Of the Board of Education
Lakehurst School District
Lakehurst, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Lakehurst School District for the fiscal year ended June 30, 2017 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 Lakehurst 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 statements and 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 Title II U.S. Code of Federal Regulations (CFR) Part 200. Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: Lakehurst School District is an independent reporting entity within the criteria adopted by GASB as established by NCGA Statement No. 3. All funds and account groups of the District are included in this report.

The District provides a full range of educational services appropriate to grade levels PK through 8. These include regular, vocational as well as special education for handicapped youngsters. On October 16, 2016 the District reported an enrollment of 469 students. The Lakehurst Board of Education has a sending relationship with Manchester Township Board of Education for the High School grades 9 through 12 and began the 2016-2017 fiscal year with sending 164 students. The following details the changes in the student enrollment of the District over the last ten years.

To: Honorable President and Members

<i>FISCAL YEAR</i>	<i>STUDENT ENROLLMENT</i>	<i>PERCENT CHANGE</i>
2016-2017	469	(2.09)
2015-2016	479	(8.69)
2014-2015	551	(0.5)
2013-2014	554	(3.0)
2012-2013	572	(2.2)
2011-2012	585	0.51
2010-2011	582	2.0
2009-2010	561	(5.25)
2008-2009	592	(4.56)
2007-2008	619	0.0

2) ECONOMIC CONDITION AND OUTLOOK: The Lakehurst Borough area is basically a residential community of single and double family units. The population has remained relatively stable since 1970 or has had a slight downward trend. The community has been at maximum land utilization for several years as currently zoned. The maximum land utilization is expected to continue which suggests that Lakehurst will remain the same with slight or no growth.

3) MAJOR INITIATIVES: Lakehurst School District directly services students grades PK – 8, and the results of the available Spring 2015 Standardized Scores are listed below:

<u>Grade 8 – PARCC</u>	<u>Avg. Score</u>	<u>Grade 7 - PARCC</u>	<u>Avg. Score</u>	<u>Grade 6 – PARCC</u>	<u>Avg. Score</u>
Language Arts Literacy	744	Language Arts Literacy	738	Language Arts Literacy	724
Mathematics	701	Mathematics	723	Mathematics	718
<u>Grade 5 – PARCC</u>	<u>Avg. Score</u>	<u>Grade 4 - PARCC</u>	<u>Avg. Score</u>	<u>Grade 3 – PARCC</u>	<u>Avg. Score</u>
Language Arts Literacy	732	Language Arts Literacy	739	Language Arts Literacy	714
Mathematics	727	Mathematics	729	Mathematics	721

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 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.

To: Honorable President and Members

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 project funds. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

7) DEBT ADMINISTRATION: The Borough of Lakehurst currently provides yearly debt service to the school for an April 2011 Referendum approving a new roof and mechanical system. The Board of Education makes payments on a five-year Municipal Lease (\$443,111) which helped fund the 2014-2015 additional building update with funds provided by the Schools Construction Corporation.

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

9) RISK MANAGEMENT: The Board carries various forms of insurance including but not limited to general liability, automobile liability, hazard and theft insurance on property and contents and fidelity bonds.

10) OTHER INFORMATION:

INDEPENDENT AUDIT - State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Co. was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title II U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08. The auditor's report on the general purpose financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

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

Respectfully Submitted,


 Loren Fuhring
 Superintendent


 Barry J. Parlliman
 School Business Administrator

LAKEHURST BOARD OF EDUCATION**LAKEHURST, NEW JERSEY****ROSTER OF OFFICIALS**

JUNE 30, 2017

MEMBERS OF THE BOARD OF EDUCATION		TERM EXPIRES
James Malden	President	2018
David Burton	Vice-President	2020
Joann Septor	Member	2021
Cameron Dean Hetzel	Member	2021
Deborah Pease	Member	2018

OTHER OFFICIALS

Loren Fuhring, Superintendent

Dr. Clifford Barneman, Assistant Superintendent

Barry J. Parlman, School Business Administrator/Board Secretary

Elizabeth Sarantinoudis, Treasurer

Steven Zabarsky, Attorney

LAKEHURST BOARD OF EDUCATION**CONSULTANTS AND ADVISORS****Audit Firm**

Robert A. Hulsart and Company
P.O. Box 1409
Wall, New Jersey 07719

Attorney

Citta, Holzapfel & Zabarsky
248 Washington Street
P.O. Box 4
Toms River, NJ 08754

Official Depositories

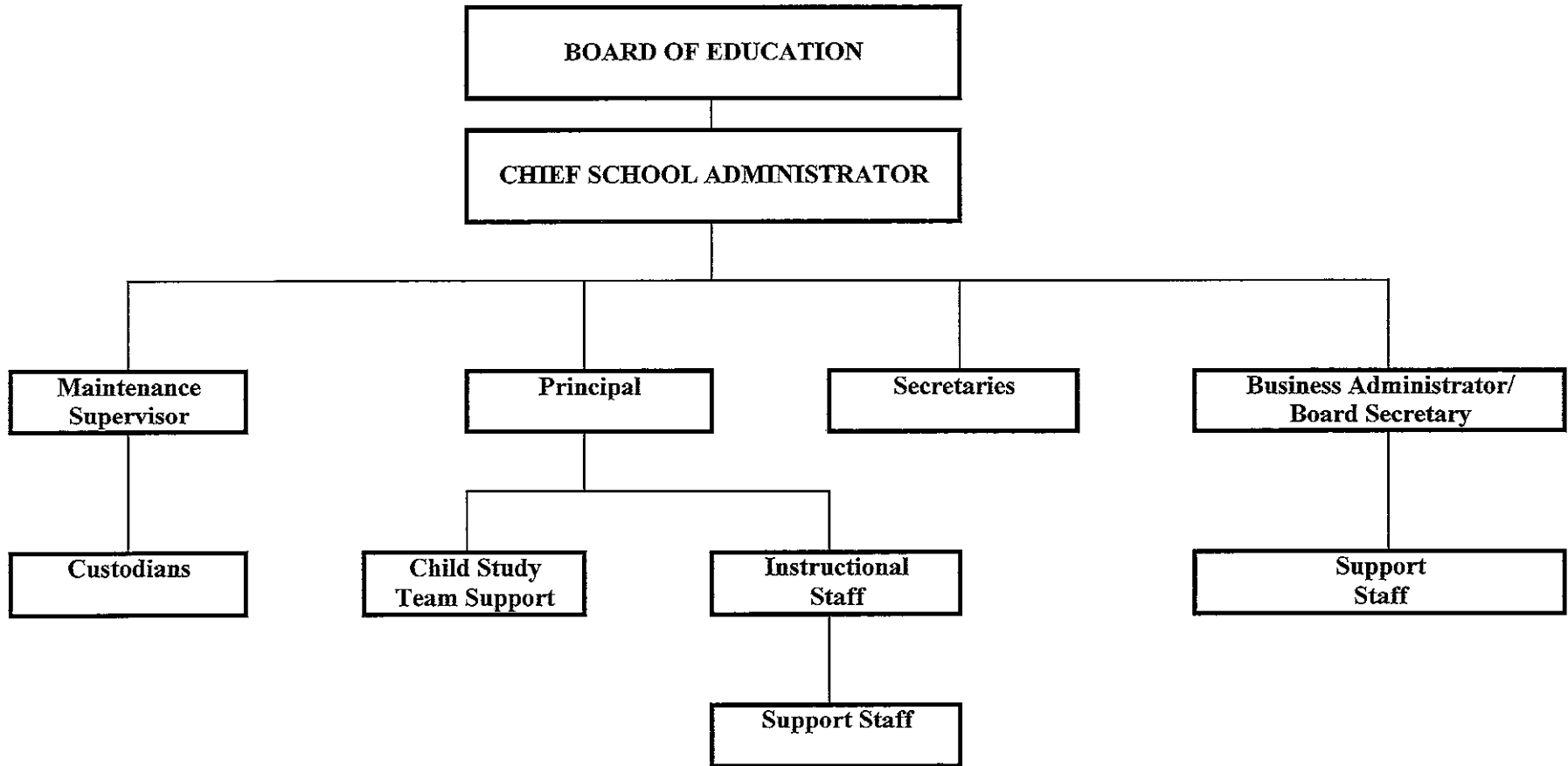
TD Bank
2570 Route 37
Manchester, NJ 08759

PNC Bank Corp.
2001 Highway 70
Lakehurst, New Jersey 08733

Wells Fargo Bank
40 Main Street
Toms River, New Jersey 08753

New Jersey Arm
Asset & Rebate Management Program
224 Strawbridge Drive
Suite 104
Moorestown, NJ 08057

**LAKEHURST BOARD OF EDUCATION
ORGANIZATIONAL CHART
(UNIT CONTROL)**



FINANCIAL SECTION

Robert A. Hulsart and Company

7.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Lakehurst School District
County of Ocean
Lakehurst, New Jersey

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors Responsibility

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

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

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

Opinions

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

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2017 on our consideration of the Lakehurst's Board of Education internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lakehurst Board of Education's internal control over financial reporting and compliance.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

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

November 27, 2017

REQUIRED SUPPLEMENTARY INFORMATION
PART I

LAKEHURST SCHOOL DISTRICT
BOROUGH OF LAKEHURST
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
UNAUDITED

The discussion and analysis of Lakehurst School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; it should be read in conjunction with the Comprehensive Annual Financial Report's (CAFR) Letter of Transmittal which is found in the Introductory Section, and the School Board's financial statements found in the Financial Section and the notes thereto.

Financial Highlights

Key Financial highlights for the 2016-2017 fiscal year is as follows:

- General revenues accounted for \$8,876,190 in revenue or 93% percent of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions accounted for \$681,411 or 7% percent to total revenues.
- Total net position of governmental activities decreased by \$1,703,140.
- The School District had \$11,302,321 in expenses; only \$681,411 of these expenses was offset by program specific charges for services, grants or contributions. General revenues of \$8,876,190 were adequate to provide for these programs.
- The General Fund had \$8,718,850 in revenues and \$9,208,572 in expenditures. The General Fund's balance decreased \$489,722 from 2016.

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 Lakehurst School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during the 2016-2017 fiscal year?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental activities – All of the School District's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activities – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service Enterprise Fund is reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major (all) funds begins on exhibit A-1. 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 and Special Revenue Fund.

Governmental Funds

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

Enterprise Fund

The Enterprise Fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

The School District as a Whole

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

	Table 1	
	Net Position	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current and Other Assets	\$ 810,980	2,758,231
Capital Assets, Net	<u>382,467</u>	<u>412,400</u>
Total Assets	<u>\$ 1,193,447</u>	<u>3,170,631</u>
<u>Deferred Outflows of Resources</u>		
Contribution to Pension Plans	<u>\$ 1,184,391</u>	<u>469,241</u>
<u>Deferred Inflows of Resources</u>		
Pension Deferrals	<u>\$ 0</u>	<u>35,752</u>

Table 1
Net Position (Continued)

	<u>2017</u>	<u>2016</u>
<u>Liabilities</u>		
Other Liabilities	\$ 368,361	665,986
Long-Term Liabilities	<u>4,052,488</u>	<u>3,236,425</u>
Total Liabilities	<u>\$ 4,420,849</u>	<u>3,902,411</u>
<u>Net Position</u>		
Invested in Capital Assets, Net of Debt	\$ 382,467	412,400
Restricted	985,088	2,059,335
Unrestricted	<u>(3,410,566)</u>	<u>(2,770,026)</u>
Total Net Position	<u>\$ (2,043,011)</u>	<u>(298,291)</u>

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

Table 2
Changes in Net Position

	<u>2017</u>	<u>2016</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$ 96,428	98,628
Operating Grants and Contributions	584,983	599,490
General Revenues		
Property Taxes	1,233,466	1,200,209
Grants and Entitlements	7,533,223	7,418,851
Other	<u>109,501</u>	<u>165,741</u>
Total Revenues	<u>9,557,601</u>	<u>9,482,919</u>
<u>Program Expenses</u>		
Instruction		
Support Services	2,737,881	2,808,415
Pupils and Instructional Staff	3,527,442	3,292,608
General Administration, School Administration,		
Business	552,668	520,557
Operations and Maintenance of Facilities	420,341	445,518
Pupil Transportation	322,258	394,275
Miscellaneous	3,547,181	2,683,019
Food Service	<u>194,550</u>	<u>201,695</u>
Total Expenses	<u>11,302,321</u>	<u>10,346,087</u>
Change in Net Position	<u>\$ (1,744,720)</u>	<u>(863,168)</u>

Business-Type Activities

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

- Food service expenses exceeded revenues by \$41,580.
- Charges for services represent \$42,295 of revenue. This represents amount paid by patrons for daily food services.
- Federal and State reimbursements for meals were \$110,675.

Governmental Activities

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

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

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

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

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

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

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

Extracurricular activities includes 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 the purposes of motivation, enjoyment and skill improvement.

Other includes unallocated depreciation and amortization.

School Board Funds

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

As the School Board completed the fiscal year ended June 30, 2017, it reported a combined net position balance of \$(2,043,011). The Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities presents the reader with a detailed explanation of the differences between the net change in fund balances and changes in net assets.

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

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

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

Capital Assets

At June 30, 2017, the School Board had approximately \$1,964,417 invested in a broad range of capital assets, including land, buildings, furniture, vehicles, computers, instructional equipment and other equipment. This amount is net of accumulated depreciation to date. Table II below shows the net book value of capital assets at the end of the 2017 fiscal year.

	Governmental Activities
Table II	
Capital Assets at June 30, 2017	
Construction in Progress	\$ 51,090
Buildings	331,376
Machinery and Equipment	<u>1</u>
Total	<u>\$ 382,467</u>

Debt Administration

At June 30, 2017, the School District had \$4,232,361 as outstanding debt. This amount represents compensated absences of \$33,995, bonds payable of \$706,000, capital leases of \$255,365 and pension liability of \$3,237,001.

Economic Factors and Next Year's Budget

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

The \$(3,240,141) is unrestricted net position for all governmental activities represent the accumulated results of all past years' operations. It means that if the School Board had to pay off all bills today, including all of the School Board's noncurrent liabilities such as compensated absences, the School Board would have a surplus of \$(3,240,141).

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

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

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Barry J. Parlman, School Business Administrator/Board Secretary at Lakehurst Board of Education, 401 Union Avenue, Lakehurst, NJ 08733.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

LAKEHURST SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit A-1

JUNE 30, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Accounts Receivables	\$ 223,027	6,112	229,139
Inventory		261	261
Restricted Assets:			
Cash and Cash Equivalents	581,580		581,580
Capital Assets, Not Being Depreciated	51,090		51,090
Capital Assets, Net	331,377	-	331,377
Total Assets	<u>1,187,074</u>	<u>6,373</u>	<u>1,193,447</u>
<u>Deferred Outflow of Resources</u>			
Contribution to Pension Plan	<u>1,184,391</u>		<u>1,184,391</u>
<u>Deferred Inflow of Resources</u>			
Pension Deferrals			-
<u>Liabilities</u>			
Accounts Payable	11,418	176,798	188,216
Deferred Revenue	272		272
Noncurrent Liabilities:			
Due Within One Year	179,873		179,873
Due Beyond One Year	4,052,488		4,052,488
Total Liabilities	<u>4,244,051</u>	<u>176,798</u>	<u>4,420,849</u>
<u>Net Position</u>			
Invested in Capital Assets, Net of Related Debt	382,467		382,467
Restricted For:			
Capital Projects	123,238		123,238
Debt Service	1		1
Special Revenue	(26,701)		(26,701)
Other Purposes	888,550		888,550
Unrestricted	<u>(3,240,141)</u>	<u>(170,425)</u>	<u>(3,410,566)</u>
Total Net Position	<u>\$ (1,872,586)</u>	<u>(170,425)</u>	<u>(2,043,011)</u>

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

LAKEHURST SCHOOL DISTRICT

Exhibit A-2

Sheet 1 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Functions/Programs</u>						
Governmental Activities:						
Instruction:						
Regular	\$ 1,623,626			(1,623,626)		(1,623,626)
Special Education	1,068,294		380,521	(687,773)		(687,773)
Other Instruction	45,961			(45,961)		(45,961)
Support Services:						
Tuition	2,762,757	54,133		(2,708,624)		(2,708,624)
Student & Instruction Related Services	764,685		93,787	(670,898)		(670,898)
School Administrative Services	552,668			(552,668)		(552,668)
Plant Operations and Maintenance	420,341			(420,341)		(420,341)
Pupil Transportation	322,258			(322,258)		(322,258)
Unallocated Depreciation	29,993			(29,993)		(29,993)
Unallocated Benefits	3,349,981			(3,349,981)		(3,349,981)
Capital Outlay	130,173			(130,173)		(130,173)
Interest on Long-Term Debt	37,034			(37,034)		(37,034)
Total Government Activities	<u>11,107,771</u>	<u>54,133</u>	<u>474,308</u>	<u>(10,579,330)</u>	<u>-</u>	<u>(10,579,330)</u>
Business-Type Activities:						
Food Service	194,550	42,295	110,675		(41,580)	(41,580)
Total Business-Type Activities	<u>194,550</u>	<u>42,295</u>	<u>110,675</u>	<u>-</u>	<u>(41,580)</u>	<u>(41,580)</u>
Total Primary Government	<u>11,302,321</u>	<u>96,428</u>	<u>584,983</u>	<u>(10,579,330)</u>	<u>(41,580)</u>	<u>(10,620,910)</u>

LAKEHURST SCHOOL DISTRICT

**Exhibit A-2
Sheet 2 of 2**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes,	1,128,776		1,128,776
Property Taxes, Levied for Debt Service	104,690		104,690
Federal and State Aid Not Restricted	7,533,223		7,533,223
Miscellaneous Income	109,501		109,501
Total General Revenues	<u>8,876,190</u>	<u>-</u>	<u>8,876,190</u>
Change in Net Position	(1,703,140)	(41,580)	(1,744,720)
Net Position - Beginning	<u>(169,446)</u>	<u>(128,845)</u>	<u>(298,291)</u>
Net Position - Ending	<u>\$ (1,872,586)</u>	<u>(170,425)</u>	<u>(2,043,011)</u>

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

FUND FINANCIAL STATEMENTS – B

BALANCE SHEET

Exhibit B-1

GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>					
Cash and Cash Equivalents	\$ 244,240	-	337,339	1	581,580
Interfund Receivable	242,262				242,262
Accounts Receivable	<u>221,295</u>	<u>1,732</u>			<u>223,027</u>
Total Assets	<u>\$ 707,797</u>	<u>1,732</u>	<u>337,339</u>	<u>1</u>	<u>1,046,869</u>
<u>Liabilities and Fund Balance</u>					
Liabilities:					
Interfund Payable	\$ -	28,161	214,101		242,262
Deferred Revenue		<u>272</u>			<u>272</u>
Total Liabilities	<u>-</u>	<u>28,433</u>	<u>214,101</u>	<u>-</u>	<u>242,534</u>
Fund Balance:					
Reserved for:					
Assigned by:					
Designated for Subsequent Years Expenditures	888,550				888,550
Unassigned					
Debt Service Fund				1	1
Capital Projects Fund			123,238		123,238
Special Revenue Fund		(26,701)			(26,701)
General Fund	<u>(180,753)</u>				<u>(180,753)</u>
Total Fund Balances	<u>707,797</u>	<u>(26,701)</u>	<u>123,238</u>	<u>1</u>	<u>804,335</u>
Total Liabilities and Fund Balance	<u>\$ 707,797</u>	<u>1,732</u>	<u>337,339</u>	<u>1</u>	
Amounts reported for governmental activities in the Statement of Net Position (A-1) are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,952,683 and the accumulated depreciation is \$1,570,216.					
					382,467
Deferred outflow of resources - contributions to pension plan					1,184,391
Deferred inflow of resources - acquisition of assets applicable to future reporting periods					-
Accrued Interest					(11,418)
Long-term liabilities, including bond payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 3)					
					<u>(4,232,361)</u>
Net position of governmental activities					<u>\$ (1,872,586)</u>

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

LAKEHURST SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 1,128,776			104,690	1,233,466
Tuition	54,133				54,133
Miscellaneous	2,718	9,974		106,783	119,475
Total Local Sources	<u>1,185,627</u>	<u>9,974</u>	-	<u>211,473</u>	<u>1,407,074</u>
State Sources	6,782,633	178,640			6,961,273
Federal Sources	750,590	285,694			1,036,284
Total Revenues	<u>8,718,850</u>	<u>474,308</u>	-	<u>211,473</u>	<u>9,404,631</u>
<u>Expenditures</u>					
Current:					
Regular Instruction	1,641,046				1,641,046
Special Education Instruction	687,773	380,521			1,068,294
Other Instruction	45,961				45,961
Support Services and Undistributed Costs:					
Tuition	2,762,757				2,762,757
Student and Instruction Related Services	662,834	101,851			764,685
School Administrative Services	552,668				552,668
Plant Operations and Maintenance	420,341				420,341
Pupil Transportation	322,258				322,258
Unallocated Benefits	1,985,565				1,985,565
Capital Outlay	127,369		2,804		130,173
Debt Service:					
Interest				39,526	39,526
Principal				171,947	171,947
Total Expenditures	<u>9,208,572</u>	<u>482,372</u>	<u>2,804</u>	<u>211,473</u>	<u>9,905,221</u>

LAKEHURST SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(489,722)</u>	<u>(8,064)</u>	<u>(2,804)</u>	<u>-</u>	<u>(500,590)</u>
Other Financing Sources/(Uses):					
Cancel Receivable			<u>(1,101,863)</u>		<u>(1,101,863)</u>
Net Change in Fund Balances	<u>(489,722)</u>	<u>(8,064)</u>	<u>(1,104,667)</u>	<u>-</u>	<u>(1,602,453)</u>
Fund Balance - July 1	<u>1,197,519</u>	<u>(18,637)</u>	<u>1,227,905</u>	<u>1</u>	<u>2,406,788</u>
Fund Balance - June 30	<u>\$ 707,797</u>	<u>(26,701)</u>	<u>123,238</u>	<u>1</u>	<u>804,335</u>

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

LAKEHURST SCHOOL DISTRICTRECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURESAND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Exhibit B-3

TO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ (1,602,453)
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(29,993)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities	171,947
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position	715,150
Pension Related Deferrals	35,752
Net Pension Liability	(1,013,455)
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.	2,492
Compensated Absences	<u>17,420</u>
Change in Net Position of Governmental Activities	<u>\$ (1,703,140)</u>

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

LAKEHURST SCHOOL DISTRICTSTATEMENT OF NET POSITION

Exhibit B-4

PROPRIETARY FUNDSJUNE 30, 2017

	<u>Business-Type Activities Enterprise Funds Food Service</u>
Assets:	
Current Assets:	
Inventory	\$ 261
Accounts Receivable:	
State	92
Federal	6,020
Total Current Assets	<u>6,373</u>
Noncurrent Assets:	
Furniture, Machinery and Equipment	11,734
Less: Accumulated Depreciation	<u>(11,734)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>\$ 6,373</u>
Liabilities:	
Accounts Payable	<u>\$ 176,798</u>
Net Position:	
Unrestricted	<u>\$ (170,425)</u>
Total Net Position	<u>\$ (170,425)</u>

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

LAKEHURST SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET POSITIONPROPRIETARY FUNDSJUNE 30, 2017

	Business-Type Activities Enterprise Funds Food Service
Operating Revenues:	
Charges for Services:	
Daily Sales - Reimbursable Meals	\$ 29,672
Daily Sales - Nonreimbursable	12,623
Total Operating Revenue	<u>42,295</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	133,534
Cost of Sales - Non-Reimbursable Programs	57,229
Miscellaneous	3,787
Total Operating Expenses	<u>194,550</u>
Operating Income (Loss)	(152,255)
Non-Operating Revenues (Expenses):	
State Sources:	
State School Lunch Program	1,596
Federal Sources:	
National School Lunch Program	72,837
National HHFKA Lunch Program	1,887
National School Breakfast Program	18,910
USDA Commodities	15,445
Total Non-Operating Revenues	<u>110,675</u>
Change in Net Position	(41,580)
Net Position, July 1	<u>(128,845)</u>
Net Position, June 30	<u>\$ (170,425)</u>

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

LAKEHURST SCHOOL DISTRICTSTATEMENT OF CASH FLOWS

Exhibit B-6

PROPRIETARY FUNDSJUNE 30, 2017

	Business-Type Activities Enterprise Funds Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 42,295
Payments to Suppliers	(137,525)
Net Cash Used by Operating Activities	<u>(95,230)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	1,596
Federal Sources	93,634
Net Cash Provided by Noncapital Financing Activities	<u>95,230</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	-
Balance Beginning of Year	<u>-</u>
Balance End of Year	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (152,255)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities:	
Federal Commodities	15,445
Changes in Assets/Liabilities:	
(Increase)/Decrease in Inventory	(32)
(Increase)/Decrease in Accounts Receivables	(384)
Increase/(Decrease) in Accounts Payables	41,996
Net Cash Used by Operating Activities	<u>\$ (95,230)</u>

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

LAKEHURST SCHOOL DISTRICTSTATEMENT OF FIDUCIARY NET POSITION

Exhibit B-7

FIDUCIARY FUNDSJUNE 30, 2017

	<u>Net Payroll</u>	<u>Agency Fund</u>
Assets:		
Cash and Cash Equivalents	\$ 7,119	15,370
Total Assets	<u>\$ 7,119</u>	<u>15,370</u>
Liabilities:		
Accounts Payable	\$ 4,119	
Payroll Deductions and Withholdings	3,000	15,370
Total Liabilities	<u>\$ 7,119</u>	<u>15,370</u>

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

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
LAKEHURST SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 1: Summary of Significant Accounting Policies

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

A. Reporting Entity:

The Lakehurst School District is a Type II district located in the County of Ocean, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The board is comprised of five members elected to three-year terms. The purpose of the district is to educate students in grades K-8. The Lakehurst School District had an approximate enrollment at June 30, 2017 of 469 students.

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

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

B. Government-Wide Financial Statements

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. The New Jersey Department of Education (the "Department") has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The Department believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

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

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

D. Fund Accounting:

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

Governmental Fund Types

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Proprietary Fund Type

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

Fiduciary Fund Types

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

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

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

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g). All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2017 were insignificant.

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued):

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

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

F. Encumbrances:

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

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

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

G. Short-Term Interfund Receivables/Payables:

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

H. Inventories and Prepaid Expenses

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

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2017.

I. Capital Assets and Depreciation

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

The District contracted with an outside service company during the 2017 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2016-2017 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2017, fiscal year 2017 depreciation expense, total accumulated depreciation and book values were also provided. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

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

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

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Land	\$ 51,090	_____	_____	51,090
Total	<u>51,090</u>	_____	_____	<u>51,090</u>
Depreciable Assets:				
Buildings	1,845,692			1,845,692
Equipment	<u>55,901</u>	_____	_____	<u>55,901</u>
Total	<u>1,901,593</u>	_____	_____	<u>1,901,593</u>
Less: Accumulated Depreciation:				
Buildings	(1,484,383)	(29,933)		(1,514,316)
Equipment	<u>(55,900)</u>	_____	_____	<u>(55,900)</u>
Total Accumulated Depreciation	<u>(1,540,283)</u>	<u>(29,933)</u>	_____	<u>(1,570,216)</u>
Net Depreciable Assets	<u>361,310</u>	<u>(29,933)</u>	_____	<u>331,377</u>
Net Capital Assets	<u>\$ 412,400</u>	<u>(29,933)</u>	_____	<u>382,467</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-Type Activities:				
Equipment	\$ 11,734			11,734
Less: Accumulated Depreciation:				
Equipment	<u>(11,734)</u>	_____	_____	<u>(11,734)</u>
Business-Type Activities Capital Assets (Net)	<u>\$ _____</u>	_____	_____	_____

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 29,933</u>
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NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

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

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

K. Deferred Revenue

Deferred revenue in the special revenue funds represent cash, which has been received but not yet earned. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 9).

NOTE 2: Cash and Cash Equivalents and Investments

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

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

Deposits

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

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

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

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

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

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

Investments

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

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

As of June 30, 2017, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash <u>Equivalents</u>
Checking, Money Market Accounts	<u>\$ 605,852</u>

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2017 was \$605,852 and the bank balance was \$1,165,515. Of the bank balance, \$474,586 was covered by federal depository insurance and \$690,929 was covered by a collateral pool maintained by the banks as required by New Jersey statutes.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Credit Risk Categories**

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

<u>Depository Account</u>	<u>Bank Balance</u> <u>June 30, 2017</u>
Insured:	
FDIC	\$ 474,586
GUDPA	<u>690,929</u>
	<u>\$ 1,165,515</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>2016-17</u> <u>Payment</u>	<u>Long-Term</u> <u>Portion</u>
Compensated Absences Payable	\$ 51,415		17,420	33,995		33,995
Capital Leases	352,312		96,947	255,365	99,873	155,492
Bonds Payable	781,000		75,000	706,000	80,000	626,000
Pension Liability	<u>2,223,546</u>	<u>1,013,455</u>	-----	<u>3,237,001</u>	-----	<u>3,237,001</u>
	<u>\$ 3,408,273</u>	<u>1,013,455</u>	<u>189,367</u>	<u>4,232,361</u>	<u>179,873</u>	<u>4,052,488</u>

NOTE 3: General Long-Term Debt (Continued)**A. Bonds Payable**

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 80,000	27,440	107,440
2019	80,000	24,640	104,640
2020	85,000	21,840	106,840
2021	85,000	18,440	103,440
2022	90,000	15,040	105,040
2021-2025	<u>286,000</u>	<u>23,320</u>	<u>309,320</u>
	<u>\$ 706,000</u>	<u>130,720</u>	<u>836,720</u>

NOTE 4: Pension Plans

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

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

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

NOTE 4: Pension Plans (Continued)

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

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

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

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

NOTE 4: Pension Plans (Continued)

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

During the year ended June 30, 2017, the State of New Jersey contributed \$479,031 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$202,310 during the year ended June 30, 2017 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 24.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/17	\$ 96,746	100%	0
6/30/16	91,607	100%	0
6/30/15	86,543	100%	0

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

<u>Year</u> <u>Funding</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/17	\$ 479,031	100%	0
6/30/16	371,626	100%	0
6/30/15	329,159	100%	0

NOTE 4: Pension Plans (Continued)**Pension Expense Deferred Outflows/Inflows – PERS**

For the year ended June 30, 2017, the District recognized pension expense of \$96,746. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 60,198	
Changes of Assumptions	670,534	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	123,430	
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	233,483	
District Contributions Subsequent to the Measurement Date	<u>96,746</u>	<u> </u>
Total	<u>\$ 1,184,391</u>	<u> </u>

\$1,184,391 reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2017, the plan measurement date is June 30, 2016) will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at December 31, 2016 and 2015 are as follows:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Collective Deferred Outflows of Resources	\$ 1,184,391	469,241
Collective Deferred Inflows of Resources		35,752
Collective Net Pension Liability	3,237,001	2,223,645
District's Proportion	.01093%	.00991%

NOTE 4: Pension Plans (Continued)**Components of Net Pension Liability**

The components of the collective net pension liability of the participating employers as of June 30, 2016 were as follows:

	2016		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 36,295,189,928	49,474,698,146	85,769,888,074
Plan Fiduciary Net Position	<u>6,904,504,223</u>	<u>19,857,566,387</u>	<u>26,762,070,610</u>
Net Pension Liability	<u>\$ 29,390,685,705</u>	<u>29,617,131,759</u>	<u>59,007,817,464</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	19.02%	40.14%	31.20%

	2015		
	<u>State</u>	<u>Local</u>	<u>Total</u>
Total Pension Liability	\$ 31,614,118,524	43,109,580,038	74,723,698,562
Plan Fiduciary Net Position	<u>7,891,982,987</u>	<u>20,661,583,919</u>	<u>28,553,566,906</u>
Net Pension Liability	<u>\$ 23,722,135,537</u>	<u>22,447,996,119</u>	<u>46,170,131,656</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.96%	47.93%	38.21%

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

Inflation Rate	3.08%
Salary Increases:	
Through 2026	1.65% - 4.15% Based on Age
Thereafter	2.65% – 5.15% Based on Age
Investment Rate of Return	7.65%

NOTE 4: Pension Plans (Continued)

Pre-retirement mortality rates were based on the RP-2000 Employee Pre-retirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that 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 (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Equities	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

NOTE 4: Pension Plans (Continued)**Discount Rate**

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 2016, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>2016</u>		
	<u>At 1% Decrease (3.90%)</u>	<u>At Current Discount Rate (4.90%)</u>	<u>At 1% Increase (5.90%)</u>
State	\$ 34,422,851,197	29,390,685,705	25,246,574,457
Local	<u>36,292,338,055</u>	<u>29,617,131,759</u>	<u>24,106,170,190</u>
Total	<u>\$ 70,715,189,252</u>	<u>59,007,817,464</u>	<u>49,352,744,647</u>
	<u>2015</u>		
	<u>At 1% Decrease (3.90%)</u>	<u>At Current Discount Rate (4.90%)</u>	<u>At 1% Increase (5.90%)</u>
State	\$ 27,802,122,942	23,722,135,537	20,314,768,782
Local	<u>27,900,112,533</u>	<u>22,447,996,119</u>	<u>17,876,981,108</u>
Total	<u>\$ 55,702,235,475</u>	<u>46,170,131,656</u>	<u>38,191,749,890</u>

NOTE 4: Pension Plans (Continued)**Teachers Pensions and Annuity Fund (TPAF)****Components of Net Pension Liability**

The components of the net pension liability of the State as of June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Total Pension Liability	\$ 101,746,770,000	89,182,662,000
Plan Fiduciary Net Position	<u>22,717,862,967</u>	<u>25,604,797,560</u>
Net Pension Liability	<u>\$ 79,028,907,033</u>	<u>63,577,864,440</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%

State Proportionate Share of Net Pension Liability Attributable to District

	<u>2016</u>	<u>2015</u>
District's Liability	<u>\$ 16,667,546</u>	<u>14,871,872</u>
District's Proportion	.02109%	.02339%

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

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies Based on Experience
Thereafter	Varies Based on Experience
Investment Rate of Return	7.65%

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

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

NOTE 4: Pension Plans (Continued)**Long-Term Expected Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Cash	5.00%	0.39%
US Government Bonds	1.50%	1.28%
US Credit Bonds	13.00%	2.76%
US Mortgages	2.00%	2.38%
US Inflation-Indexed Bonds	1.50%	1.41%
US High Yield Bonds	2.00%	4.70%
US Equity Market	26.00%	5.14%
Foreign – Developed Equity	13.25%	5.91%
Emerging Markets Equity	6.50%	8.16%
Private Real Estate Property	5.25%	3.64%
Timber	1.00%	3.86%
Farmland	1.00%	4.39%
Private Equity	9.00%	8.97%
Commodities	0.50%	2.87%
Hedge Funds - MultiStrategy	5.00%	3.70%
Hedge Funds – Equity Hedge	3.75%	4.72%
Hedge Funds – Distressed	3.75%	3.49%

Discount Rate

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

NOTE 4: Pension Plans (Continued)**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

The following presents the net pension liability of the State as of June 30, 2016 calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate</u>	<u>At 1% Increase</u>
2016 (2.22%, 3.22%, 4.22%)	\$ 94,378,176,033	79,028,907,033	66,494,248,033
2015 (3.13%, 4.13%, 5.13%)	75,559,915,440	63,577,864,440	53,254,610,440

NOTE 5: Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2016, there were 110,512 retirees receiving post-retirement medical benefits, and the State contributed \$1.37 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

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

NOTE 6: Compensated Absences

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

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

NOTE 6: Compensated Absences (Continued)

The liability for vested compensated absences of the governmental fund types is recorded in the general long-term debt account group (or current and long-term liabilities). The current portion of the compensated absences balance of the governmental funds is not considered material to the applicable funds total liabilities, and therefore is not shown separately from the long-term liability balance of compensated absences.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2016, no liability existed for compensated absences in the Food Service Fund.

NOTE 7: Risk Management

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

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

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

NOTE 8: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/received in the two following years after the tuition rate is certified.

NOTE 9: Economic Dependency

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

NOTE 10: Contingent Liabilities

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

NOTE 11: Equity Balance

At June 30, 2017, the General Fund equity balance was as follows:

Unreserved - Designated for Subsequent Year's Expenditures	\$ 888,500
Unreserved	<u>413,559</u>
	<u>\$ 1,302,059</u>

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

2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Per the CAFR	\$ 9,208,572
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>(681,341)</u>
Adjusted 2016-17 General Fund Expenditures	<u>\$ 8,527,231</u>
2% of Adjusted 2016-17 General Fund Expenditures	<u>\$ 170,545</u>
Maximum Allowed	\$ 250,000
Increased by: Allowable Adjustment	<u>792,762</u>
Maximum Unassigned Fund Balance	<u>\$ 1,042,762</u>
Total General Fund – Fund Balance @ 6-30-17	\$ 1,302,059
Decreased by:	
Unreserved – Designated for Subsequent Year's Expenditures	<u>888,500</u>
Total Unassigned Fund Balance	<u>\$ 413,559</u>
Maximum Unassigned Fund Balance	<u>\$ 1,042,762</u>
Reserved Fund Balance – Excess Surplus	<u>\$ -0-</u>

Detail of Allowable Adjustments

Non-Public Transportation Aid	\$ 348
Extraordinary Aid	41,824
Impact Aid	<u>750,590</u>
Total Allowable Adjustments	<u>\$ 792,762</u>

Fund Balance

Unreserved – Designated for Subsequent Year's Expenditures	\$ 888,500
Unreserved	<u>413,559</u>
	<u>\$ 1,302,059</u>

NOTE 12: Fair Values of Financial Instruments

The following methods and assumptions were used by the Lakehurst Board of Education in estimating its fair value disclosures for financial instruments.

Cash and Cash Equivalents: The carrying amounts reported in the combined balance sheet for cash and cash equivalents are the fair values of those assets.

NOTE 13: Fund Balance Appropriated

General Fund – Of the \$1,302,059 General Fund fund balance at June 30, 2017, \$888,500 has been appropriated and included as anticipated revenue for the year ending June 30, 2018; and \$413,559 is unassigned.

NOTE 14: Deficit Fund Balances

The District has a deficit fund balance of \$26,701 in the Special Revenue Fund as of June 30, 2017 as reported in the fund statements (modified accrual basis). P.L. 2003, c.97 provides that in the event a state school aid payment is not made until the following school budget year, districts must record the last state aid payment as revenue, for budget purposes only, in the current school year budget. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last state aid payment in the subsequent fiscal year, the school district can not recognize the last state aid payment on the GAAP financial statements until the year the State records the payable. Due to the timing difference of recording the last state aid payment, the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to *N.J.S.A. 18A:22-44.2* any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the payment of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need or corrective action. The District deficit in the GAAP fund statements of \$18,637 is equal to the last state aid payment.

NOTE 15: Significant Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2017. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

NOTE 15: Significant Accounting Pronouncements (Continued)

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2017 through November 27, 2017.

NOTE 16: Interfund Receivables and Payables

There were interfund balances on the balance sheet at June 30, 2017 as follows:

	<u>To</u>	<u>From</u>
General Fund	\$ 242,262	
Capital Projects		214,101
Special Revenue Fund	_____	<u>28,161</u>
	<u>\$ 242,262</u>	<u>242,262</u>

**REQUIRED SUPPLEMENTARY INFORMATION
PART II**

BUDGETARY COMPARISON SCHEDULES – C

LAKEHURST SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Revenues</u>					
Local Sources:					
Local Tax Levy	\$ 1,128,776		1,128,776	1,128,776	-
Tuition	30,000		30,000	54,133	24,133
Unrestricted Miscellaneous Revenue	2,500		2,500	2,718	218
Total Local Sources	<u>1,161,276</u>	<u>-</u>	<u>1,161,276</u>	<u>1,185,627</u>	<u>24,351</u>
State Sources:					
Equalization Aid	5,421,371		5,421,371	5,421,371	-
Special Education Aid	304,592		304,592	304,592	-
Categorical Security Aid	135,295		135,295	135,295	-
Transportation Aid	116,548		116,548	116,548	-
Adjustment Aid	28,730		28,730	28,730	-
Under Adequacy Aid	29,812		29,812	29,812	-
PARCC Readiness Aid	4,910		4,910	4,910	-
Per Pupil Growth Aid	4,910		4,910	4,910	-
Professional Community Learning Aid	4,600		4,600	4,600	-
Extraordinary Aid			-	41,824	41,824
Non-Public Transportation Aid				348	348
TPAF Pension (On Behalf Non-Budgeted)			-	479,031	479,031
TPAF Social Security (Reimbursed Non-Budgeted)			-	202,310	202,310
Total State Sources	<u>6,050,768</u>	<u>-</u>	<u>6,050,768</u>	<u>6,774,281</u>	<u>723,513</u>
Federal Sources:					
Impact Aid	529,000		529,000	750,590	221,590
Total Federal Sources	<u>529,000</u>	<u>-</u>	<u>529,000</u>	<u>750,590</u>	<u>221,590</u>
Total Revenues	<u>7,741,044</u>	<u>-</u>	<u>7,741,044</u>	<u>8,710,498</u>	<u>969,454</u>

LAKEHURST SCHOOL DISTRICT

Exhibit C-1

Sheet 2 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures</u>					
Current Expense:					
Instruction - Regular Programs:					
Salaries of Teachers:					
Kindergarten	143,980	12,110	156,090	156,081	9
Grades 1 - 5	663,049	96,642	759,691	759,096	595
Grades 6 - 8	459,413	(29,189)	430,224	427,327	2,897
Regular Programs - Home Instruction:					
Salaries of Teachers	4,000		4,000	3,588	412
Regular Programs - Undistributed - Instruction:					
Other Salaries for Instruction	72,707	40,263	112,970	112,969	1
Purchased Professional-Educational Services	70,667	(30,000)	40,667	40,667	-
Other Purchased Services	28,500	(10,045)	18,455	18,454	1
General Supplies	117,346	(35,383)	81,963	81,963	-
Textbooks	40,000	(20,938)	19,062	19,041	21
Other Objects	24,000	(2,065)	21,935	21,860	75
Total Regular Programs Instruction	<u>1,623,662</u>	<u>21,395</u>	<u>1,645,057</u>	<u>1,641,046</u>	<u>4,011</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	51,787		51,787	51,787	-
Other Salaries for Instruction	24,150	2,534	26,684	26,684	-
General Supplies	1,000		1,000	200	800
Textbooks	500		500	500	500
Total Learning and/or Language Disabilities	<u>77,437</u>	<u>2,534</u>	<u>79,971</u>	<u>78,671</u>	<u>1,300</u>
Multiple Disabilities:					
Salaries of Teachers	183,525	(14,000)	169,525	168,778	747
Other Salaries for Instruction	54,104	23,519	77,623	75,485	2,138
Total Multiple Disabilities	<u>237,629</u>	<u>9,519</u>	<u>247,148</u>	<u>244,263</u>	<u>2,885</u>

LAKEHURST SCHOOL DISTRICT

Exhibit C-1
Sheet 3 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Resource Room/Resource Center:					
Salaries of Teachers	268,995	77,730	346,725	346,724	1
Other Salaries for Instruction	17,901		17,901	17,901	-
General Supplies	1,000		1,000	214	786
Textbooks	500		500		500
Total Resource Room/Resource Center	<u>288,396</u>	<u>77,730</u>	<u>366,126</u>	<u>364,839</u>	<u>1,287</u>
 Total Special Education - Instruction	 <u>603,462</u>	 <u>89,783</u>	 <u>693,245</u>	 <u>687,773</u>	 <u>5,472</u>
 School Sponsored Co-Curricular Activities - Instruction:					
Salaries	4,500		4,500	4,500	-
Supplies and Materials	18,500	(4,000)	14,500	2,914	11,586
Total School Sponsored Co-Curricular Activities	<u>23,000</u>	<u>(4,000)</u>	<u>19,000</u>	<u>7,414</u>	<u>11,586</u>
 School Sponsored Athletics - Instruction:					
Salaries	21,751		21,751	21,751	-
Total School Sponsored Co-Curricular Activities	<u>21,751</u>	<u>-</u>	<u>21,751</u>	<u>21,751</u>	<u>-</u>
 Summer School:					
Salaries	12,000		12,000	12,000	-
Supplies and Materials	5,600		5,600	4,796	804
Total Summer School	<u>17,600</u>	<u>-</u>	<u>17,600</u>	<u>16,796</u>	<u>804</u>
 Total Instruction	 <u>2,289,475</u>	 <u>107,178</u>	 <u>2,396,653</u>	 <u>2,374,780</u>	 <u>21,873</u>
 Undistributed Expenditures:					
Instruction:					
Tuition - Other LEA Within State - Regular	1,908,943	10,000	1,918,943	1,914,847	4,096
Tuition - Other LEA Within State - Special	333,320	(19,296)	314,024	311,851	2,173
Tuition - County Voc. School Dist. - Regular	9,900		9,900	9,900	-
Tuition - Co. Spec. Serv. & Reg. Day Schools	211,500		211,500	208,265	3,235
Tuition- Priv.Sch. For the Disabled W/I State	366,001	(46,000)	320,001	317,894	2,107
Total Undistributed Expenditures - Instruction	<u>2,829,664</u>	<u>(55,296)</u>	<u>2,774,368</u>	<u>2,762,757</u>	<u>11,611</u>

LAKEHURST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
 Sheet 4 of 9

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Attendance and Social Work Services:					
Salaries	4,700	-	4,700	2,500	2,200
Total Attendance and Social Work Services	4,700	-	4,700	2,500	2,200
Health Services:					
Salaries	67,832		67,832	67,284	548
Purchased Professional and Technical Services	8,410	1,000	9,410	9,150	260
Supplies and Materials	800		800	407	393
Total Health Services	77,042	1,000	78,042	76,841	1,201
Other Support Services-Speech, OT, PT & Related Services:					
Salaries	100,679		100,679	97,678	3,001
Total Other Support Services-Speech, OT, PT & Related Services	100,679	-	100,679	97,678	3,001
Other Support Services - Students - Extra Services:					
Purchased Professional Educational Services	10,000		10,000	8,218	1,782
Total Other Support Services-Students-Extra Services	10,000	-	10,000	8,218	1,782
Guidance:					
Salaries of Other Professional Staff	-	33,539	33,539	33,000	539
Total Guidance	-	33,539	33,539	33,000	539
Child Study Teams					
Salaries of Other Professional Staff	269,079	(26,580)	242,499	242,044	455
Salaries of Secretarial and Clerical Assistants	61,007	2,942	63,949	63,866	83
Purchased Professional Educational Services	4,000		4,000		4,000
Supplies and Materials	1,500		1,500	211	1,289
Total Other Support Services - Students - Special	335,586	(23,638)	311,948	306,121	5,827
Improvement of Instructional Services:					
Salaries of Supervisor of Instruction	50,000		50,000	50,000	-
Salaries of Secreterial and Clerical	15,000		15,000	14,386	614
Purchased Professional Educational Services	20,000	(9,700)	10,300	1,000	9,300
Total Improvement of Instructional Services	85,000	(9,700)	75,300	65,386	9,914

LAKEHURST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
 Sheet 5 of 9

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Educational Media Services/Library:					
Salaries of Technology Coordinators	67,855		67,855	63,202	4,653
Purchased Professional and Technical Services	5,000		5,000	3,538	1,462
Other Purchased Services (400-500 Series)	3,000		3,000		3,000
Supplies and Materials	3,000		3,000	245	2,755
Total Educational Media Services/Library	78,855	-	78,855	66,985	11,870
Instructional Staff Training Services:					
Purchased Professional Educational Services	12,000		12,000	6,105	5,895
Other Purchased Prof./Tech. Services	500		500		500
Total Instructional Staff Training Services	12,500	-	12,500	6,105	6,395
Support Services - General Administration:					
Salaries	100,809	7,209	108,018	108,017	1
Legal Services	9,000	341	9,341	9,341	-
Audit Fees	11,500		11,500	10,500	1,000
Other Purchase Professional Services	20,000	(10,000)	10,000	6,063	3,937
Communications/Telephone	13,000	11,400	24,400	18,844	5,556
BOE Other Purchased Services	2,500		2,500	2,033	467
Other Purchased Services (400-500 Series)	14,500		14,500	13,789	711
General Supplies	2,000		2,000	1,999	1
BOE In-House Training/Meeting Supplies	1,000		1,000		1,000
Miscellaneous Expenditures	1,000		1,000		1,000
BOE Membership Dues and Fees	5,100		5,100	5,100	-
Total Support Services - General Administration	180,409	8,950	189,359	175,686	13,673
Support Services School Administration:					
Salaries of Principals/Assistant Principals	59,672		59,672	59,582	90
Salaries of Secretarial and Clerical Assistants	15,300		15,300	14,025	1,275
Other Purchased Services	23,500		23,500	23,216	284
Supplies and Materials	2,000		2,000	1,678	322
Total Support Services School Administration	100,472	-	100,472	98,501	1,971

LAKEHURST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

Exhibit C-1
Sheet 6 of 9

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Central Services:					
Salaries	257,069	371	257,440	257,440	-
Purchased Professional Services	10,000	450	10,450	10,431	19
Supplies and Materials	1,000		1,000	611	389
Total Central Services	<u>268,069</u>	<u>821</u>	<u>268,890</u>	<u>268,482</u>	<u>408</u>
Administrative Information Tech.					
Purchased Technical Services	10,000	-	10,000	9,999	1
Required Maintenance for School Facilities:					
Salaries	98,092		98,092	97,660	432
Cleaning, Repair, and Maintenance Services	25,000	(8,192)	16,808	15,522	1,286
General Supplies	25,000		25,000	24,973	27
Other Objects	7,500		7,500	4,868	2,632
Total Required Maintenance For School Facilities	<u>155,592</u>	<u>(8,192)</u>	<u>147,400</u>	<u>143,023</u>	<u>4,377</u>
Custodial Services					
Salaries	65,780		65,780	64,189	1,591
Purchased Professional & Technical Services	9,500		9,500	9,500	-
Cleaning, Repairs and Maintenance Services	6,500		6,500	5,233	1,267
Other Purchased Property Services	6,500		6,500	6,500	-
Insurance	31,000	(3,000)	28,000	27,140	860
Miscellaneous Purchased Services	1,500		1,500	1,480	20
General Supplies	3,000		3,000	2,479	521
Energy (Electricity)	57,500	27,912	85,412	85,350	62
Energy (Natural Gas)	35,000	(14,000)	21,000	19,436	1,564
Total Custodial Services	<u>216,280</u>	<u>10,912</u>	<u>227,192</u>	<u>221,307</u>	<u>5,885</u>
Care and Upkeep of Grounds					
Purchased Professional & Technical Services	7,000	-	7,000	6,371	629
Total Care and Upkeep of Grounds	<u>7,000</u>	<u>-</u>	<u>7,000</u>	<u>6,371</u>	<u>629</u>

LAKEHURST SCHOOL DISTRICT

**Exhibit C-1
Sheet 7 of 9**

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Security:					
Salaries	5,340		5,340	5,340	-
Purchased Professional & Technical Services	40,000	1,300	41,300	41,300	-
General Supplies	3,000		3,000	3,000	-
Total Security	<u>48,340</u>	<u>1,300</u>	<u>49,640</u>	<u>49,640</u>	<u>-</u>
Total Expenditures - Operations & Maintenance of Plant Services	<u>427,212</u>	<u>4,020</u>	<u>431,232</u>	<u>420,341</u>	<u>10,891</u>
Student Transportation Services:					
Contracted Services (Other Than Between Home and School) Vendors	9,500		9,500	7,368	2,132
Contracted Services (Between Home and School) Jointure Agreements	280,000	(30,457)	249,543	242,754	6,789
Contracted Services (Special Education Students) - Jointure Agreements	40,000	30,457	70,457	70,456	1
Contracted Services - Aid in Lieu of Payments	3,536		3,536	1,680	1,856
Total Student Transportation Services	<u>333,036</u>	<u>-</u>	<u>333,036</u>	<u>322,258</u>	<u>10,778</u>
Unallocated Benefits:					
Social Security Contributions	87,000		87,000	72,280	14,720
Other Retirement Contributions - PERS	81,000	15,746	96,746	96,746	-
Other Retirement Contributions - ERIP	11,900		11,900	11,899	1
Unemployment Compensation	75,000	(887)	74,113	74,113	-
Workmen's Compensation	46,000		46,000	46,000	-
Health Benefits	1,111,925	(86,020)	1,025,905	983,908	41,997
Tuition Reimbursement	15,000	887	15,887	15,887	-
Other Benefits		3,400	3,400	3,391	9
Total Unallocated Benefits	<u>1,427,825</u>	<u>(66,874)</u>	<u>1,360,951</u>	<u>1,304,224</u>	<u>56,727</u>

LAKEHURST SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 9

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
On Behalf TPAF Pension Contributions (Non-Budgeted)				479,031	(479,031)
Reimbursement TPAF Social Security Contributions (Non-Budgeted)				202,310	(202,310)
Total Undistributed Expenditures	6,281,049	(107,178)	6,173,871	6,706,423	(532,552)
Total Expenditures - Current Expense	8,570,524	-	8,570,524	9,081,203	(510,679)
Capital Outlay:					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	106,783		106,783	106,783	-
Assessment for Debt Service Funding	20,586		20,586	20,586	-
Total Capital Outlay	127,369	-	127,369	127,369	-
Total Expenditures	8,697,893	-	8,697,893	9,208,572	(510,679)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(956,849)	-	(956,849)	(498,074)	458,775
Other Financing Sources/(Uses) Transfer from Other Funds	106,783	-	106,783	-	(106,783)
Excess (Deficiency) of Revenues Over/(Under) Expenditures and Other Financing Uses	(850,066)	-	(850,066)	(498,074)	351,992
Fund Balance July 1	1,800,133		1,800,133	1,800,133	-
Fund Balance June 30	\$ 950,067	-	950,067	1,302,059	351,992

LAKEHURST SCHOOL DISTRICT

**Exhibit C-1
Sheet 9 of 9**

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Assigned Fund Balances:					
Designated for Subsequent Year's Expenditures by the BOE				\$ 888,500	
Unassigned Fund Balance				<u>413,559</u>	
				1,302,059	
Reconciliation to Governmental Fund Statements (GAAP):					
Final State Payments not Recognized on GAAP Basis				<u>(594,262)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 707,797</u>	

LAKEHURST SCHOOL DISTRICT

Exhibit C-2

BUDGETARY COMPARISON SCHEDULE

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Local Sources	\$ 9,974		9,974	9,974	
State Sources	186,704		186,704	186,704	
Federal Sources	285,694		285,694	285,694	
Total Revenues	<u>\$ 482,372</u>	<u>-</u>	<u>482,372</u>	<u>482,372</u>	<u>-</u>
Expenditures:					
Instruction:					
Salaries of Teachers	\$ 208,030		208,030	208,030	-
Other Salaries for Instruction	37,779		37,779	37,779	
Other Purchased Services	123,000		123,000	123,000	
Instructional Supplies	11,712		11,712	11,712	-
Total Instruction	<u>380,521</u>	<u>-</u>	<u>380,521</u>	<u>380,521</u>	<u>-</u>
Support Services:					
Salaries of Other Professional Staff	18,000		18,000	18,000	
Personal - Services - Benefits	38,701		38,701	38,701	
Purchased Professional Technical Services	5,261		5,261	5,261	
Contr. Serv-Trans. (Between Home & School)	26,315		26,315	26,315	-
Other Purchased Services	9,974		9,974	9,974	
Supplies and Materials	3,600		3,600	3,600	
Total Support Services	<u>101,851</u>	<u>-</u>	<u>101,851</u>	<u>101,851</u>	<u>-</u>
Total Expenditures	<u>\$ 482,372</u>	<u>-</u>	<u>482,372</u>	<u>482,372</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

LAKEHURST SCHOOL DISTRICTREQUIRED SUPPLEMENTARY INFORMATION

Exhibit C-3

BUDGET-TO-GAAP RECONCILIATIONNOTE TO RSIFOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "revenue" from budgetary comparison schedule	\$ 8,710,498	482,372
Difference - budget to GAAP		
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	602,614	18,637
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	<u>(594,262)</u>	<u>(26,701)</u>
Total Revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 8,718,850</u>	<u>474,308</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	<u>\$ 9,208,572</u>	<u>482,372</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,208,572</u>	<u>482,372</u>

REQUIRED SUPPLEMENTARY INFORMATION – PART III

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

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - PERS

Exhibit L-1

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	100.000%	100.000%	100.000%	100.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 3,237,001	2,223,645	1,838,240	1,772,200
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,237,001</u>	<u>2,223,645</u>	<u>1,838,240</u>	<u>1,772,200</u>
District's Covered-Employee Payroll	\$ 751,127	737,632	682,903	660,153
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	23.20%	33.17%	37.15%	37.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	31.20%	38.21%	42.74%	40.71%

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF DISTRICT CONTRIBUTIONS - PERS

Exhibit L-2

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 96,746	86,543	85,683	82,836
Contributions in Relation to the Contractually Required Contribution	<u>96,746</u>	<u>86,543</u>	<u>85,683</u>	<u>82,836</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's Covered-Employee Payroll	\$ 751,127	737,632	682,903	660,153
Contributions as a Percentage of Covered-Employee Payroll	12.88%	11.73%	12.55%	12.55%

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE

NET PENSION LIABILITY - TPAF

Exhibit L-3

LAST FOUR FISCAL YEARS

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's Proportion of the Net Pension Liability (Asset)	0.000%	0.000%	0.000%	0.000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ -	-	-	-
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	<u>16,667,546</u>	<u>14,871,872</u>	<u>12,140,460</u>	<u>13,595,301</u>
Total	<u>\$ 16,667,546</u>	<u>14,871,872</u>	<u>12,140,460</u>	<u>13,595,301</u>
District's Covered-Employee Payroll	\$ 2,369,632	2,308,871	2,163,687	2,258,009
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered-Employee Payroll	14.22%	15.53%	17.82%	16.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	22.33%	28.71%	33.64%	33.76%

LAKEHURST SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
TEACHER'S PENSION AND ANNUITY FUND (TPAF)
LAST TEN FISCAL YEARS

L-4

This schedule is not applicable.

The School District is not required to make any contributions towards TPAF.

There is a special funding situation where the State of New Jersey pays 100% of the required contributions.

LAKEHURST SCHOOL DISTRICT**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III**

L-5

FOR THE FISCAL YEAR ENDED JUNE 30, 2017**Public Employee's Retirement System (PERS)**

Changes in Benefit Terms – None

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

Teachers' Pension and Annuity Fund (TPAF)

Changes in Benefit Terms – None

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

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

LAKEHURST SCHOOL DISTRICT

Exhibit E-1

SPECIAL REVENUE FUND

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	NAVY DFAS	Preschool Education Aid	N.C.L.B.		I.D.E.A.		Total
			Title I	Title IIA	Basic	Preschool	
Revenues:							
Local Sources	\$ 9,974						9,974
State Sources		186,704					186,704
Federal Sources			127,629	14,921	136,938	6,206	285,694
Total Revenues	9,974	186,704	127,629	14,921	136,938	6,206	482,372
Expenditures:							
Instruction:							
Salaries of Teachers		102,700	88,565	11,000		5,765	208,030
Other Salaries for Instruction		37,779					37,779
Other Purchased Services					123,000		123,000
Instructional Supplies		2,508	3,066		6,138		11,712
Total Instruction	-	142,987	91,631	11,000	129,138	5,765	380,521
Support Services:							
Salaries of Other Professional Staff			18,000				18,000
Personal Services - Benefits		17,402	17,998	2,860		441	38,701
Purchased Professional Technical Services				1,061	4,200		5,261
Contr. Serv-Trans (Bet. Home and School)		26,315					26,315
Other Purchased Services	9,974						9,974
Supplies and Materials					3,600		3,600
Total Support Services	9,974	43,717	35,998	3,921	7,800	441	101,851
Total Expenditures	\$ 9,974	186,704	127,629	14,921	136,938	6,206	482,372

LAKEHURST SCHOOL DISTRICTSPECIAL REVENUE FUND

Exhibit E-2

PRESCHOOL EDUCATION AIDSCHEDULE OF EXPENDITURESBUDGETARY BASISFOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures:			
Instruction:			
Salaries of Teachers	\$ 102,700	102,700	-
Other Salaries for Instruction	37,779	37,779	-
Instructional Supplies	2,508	2,508	-
Total Instruction	<u>142,987</u>	<u>142,987</u>	<u>-</u>
Support Services:			
Personal Services - Employee Benefits	17,402	17,402	-
Contr Serv-Trans (Bet. Home & School)	26,315	26,315	-
Total Support Services	<u>43,717</u>	<u>43,717</u>	<u>-</u>
Total Expenditures	<u>\$ 186,704</u>	<u>186,704</u>	<u>-</u>

Calculation of Budget and Carryover

Total 2016-2017 Preschool Education Aid Allocation	\$ 179,448
Actual ECPA Carryover (June 30, 2016)	<u>7,256</u>
Total Funds available for 2016-2017 Budget	\$ 186,704
Less: Budgeted 2016-2017 Preschool Education Aid	<u>186,704</u>
Available and Unbudgeted at June 30, 2017 Preschool Education Aid	\$ -
Add: 2016-2017 Unexpended Preschool Education Aid	<u>-</u>
2016-2017 Actual Carryover Preschool Education Aid	<u>\$ -</u>
2016-2017 Carryover Budgeted in 2017-2018 Preschool Education Aid	<u>\$ -</u>

CAPITAL PROJECTS FUND – F

LAKEHURST SCHOOL DISTRICTCAPITAL PROJECTS FUND

Exhibit F-1

SUMMARY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGESIN FUND BALANCE - BUDGETARY BASISFOR THE YEAR ENDED JUNE 30, 2017Expenditures

Purchased Professional and Technical Services	\$ 2,804
Total Expenditures	<u>2,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,804)
Other Financing Sources/(Uses):	
Cancel Receivable	<u>(1,101,863)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing Sources/(Uses)	(1,104,667)
Fund Balance - Beginning	<u>1,227,905</u>
Fund Balance - Ending	<u>\$ 123,238</u>

LAKEHURST SCHOOL DISTRICT

Exhibit F-2

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISH.V.A.C. IMPROVEMENTSFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
State Sources - SCC Grant	\$ 2,479,458		2,479,458	2,479,458
Bond Proceeds	810,400		810,400	810,400
Local Share - Budget	367		367	367
Total Revenues	<u>3,290,225</u>	<u>-</u>	<u>3,290,225</u>	<u>3,290,225</u>
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	252,034		252,034	252,034
Construction Services	2,826,178		2,826,178	2,826,178
Other	211,998		211,998	211,998
Total Expenditures	<u>3,290,210</u>	<u>-</u>	<u>3,290,210</u>	<u>3,290,210</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 15</u>	<u>-</u>	<u>15</u>	<u>15</u>
<u>Additional Project Information</u>				
Project Number	SCC #2500-050-09-1001			
Grant Date	1/15/2009			
Original Authorized Cost	\$ 3,290,225			
Percentage Increase Over Original Authorized Cost	0			
Percentage Completion	100%			
Original Target Completion Date	6/30/2011			
Revised Target Completion Date	12/31/2012			

LAKEHURST SCHOOL DISTRICT

Exhibit F-2a

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISROOF REPLACEMENTFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
State Sources - SCC Grant	\$ 1,103,752		1,103,752	1,103,752
Bond Proceeds	360,600		360,600	360,600
Local Share - Budget	320		320	320
Total Revenues	<u>1,464,672</u>	<u>-</u>	<u>1,464,672</u>	<u>1,464,672</u>
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	233,634		233,634	233,634
Construction Services	1,050,478		1,050,478	1,050,478
Other	180,545		180,545	180,545
Total Expenditures	<u>1,464,657</u>	<u>-</u>	<u>1,464,657</u>	<u>1,464,657</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 15</u>	<u>-</u>	<u>15</u>	<u>15</u>
<u>Additional Project Information</u>				
Project Number			SCC #2500-050-09-1002	
Grant Date			1/15/2009	
Original Authorized Cost	\$ 1,464,672			
Percentage Increase Over Original Authorized Cost			0	
Percentage Completion			100%	
Original Target Completion Date			6/30/2011	
Revised Target Completion Date			12/31/2012	

LAKEHURST SCHOOL DISTRICT

Exhibit F-2b

CAPITAL PROJECTS FUNDSCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE,AND PROJECT STATUS - BUDGETARY BASISIMPROVEMENTS TO LAKEHURST ELEMENTARY SCHOOLFROM INCEPTION AND FOR THE YEAR ENDED JUNE 30, 2017

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
<u>Revenues and Other Financing Sources</u>				
State Sources - SCC Grant	\$ 2,764,015	(1,101,863)	1,662,152	1,662,152
Bond Proceeds	443,111		443,111	443,111
Local Share - Budget	500,000		500,000	500,000
Total Revenues	<u>3,707,126</u>	<u>(1,101,863)</u>	<u>2,605,263</u>	<u>2,605,263</u>
<u>Expenditures and Other Financing Uses</u>				
Purchased Professional and Technical Services	214,905	2,804	217,709	250,000
Construction Services	2,264,346		2,264,346	2,355,263
Total Expenditures	<u>2,479,251</u>	<u>2,804</u>	<u>2,482,055</u>	<u>2,605,263</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures and Other Financing (Uses)	<u>\$ 1,227,875</u>	<u>(1,104,667)</u>	<u>123,208</u>	<u>-</u>
<u>Additional Project Information</u>				
Project Number	SCC #2500-050-13-3002			
Grant Date	1/21/2014			
Original Authorized Cost	\$ 3,707,126			
Percentage Increase Over Original Authorized Cost	0			
Percentage Completion	100%			
Original Target Completion Date	6/30/2016			
Revised Target Completion Date	6/30/2017			

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

LAKEHURST SCHOOL DISTRICT

Exhibit H-1

TRUST AND AGENCY FUNDCOMBINING STATEMENT OF FIDUCIARY NET POSITIONAS OF JUNE 30, 2017

	<u>Student Activities</u>	<u>Net Payroll</u>	<u>Payroll Agency</u>	<u>Total 2017</u>
Assets:				
Cash and Cash Equivalents	\$ 8,581	7,119	15,370	31,070
Total Assets	<u>\$ 8,581</u>	<u>7,119</u>	<u>15,370</u>	<u>31,070</u>
Liabilities:				
Due to Student Groups	\$ 8,581			8,581
Accounts Payable		4,119		4,119
Payroll Deductions and Withholdings		3,000	15,370	18,370
Total Liabilities	<u>\$ 8,581</u>	<u>7,119</u>	<u>15,370</u>	<u>31,070</u>

LAKEHURST SCHOOL DISTRICT

STUDENT ACTIVITY AGENCY FUND

Exhibit H-3

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary School: Lakehurst Elementary	<u>\$ 10,326</u>	<u>14,254</u>	<u>15,999</u>	<u>8,581</u>

LAKEHURST SCHOOL DISTRICT

PAYROLL AGENCY FUND

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Assets:				
Cash and Cash Equivalents	\$ 11,468	4,164,984	4,161,082	15,370
Total Assets	<u>\$ 11,468</u>	<u>4,164,984</u>	<u>4,161,082</u>	<u>15,370</u>
Liabilities:				
Payroll Deductions, Withholdings	\$ 11,468	4,164,984	4,161,082	15,370
Total Liabilities	<u>\$ 11,468</u>	<u>4,164,984</u>	<u>4,161,082</u>	<u>15,370</u>

LONG-TERM DEBT – I

LAKEHURST SCHOOL DISTRICT

LONG-TERM DEBT

SCHEDULE OF SERIAL BONDS PAYABLE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit I-1

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount Of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2016</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
			<u>Date</u>	<u>Amount</u>				
Improvements to Elementary School	3/4/2010	\$ 1,171,000	3/1/2018	\$ 80,000	3.50%	<u>\$ 781,000</u>	<u>75,000</u>	<u>706,000</u>
			3/1/2019	80,000				
			3/1/2020	85,000	4.00%			
			3/1/2021	85,000				
			3/1/2022	90,000				
			3/1/2023	90,000				
			3/1/2024	95,000				
			3/1/2025	101,000				

LAKEHURST SCHOOL DISTRICT

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Exhibit I-2

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount Of Issue</u>	<u>Interest Rate</u>	<u>Balance July 1, 2016</u>	<u>Retired</u>	<u>Balance June 30, 2017</u>
2015 Equipment Lease	7/1/2015	\$ 443,111	2.99%	<u>\$ 352,312</u>	<u>96,947</u>	<u>255,365</u>

LAKEHURST SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

Exhibit I-3

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Fund to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 104,690		104,690	104,690	-
Miscellaneous	106,783		106,783	106,783	
Total Revenues	<u>211,473</u>	<u>-</u>	<u>211,473</u>	<u>211,473</u>	<u>-</u>
Expenditures:					
Capital Lease - Interest	15,983	(6,147)	9,836	9,836	
Capital Lease - Principal	90,800	6,147	96,947	96,947	
Regular Interest	29,690		29,690	29,690	
Redemption of Principal	75,000		75,000	75,000	
Total Expenditures	<u>211,473</u>	<u>-</u>	<u>211,473</u>	<u>211,473</u>	<u>-</u>
Excess of Revenues over Expenditures	-	-	-	-	-
Fund Balance July 1	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Fund Balance June 30	<u>\$ 1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>

STATISTICAL SECTION

(Unaudited)

BOROUGH OF LAKEHURST SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-1

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities										
Invested in Capital Assets, net of related Debt	\$ 382,467	412,400	442,334	472,581	503,141	533,701	564,261	594,821	625,527	431,380
Restricted	985,088	2,059,335	2,233,113	1,599,845	1,446,266	1,092,946	4,534,203	5,209,115	495,000	525,000
Unrestricted	<u>(3,240,141)</u>	<u>(2,641,181)</u>	<u>(2,038,442)</u>	<u>(926,827)</u>	<u>(467,464)</u>	<u>(88,611)</u>	<u>(990,123)</u>	<u>(1,255,385)</u>	<u>82,693</u>	<u>180,221</u>
Total Governmental Activities	<u>\$ (1,872,586)</u>	<u>(169,446)</u>	<u>637,005</u>	<u>1,145,599</u>	<u>1,481,943</u>	<u>1,538,036</u>	<u>4,108,341</u>	<u>4,548,551</u>	<u>1,203,220</u>	<u>1,136,601</u>
Business Type Activities										
Invested in Capital Assets, net of related Debt	\$ -	-	-	-	134	400	667	934	1,200	1,466
Unrestricted	<u>(170,425)</u>	<u>(128,845)</u>	<u>(72,128)</u>	<u>(49,382)</u>	<u>(18,576)</u>	<u>(24,377)</u>	<u>(19,003)</u>	<u>31,847</u>	<u>32,848</u>	<u>15,666</u>
Total Business Type Activities	<u>\$ (170,425)</u>	<u>(128,845)</u>	<u>(72,128)</u>	<u>(49,382)</u>	<u>(18,442)</u>	<u>(23,977)</u>	<u>(18,336)</u>	<u>32,781</u>	<u>34,048</u>	<u>17,132</u>
District-wide										
Invested in Capital Assets, net of related Debt	\$ 382,467	412,400	442,334	472,581	503,275	534,101	564,928	595,755	626,727	432,846
Restricted	985,088	2,059,335	2,233,113	1,599,845	1,446,266	1,092,946	4,534,203	5,209,115	495,000	525,000
Unrestricted	<u>(3,410,566)</u>	<u>(2,770,026)</u>	<u>(2,110,570)</u>	<u>(976,209)</u>	<u>(486,040)</u>	<u>(112,988)</u>	<u>(1,009,126)</u>	<u>(1,223,538)</u>	<u>115,541</u>	<u>195,887</u>
Total District Position	<u>\$ (2,043,011)</u>	<u>(298,291)</u>	<u>564,877</u>	<u>1,096,217</u>	<u>1,463,501</u>	<u>1,514,059</u>	<u>4,090,005</u>	<u>4,581,332</u>	<u>1,237,268</u>	<u>1,153,733</u>

BOROUGH OF LAKEHURST SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses:										
Governmental Activities	\$ 11,107,771	10,144,392	11,228,071	9,092,779	8,968,471	12,346,098	9,031,860	8,857,663	8,627,492	8,953,218
Business Type Activities	194,550	201,695	160,994	220,533	180,518	186,684	221,149	186,570	164,071	150,482
Total District Expenses	<u>11,302,321</u>	<u>10,346,087</u>	<u>11,389,065</u>	<u>9,313,312</u>	<u>9,148,989</u>	<u>12,532,782</u>	<u>9,253,009</u>	<u>9,044,233</u>	<u>8,791,563</u>	<u>9,103,700</u>
Program Revenues:										
Governmental Activities	528,441	553,140	587,863	568,780	596,468	766,974	602,715	456,318	375,334	1,125,732
Business Type Activities	152,970	144,978	138,248	189,593	186,053	181,043	170,032	168,652	165,996	136,255
Total District Program Revenues	<u>681,411</u>	<u>698,118</u>	<u>726,111</u>	<u>758,373</u>	<u>782,521</u>	<u>948,017</u>	<u>772,747</u>	<u>624,970</u>	<u>541,330</u>	<u>1,261,987</u>
Net (Expense):										
Governmental Activities	(10,579,330)	(9,591,252)	(10,640,208)	(8,523,999)	(8,372,003)	(11,579,124)	(8,429,145)	(8,401,345)	(8,252,158)	(7,827,486)
Business Type Activities	(41,580)	(56,717)	(22,746)	(30,940)	5,535	(5,641)	(51,117)	(17,918)	1,925	(14,227)
Total District-wide Net Expense	<u>(10,620,910)</u>	<u>(9,647,969)</u>	<u>(10,662,954)</u>	<u>(8,554,939)</u>	<u>(8,366,468)</u>	<u>(11,584,765)</u>	<u>(8,480,262)</u>	<u>(8,419,263)</u>	<u>(8,250,233)</u>	<u>(7,841,713)</u>
General Revenues and Other Changes in Net Position:										
Governmental Activities	8,876,190	8,784,801	11,969,854	8,187,655	8,315,820	9,008,819	7,988,935	13,120,236	8,368,724	7,675,597
Business Type Activities								16,651	14,991	14,959
Total District-wide	<u>8,876,190</u>	<u>8,784,801</u>	<u>11,969,854</u>	<u>8,187,655</u>	<u>8,315,820</u>	<u>9,008,819</u>	<u>7,988,935</u>	<u>13,136,887</u>	<u>8,383,715</u>	<u>7,690,556</u>
Change in Net Position:										
Governmental Activities	(1,703,140)	(806,451)	1,329,646	(336,344)	(56,183)	(2,570,305)	(440,210)	4,718,891	116,566	(151,889)
Business Type Activities	(41,580)	(56,717)	(22,746)	(30,940)	5,535	(5,641)	(51,117)	(1,267)	16,916	732
Total District	<u>\$ (1,744,720)</u>	<u>(863,168)</u>	<u>1,306,900</u>	<u>(367,284)</u>	<u>(50,648)</u>	<u>(2,575,946)</u>	<u>(491,327)</u>	<u>4,717,624</u>	<u>133,482</u>	<u>(151,157)</u>

BOROUGH OF LAKEHURST SCHOOL DISTRICT
FUND BALANCES, GOVERNMENT FUNDS
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund:										
Reserved	\$ 888,550	850,066	875,085	1,611,272	1,281,357	672,583	550,000	650,000	495,000	525,000
Unreserved	<u>(180,753)</u>	<u>347,453</u>	<u>293,290</u>	<u>72,302</u>	<u>594,603</u>	<u>1,052,018</u>	<u>193,781</u>	<u>115,982</u>	<u>280,598</u>	<u>206,255</u>
Total General Fund	<u>\$ 707,797</u>	<u>1,197,519</u>	<u>1,168,375</u>	<u>1,683,574</u>	<u>1,875,960</u>	<u>1,724,601</u>	<u>743,781</u>	<u>765,982</u>	<u>775,598</u>	<u>731,255</u>
All Other Governmental Funds:										
Reserved - Capital Projects	\$ 123,238	1,227,905	1,374,835	30	177,002	436,552	3,983,760	4,557,737		
Unreserved, Reported in:										
Debt Service Fund	1	1	10,357	10,357	10,357	10,357	10,357	1,378		
Special Revenue Fund	<u>(26,701)</u>	<u>(18,637)</u>	<u>(27,164)</u>	<u>(21,814)</u>	<u>(22,450)</u>	<u>(26,546)</u>	<u>(9,914)</u>	<u>(10,027)</u>	<u>(9,905)</u>	<u>(26,034)</u>
Total All Other Government Funds	<u>\$ 96,538</u>	<u>1,209,269</u>	<u>1,358,028</u>	<u>(11,427)</u>	<u>164,909</u>	<u>420,363</u>	<u>3,984,203</u>	<u>4,549,088</u>	<u>(9,905)</u>	<u>(26,034)</u>

BOROUGH OF LAKEHURST SCHOOL DISTRICT
NET CHANGES IN FUND BALANCE
LAST TEN FISCAL YEARS
UNAUDITED

Exhibit J-4

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues:										
Local Tax Levy	\$ 1,233,466	1,200,209	1,192,666	1,169,291	1,150,591	1,146,791	1,147,664	1,048,776	1,048,776	1,048,776
Other Local Revenue	173,608	232,708	38,748	133,011	58,034	91,230	22,236	1,265,475	133,870	53,942
State Revenue	6,961,273	6,845,480	6,882,231	6,725,125	6,843,005	6,615,686	6,324,486	9,172,904	6,334,735	6,626,377
Federal Revenue	1,036,284	1,059,544	1,236,946	729,004	1,241,542	1,922,086	1,097,264	2,106,050	1,254,840	1,087,193
Total Revenues	<u>9,404,631</u>	<u>9,337,941</u>	<u>9,350,591</u>	<u>8,756,431</u>	<u>9,293,172</u>	<u>9,775,793</u>	<u>8,591,650</u>	<u>13,593,205</u>	<u>8,772,221</u>	<u>8,816,288</u>
Expenditures:										
Instruction:										
Regular	1,641,046	1,651,828	1,779,457	1,564,652	1,774,115	1,588,409	1,643,066	1,015,283	1,841,052	1,357,386
Special	687,773	705,237	618,593	542,289	528,024	455,917	512,600	638,173	671,562	570,765
Other	45,961	54,670	50,994	33,782	4,111	5,000	3,992	58,753	11,195	9,523
Total Instruction	<u>2,374,780</u>	<u>2,411,735</u>	<u>2,449,044</u>	<u>2,140,723</u>	<u>2,306,250</u>	<u>2,049,326</u>	<u>2,159,658</u>	<u>1,712,209</u>	<u>2,523,809</u>	<u>1,937,674</u>
Undistributed:										
Instruction	2,762,757	2,548,659	2,411,153	2,567,096	2,551,722	2,501,349	2,409,064	3,341,144	2,517,220	2,348,111
Support Service - Students/Staff	662,834	662,668	557,719	522,887	460,620	438,253	473,727	481,977	463,448	424,216
General Administration							483,965	435,357	475,631	200,371
School Administration	552,668	520,557	547,891	534,791	568,716	609,850	109,590	119,372	85,366	357,130
Operations and Maintenance	420,341	445,518	456,712	475,047	422,589	384,572	380,498	404,393	435,023	414,281
Student Transportation	322,258	394,275	286,532	263,619	220,812	223,570	305,733	283,830	302,713	199,844
Unallocated Benefits	1,985,565	1,807,315	1,593,550	1,627,160	1,630,971	1,568,363	1,172,669	1,176,954	1,057,661	1,095,480
TPAF Pension & Social Security							400,755	412,941	376,986	753,389
Total Undistributed	<u>6,706,423</u>	<u>6,378,992</u>	<u>5,853,557</u>	<u>5,990,600</u>	<u>5,855,430</u>	<u>5,725,957</u>	<u>5,736,001</u>	<u>6,655,968</u>	<u>5,714,048</u>	<u>5,792,822</u>
Capital Outlay:	<u>127,369</u>	<u>127,370</u>	<u>71,436</u>	<u>272,368</u>	<u>83,850</u>	<u>154,701</u>	<u>16,610</u>	<u>5,400</u>	<u>49,947</u>	<u>30,303</u>
Special Schools/Education Jobs						210,783			36,577	24,015
Total General Fund Expenditures	<u>9,208,572</u>	<u>8,918,097</u>	<u>8,374,037</u>	<u>8,403,691</u>	<u>8,245,530</u>	<u>8,140,767</u>	<u>7,912,269</u>	<u>8,373,577</u>	<u>8,324,381</u>	<u>7,784,814</u>
Special Revenue:										
Federal & State	482,372	483,956	593,213	568,144	590,462	572,823	593,602	456,440	359,205	1,131,122
Total Special Revenue Expenditures	<u>482,372</u>	<u>483,956</u>	<u>593,213</u>	<u>568,144</u>	<u>590,462</u>	<u>572,823</u>	<u>593,602</u>	<u>456,440</u>	<u>359,205</u>	<u>1,131,122</u>
Capital Projects	<u>2,804</u>	<u>146,930</u>	<u>2,332,321</u>	<u>52,807</u>	<u>26,312</u>	<u>3,547,208</u>	<u>573,977</u>	<u>197,160</u>		
Debt Service	<u>211,473</u>	<u>208,573</u>	<u>103,890</u>	<u>100,515</u>	<u>154,169</u>	<u>98,015</u>	<u>98,888</u>			
Total Governmental Fund Expenditures	<u>9,905,221</u>	<u>9,757,556</u>	<u>11,403,461</u>	<u>9,125,157</u>	<u>9,016,473</u>	<u>12,358,813</u>	<u>9,178,736</u>	<u>9,027,177</u>	<u>8,683,586</u>	<u>8,915,936</u>
Other Financing Sources (Uses)	<u>(1,101,863)</u>		<u>3,207,126</u>	<u>4</u>				<u>(16,651)</u>	<u>(28,163)</u>	<u>(14,959)</u>
Net Changes in Fund Balance	<u>\$ (1,602,453)</u>	<u>(419,615)</u>	<u>1,154,256</u>	<u>(368,722)</u>	<u>276,699</u>	<u>(2,583,020)</u>	<u>(587,086)</u>	<u>4,549,377</u>	<u>60,472</u>	<u>(114,607)</u>

Source: District Records

BOROUGH OF LAKEHURST SCHOOL DISTRICT
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Interest	\$ 48,793	\$ 22,761	\$ 5,856	\$ -	\$ 8,979	\$ 796	\$ -	\$ 698	\$ -	\$ -	\$ -
Tuition										\$ 60,657	\$ 54,133
Reimbursements	\$ 44,656	\$ 17,926	\$ 90,400	\$ 81,000	\$ 9,000	\$ 56,751	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	\$ <u>1,773</u>	\$ <u>13,255</u>	\$ <u>37,614</u>	\$ <u>11,410</u>	\$ <u>4,257</u>	\$ <u>33,683</u>	\$ <u>39,854</u>	\$ <u>21,752</u>	\$ <u>30,772</u>	\$ <u>172,051</u>	\$ <u>2,718</u>
	\$ <u>95,222</u>	\$ <u>53,942</u>	\$ <u>133,870</u>	\$ <u>92,410</u>	\$ <u>22,236</u>	\$ <u>91,230</u>	\$ <u>39,854</u>	\$ <u>22,450</u>	\$ <u>30,772</u>	\$ <u>232,708</u>	\$ <u>56,851</u>

Source: District Re

BOROUGH OF LAKEHURST SCHOOL DISTRICT
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
UNAUDITED

<u>Total Tax Year</u>	<u>Net Assessed Valuation Taxable</u>	<u>Net Valuation</u>	<u>Percentage of Net Assessed to Estimated Full Cash Valuations</u>
2007	186,708,124	177,524,099	100.51%
2008	187,500,617	187,550,617	100.10%
2009	191,280,472	196,726,579	97.49%
2010	190,755,237	202,841,339	94.25%
2011	190,477,370	191,980,613	99.49%
2012	189,965,889	181,757,347	104.85%
2013	188,948,432	200,565,666	94.39%
2014	187,699,380	157,310,875	89.82%
2015	189,916,984	164,591,103	85.37%
2016	161,497,075	140,907,959	87.37%

Source: Abstract of Ratables, County Board of Taxation

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN YEARS
UNAUDITED**

<u>Year Ending</u> <u>Dec. 31st</u>	<u>Total Direct School</u> <u>Tax Rate</u>	<u>Municipality of</u> <u>Lakehurst</u>	<u>Ocean County</u>	<u>Total Direct and</u> <u>Overlapping Tax</u> <u>Rate</u>
2007	\$ 0.553	0.803	0.296	1.652
2008	0.550	0.840	0.310	1.700
2009	0.540	0.920	0.320	1.780
2010	0.600	0.980	0.350	1.930
2011	0.600	1.040	0.340	1.980
2012	0.595	1.069	0.346	2.010
2013	0.614	1.109	0.415	2.138
2014	0.840	1.605	0.454	2.899
2015	0.849	1.675	0.487	3.011
2016	0.870	1.700	0.480	3.050

Source: Abstract of Ratables, Ocean

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
 SCHEDULE OF PRINCIPAL TAXPAYERS
 CURRENT YEAR
UNAUDITED**

2016

<u>Taxpayer</u>	<u>Assessed Valuation 2016</u>	<u>Rank Optional</u>	<u>As a Percentage of District's Net Assessed Valuation</u>
Smith Street Assoc. LLC	\$ 2,552,700.00		1.79%
Landmark Associates I, L.L.C.	\$ 2,466,800.00		1.73%
Landmark Associates II, L.L.C.	\$ 1,955,600.00		1.37%
Garden Homes Vermont LP	\$ 1,326,000.00		0.93%
Route 70 Landmark Assoc.	\$ 1,146,700.00		0.81%
Verizon	\$ 1,125,956.00		0.79%
Lakehurst Realty	\$ 1,048,000.00		0.74%
McDonald's Corporation	\$ 1,037,300.00		0.73%
Limelight LLC	\$ 1,028,900.00		0.72%
Route 70 SS LLC	\$ 893,700.00		0.63%
 Total Net Taxable Value	 \$ 14,581,656.00		 10.24%

Source: Lakehurst Borough Tax Assessor

Information for Nine Years ago was not available at the time of the audit

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
UNAUDITED**

Collected within the Fiscal Year of the Levy

<u>Year Ended</u> <u>Dec. 31</u>	<u>Taxes Levied for</u> <u>the Year</u>	<u>Amount Collected</u>	<u>Percentage of Levy</u>
2007	\$ 3,095,507	3,032,850	97.98%
2008	3,274,608	3,172,320	96.88%
2009	3,412,164	3,310,925	97.03%
2010	3,672,705	3,566,640	97.11%
2011	3,783,298	3,683,874	97.37%
2012	3,831,308	3,727,351	96.66%
2013	4,039,717	3,911,878	96.83%
2014	4,094,211	3,980,818	97.22%
2015	4,247,489	4,118,086	96.95%
2016	4,346,499	4,218,035	97.04%

Note: Dollar amounts are rounded to the nearest whole dollar.

Source: Municipal Tax Collector

BOROUGH OF LAKEHURST SCHOOL DISTRICT
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended <u>June 30</u>	General Obligation <u>Bonds</u>	<u>Capital Leases</u>	Bonded Debt Anticipation Notes (<u>BANs</u>)	Total District <u>Debt</u>	Percentage of Personal <u>Income</u>
2008	\$ -	-	-	-	0%
2009	-	-	-	-	0%
2010	1,171,000	-	-	1,171,000	1.2%
2011	1,111,000	-	-	1,111,000	1.1%
2012	1,051,000	-	-	1,051,000	1.0%
2013	986,000	-	-	986,000	0.9%
2014	921,000	-	-	921,000	0.8%
2015	851,000	-	-	851,000	0.7%
2016	781,000	352,312	-	1,133,312	1.1%
2017	706,000	255,365	-	961,365	0.9%

Source: Abstract of Ratables, Ocean County

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
RATIO OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN YEARS
UNAUDITED**

Governmental Activities

<u>Year Ended</u>	General Obligation <u>Bonds</u>	<u>Deductions</u>	Net General Bonded <u>Debt Outstanding</u>	Percentage of Actual Taxable Value # of <u>Property</u>	Net Bonded Debt <u>Per Capita</u>
2008	\$ -	-	-	0.00%	0
2009	-	-	-	0.00%	0
2010	1,171,000	-	1,171,000	0.61%	431
2011	1,111,000	-	1,111,000	0.58%	409
2012	1,051,000	-	1,051,000	0.54%	394
2013	986,000	-	986,000	0.51%	370
2014	921,000	-	921,000	0.51%	346
2015	851,000	-	851,000	0.50%	319
2016	781,000	-	781,000	55.00%	293

Note: Dollars rounded to the nearest whole dollar

Source: Borough Chief Financial Officer

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
 COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
 FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED**

Net Direct Debt of School District as of December 31, 2016	\$	781,000.00
Net Overlapping Debt of School District:		
Lakehurst Borough:	\$	4,020,168.00
County (Boro Share):	\$	<u>1,041,918.00</u>
Total Direct and Overlapping Bonded Debt As of December 31, 2016	\$	<u>5,843,086.00</u>

Source: Borough Chief Financial Officer

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED**

Year Ended December 31, 2016

Legal Debt Margin For Year Ended 2016

Equalized valuation basis

2014	163,750,402
2015	159,421,218
2016	161,497,075

Average equalized valuation of taxable property 164,862,193

Debt limit (3% of average equalization value) 4,945,866

Total Net Debt Applicable to Limit 0

Legal debt margin \$ 4,945,866

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt Limit	\$ 3,700,348	4,579,768	4,799,540	4,579,768	4,756,484	4,732,013	4,589,103	4,454,065	4,121,555	4,121,555
Total net debt applicable to limit	0	0	1,171,000	1,111,000	1,111,000	1,051,000	986,000	921,000	851,000	781,000
Legal debt margin	\$ <u>3,700,348</u>	<u>4,579,768</u>	<u>3,628,540</u>	<u>3,468,768</u>	<u>3,645,484</u>	<u>3,681,013</u>	<u>3,603,103</u>	<u>3,533,065</u>	<u>3,270,555</u>	<u>3,340,555</u>

Source: Annual Report of the State of NJ

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
UNAUDITED**

<u>Year Ended December 31</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	2715	\$ 108,638,010	40014	6.4%
2008	2717	\$ 112,168,628	41284	8.2%
2009	2719	\$ 108,123,754	39766	13.4%
2010	2655	\$ 105,650,415	39793	14.0%
2011	2668	\$ 110,655,300	41475	14.6%
2012	2664	\$ 113,494,392	42603	14.9%
2013	2658	\$ 114,150,468	42946	10.4%
2014	2694	\$ 119,756,382	44453	9.2%
2015	2694	\$ 124,217,646	46109	7.6%
2016	2692	unavailable	unavailable	6.9%

Source: NJ Dept. of Ed Website

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

2017

DATA NOT AVAILABLE

2008

DATA NOT AVAILABLE

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
 FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Function/Program										
Instruction										
Regular	23	23.5	23.5	19	21.5	24.5	25	25.5	27	25
Spec Ed	10	11.25	11.75	10.5	10	7	7	10.5	10	9.5
Other Spec Ed										
Vocational										
Other Instruction	5	5.25	5.25	4.75	4.5	3.5	3.5	13.5	10.5	11
Nonpublic school programs										
Adult/continuing education programs										
Support Services										
Student & Instruction related services	4	4	4	4	3.5	4.5	3	4.75	4	4.6
General administration	3	4	4	4	4	3.5	2.5	1.75	2.5	2
School administrative services	2	2	2	2	2	2	2	1.5	1.5	2
Other administrative services	1	1	1	1	1	0.5	1	1.2	1	3.3
Central Services	2.3	2.3	2.3	2.3	2.3	3.3	3.3	3.3	3	1
Administrative Information Technology	0.5	0.5	0.5	0.5	1	1	1	1	1	1
Plant Operation & Maintenance	6	5.5	5.5	4.5	4.5	4.5	4.5	4.5	5	4
Pupil transportation										
Other support services	11	10	10	7.5	11	11.5	11			
Special Schools										
Food Service										
Child Care										
Total	<u>67.8</u>	<u>69.3</u>	<u>69.8</u>	<u>60.05</u>	<u>65.3</u>	<u>65.8</u>	<u>63.8</u>	<u>67.5</u>	<u>65.5</u>	<u>63.4</u>

Source: District Personnel Records

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

PUPIL/TEACHER RATIO

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentile Change</u>	<u>Teaching Staff</u>	<u>Average Daily Enrollment</u>	<u>Average Daily Attendance</u>	<u>% Change in ADE</u>	<u>Student Attendance Percentage</u>
2008	446.0	6,992,066	15,677	12%	41.7	448	424	2.8%	94.8%
2009	439.0	8,683,586	19,780	24%	44.0	445.5	423.2	0.3%	95.0%
2010	437.0	9,027,177	20,657	4%	45.0	434.8	413.7	2.2%	95.1%
2011	435.0	9,178,736	21,101	2%	39.0	437	409.5	0.95%	93.7%
2012	585.0	8,140,767	13,916	0%	37.5	421.1	399.5	2.00%	94.9%
2013	572.0	8,245,530	14,415	0%	37.5	414.1	389.9	2.00%	94.1%
2014	413.0	8,131,323	19,688	36%	35.5	n/a	n/a	n/a	n/a
2015	551.0	8,885,814	16,127	18%	39.5	n/a	n/a	n/a	n/a
2016	479.0	8,918,087	18,618	12%	47.0	n/a	n/a	n/a	n/a
2017	469.0	9,905,221	21,120	15%	46.0	n/a	n/a	n/a	n/a

Source: District Records

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
BUILDINGS
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year Ended June 30

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Lakehurst Elementary School										
Square Feet	55,790	55,790	55,790	55,790	55,790	55,790	55,790	55,790	55,790	55,790
Capacity (Students)	521	521	521	521	521	521	521	521	521	521
Enrollment	455	439	430	435	585	417	413	383	479	469
Other										
Administration Building:										
Square Feet	1180	1180	1180	1180	1180	1180	1180	1180	1180	1180

Source: District Records

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
GENERAL FUND
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
FOR THE LAST TEN FISCAL YEARS
UNAUDITED**

**UNDISTRIBUTED EXPENDITURES - REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-XXXX**

<u>School Facilities</u>	<u>Lakehurst Elementary</u>	<u>Total School Facilities</u>
2008	49,448	49,448
2009	128,395	128,395
2010	113,418	113,418
2011	124,667	124,667
2012	123,444	123,444
2013	144,478	144,478
2014	150,642	150,642
2015	154,901	154,901
2016	147,401	147,401
2017	143,023	143,023

School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and
Source: District Records

**BOROUGH OF LAKEHURST SCHOOL DISTRICT
INSURANCE SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy – S.A.I.F.		
Property – Blanket Building & Contents	7,700,000	1,000
Extra Expense Section - All Risks Coverage	7,700,000	
Electronic Data Processing Equipment	7,700,000	
Contractors Equipment	7,700,000	
Musical Instruments Floater	7,700,000	
Monies and Security	50,000	500
Comprehensive General Liability	5,000,000	
Employers Non-Owned & Hired Auto Liability	5,000,000	
Employee Benefits Liability	5,000,000	1,000 Per Claim
Nurses Professional Liability	5,000,000	
Workers Compensation – NJSBAIG		
Covered Payrolls	2,000,000	
Boiler Insurance Extra Expense Section	1,000,000	1,000 Per Occurrence
Fidelity Bond - S.A.I.F.		
All Employees	100,000 Per Person	
Treasurer - Western Surety Co.	200,000	
SBA/ Board Secretary - Selective Ins. Co.	85,000	
School Board Legal Liability - NJSBAIG	1,000,000	5,000
Student Accident - AIG		
Accidental Death	1,000,000	
Medical		
Dental Limit	1,000,000	

Source: School Records

SINGLE AUDIT SECTION

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

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

K-1

Honorable President and Members
of the Board of Education
Lakehurst School District
County of Ocean
Lakehurst, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lakehurst Board of Education, County of Ocean, State of New Jersey as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Lakehurst Board of Education, County of Ocean, State of New Jersey's basic financial statements, and have issued our report thereon dated November 27, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

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

November 27, 2017

Robert A. Hulsart and Company

102.

CERTIFIED PUBLIC ACCOUNTANTS

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE AND SCHEDULE OF EXPENDITURES OF STATE
FINANCIAL ASSISTANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR 15-08**

K-2

Honorable President and Members
of the Board of Education
Lakehurst School District
County of Ocean
Lakehurst, New Jersey

Report on Compliance for Each Major Federal and State Program

We have audited the Board of Education of the Lakehurst School District, County of Ocean, State of New Jersey's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement and the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Board of Education of the Lakehurst School District, County of Ocean, State of New Jersey's major state programs for the year ended June 30, 2017. The Board of Education of the Lakehurst School District, County of Ocean, State of New Jersey's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

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

Report on Internal Control Over Compliance

Management of the Board of Education of the Lakehurst School District, County of Ocean, State of New Jersey's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Board of Education of the Lakehurst School District, County of Ocean, State of New Jersey's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the U.S. 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 Board of Education of the Lakehurst School District, County of Ocean, and State of New Jersey's internal control over compliance.

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

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

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

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart

Licensed Public School Accountant

No. 322

Robert A. Hulsart and Company

Wall Township, New Jersey

November 27, 2017

LAKEHURST SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Schedule A
K-3

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal C.F.D.A. Number	Federal F.A.I.N. Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2017			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education:															
General Fund:															
Impact Aid	84.041	N/A	N/A	\$ 750,590	9/1/16	8/31/17	\$ -		750,590	(750,590)					
Total General Fund							-	-	750,590	(750,590)	-	-	-	-	
U.S. Department of Education															
Passed Through State Department of Education:															
Special Revenue Fund:															
LD.E.A.:															
Basic	84.027	H027A150100	IDEA17	136,938	9/1/16	8/31/17			136,938	(136,938)					
Preschool	84.173	H173A150114	IDEA17	6,206	9/1/16	8/31/17			6,206	(6,206)					
No Child Left Behind:															
Title I	84.010A	S010A150030	NCLB17	127,629	9/1/16	8/31/17			127,629	(127,629)					
Title I	84.010A	S010A150030	NCLB16	130,168	9/1/15	8/31/16	(75,524)		75,524						
Title IIA	84.367	S367A150029	NCLB17	14,921	9/1/16	8/31/17			14,921	(14,921)					
Total Special Revenue							(75,524)	-	361,218	(285,694)	-	-	-	-	
U.S. Department of Agriculture															
Passed Through Department of Education:															
Enterprise Fund:															
National School Lunch Program	10.555	171NJ304N1099	N/A	72,837	9/1/16	8/31/17			68,632	(72,837)		(4,205)			
National School Lunch Program	10.555	1616NJ304N1099	N/A	75,943	9/1/15	8/31/16	(4,504)		4,504						
Federal HHFKA Lunch Program	10.555	171NJ304N1099	N/A	1,887	9/1/16	8/31/17			1,778	(1,887)		(109)			
Federal HHFKA Lunch Program	10.555	1616NJ304N1099	N/A	1,953	9/1/15	8/31/16	(117)		117						
School Distribution Program	10.550	171NJ304N1099	N/A	15,445	9/1/16	8/31/17			15,445	(15,445)					
School Breakfast Program	10.553	171NJ304N1099	N/A	18,910	9/1/16	8/31/17			17,204	(18,910)		(1,706)			
School Breakfast Program	10.553	1616NJ304N1099	N/A	13,615	9/1/15	8/31/16	(1,007)		1,007						
Total Enterprise Fund							(5,628)	-	108,687	(109,079)	-	(6,020)	-	-	
Total Federal Financial Awards							\$ (81,152)	-	1,220,495	(1,145,363)	-	(6,020)	-	-	

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Schedule B
K-4

State Grantor/Program State Department of Education:	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2016	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2017			MEMO	
			From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditures
General Fund:														
Categorical Special Education Aid	17-495-034-5120-089	\$ 304,592	7-1-16	6-30-17	\$ -		304,592	(304,592)					29,915	304,592
Equalization Aid	17-495-034-5120-078	5,421,371	7-1-16	6-30-17			5,421,371	(5,421,371)					532,447	5,421,371
Categorical Security Aid	17-495-034-5120-084	135,295	7-1-16	6-30-17			135,295	(135,295)					13,288	135,295
Transportation Aid	17-495-034-5120-014	116,548	7-1-16	6-30-17			116,548	(116,548)					11,447	116,548
Adjustment Aid	17-495-034-5120-085	28,730	7-1-16	6-30-17			28,730	(28,730)					2,821	28,730
Under Adequacy Aid	17-495-034-5120-083	29,812	7-1-16	6-30-17			29,812	(29,812)					2,928	29,812
PARCC Readiness Aid	17-495-034-5120-098	4,910	7-1-16	6-30-17			4,910	(4,910)					482	4,910
Per Pupil Growth Aid	17-495-034-5120-097	4,910	7-1-16	6-30-17			4,910	(4,910)					482	4,910
Professional Learning Community Aid	17-495-034-5120-101	4,600	7-1-16	6-30-17			4,600	(4,600)					452	4,600
Extraordinary Aid	17-495-034-5120-044	41,824	7-1-16	6-30-17				(41,824)			(41,824)			41,824
Extraordinary Aid	16-495-034-5120-044	49,496	7-1-15	6-30-16	(49,496)		49,496							
Non-Public Transportation Aid	17-495-034-5120-014	348	7-1-16	6-30-17				(348)			(348)			348
Non-Public Transportation Aid	16-495-034-5120-014	584	7-1-15	6-30-16	(584)		584							
Teachers Pension and Annuity Fund Contributions (Non-Budgeted)	17-495-034-5094-002	479,031	7-1-16	6-30-17			479,031	(479,031)						479,031
Reimbursed TPAF Social Security Contribution (Non-Budgeted)	17-100-034-5095-002	202,310	7-1-16	6-30-17			193,187	(202,310)			(9,123)			202,310
Total General Fund					<u>(50,080)</u>	<u>-</u>	<u>6,773,066</u>	<u>(6,774,281)</u>	<u>-</u>	<u>(51,295)</u>	<u>-</u>	<u>-</u>	<u>594,262</u>	<u>6,774,281</u>
Special Revenue:														
Preschool Education Aid	17-495-034-5120-086	186,704	7-1-16	6-30-17	7,256		179,448	(186,704)					26,701	186,704
Total Special Revenue					<u>7,256</u>	<u>-</u>	<u>179,448</u>	<u>(186,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,701</u>	<u>186,704</u>
Capital Projects Fund														
EDA Grant - Building Program	2500-050-13-3002	2,764,015	2014	2016	(1,411,109)		309,246		1,101,863					-
Total Capital Projects Fund					<u>(1,411,109)</u>	<u>-</u>	<u>309,246</u>	<u>-</u>	<u>1,101,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Enterprise Fund:														
National School Lunch Program (State Share)	17-100-010-3350-023	1,596	7-1-16	6-30-17			1,504	(1,596)			(92)			1,596
National School Lunch Program (State Share)	16-100-010-3350-023	1,667	7-1-15	6-30-16	(100)		100							
Total Enterprise Fund					<u>(100)</u>	<u>-</u>	<u>1,604</u>	<u>(1,596)</u>	<u>-</u>	<u>(92)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,596</u>
Total State Financial Assistance					<u>\$ (1,454,033)</u>	<u>-</u>	<u>7,263,364</u>	<u>(6,962,581)</u>	<u>1,101,863</u>	<u>(51,387)</u>	<u>-</u>	<u>-</u>	<u>620,963</u>	<u>6,962,581</u>
Less on Behalf TPAF Pinion System Contributions								(479,031)						
Total for State Financial Assistance-Major Program Determination								<u>(6,483,550)</u>						

See accompanying Notes to Schedules of Federal Awards and State Financial Assistance.

BOARD OF EDUCATION

K-5

LAKEHURST SCHOOL DISTRICT**NOTES TO SCHEDULES OF FINANCIAL ASSISTANCE****JUNE 30, 2017****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, Lakehurst School District. The Board of Education is defined in Note 1(A) to the Board's general-purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies is included on the schedule of federal financial assistance.

NOTE 2: Basis of Accounting

The accompanying schedules of financial assistance are presented using the modified accrual basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. Programs recorded in the food service fund include the National School Lunch Program. These bases of accounting are described in the Note 1(C) to the Board's general-purpose financial statements.

NOTE 3: Relationship to General Purpose Financial Statements

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

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to P.L. 2003, c.97.(A3521). For GAAP purposes that payment is not recognized until the subsequent budget year due to the state deferral and recording of the last state aid payment in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>State Assistance</u>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of State Financial Assistance	\$ 6,295,250	186,704	1,596	6,483,550
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized				
On Behalf Payments Recognized for GAAP Statements but Not Included in the Schedule of Expenditures of State Financial Assistance	479,031			479,031
The Last State Aid Payment Is Recognized as Revenue for Budgetary Purposes, and Differs from GAAP Which does not Recognize This Revenue Until the Subsequent Year When the State Recognizes the Related Expense (GASB 33)	<u>8,352</u>	<u>(8,064)</u>	<u> </u>	<u>288</u>
Total State Revenue as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$ 6,782,633</u>	<u>178,640</u>	<u>1,596</u>	<u>6,962,869</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Food Service</u>	<u>Total</u>
<u>Federal Assistance</u>				
Actual Amounts (Budgetary) "Revenues" from the Schedule of Expenditures of Federal Awards	\$ 750,590	285,694	109,079	1,145,363
Difference – Budget to "GAAP" Grant Accounting Budgetary Basis Differs from GAAP in that Encumbrances are Recognized as Expenditures and the Related Revenue is Recognized	_____	_____	_____	_____
Total Federal Revenue as Reported on the Statement of Revenue, Expenditures and Changes in Fund Balances	<u>\$ 750,590</u>	<u>285,694</u>	<u>109,079</u>	<u>1,154,363</u>

NOTE 4: Relationship to Federal and State Financial Reports

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

NOTE 5: Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the State on behalf of the District for the year ended June 30, 2017. TPAF Social Security Contributions represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2017.

NOTE 6: Adjustment

A State grant receivable for Capital Projects was overstated by \$1,101,863 and has been canceled.

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part 1 - Summary of Auditor's Results

Financial Statement Section

	<u>Unmodified</u>
(A) Type of auditor's report issued:	
(B) Internal control over financial reporting:	
1) Material weakness(es) identified?	_____ Yes <u> x </u> No
2) Were reportable conditions(s) identified that were not considered to be material weaknesses?	_____ Yes <u> x </u> No
(C) Noncompliance material to general purpose financial statements noted?	_____ Yes <u> x </u> No

Federal Awards Section

(D) Dollar threshold used to determine Typed A programs:	<u>\$750,000</u>
(E) Auditee qualified as low-risk auditee?	<u> x </u> Yes _____ No
(F) Type of auditor's report on compliance for major programs:	<u>Unmodified</u>
(G) Internal control over compliance:	
1) Material weakness(es) identified?	_____ Yes <u> x </u> No
2) Were reportable condition(s) identified that were not considered to material weaknesses?	_____ Yes <u> x </u> No
(H) Any audit findings disclosed that are required to be reported Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards 2 CFR 200	_____ Yes <u> x </u> No

(I) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041 _____	Impact Aid _____

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part 1 - Summary of Auditor's Results (Continued)

State Awards Section

(J) Dollar threshold used to determine Type A programs: \$750,000

(K) Auditee qualified as low-risk auditee? x Yes No

(L) Type of auditor's report on compliance for major programs: Unmodified

(M) Internal control over compliance:

(1) Material Weakness(es) identified? Yes x No

(2) Were reportable condition(s) identified that were not considered to material weaknesses? Yes x No

(N) Any audit findings disclosed that are required to be reported in accordance with N.J. OMB's Circular 15-08? Yes x No

(O) Identification of major programs:

GMIS Number(s)

17-495-034-5120-014
17-495-034-5120-078
17-495-034-5120-083
17-495-034-5120-084
17-495-034-5120-085
17-495-034-5120-089
17-495-034-5120-098
17-495-034-5120-097
17-495-034-5120-101

Name of State Program

Transportation Aid (State Aid Public Cluster)
Equalization Aid (State Aid Public Cluster)
Under Adequacy Aid (State Aid Public Cluster)
Security Aid (State Aid Public Cluster)
Adjustment Aid (State Aid Public Cluster)
Special Education Aid (State Aid Public Cluster)
PARCC Readiness Aid (State Aid Public Cluster)
Per Pupil Growth Aid (State Aid Public Cluster)
Professional Learning Community Aid (State Aid Public Cluster)

LAKEHURST SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Part 2 - Schedule of Financial Statement Findings

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

Finding: None

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

LAKEHURST SCHOOL DISTRICTSCHEDULE OF FINDINGS AND QUESTIONED COSTS

K-6

FOR THE FISCAL YEAR ENDED JUNE 30, 2017*Part 3 - Schedule of Federal and State Award Findings and Questioned Costs*

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08, as amended.

FEDERAL AWARDS

Finding: N/A

Federal program information: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

Management's response: N/A

STATE AWARDS

Finding: None

State program information: N/A

Criteria or specific requirement: N/A

Condition: N/A

Questioned Costs: N/A

Context: N/A

Effect: N/A

Recommendation: N/A

Management's response: N/A

LAKEHURST SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

K-7

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of Government Auditing Standards, Title 2 U.S. Code of Federal Regulations Part 200 and New Jersey OMB's Circular 15-08.

Prior Audit Findings:

None