

The School District
of
FRANKFORD TOWNSHIP

Frankford Township Board of Education
Branchville, New Jersey

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

Comprehensive Annual Financial Report

of the

Frankford Township Board of Education

Branchville, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**The Frankford Township Board of Education
Finance Department**

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

INTRODUCTORY SECTION

Letter of Transmittal	i-v
Organizational Chart	vi
Roster of Officials	vii
Consultants and Advisors	viii

FINANCIAL SECTION

Independent Auditor's Report	1-3
------------------------------	-----

REQUIRED SUPPLEMENTARY INFORMATION- PART I

Management's Discussion and Analysis	4-12
--------------------------------------	------

Basic Financial Statements

A. District-wide Financial Statements

A-1 Statement of Net Position	13
A-2 Statement of Activities	14

B. Fund Financial Statements

Governmental Funds

B-1 Balance Sheet	15-16
B-2 Statement of Revenues, Expenditures, and Changes in Fund Balances	17
B-3 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances with the District-Wide Statements	18

Proprietary Funds

B-4 Statement of Net Position	19
B-5 Statement of Revenues, Expenses, and Changes in Net Position	20
B-6 Statement of Cash Flows	21

Fiduciary Funds

B-7 Statement of Fiduciary Net Position	22
B-8 Statement of Changes in Fiduciary Net Position	23

Notes to the Financial Statements	24-57
--	-------

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

REQUIRED SUPPLEMENTARY INFORMATION - PART II

C. Budgetary Comparison Schedules

C-1	Budgetary Comparison Schedule – General Fund	58-64
C-2	Budgetary Comparison Schedule – Special Revenue Fund	65

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – PART II

C-3	Budgetary Comparison Schedule – Note to Required Supplementary Information	66
-----	--	----

REQUIRED SUPPLEMENTARY INFORMATION - PART III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

L-1	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Public Employees Retirement System	67
L-2	Required Supplementary Information – Schedule of District Contributions – Public Employees Retirement System	68
L-3	Required Supplementary Information – Schedule of the District’s Proportionate Share of the Net Pension Liability – Teachers Pension and Annuity Fund	69
	Notes to Required Supplementary Information	70

OTHER SUPPLEMENTARY INFORMATION

D. School Level Schedules – Not Applicable

E. Special Revenue Fund

E-1	Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	71
E-2	Schedule of Preschool Program Aid Expenditures – Budgetary Basis – Not Applicable	72

F. Capital Projects Fund

F-1	Summary Schedule of Project Expenditures	73
F-2	Summary Schedule of Revenues, Expenditures and Changes in Fund Balance – Budgetary Basis	74
F-2a	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Multi-Purpose Room HVAC Installation	75
F-2b	Schedule of Project Revenues, Expenditures, Project Balance and Project Status – Installation of Air Conditioning Units in Wings A&B	76

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
TABLE OF CONTENTS**

Page

G. Proprietary Funds

Enterprise Fund

G-1	Combining Statement of Net Position – Not Applicable	77
G-2	Combining Statement of Revenues, Expenses and Changes in Net Position – Not Applicable	77
G-3	Combining Statement of Cash Flows – Not Applicable	77

H. Fiduciary Funds

H-1	Combining Statement of Assets and Liabilities	78
H-2	Combining Statement of Changes in Net Position – Not Applicable	79
H-3	Student Activity Agency Fund - Schedule of Receipts and Disbursements	79
H-4	Payroll Agency Fund - Schedule of Receipts and Disbursements	80

I. Long-Term Debt

I-1	Schedule of Serial Bonds	81
I-2	Schedule of Obligations under Capital Leases	82
I-3	Debt Service Fund Budgetary Comparison Schedule	83

J. STATISTICAL SECTION (Unaudited)

J-1	Net Position by Component	84
J-2	Changes in Net Position	85-86
J-3	Fund Balances – Governmental Funds	87
J-4	Changes in Fund Balances - Governmental Funds	88
J-5	General Fund Other Local Revenue by Source	89
J-6	Assessed Value and Actual Value of Taxable Property	90
J-7	Direct and Overlapping Property Tax Rates	91
J-8	Principal Property Taxpayers	92
J-9	Property Tax Levies and Collections	93
J-10	Ratios of Outstanding Debt by Type	94
J-11	Ratios of Net General Obligation Debt Outstanding	95
J-12	Direct and Overlapping Governmental Activities Debt	96
J-13	Legal Debt Margin Information	97
J-14	Demographic and Economic Statistics	98
J-15	Principal Employers	99
J-16	Full-Time Equivalent District Employees by Function/Program	100
J-17	Operating Statistics	101
J-18	School Building Information	102
J-19	Schedule of Required Maintenance for School Facilities	103
J-20	Insurance Schedule	104

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
TABLE OF CONTENTS**

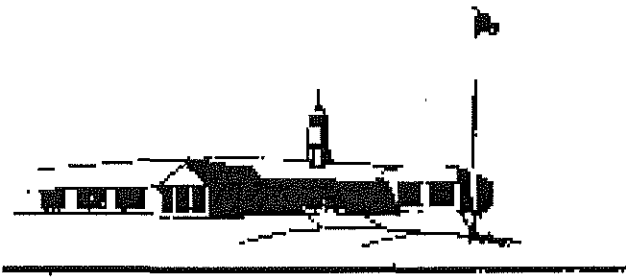
Page

SINGLE AUDIT SECTION

K-1	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards – Independent Auditor’s Report	105-106
K-2	Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of State Financial Assistance as Required by New Jersey OMB Circular 15-08 – Independent Auditor’s Report	107-109
K-3	Schedule of Expenditures of Federal Awards	110
K-4	Schedule of Expenditures of State Financial Assistance	111
K-5	Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	112-113
K-6	Schedule of Findings and Questioned Costs	114-116
K-7	Summary Schedule of Prior Year Findings	117

Introductory Section





Frankford Township Board of Education

4 PINES ROAD

BRANCHVILLE, NJ 07826

Telephone (973) 948-3727



Fax (973) 948-2907

October 10, 2016

Honorable President and
Members of the Board of Education
Frankford Township
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Frankford Township School District for the fiscal year ended June 30, 2016, is hereby submitted. This report includes the District's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the basic financial statements and required supplementary information, as well as the auditor's report thereon. The financial section also includes Management's Discussion and Analysis, which is an overview of the District's current financial status and future outlook. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District was not required to undergo an annual Single Audit in conformity with the provisions of the U.S. Uniform Guidance; however it was required to undergo a Single Audit in accordance with the state Treasury Circular OMB 15-08. Information related to this State 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: Frankford Township School District is an independent reporting entity within the criteria adopted by the GASB as established by GASB 34. All funds of the District are included in this report. The Frankford Township Board of Education constitutes the District's reporting entity.

The district provides a full range of educational services appropriate to grade levels from Kindergarten through Eighth Grade. These include regular as well as special education for handicapped children. The

District completed the 2015-2016 fiscal year with an ending enrollment of 525. The following details the changes in the average daily student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Student Enrollment</u>	<u>Percent Change</u>
2015 - 2016	525	-2.78%
2014 - 2015	540	2.35%
2013 - 2015	553	0.91%
2012 - 2013	548	-5.67%
2011 - 2012	581	-2.19%
2010 - 2011	594	-6.01%
2009 - 2010	632	0.16%
2008 - 2009	631	-5.10%
2007 - 2008	665	-5.27%
2006 - 2007	704	2.32%

Data from annual end of year reports to NJ Department of Education

2. ECONOMIC CONDITION AND OUTLOOK: The Frankford Township area is primarily a suburban bedroom community, which continues to experience a period of economic stabilization. Although there is some new construction, the 5-acre minimum that has been established has reduced the number of possible building projects. There has been no significant growth in the development of commercial property over the past few years. Of the ten largest Principal Taxpayers (see the Schedule of Principal Taxpayers in the Statistical Section of this report), four Principal Taxpayers continue to be families or family-owned recreational businesses, while Farm and Horse Show is non-profit. Operating expenses continue to rise due to continued increases in educational expenses and additions to curriculum. Local taxpayers continue to bear the lion's share of the District's financial resources as the state legislature sends most of the state aid to urban districts.

Since the 2006-2007 School year, the average daily student population has decreased incrementally (average 18 pupils/year). However, over the same period, increases in tax levy have occurred as state aid has either remained relatively flat or decreased in conjunction with rising expenses and a need for additional programs and an increased classified student population. In the past, surplus has been used to reduce the effects of stagnant state aid. However, the state has severely restricted the use of surplus in recent years and even reduced state aid. Frankford Twp. Board of Education has therefore reduced undesignated surplus to the mandated limits. Realizing that a lack of surplus availability and declining state aid has an opposite effect on the tax levy, the Board of Education and administration have worked extensively to limit the tax impact as much as possible in 2015-2016.

3. MAJOR INITIATIVES: We feel we are providing an exemplary educational program for the students of Frankford Township and Branchville. Curriculum revisions, faculty workshops and training, classroom instructional enhancements and other initiatives are regularly put forth by the faculty, administration, board and community in order to continue in that vein. A sampling follows:

- A. Curriculum revisions focused on the implementation of the Common Core Standards for ELA and Math, as well as revisions for content areas focused on the NGSS remains the primary focus through

the continued efforts of several working committees, including regional curriculum development and by teams of teachers, at all of our K to 8 grade levels, meeting at a scheduled time during the school day for the curriculum revision process and to ensure effective implementation of standards and expectations. We continue to evaluate our curriculum to best suit the needs of our students. Research based programs have and will continue to be investigated and implemented. In the efforts to prepare students we continue to seek opportunities for collaborative global connections.

- B. Faculty from our middle school continue to engage in articulation sessions with their ninth grade counterparts in the core content areas in an effort to ensure that our curricula transitions are seamless between the middle school and the high school. Algebra was a focus and common assessments were created to make sure students across all four schools were receiving the same set of standards.
- C. Faculty and staff continue to participate in in-service and workshop programs in cooperation with our regional districts. Frankford continues to enlist the services East West Math which have been instrumental in assisting us in the math transitions in curriculum, standard expectations and summative standardized assessments. Assessment Literacy was the focus this year as teachers looked at their assessments and made certain it measured the standard.
- D. A summer reading/writing program continued for the 2015-2016 school year. Students are required to read two types of materials: one fictional and one informational and complete a writing assignment for the start of the September school year. A math summer series of problems were also included so parents had opportunities to work with their children over the summer
- E. Elementary Basic Skills Instruction continues to be a major initiative with a more inclusive, classroom oriented program. FTSD now supports four teachers who work with regular classroom teachers in grades 1 through 4. The schedule was completely revamped to integrate an RTI approach. Students are assessed weekly and instructional time was integrated into the schedule to target those skills needed the most. Plans to tier students this year will provide more accurate and targeted instruction. Title I funding has returned for the 2015-2016 school year. In addition, identified students were placed into an afterschool tutoring program for Language Arts and Math. The program ran every Tuesday and Thursday until the month of May.
- F. FTSD is continuing to address issues of bullying and violence. We actively participate in the County sponsored "Taking Flight to Change" anti-bullying program, locally developed programs through student council and other school organizations as well as the infusion of the Holocaust Curriculum through all content areas and grade levels, the guidance counselors and media support personnel are instrumental in the implementation of these lessons and activities.
- G. FTSD supports two full time Guidance Positions. One serves the elementary grades K through 4 and one serves the middle school grades 5 through 8.
- H. Middle school band and chorus students in grades six through eight participated in a juried competition for the sixth consecutive year in May 2016.
- I. Technology was maintained and enhanced through the upgrading of our network server and equipment and computer inventory. All classrooms now have the boards. Students have begun bringing in their own devices for use with the newly installed WiFi and implemented BYOD program. In addition, we have begun using online textbooks in the Social Studies, Science and Mathematics. Laptops have been installed in all writing classrooms with the addition of an online Writing program called PEG. All middle school core curriculum classrooms now have a full set of

laptops. The staff and students in the middle school have been introduced to Google Docs and began using the program throughout the year.

- J. School Security continues to be a priority. Monthly drills are planned and implemented. Staff fitness has been included into the Krav Maga program that has begun its second year. Staff members go through an intense workout and self-defense training every Wednesday throughout the year. Beginning this year, Weight Watchers, Zumba and Yoga have been added to the lineup.
- K. Building upgrades included the installation of air conditioning has been completed in A and B wings. We are hopeful that C will be completed by the end of the year. Projects such as a new entrance, new roof and leak fixes are being planned.
- L. Planning for a referendum included a new roof on A wing and reconstruction of our entrances to include security vestibules. The BOE is hopeful to have a special election in September.

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 accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

5. BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

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

6. CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the basic Financial Statements". 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

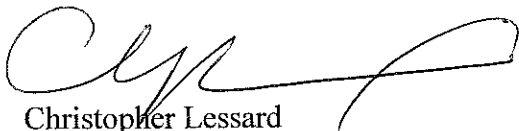
to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

8. OTHER INFORMATION: **Independent Audit** - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The Board selected the accounting firm of Lerch, Vinci and Higgins, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of State Treasury Circular Letter OMB 15-08. The auditor's report on the basic financial statements and required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

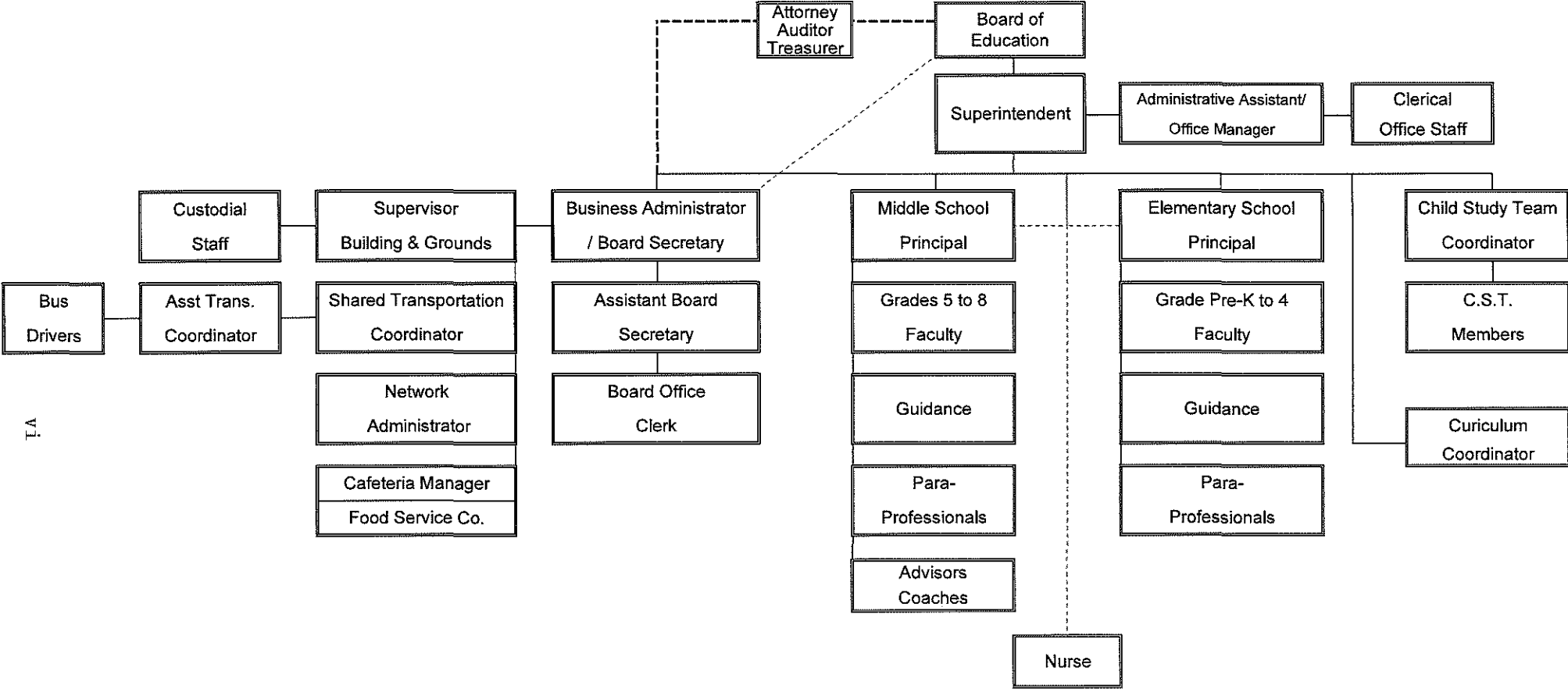
9. ACKNOWLEDGEMENTS: We would like to express our appreciation to the members of the Frankford Township Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance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

Respectfully submitted,



Christopher Lessard
Board Secretary/Business Administrator

**FRANKFORD TOWNSHIP SCHOOL DISTRICT
ORGANIZATIONAL CHART**



T.A

Frankford Township Board of Education
Branchville, New Jersey

ROSTER OF OFFICIALS
JUNE 30, 2016

<u>Members of the Board of Education</u>	<u>Expires</u>
	January
Ralph Smith, President	2017
Steven Worthington, Vice-President	2017
Serena Ayers	2019
Raymond Castellani, III	2018
Colleen Chiariello	2018
Michaela Meinecke-Perez	2018
Stacey Keller	2019
Brian Finnegan	2017
Michael Richards	2019
Steven Worthington	2017

Other Officials

Braden Hirsch	Superintendent
Christopher Lessard	School Business Administrator/Board Secretary
Lorraine Mullen	Treasurer

FRANKFORD TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors

Audit Firm

Lerch, Vinci & Higgins, LLP
17-17 Route 208
Fair Lawn, NJ 07410

Attorney

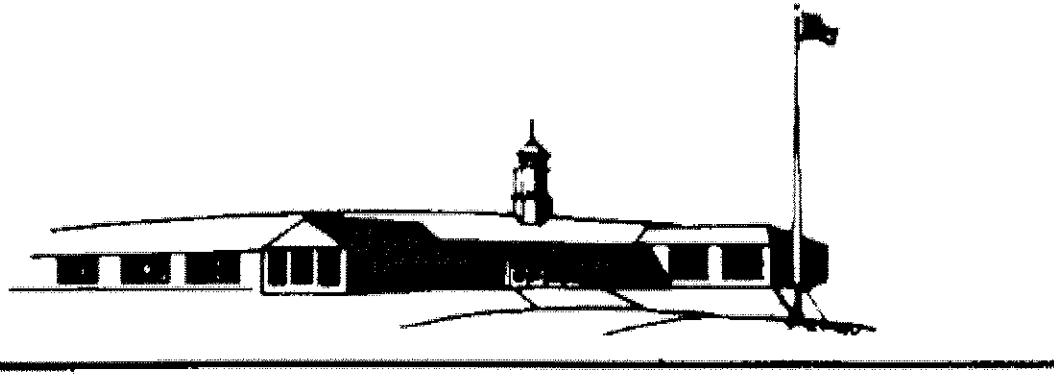
Schwartz Simon Edelstein & Celso, LLC
100 S. Jefferson Road
Suite 200
Whippany, NJ 07981

Official Depositories

Valley National Bank
1445 Valley Road
Wayne, NJ 07470

Lakeland Bank
250 Oak Ridge Road
Oak Ridge, NJ 07438

Financial Section





LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

INDEPENDENT AUDITOR’S REPORT

Honorable President and Members
of the Board of Trustees
Frankford Township Board of Education
Branchville, 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 Frankford Township Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Frankford Township Board of Education as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Frankford Township Board of Education's basic financial statements. The introductory section, combining fund financial statements, financial schedules, statistical section, schedule of expenditures of federal awards and schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Frankford Township Board of Education.

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

The introductory section, financial schedules and statistical section have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2016 on our consideration of the Frankford Township Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Frankford Township Board of Education's internal control over financial reporting and compliance.

Leuch, Vinci & Higgins LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Gary W. Higgins

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
October 10, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The management's discussion and analysis of Frankford Township Board of Education's financial performance provides an overall review of the school district's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the school district's financial performance as a whole; readers should also review the notes to the financial statements and financial statements to enhance their understanding of the school district's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- ◆ General revenues accounted for \$9,957,864 in revenue or 71% of all revenues. Program specific revenues in the form of charges for services and operating and capital grants and contributions, accounted for \$4,110,289 or 29% of total revenues of \$14,068,153.

- ◆ The school district had \$13,660,007 in expenses; only \$4,110,289 of these expenses were offset by program specific charges for services and grants or contributions. General revenues (primarily property taxes) and the utilization of available fund balance were adequate to provide for these programs.

- ◆ The General Fund (GAAP Basis) had \$11,800,047 in revenues and \$11,339,554 in expenditures. The General Fund's fund balance increased \$460,493 over fiscal year 2015.

Using this Comprehensive Annual Financial Report (CAFR)

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

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

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 fiscal year ending June 30, 2016?" The Statement of Net Position and the Statement of Activities helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 net position. 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 have improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the school district's property tax base, current laws in New Jersey restricting revenue growth, facility condition, required educational programs and other factors.

In the Statement of 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 expenses of the goods or services provided. The Food Service, Summer Enrichment and Preschool Program enterprise funds are reported as a business activity.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the school district's major funds. The school district uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the school district's most significant funds. The school district considers all of its governmental funds and business-type activities to be major funds.

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.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Reporting the School District's Most Significant Funds (Continued)

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

The Statement of Net Position provides the perspective of the school district as a whole.

Table 1 provides a summary of the school district's net position as of June 30, 2016 and 2015.

	Table 1 Net Position					
	Governmental Types		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 1,700,378	\$ 1,952,118	\$ 30,249	\$ 22,344	\$ 1,730,627	\$ 1,974,462
Capital assets, net	<u>3,097,886</u>	<u>2,835,907</u>	<u>-</u>	<u>-</u>	<u>3,097,886</u>	<u>2,835,907</u>
Total Assets	<u>4,798,264</u>	<u>4,788,025</u>	<u>30,249</u>	<u>22,344</u>	<u>4,828,513</u>	<u>4,810,369</u>
Deferred Outflows of Resources						
Deferred Amounts on Net Pension Liability	<u>479,833</u>	<u>73,339</u>	<u>-</u>	<u>-</u>	<u>479,833</u>	<u>73,339</u>
Total Deferred Outflows of Resources	<u>479,833</u>	<u>73,339</u>	<u>-</u>	<u>-</u>	<u>479,833</u>	<u>73,339</u>
Total Assets and Deferred Outflows of Resources	<u>5,278,097</u>	<u>4,861,364</u>	<u>30,249</u>	<u>22,344</u>	<u>5,308,346</u>	<u>4,883,708</u>
Liabilities						
Non-Current liabilities	98,253	3,768,695	13		98,266	3,768,695
Other liabilities	<u>4,260,221</u>	<u>457,685</u>	<u>-</u>	<u>-</u>	<u>4,260,221</u>	<u>457,685</u>
Total Liabilities	<u>4,358,474</u>	<u>4,226,380</u>	<u>13</u>	<u>-</u>	<u>4,358,487</u>	<u>4,226,380</u>
Deferred Inflows of Resources						
Deferred Commodities Revenue			2,398	2,639	2,398	2,639
Deferred Amounts on Net Pension Liability	<u>151,480</u>	<u>266,854</u>	<u>-</u>	<u>-</u>	<u>151,480</u>	<u>266,854</u>
Total Deferred Inflows of Resources	<u>151,480</u>	<u>266,854</u>	<u>2,398</u>	<u>2,639</u>	<u>153,878</u>	<u>269,493</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,509,954</u>	<u>4,493,234</u>	<u>2,411</u>	<u>2,639</u>	<u>4,512,365</u>	<u>4,495,873</u>
Net Position						
Net Investment in Capital Assets	2,244,763	1,810,762			2,244,763	1,810,762
Restricted	954,980	865,648			954,980	865,648
Unrestricted	<u>(2,431,600)</u>	<u>(2,308,280)</u>	<u>27,838</u>	<u>19,705</u>	<u>(2,403,762)</u>	<u>(2,288,575)</u>
Total Net Position	<u>\$ 768,143</u>	<u>\$ 368,130</u>	<u>\$ 27,838</u>	<u>\$ 19,705</u>	<u>\$ 795,981</u>	<u>\$ 387,835</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The School District as a Whole (Continued)

Table 2 shows the changes in net position for fiscal years ended June 30, 2016 and 2015.

**Table 2
Changes in Net Position**

	Governmental Types		Business-Type Activities		Total	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues and Transfers						
Program revenues						
Charges for services			\$ 159,440	\$ 128,297	\$ 159,440	\$ 128,297
Operating grants and contributions	\$ 3,740,174	\$ 3,338,360	50,414	52,549	3,790,588	3,390,909
Capital grants and contributions	160,261	6,603			160,261	6,603
General revenues						
Property Taxes	8,555,126	8,587,056			8,555,126	8,587,056
Grants and entitlements	1,356,499	1,355,507			1,356,499	1,355,507
Other revenues	46,160	49,735	79	64	46,239	49,799
Total revenues	<u>13,858,220</u>	<u>13,337,261</u>	<u>209,933</u>	<u>180,910</u>	<u>14,068,153</u>	<u>13,518,171</u>
Program Expenses						
Instruction	9,027,560	8,953,698			9,027,560	8,953,698
Support services						
Student and Instruction Related	1,212,985	1,212,357			1,212,985	1,212,357
General administration, school						
administration, business/Central	1,370,348	1,214,017			1,370,348	1,214,017
Operations and maintenance of facilities	1,275,287	1,080,322			1,275,287	1,080,322
Pupil Transportation	545,735	515,751			545,735	515,751
Interest on debt	26,292	30,999			26,292	30,999
Food service			158,703	155,152	158,703	155,152
Summer Enrichment Program			12,690	13,098	12,690	13,098
Preschool Program	-	-	30,407	28,144	30,407	28,144
Total expenses	<u>13,458,207</u>	<u>13,007,144</u>	<u>201,800</u>	<u>196,394</u>	<u>13,660,007</u>	<u>13,203,538</u>
Change in Net Position before transfers	400,013	330,117	8,133	(15,484)	408,146	314,633
Transfers	-	(10,000)	-	10,000	-	-
Change in Net Position	400,013	320,117	8,133	(5,484)	408,146	314,633
Net Position, Beginning of Year	<u>368,130</u>	<u>48,013</u>	<u>19,705</u>	<u>25,189</u>	<u>387,835</u>	<u>73,202</u>
Net Position, End of Year	<u>\$ 768,143</u>	<u>\$ 368,130</u>	<u>\$ 27,838</u>	<u>\$ 19,705</u>	<u>\$ 795,981</u>	<u>\$ 387,835</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The School District as a Whole (Continued)

Governmental Activities

Property taxes made up 62% and 64% of revenues for governmental activities for the Frankford Township Board of Education for fiscal years ended June 30, 2016 and 2015, respectively. The district's total revenues were \$13,858,220 and \$13,337,261 for the fiscal years ended June 30, 2016 and 2015, respectively. Federal, state and local grants accounted for another 38% and 35% of revenues for the years ended June 30, 2016 and 2015, respectively.

The total cost of all program and services was \$13,458,207 and \$13,007,144 for the years ended June 30, 2016 and 2015, respectively. Instruction comprised 67% and 69% of district expenses for the years ended June 30, 2016 and 2015, respectively.

Business-Type Activities

Revenues for the district's business-type activities (food service, summer enrichment and preschool programs) were comprised of charges for services and federal and state reimbursements.

- ◆ Food service revenues exceeded expenses by \$1,695, summer enrichment revenues exceeded expenses by \$2,895 and preschool program revenues exceeded expenses by \$3,543.
- ◆ Charges for services for all business-type activities represents \$159,440 of revenue, which is an amount paid by patrons for services.
- ◆ Federal and state reimbursements for the Food Service Fund for meals, including payments for free and reduced lunches and donated commodities was \$50,414.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows the total cost of services and the net cost of services for the fiscal years ended June 30, 2016 and 2015. The net cost shows the financial burden that was placed on the district's taxpayers by each of these functions.

	<u>Total Cost of</u> <u>Services</u>		<u>Net Cost of</u> <u>Services</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 9,027,560	\$ 8,953,698	\$ 6,000,324	\$ 6,302,865
Support services				
Student and Instruction Related	1,212,985	1,212,357	1,057,590	1,041,828
General administration, school administration, business/central	1,370,348	1,214,017	1,114,716	999,048
Operation and maintenance of facilities	1,275,287	1,080,322	1,072,831	1,031,524
Pupil Transportation	545,735	515,751	286,019	255,917
Interest on Debt	26,292	30,999	26,292	30,999
	<u>26,292</u>	<u>30,999</u>	<u>26,292</u>	<u>30,999</u>
 Total Expenses	 <u>\$ 13,458,207</u>	 <u>\$ 13,007,144</u>	 <u>\$ 9,557,772</u>	 <u>\$ 9,662,181</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The School District as a Whole (Continued)

Governmental Activities (Continued)

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.

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.

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

The School District's Funds

These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general, special revenue, capital projects and debt service funds presented in the fund-based statements) had total revenues of \$12,276,710 and \$12,031,215 and expenditures of \$12,170,774 and \$11,817,748 for the fiscal years ended June 30, 2016 and 2015, respectively. The net change in all fund balances for the year ended June 30, 2016 was an increase of \$105,936 and an increase of \$238,467 for the year ended June 30, 2015.

As demonstrated by the various statements and schedules included in the financial section of this report, the district continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds for the fiscal years ended June 30, 2016 and 2015.

<u>Revenue</u>	<u>Amount</u>		<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
	<u>2016</u>	<u>2015</u>		
Local Sources	\$ 8,643,398	\$ 8,637,417	\$ 5,981	0.07%
State Sources	3,396,963	3,122,242	274,721	8.80%
Federal Sources	236,349	271,556	(35,207)	-12.96%
Total	<u>\$ 12,276,710</u>	<u>\$ 12,031,215</u>	<u>\$ 245,495</u>	2.04%

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

The School District's Funds (Continued)

The following schedule presents a summary of the governmental fund expenditures for the fiscal years ended June 30, 2016 and 2015.

<u>Expenditures</u>	<u>Amount</u>		<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
	<u>2016</u>	<u>2015</u>		
Current:				
Instruction	\$ 7,569,320	\$ 7,758,966	\$ (189,646)	-2.44%
Support Services	3,871,126	3,688,670	182,456	4.95%
Capital outlay	530,258	189,116	341,142	180.39%
Debt service:				
Principal	172,022	149,299	22,723	15.22%
Interest and other charges	28,048	31,697	(3,649)	-11.51%
Total	<u>\$ 12,170,774</u>	<u>\$ 11,817,748</u>	<u>\$ 353,026</u>	2.99%

General Fund Budgeting Highlights

The school district's budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year ended June 30, 2016, the school district amended its General Fund budget as needed. The school district uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management. Several of these revisions bear notation:

- ◆ Staffing changes based on student needs.
- ◆ Increases in facilities maintenance and repair costs.
- ◆ Increases in energy and heating costs.
- ◆ Changes in appropriations to prevent budget overruns.

While the district's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year reflect an increase of \$105,936 (GAAP Basis) in Governmental Funds fund balances from fiscal year 2015 to 2016.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Capital Assets

As of June 30, 2016 and 2015, the capital assets of the school district had \$3,097,886 and \$2,835,907 invested in land, buildings, furniture and equipment, and vehicles, net of accumulated depreciation, respectively. Set forth below is a comparison of capital assets as of June 30, 2016 and 2015:

	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land	\$ 243,393	\$ 243,393			\$ 243,393	\$ 243,393
Construction In Progress	24,576	69,758			24,576	69,758
Buildings and Improvements	6,126,522	5,573,217			6,126,522	5,573,217
Site Improvements	509,136	504,274			509,136	504,274
Machinery and Equipment	<u>1,329,161</u>	<u>1,853,268</u>	\$ 84,311	\$ 84,311	<u>1,413,472</u>	<u>1,937,579</u>
	8,232,788	8,243,910	84,311	84,311	8,317,099	8,328,221
Less Depreciation	<u>(5,134,902)</u>	<u>(5,408,003)</u>	<u>(84,311)</u>	<u>(84,311)</u>	<u>(5,219,213)</u>	<u>(5,492,314)</u>
Total Capital Assets, Net of Depreciation	<u>\$ 3,097,886</u>	<u>\$ 2,835,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,097,886</u>	<u>\$ 2,835,907</u>

Overall net capital assets increased \$261,979 from fiscal year 2015 to fiscal year 2016 as a result of acquisitions exceeding depreciation.

Additional information on the District's capital assets can be found in the Notes to the Financial Statements.

Debt Administration

At June 30, 2016 and 2015, the school district had \$4,260,221 and \$3,768,695 of long-term liabilities, respectively. Of this amount \$476,303 and \$411,298 is for compensated absences, \$608,123 and \$700,145 is for capital leases and \$245,000 and \$325,000 for serial bonds and \$2,930,795 and \$2,332,252 for net pension liability for the years ended June 30, 2016 and 2015, respectively.

At June 30, 2016, the school district's overall legal debt margin was \$24,730,427 and the unutilized debt margin was \$24,485,427. Following is a summary of the bond issue for which the District is currently paying debt service.

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Balance, June 30,</u>	
			<u>2016</u>	<u>2015</u>
School Bonds	08/01/2011	\$ 550,000	\$ 245,000	\$ 325,000
		<u>\$ 550,000</u>	<u>\$ 245,000</u>	<u>\$ 325,000</u>

Additional information on the District's long term debt can be found in the Notes to the Financial Statements.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FRANKFORD, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

For the Future

It is the opinion of the Superintendent and Business Administrator that the Frankford Township Board of Education is presently in good financial condition. A major concern is the continued change in enrollment with the increased reliance on local property taxes. However, future finances are not without challenges as the community continues to grow and state funding is decreased.

Frankford Township is primarily a residential community, with very few nonresidential ratables; thus the burden is focused on homeowners to fund the tax burden. In conclusion, the Frankford Township Board of Education 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 challenges 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 Christopher Lessard, School Business Administrator/Board Secretary at Frankford Township Board of Education, 4 Pines Road Branchville, NJ 07826 or email at lessardc@frankfordschool.org.

FINANCIAL STATEMENTS

FRANKFORD TOWNSHIP BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,547,781	\$ 20,215	\$ 1,567,996
Receivables, net			
Receivables from Other Governments	152,637	1,341	153,978
Other receivables	2,279	1,570	3,849
Internal Balances	(2,319)	2,319	-
Inventories		4,804	4,804
Capital Assets, net			
Not Being Depreciated	267,969		267,969
Being Depreciated	<u>2,829,917</u>	<u>-</u>	<u>2,829,917</u>
Total Assets	<u>4,798,264</u>	<u>30,249</u>	<u>4,828,513</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amounts on Net Pension Liability	<u>479,833</u>	<u>-</u>	<u>479,833</u>
Total Deferred Outflows of Resources	<u>479,833</u>	<u>-</u>	<u>479,833</u>
Total Assets and Deferred Outflows of Resources	<u>5,278,097</u>	<u>30,249</u>	<u>5,308,346</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	74,450	13	74,463
Accrued Interest Payable	7,176		7,176
Unearned Revenue	16,627		16,627
Noncurrent Liabilities			
Due within one year	146,824		146,824
Due beyond one year	<u>4,113,397</u>	<u>-</u>	<u>4,113,397</u>
Total Liabilities	<u>4,358,474</u>	<u>13</u>	<u>4,358,487</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Commodities Revenue		2,398	2,398
Deferred Amounts on Net Pension Liability	<u>151,480</u>	<u>-</u>	<u>151,480</u>
Total Deferred Inflows of Resources	<u>151,480</u>	<u>2,398</u>	<u>153,878</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,509,954</u>	<u>2,411</u>	<u>4,512,365</u>
NET POSITION			
Net Investment in Capital Assets	2,244,763		2,244,763
Restricted for			
Capital Projects	736,344		736,344
Other Purposes	218,636		218,636
Unrestricted	<u>(2,431,600)</u>	<u>27,838</u>	<u>(2,403,762)</u>
Total Net Position	<u>\$ 768,143</u>	<u>\$ 27,838</u>	<u>\$ 795,981</u>

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

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Net (Expense) Revenue and
Changes in Net Position

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
Instruction							
Regular	\$ 6,293,203		\$ 1,910,872		\$ (4,382,331)		\$ (4,382,331)
Special Education	1,993,696		889,078		(1,104,618)		(1,104,618)
Other Instruction	603,523		192,257		(411,266)		(411,266)
School Sponsored Activities and Athletics	137,138		35,029		(102,109)		(102,109)
Support Services							
Student and Instruction Related Services	1,212,985		155,395		(1,057,590)		(1,057,590)
General Administration Services	495,033		112,739		(382,294)		(382,294)
School Administration Services	406,830		76,186		(330,644)		(330,644)
Business/Central Services	468,485		66,707		(401,778)		(401,778)
Operation and Maintenance of Facilities	1,275,287		42,195	\$ 160,261	(1,072,831)		(1,072,831)
Pupil Transportation	545,735		259,716		(286,019)		(286,019)
Interest on Debt	26,292	-	-	-	(26,292)	-	(26,292)
Total Governmental Activities	13,458,207	-	3,740,174	160,261	(9,557,772)	-	(9,557,772)
Business-Type Activities							
Food Service	158,703	\$ 109,905	50,414			\$ 1,616	1,616
Summer Enrichment	12,690	15,585				2,895	2,895
Preschool Program	30,407	33,950	-	-	-	3,543	3,543
Total Business-Type Activities	201,800	159,440	50,414	-	-	8,054	8,054
Total Primary Government	\$ 13,660,007	\$ 159,440	\$ 3,790,588	\$ 160,261	(9,557,772)	8,054	(9,549,718)
General Revenues							
Property Taxes, Levied for General purposes					8,496,908		8,496,908
Property Taxes Levied for Debt Service					58,218		58,218
Federal and State Aid - Unrestricted					1,356,499		1,356,499
Miscellaneous Revenues					35,734		35,734
Investment Earnings					6,127	79	6,206
Donated Capital Assets					4,299	-	4,299
Total General Revenues					9,957,785	79	9,957,864
Change in Net Position					400,013	8,133	408,146
Net Position, July 1, 2015 (Restated)					368,130	19,705	387,835
Net Position, June 30, 2016					\$ 768,143	\$ 27,838	\$ 795,981

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

FUND FINANCIAL STATEMENTS

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 1,547,781				\$ 1,547,781
Due from Other Funds	79,199				79,199
Receivables from:					
Governments	24,181	\$ 68,658	\$ 59,798		152,637
Other	-	2,237	-	\$ -	2,237
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 1,651,161</u>	<u>\$ 70,895</u>	<u>\$ 59,798</u>	<u>\$ -</u>	<u>\$ 1,781,854</u>
LIABILITIES					
Liabilities					
Accounts Payable	\$ 71,691	\$ 2,759			\$ 74,450
Due to Other Funds	10,643	51,509	\$ 19,324		81,476
Unearned Revenue	-	16,627	-	\$ -	16,627
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>82,334</u>	<u>70,895</u>	<u>19,324</u>	<u>-</u>	<u>172,553</u>
FUND BALANCES					
Restricted Fund Balance					
Excess Surplus - Designated for Subsequent Year's Expenditures	150,000				150,000
Excess Surplus	150,000				150,000
Capital Reserve	695,870				695,870
Maintenance Reserve	218,636				218,636
Emergency Reserve	250,000				250,000
Capital Projects			40,474		40,474
Assigned					
Year End Encumbrances	45,299				45,299
Unassigned	59,022	-	-	-	59,022
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	<u>1,568,827</u>	<u>-</u>	<u>40,474</u>	<u>-</u>	<u>1,609,301</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 1,651,161</u>	<u>\$ 70,895</u>	<u>\$ 59,798</u>	<u>\$ -</u>	

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GOVERNMENTAL FUNDS
BALANCE SHEET
AS OF JUNE 30, 2016**

Total Fund Balances (Exhibit B-1)		\$ 1,609,301
 Amounts reported for <i>governmental activities</i> in the statement of net position (A-1) are different because:		
 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$8,778,467 and the accumulated depreciation is \$5,680,581.		
		3,097,886
 Certain amounts resulting from the measurement of the net pension liability are reported as either deferred inflows of resources or deferred outflows of resources on the statement of net position and deferred over future years.		
Deferred Outflows of Resources	\$ 479,833	
Deferred Inflows of Resources	<u>(151,480)</u>	
		328,353
 The District has financed capital assets through the issuance of serial bonds and long-term lease obligations. The interest accrual at year end is:		
		(7,176)
 Long-term liabilities, including bonds payable, capital leases, compensated absences and net pension liability are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Bonds Payable	(245,000)	
Leases Payable	(608,123)	
Compensated Absences Payable	(476,303)	
Net Pension Liability	<u>(2,930,795)</u>	
		<u>(4,260,221)</u>
Net Position of Governmental Activities		<u>\$ 768,143</u>

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Local Sources					
Property Tax Levy	\$ 8,496,908			\$ 58,218	\$ 8,555,126
Interest	6,127				6,127
Miscellaneous	35,734	\$ 46,411	-	-	82,145
Total - Local Sources	8,538,769	46,411	-	58,218	8,643,398
State Sources	3,261,278		\$ 135,685		3,396,963
Federal Sources	-	236,349	-	-	236,349
Total Revenues	11,800,047	282,760	135,685	58,218	12,276,710
EXPENDITURES					
Current					
Regular Instruction	5,183,396	48,547			5,231,943
Special Education Instruction	1,664,815	54,242			1,719,057
Other Instruction	500,790				500,790
School-Sponsored Activities and Athletics	117,530				117,530
Support Services					
Student and Instruction Related Services	1,006,170	155,395			1,161,565
General Administration Services	366,512				366,512
School Administration Services	336,748				336,748
Business / Central Services	420,636				420,636
Plant Operations and Maintenance	1,055,556				1,055,556
Pupil Transportation	530,109				530,109
Debt Service					
Principal	92,022			80,000	172,022
Interest and Other Charges	23,915			4,133	28,048
Capital Outlay	41,355	24,576	464,327	-	530,258
Total Expenditures	11,339,554	282,760	464,327	84,133	12,170,774
Excess (Deficit) of Revenues Over (Under) Expenditures	460,493	-	(328,642)	(25,915)	105,936
Fund Balance, Beginning of Year	1,108,334	-	369,116	25,915	1,503,365
Fund Balance, End of Year	\$ 1,568,827	\$ -	\$ 40,474	\$ -	\$ 1,609,301

The accompanying Notes to the Financial Statements are an Integral Part of this Statement

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
WITH THE DISTRICT-WIDE STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 105,936

Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital assets additions in the period

Depreciation Expense	\$	(272,578)	
Capital Outlays		<u>530,258</u>	257,680

Donations of capital assets increase net position in the statement of activities, however they have no affect in the government funds because they are not financial resources. 4,299

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal Repayments			
Bonds Payable Paid		80,000	
Capital Leases Paid		<u>92,022</u>	172,022

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

Compensated Absences		(65,005)	
Pension Expense		<u>(76,675)</u>	(141,680)

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. An increase in accrued interest is a decrease in the reconciliation and a decrease in accrued interest is an increase. 1,756

Change in Net Position of Governmental Activities (Exhibit A-2) \$ 400,013

FRANKFORD TOWNSHIP BOARD OF EDUCATION
 PROPRIETARY FUNDS
 ENTERPRISE FUNDS
 STATEMENT OF NET POSITION
 AS OF JUNE 30, 2016

	Food Service Fund	Summer Enrichment Fund	Preschool Program Fund	Total Enterprise Funds
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 10,567	\$ 9,648		\$ 20,215
Intergovernmental Receivable				
Federal	1,281			1,281
State	60			60
Other Accounts Receivable			\$ 1,570	1,570
Due from Other Funds	-	3,631	10,643	14,274
Inventories	4,804	-	-	4,804
Total Current Assets	16,712	13,279	12,213	42,204
Capital Assets				
Equipment	84,311			84,311
Less: Accumulated Depreciation	(84,311)	-	-	(84,311)
Total Capital Assets	-	-	-	-
Total Assets	16,712	13,279	12,213	42,204
LIABILITIES				
Current Liabilities				
Accounts Payable	13			13
Due to Other Funds	8,324	-	3,631	11,955
Total Current Liabilities	8,337	-	3,631	11,968
DEFERRED INFLOWS OF RESOURCES				
Deferred Commodities Revenue	2,398	-	-	2,398
Total Deferred Inflows of Resources	2,398	-	-	2,398
Total Liabilities and Deferred Inflows of Resources	10,735	-	3,631	14,366
NET POSITION				
Unrestricted	5,977	13,279	8,582	27,838
Total Net Position	\$ 5,977	\$ 13,279	\$ 8,582	\$ 27,838

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
ENTERPRISE FUNDS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Food Service Fund	Summer Enrichment Fund	Preschool Program Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for Services				
Daily Sales - Reimbursable Programs	\$ 84,114			\$ 84,114
Daily Sales - Non-Reimbursable Programs	25,791			25,791
Program Fees	-	\$ 15,585	\$ 33,950	49,535
Total Operating Revenues	<u>109,905</u>	<u>15,585</u>	<u>33,950</u>	<u>159,440</u>
OPERATING EXPENSES				
Salaries, Wages and Payroll Taxes	61,824	9,128	30,407	101,359
Cost of Sales - Reimbursable	64,780			64,780
Cost of Sales - Non-Reimbursable	8,245			8,245
Management Fee	6,761			6,761
Insurance	5,171			5,171
Supplies	4,704	437		5,141
Miscellaneous	7,218	3,125	-	10,343
Total Operating Expenses	<u>158,703</u>	<u>12,690</u>	<u>30,407</u>	<u>201,800</u>
Operating Income (Loss)	<u>(48,798)</u>	<u>2,895</u>	<u>3,543</u>	<u>(42,360)</u>
NONOPERATING REVENUES				
State Sources				
School Lunch Program	1,666			1,666
Federal Sources				
School Lunch Program	37,201			37,201
Food Distribution Program	11,547			11,547
Interest on deposits	79	-	-	79
Total Nonoperating Revenues	<u>50,493</u>	<u>-</u>	<u>-</u>	<u>50,493</u>
Change in Net Position	1,695	2,895	3,543	8,133
Net Position, Beginning of Year	<u>4,282</u>	<u>10,384</u>	<u>5,039</u>	<u>19,705</u>
Net Position, End of Year	<u>\$ 5,977</u>	<u>\$ 13,279</u>	<u>\$ 8,582</u>	<u>\$ 27,838</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
PROPRIETARY FUNDS
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Food Service Fund</u>	<u>Summer Enrichment Fund</u>	<u>Preschool Program Fund</u>	<u>Total Enterprise Funds</u>
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 109,905	\$ 15,585	\$ 34,450	\$ 159,940
Cash Payments to Suppliers for Salaries and Wages, and Benefits	(61,824)	(9,128)	(30,407)	(101,359)
Cash Payments to Suppliers for Goods and Services	(85,365)	(3,562)	-	(88,927)
Net Cash Provided (Used) by Operating Activities	(37,284)	2,895	4,043	(30,346)
Cash Flows from Noncapital Financing Activities				
Cash Received from (Paid to) Other Funds	123	(3,631)	(7,012)	(10,520)
Cash Received from State and Federal Subsidy Reimbursements	40,571	-	-	40,571
Net Cash Provided by Noncapital Financing Activities	40,694	(3,631)	(7,012)	30,051
Cash Flows from Investing Activities				
Interest on Investments	79	-	-	79
Net Cash Provided by Investing Activities	79	-	-	79
Net Increase (Decrease) in Cash and Cash Equivalents	3,489	(736)	(2,969)	(216)
Cash and Cash Equivalents, Beginning of Year	7,078	10,384	2,969	20,431
Cash and Cash Equivalents, End of Year	<u>\$ 10,567</u>	<u>\$ 9,648</u>	<u>\$ -</u>	<u>\$ 20,215</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (48,798)	\$ 2,895	\$ 3,543	\$ (42,360)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Federal Commodities	11,547			11,547
Change in Assets and Liabilities				
(Increase)/Decrease in Inventory	195			195
(Increase)/Decrease in Other Receivable			500	500
Increase/(Decrease) in Accounts Payable	13			13
Increase/(Decrease) in Deferred Commodities Revenue	(241)	-	-	(241)
Total Adjustments	11,514	-	500	12,014
Net Cash Provided (Used) by Operating Activities	<u>\$ (37,284)</u>	<u>\$ 2,895</u>	<u>\$ 4,043</u>	<u>\$ (30,346)</u>
Non-Cash Financing Activities				
National School Lunch Program (Food Distribution)	<u>\$ 11,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,306</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>	<u>Scholarship Trust</u>	<u>Agency Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 75,235	\$ 137	\$ 20,172	\$ 43,503
Total Assets	<u>75,235</u>	<u>137</u>	<u>20,172</u>	<u>\$ 43,503</u>
LIABILITIES				
Due to Student Groups				\$ 43,461
Due to Other Funds	-	-	-	<u>42</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 43,503</u>
NET POSITION				
Held in Trust for Unemployment Claims and Other Purposes	<u>\$ 75,235</u>	<u>\$ 137</u>	<u>\$ 20,172</u>	

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Unemployment Compensation Trust</u>	<u>Private Purpose Trust Fund</u>	<u>Scholarship Trust</u>
ADDITIONS			
Contributions			
Employees	\$ 10,553		
Donations/Event Proceeds		\$ 35	\$ 100
Interest on Deposits	<u>157</u>	<u>-</u>	<u>63</u>
 Total Additions	 <u>10,710</u>	 <u>35</u>	 <u>163</u>
DEDUCTIONS			
Scholarships Awarded			2,200
Unemployment Claims and Contributions	<u>1,852</u>	<u>-</u>	<u>-</u>
 Total Deductions	 <u>1,852</u>	 <u>-</u>	 <u>2,200</u>
 Change in Net Position	 8,858	 35	 (2,037)
Net Position, Beginning of Year	<u>66,377</u>	<u>102</u>	<u>22,209</u>
Net Position, End of Year	<u>\$ 75,235</u>	<u>\$ 137</u>	<u>\$ 20,172</u>

NOTES TO THE FINANCIAL STATEMENTS

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Frankford Township Board of Education (the “Board” or the “District”) is an instrumentality of the State of New Jersey, established to function as an education institution. The Board consists of nine elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District. Under existing statutes, the Board's duties and powers include, but are not limited to, the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

The Board also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The reporting entity is composed of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the Frankford Township Board of Education this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the District has no component units. Furthermore, the District is not includable in any other reporting entity as a component unit.

B. New Accounting Standards

During fiscal year 2016, the District adopted the following GASB statements:

- GASB No. 72, *Fair Value Measurement and Application*, June 30, 2016. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement applies to donated capital assets, donated works of art, donated historical treasures, and also to similar assets and capital assets received in a service concession arrangement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.
- GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective beginning with the fiscal year ending June 30, 2016. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. New Accounting Standards (Continued)

Other accounting standards that the District is currently reviewing for applicability and potential impact on the financial statements include:

- GASB No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.
- GASB No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.
- GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective beginning with the fiscal year ending June 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.
- GASB No. 77, *Tax Abatement Disclosures*, will be effective beginning with the fiscal year ending June 30, 2017. The requirements of this Statement will improve financial reporting by providing disclosure of information about the nature and magnitude of tax abatements that will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition.
- GASB No. 82, *Pension Issues – An Amendment of GASB Statements No.67, No.68, and No.73*, will be effective beginning with the fiscal year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pension*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

C. Basis of Presentation - Financial Statements

The financial statements include both district-wide financial statements (based on the District as a whole) and fund financial statements (based on specific District activities or objectives). Both the district-wide and fund financial statements categorize activities as either governmental activities or business-type activities. While separate district-wide and fund financial statements are presented, they are interrelated. In the district-wide financial statements, the governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the District's enterprise funds. Fiduciary funds are excluded from the district-wide financial statements.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

District-Wide Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Board of Education. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. In the statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) reflect on a full accrual economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or other governmental entities, including other school districts, who purchase, use, or directly benefit from goods or services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Property taxes, unrestricted state aid and other items not properly included among program revenues are reported instead as general revenues.

As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements. Exceptions to this general rule are charges between the Board's proprietary and fiduciary funds since elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary, and fiduciary activities, even though the latter are excluded from the district-wide financial statements. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. The District considers all of its governmental and enterprise funds to be major funds.

The District reports the following major governmental funds:

The *general fund* is the School District's primary operating fund. It accounts for all financial resources of the District, except those to be accounted for in another fund.

The *special revenue fund* accounts for the proceeds of specific revenue sources legally restricted to expenditures for specified purposes. This fund accounts for federal, state and local financial programs, with the exception of grants for major capital projects and the child nutrition programs.

The *capital projects fund* accounts for the proceeds from the sale of bonds, lease purchases and other revenues used for the acquisition or construction of capital facilities and other capital assets, other than those financed by the proprietary funds.

The *debt service fund* accounts for the accumulation of resources that are restricted, committed or assigned for the payment of principal and interest on long-term general obligation debt of governmental funds.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation - Financial Statements (Continued)

Fund Financial Statements (Continued)

The District reports the following major proprietary funds which are organized to be self-supporting through user charges:

The *food service fund* accounts for the activities of the school cafeteria, which provides food service to students as well as a la carte and catering services for teachers and special events.

The *summer enrichment fund* accounts for the activities of the Summer School Program which provides education opportunities beyond the regular school term.

The *preschool program fund* accounts for the activities of the District's preschool program which provides educational opportunities for preschool students.

Additionally, the government reports the following fund types:

The *fiduciary trust fund* is used to account for resources legally held in trust for the state unemployment insurance claims, for private donations for scholarship awards, payroll related activities and student related activities which are supported and controlled by student organizations and clubs. All resources of the fund, including any earnings on invested resources, may be used to support the intended purpose. There is no requirement that any portion of these resources be preserved as capital.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the district-wide financial statements as "internal balances".

Reclassifications

Certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements with the exception of the agency fund which does not have a measurement focus. All assets, all liabilities and all deferred outflows/inflows of resources associated with these operations (with the exception of the fiduciary funds) are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual (i.e. when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days after year-end. Expenditures are recorded when a liability is incurred, as under accrual basis of accounting, with the exception of debt service expenditures as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, unrestricted state aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements (formula-type grants and aid) are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source. Expenditure-driven grants and similar awards (reimbursement-type grants and awards) are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements imposed by the grantor or provider have been met, and the amount is received during the period or within the availability period for this revenue source. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. *Cash, Cash Equivalents and Investments*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are reported at fair value and are limited by N.J.S.A. 18A:20-37.

2. *Receivables*

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. *Inventories*

The cost of inventories of the governmental fund types are recorded as expenditures at the time individual inventory items are purchased.

Food Service Fund inventories, exclusive of the federal commodities, are valued at cost, using the first-in first-out (FIFO) method and consist of food and expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased. The United States Department of Agriculture (USDA) commodity portion of the Food Service Fund inventory consists of food donated by the USDA. It is valued at estimated market prices by the USDA. The amount of unused commodities at year-end is reported as deferred inflows of resources.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. *Capital Assets*

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the Board as assets with an initial, individual cost of \$2,000 and an estimated useful life in excess of two years. The District was able to estimate the historical cost for the initial reporting of these capital assets through back trending. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the District, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site Improvements	10-20
Buildings	30-40
Building Improvements	10-20
Machinery and Equipment	5-15

5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has one item which arises only under the accrual basis of accounting that qualifies for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two types of items which arise only under the accrual basis of accounting that qualify for reporting in this category. One item that qualifies for reporting in this category are the deferred amounts on net pension liability. Deferred amounts on net pension liability are reported in the district-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years. The other item is the deferred commodities revenue, reported in both the district-wide and the proprietary funds statements of net position. The deferred commodities revenue represents the estimated market value of the donated and unused Federal commodities at year end. This amount is deferred and recognized as an inflow of resources in the period the commodities are consumed.

6. Compensated Absences

It is the District's policy to permit employees to accumulate (with certain restrictions) earned but unused sick leave benefits. A long-term liability of accumulated sick leave and salary related payments has been recorded in the governmental activities in the district-wide financial statements, representing the Board's commitment to fund such costs from future operations. A liability is reported in the governmental funds only to the amount actually due at year end as a result of employee resignations and retirements.

7. Pensions

In the district-wide financial statements, for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the retirement systems sponsored and administered by the State of New Jersey and additions to/deductions from these retirement systems' fiduciary net position have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In the governmental fund financial statements, net pension liabilities represent amounts normally expected to be liquidated with expendable available financial resources for required pension contributions that are due and payable at year end. Pension expenditures are recognized based on contractual pension contributions that are required to be made to the pension plan during the fiscal year.

8. Long-Term Obligations

In the district-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance*

District-Wide Statements

In the district-wide statements, there are three classes of net position:

- **Net Investment in Capital Assets** – consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included.
- **Restricted Net Position** – reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – any portion of net position not already classified as either net investment in capital assets or net position – restricted is classified as net position – unrestricted.

Governmental Fund Statements

Fund balance categories are designed to make the nature and extent of the constraints placed on the District's fund balance more transparent. These categories are comprised of a hierarchy based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Restricted Fund Balance

Excess Surplus – Designated for Subsequent Year's Expenditures - This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2015 audited excess surplus that was appropriated in the 2016/2017 original budget certified for taxes.

Excess Surplus – This restriction was created in accordance with NJSA 18A:7F-7 to represent the June 30, 2016 audited excess surplus that is required to be appropriated in the 2017/2018 original budget certified for taxes.

Capital Reserve – This restriction was created by the District in accordance with NJAC 6A:23A-14.1 to fund future capital expenditures (See Note 2.)

Maintenance Reserve – This restriction was created by the Board in accordance with NJAC 6A:23A-14.2 to accumulate funds for the required maintenance of school facilities in accordance with the EFCA (NJSA 18A:7G-9) for a thorough and efficient education.

Emergency Reserve – This restriction was created in accordance with NJAC 6A:23A-14.4(A)1 to accumulate funds in accordance with State statute to finance unanticipated general fund expenditures required for a thorough and efficient education.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

9. *Net Position/Fund Balance (Continued)*

Governmental Fund Statements (Continued)

Assigned Fund Balance – Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Year-End Encumbrances – Represent outstanding purchase orders for goods or services approved by management for specific purposes from available resources of the current year for which the goods and materials have not yet been received or the services have not yet been rendered at June 30.

Unassigned Fund Balance – Represents fund balance that has not been restricted, committed or assigned to specific purposes within the governmental funds.

F. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as program revenues in the district-wide statement of activities include 1) charges to customers or applicants for goods or services, provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes, unrestricted state aid, investment earnings and miscellaneous revenues.

2. *Property Taxes*

Property taxes are levied pursuant to law and are collected by the municipality and are transferred to the District as requested. Property tax revenues are recognized in the year they are levied and become available. Property taxes collected in advance of the year-end for which they are levied and transferred to the District are reported as deferred inflows of resources. The tax bills are mailed annually in June by the municipal tax collector and are levied and due in four quarterly installments on August 1, November 1, February 1 and May 1 of the fiscal year. When unpaid, taxes or any other municipal lien, or part thereof, on real property, remains in arrears on April 1st in the year following the calendar year levy when the same became in arrears, the tax collector of the municipality shall, subject to the provisions of New Jersey Statute, enforce the lien by placing the property on a tax sale. The municipality may institute annual “in rem” tax foreclosure proceedings to enforce the tax collection or acquisition of title to the property.

3. *Tuition Expenditures*

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

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Revenues and Expenditures/Expenses (Continued)

4. *Proprietary Funds, Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the food service enterprise fund, the summer enrichment enterprise fund and the preschool program enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Federal and State subsidies for the food service operation are considered nonoperating revenues.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the requirements of the New Jersey Department of Education ("the Department"), the District annually prepares its operating budget for the forthcoming year. The budget, except for the general fund and special revenue fund, which is more fully explained below and in the notes to the required supplementary information, is prepared in accordance with accounting principles generally accepted in the United States of America and serves as a formal plan for expenditures and the proposed means for financing them. Capital lease transactions are accounted for on the GAAP basis.

The annual budget is adopted in the spring of the preceding year for the general, special revenue and debt service funds. The District is not required to adopt an annual budget for the capital projects fund. The budget is submitted to the county superintendent for review and approval prior to adoption. Prior to the 2012/2013 budget year, the annual budget was required to be voted upon at the annual school election held on the third Tuesday in April. On January 17, 2012, Chapter 202 of the Laws of P.L. 2011 was approved which established procedures for moving the date of a school district's annual school election from April to the general election in November. Under the new law, districts that have their school board members elected in November no longer have to submit their budgets that meet levy cap requirements for voter approval beginning with the 2012/2013 budget year. Only a school board decision to exceed the tax levy cap would require voter approval for the additional amount on the November ballot. On February 13, 2012, the Board adopted a resolution to move its annual election to the date of the general elections in accordance with the law; therefore voter approval of the annual budget is not required.

Budget adoptions and amendments are recorded in the District's board minutes. The budget is amended by the Board of Trustees as needed throughout the year. The budget for revenues, other resources, other uses, and fund balances is prepared by fund source and amount. The budget for expenditures is prepared by fund, program, function, object and amount. The legal level of budgetary control is established at the line item account within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. The Board approved several budget transfers during 2015/2016. Also, during 2015/2016 the Board increased the original budget by \$261,990. The increase was funded by additional surplus appropriated, grant awards and the reappropriation of prior year general fund encumbrances.

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

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrance accounting is employed in the governmental funds. 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 committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services which are reappropriated and honored during the subsequent fiscal year.

B. Capital Reserve

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

Funds placed in the capital reserve are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the Department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-14.1(g), the balance in the reserve cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, July 1, 2015		\$ 281,917
Increased by		
Deposits from Unexpended Capital Reserve	\$ 887	
Deposits Approved by Board Resolution	<u>438,253</u>	
		<u>439,140</u>
		721,057
Withdrawals		
Approved by Board Resolution		<u>25,187</u>
Balance, June 30, 2016		<u>\$ 695,870</u>

C. Maintenance Reserve

A maintenance reserve account was established by the District. The accumulation of funds will be used for required maintenance of school facilities expenditures in subsequent fiscal years. The maintenance reserve is maintained in the General Fund and its activity is included in the General Fund annual budget.

Funds placed in the maintenance reserve are restricted to required maintenance activities for a school facility as reported in the comprehensive maintenance plan. A District may appropriate funds into the maintenance reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Pursuant to N.J.A.C. 6A:23A-14.2(g), the balance in the reserve cannot at any time exceed four percent of the replacement cost of the school district's school facilities for the current year.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

C. Maintenance Reserve (Continued)

The activity of the maintenance reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, June 30, 2015	\$ 188,700
Increased by:	
Deposits Approved by Board Resolution	<u>75,000</u>
	263,700
Withdrawals	
Approved by Board Resolution	<u>45,064</u>
Balance, June 30, 2016	<u>\$ 218,636</u>

The Comprehensive Maintenance Plan filed October 12, 2015 indicated a maximum maintenance reserve amount of \$535,689. The withdrawals from the maintenance reserve were for use in required maintenance activities for school facilities.

D. Emergency Reserve

An emergency reserve account was established by the District. The accumulation of funds will be used to finance unanticipated General Fund current expenditures required for a thorough and efficient education in subsequent fiscal years.

Funds placed in the emergency reserve are restricted to finance reasonably unforeseeable costs and shall not include additional costs due to poor planning. A District may appropriate funds into the emergency reserve in the annual General Fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent. Pursuant to NJAC 6A:23A-14.4(A), the balance in the reserve cannot at any time exceed the greater of \$250,000 or one percent of the school district's General Fund budget as certified for taxes up to a maximum of \$1,000,000.

The activity of the emergency reserve for the fiscal year ended June 30, 2016 is as follows:

Balance, June 30, 2015	<u>\$ 250,000</u>
Balance, June 30, 2016	<u>\$ 250,000</u>

E. Transfers to Capital Outlay

During the 2015/2016 school year, the district transferred \$46,125 to the non-equipment capital outlay accounts. The transfer of \$25,187 was made from the capital reserve account and was approved by the County Superintendent to support an emergent circumstance pursuant to N.J.A.C. 6A:23A-13.3(h). In addition, a transfer of \$20,938 was made from various budget accounts to supplement a lease purchase agreement previously approved by the voters in the budget certified for taxes pursuant to N.J.A.C. 6A:23-8.4.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

F. Calculation of Excess Surplus

In accordance with N.J.S.A. 18A:7F-7, as amended, the restricted fund balance for Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance in excess of 2% of budget expenditures at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The excess fund balance at June 30, 2016 is \$300,000. Of this amount, \$150,000 was designated and appropriated in the 2016/2017 original budget certified for taxes and the remaining amount of \$150,000 will be appropriated in the 2017/2018 original budget certified for taxes.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Cash Deposits and Investments

Cash Deposits

The Board's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Board is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At June 30, 2016, the book value of the Board's deposits were \$1,707,043 and bank and brokerage firm balances of the Board's deposits amounted to \$2,058,795. The Board's deposits which are displayed on the various fund balance sheets as "cash and cash equivalents" are categorized as:

Depository Account

Insured	\$ <u>2,058,795</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 Board does not have a policy for custodial credit risk. As of June 30, 2016 none of the Board's bank balances were exposed to custodial credit risk.

Investments

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the school district or bonds or other obligations of the local unit or units within which the school district is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

A. Cash Deposits and Investments (Continued)

Investments (Continued)

As of June 30, 2016, the Board had no outstanding investments.

Interest Rate Risk – The Board does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – State law limits investments as noted above (N.J.S.A. 18A:20-37). The District does not have an investment policy that would further limit its investment choices.

Concentration of Credit Risk – The Board places no limit in the amount the District may invest in any one issuer.

B. Receivables

Receivables as of June 30, 2016 for the district’s individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Food Service Fund</u>	<u>Preschool Program Fund</u>	<u>Total</u>
Receivables:						
Accounts		\$ 2,237			\$ 1,570	\$ 3,807
Intergovernmental						
Federal		68,658		\$ 1,281		69,939
State	\$ 24,181	-	\$ 59,798	60	-	84,039
Gross Receivables	24,181	70,895	59,798	1,341	1,570	157,785
Less: Allowance for Uncollectibles	-	-	-	-	-	-
Net Total Receivables	<u>\$ 24,181</u>	<u>\$ 70,895</u>	<u>\$ 59,798</u>	<u>\$ 1,341</u>	<u>\$ 1,570</u>	<u>\$ 157,785</u>

C. Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

Special Revenue Fund	
Unencumbered Grant Draw Downs	\$ 16,627
 Total Unearned Revenue for Governmental Funds	 <u>\$ 16,627</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

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

	Balance July 1, 2015	Increases	Decreases	Transfers	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 243,393				\$ 243,393
Construction in Progress	69,758	\$ 24,576	-	\$ (69,758)	24,576
Total capital assets, not being depreciated	<u>313,151</u>	<u>24,576</u>	<u>-</u>	<u>(69,758)</u>	<u>267,969</u>
Capital assets, being depreciated:					
Buildings and Improvements	5,573,217	483,547		69,758	6,126,522
Site Improvements	504,274	4,862			509,136
Machinery and Equipment	1,853,268	21,572	(545,679)	-	1,329,161
Total capital assets being depreciated	<u>7,930,759</u>	<u>509,981</u>	<u>(545,679)</u>	<u>69,758</u>	<u>7,964,819</u>
Less accumulated depreciation for:					
Buildings and Improvements	(3,620,364)	(173,706)			(3,794,070)
Site Improvements	(292,954)	(14,893)			(307,847)
Machinery and equipment	(1,494,685)	(83,979)	545,679	-	(1,032,985)
Total accumulated depreciation	<u>(5,408,003)</u>	<u>(272,578)</u>	<u>545,679</u>	<u>-</u>	<u>(5,134,902)</u>
Total capital assets, being depreciated, net	<u>2,522,756</u>	<u>237,403</u>	<u>-</u>	<u>69,758</u>	<u>2,829,917</u>
Governmental activities capital assets, net	<u>\$ 2,835,907</u>	<u>\$ 261,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,097,886</u>
Business-type activities:					
Capital assets, being depreciated:					
Machinery and equipment	\$ 84,311	-	-	-	\$ 84,311
Total capital assets being depreciated	<u>84,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,311</u>
Less accumulated depreciation for:					
Machinery and equipment	(84,311)	\$ -	-	-	(84,311)
Total accumulated depreciation	<u>(84,311)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,311)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:

Instruction		
Regular		\$ 14,507
Total Instruction		<u>14,507</u>
Support Services		
Student and Instruction Related Services		18,659
School Administration		22,983
Operation and Maintenance of Plant Services		203,040
Business and Other Support Services		2,351
Student transportation		<u>11,038</u>
Total Support Services		<u>258,071</u>
Total depreciation expense - governmental activities		<u>\$ 272,578</u>

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, is as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 51,509
General Fund	Capital Projects Fund	19,324
General Fund	Food Service Fund	8,324
General Fund	Agency Fund	42
Preschool Program Fund	General Fund	10,643
Summer Enrichment Fund	Preschool Program Fund	<u>3,631</u>
Total		<u>\$ 93,473</u>

The above balances are the result of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in an overdraft position.

The District expects all interfund balances to be liquidated within one year.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

F. Leases

Capital Leases

The District is leasing buses totaling \$80,301 and building improvements totaling \$763,495 under capital leases. The leases are for terms of 5 to 15 years.

The capital assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and Equipment	\$ 80,381
Building Improvements	<u>763,495</u>
 Total	 <u>\$ 843,876</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016 were as follows:

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>
2017	88,321
2018	70,761
2019	70,761
2020	70,761
2021	70,761
2022-2026	<u>353,805</u>
 Total minimum lease payments	 725,170
Less: amount representing interest	<u>117,047</u>
Present value of minimum lease payments	<u>\$ 608,123</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

G. Long-Term Debt

General Obligation Bonds

The Board issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities and other capital assets. The full faith and credit of the Board are irrevocably pledged for the payment of the principal of the bonds and the interest thereon.

Bonds payable at June 30, 2016 is comprised of the following issue:

\$550,000, 2011 Bonds, due in annual installments of \$80,000 to \$85,000 through August 1, 2018, interest at 1.45%	<u>\$245,000</u>
---	------------------

The Board's schedule of principal and interest for long-term debt issued and outstanding is as follows:

Governmental Activities:

Fiscal Year Ending June 30,	<u>Serial Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$ 80,000	\$ 2,973	\$ 82,973
2018	80,000	1,812	81,812
2019	<u>85,000</u>	<u>616</u>	<u>85,616</u>
Totals	<u>\$ 245,000</u>	<u>\$ 5,401</u>	<u>\$ 250,401</u>

Statutory Borrowing Power

The Board's remaining borrowing power under N.J.S. 18A:24-19, as amended, at June 30, 2016 was as follows:

3% of Equalized Valuation Basis (Municipal)	\$ 24,730,427
Less: Net Debt	<u>245,000</u>
Remaining Borrowing Power	<u>\$ 24,485,427</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 3 DETAILED NOTES ON ALL FUNDS (Continued)

H. Other Long-Term Liabilities

Changes in Long-Term Liabilities

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

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 325,000		\$ 80,000	\$ 245,000	\$ 80,000
Leases Payable	700,145	\$ -	92,022	608,123	66,824
Compensated Absences Payable	411,298	76,440	11,435	476,303	-
Net Pension Liability	<u>2,332,252</u>	<u>710,789</u>	<u>112,246</u>	<u>2,930,795</u>	<u>-</u>
 Governmental activity Long-term liabilities	 <u>\$ 3,768,695</u>	 <u>\$ 787,229</u>	 <u>\$ 295,703</u>	 <u>\$ 4,260,221</u>	 <u>\$ 146,824</u>

For the governmental activities, the liabilities for compensated absences and net pension liability are generally liquidated by the general fund.

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to property, general liability, automobile coverage, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; student accident; termination of employees and natural disasters. The Board has obtained commercial insurance coverage to guard against these events to minimize the exposure to the District should they occur. A complete schedule of insurance coverage can be found in the statistical section of this Comprehensive Annual Financial Report.

The District is a member of the School Alliance Insurance Fund (SAIF). The Fund, which is an insured self-administered group established for the sole purpose of providing the following coverage to the employees.

1. Worker's Compensation and Employees Liability.
2. Automobile and Equipment Liability, General Liability and Property Damage
3. School Board Legal liability
4. Boiler and Machinery

The relationship between the Board and the insurance fund is governed by a contract and by-laws that have been adopted by resolution of each unit's governing body. The Board is contractually obligated to make all annual and supplementary contributions to the fund, to report claims on a timely basis, cooperate with the management of the fund, its claims administrator and attorneys in claims investigation and settlement, and to follow risk management procedures as outlined by the fund. Members have a contractual obligation to fund any deficit of the fund attributable to a membership year during which they were a member.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

A. Risk Management (Continued)

SAIF provides its members with risk management services, including the defense of and settlement of claims and to establish reasonable and necessary loss reduction and prevention procedures to be followed by the members. Complete financial statements of the insurance fund are on file with the School's Business Administrator.

There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage's in any of the prior three years.

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

Fiscal Year Ended <u>June 30,</u>	Employee <u>Contributions</u>	Amount <u>Reimbursed</u>	Ending <u>Balance</u>
2016	\$ 10,553	\$ 1,852	\$ 75,235
2015	10,695	2,335	66,377
2014	9,981	3,654	57,860

B. Contingent Liabilities

The District is a party defendant in some lawsuits, none of a kind unusual for a school district of its size and scope of operation. In the opinion of the Board's Attorney the potential claims against the District not covered by insurance policies would not materially affect the financial condition of the District.

Federal and State Awards – The Board participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Board may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Board believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

C. Federal Arbitrage Regulations

The District is subject to Section 148 of the Internal Revenue Code as it pertains to the arbitrage rebate on all tax-exempt obligations, both long and short-term debt. Under the 1986 Tax Reform Act, the Internal Revenue Service (IRS) required that all excess earnings from investment proceeds be rebated to the IRS. Arbitrage, for purposes of these regulations, is defined as the difference between the yield on the investment and the yield on the obligations issued. If there are excess earnings, this amount may be required to be rebated to the IRS. At June 30, 2016, the District had no estimated arbitrage earnings due to the IRS.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans

The State of New Jersey sponsors and administers the following contributory defined benefit public employee retirement systems (retirement systems) covering substantially all eligible Board employees:

Public Employees' Retirement System (PERS) – Established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage, including post-retirement health care, to substantially all full time employees of the State or any county, municipality, school district, or public agency provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. PERS is a cost sharing multi-employer defined benefit pension plan.

Teachers' Pension and Annuity Fund (TPAF) – Established in January 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. Membership is mandatory for such employees and vesting occurs after 10 years of service for pension benefits and 25 years for post-retirement health care coverage. TPAF is a cost sharing plan with special funding situations.

The State of New Jersey sponsors and administers the following defined contribution public employee retirement program covering certain state and local government employees which include those Board employees who are eligible for pension coverage.

Defined Contribution Retirement Program (DCRP) – established under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2008 to provide coverage to elected, certain appointed officials, and certain Board employees not eligible for enrollment in PERS or TPAF. Effective July 1, 2007 membership is mandatory for such individuals with vesting occurring after one (1) year of membership. DCRP is a defined contribution pension plan.

Other Pension Funds

The State established and administers a Supplemental Annuity Collective Trust Fund (SACT) which is available to active members of the State-administered retirement systems to purchase annuities to supplement the guaranteed benefits provided by their retirement system. The state or local government employers do not appropriate funds to SACT.

The cost of living increase for PERS and TPAF, are funded directly by each of the respective systems but are currently suspended as a result of reform legislation.

According to state law, all obligations of each retirement system will be assumed by the State of New Jersey should any retirement system be terminated.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of each of the above systems. The financial reports may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Basis of Accounting

The financial statements of the retirement systems are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the retirement systems. Benefits or refunds are recognized when due and payable in accordance with the terms of the retirement systems.

Investment Valuation

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair values.

The State of New Jersey, Department of the Treasury, Division of Investment, issues publicly available financial reports that include the financial statements of the State of New Jersey Cash Management Fund. The financial reports may be obtained in writing to the State of New Jersey, Department of the Treasury, Division of Investment, P.O. Box 290, Trenton, New Jersey 08625-0290 or at www.state.nj/treasury/doinvest.

Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the aggregate funded ratio for the State administered TPAF and local PERS retirement systems, is 35 percent with an unfunded actuarial accrued liability of \$86 billion. The aggregate funded ratio and unfunded accrued liability for the State-funded TPAF system is 28.71 percent and \$63.6 billion, and the aggregate funded ratio and unfunded accrued liability for local PERS is 47.9 percent and \$22.4 billion, respectively.

The funded status and funding progress of the retirement systems is based on actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the retirement systems in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at that point in time. The projection of benefits for financing reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2014 actuarial valuation, the projected unit credit was used as the actuarial cost method, and the five year average of market value was used as the asset valuation method for the retirement systems. The actuarial assumptions included (a) an investment rate of return for the retirement systems of 7.90 percent and (b) projected salary increases of 2.60-9.48 percent based on age for the PERS and varying percentages based on experience for TPAF.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

Employer and Employee Pension Contributions

The contribution policy is set by laws of the State of New Jersey and contributions are required by active members and participating employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 6.92% for PERS, 6.92% for TPAF and 5.50% for DCRP of the employee's annual compensation.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 *Accounting for Pensions by State and Local Government Employees*, for the fiscal year ended June 30, 2016 for TPAF, which is a cost sharing plan with special funding situations, the annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

During the fiscal years ended June 30, 2016, 2015 and 2014 the Board was required to contribute for PERS and DCRP and the State of New Jersey was required to contribute for TPAF for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) the following amounts:

Fiscal Year Ended <u>June 30,</u>	<u>PERS</u>	On-behalf <u>TPAF</u>	<u>DCRP</u>
2016	\$ 112,246	\$ 399,601	\$ 3,455
2015	102,692	276,933	4,681
2014	99,827	232,852	6,781

For fiscal years 2015/2016 and 2014/2015, the state contributed \$399,601 and \$276,933, respectively for normal cost pension, accrued liability and the NCGI premium. For fiscal year 2013/2014 the State did not contribute to the TPAF for accrued liability but did contribute \$232,852 for normal cost pension and NCGI premium.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contributions are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure in accordance with GASB No. 24. The DCRP contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure, as well as, the district-wide financial statements (accrual basis) as an expense.

Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Board \$365,023 during the fiscal year ended June 30, 2016 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. This amount has been recognized in the district-wide financial statements (accrual basis) and the governmental fund financial statements (modified accrual basis) as a revenue and expense/expenditure in accordance with GASB No. 24.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS)

At June 30, 2016, the District reported in the statement of net position (accrual basis) a liability of \$2,930,795 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2015, the District's proportionate share was .01305 percent, which was an increase of .0006 percent from its proportionate share measured as of June 30, 2014 of .01245 percent.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$188,921 for PERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS pension from the following sources:

	<u>2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 69,918	
Changes of Assumptions	314,744	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		\$ 47,122
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	<u>95,171</u>	<u>104,358</u>
Total	<u>\$ 479,833</u>	<u>\$ 151,480</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to PERS pension will be recognized in pension expense as follows:

Fiscal Year Ending <u>June 30,</u>	
2017	\$ 58,488
2018	58,488
2019	58,488
2020	93,235
2021	<u>59,654</u>
	<u>\$ 328,353</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

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

	<u>PERS</u>
Inflation Rate	3.04%
Salary Increases:	
2012-2021	2.15-4.40%
Thereafter	Based on Age 3.15-5.40%
Investment Rate of Return	Based on Age 7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2008 -
Study Upon Which Actuarial	June 30, 2011
Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Public Employees Retirement System (PERS) (Continued)

Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5.00%	1.04%
U.S. Treasuries	1.75%	1.64%
Investment Grade Credit	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

The discount rate used to measure the total pension liabilities of the PERS plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
PERS	4.90%

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Public Employees Retirement System (PERS) (Continued)

Discount Rate (Continued)

The following table represents the crossover period, if applicable, for the PERS defined benefit plan:

Period of Projected Benefit	
Payments for which the Following	
Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2033
Municipal Bond Rate *	From July 1, 2033 and Thereafter

* The municipal bond return rate used is 3.80%. The source is 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.

Sensitivity of Net Pension Liability

The following presents the District's proportionate share of the PERS net pension liability calculated using the discount rate of 4.90%, as well as what the District's proportionate share of the PERS net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.90 percent) or 1-percentage-point higher (5.90 percent) than the current rate:

	1% Decrease <u>(3.90%)</u>	Current Discount Rate <u>(4.90%)</u>	1% Increase <u>(5.90%)</u>
District's Proportionate Share of the PERS Net Pension Liability	<u>\$ 3,642,620</u>	<u>\$ 2,930,795</u>	<u>\$ 2,334,006</u>

The sensitivity analysis was based on the proportionate share of the District's net pension liability at June 30, 2015. A sensitivity analysis specific to the District's net pension liability was not provided by the pension system.

Pension Plan Fiduciary Net Position

Detailed information about the PERS pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

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

Teachers Pension and Annuity Fund (TPAF)

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the District is not required to recognize a net pension liability for TPAF. The State of New Jersey is the only entity that has a legal obligation to make employer contributions to TPAF on behalf of the District. Accordingly, the District's proportionate share percentage determined under Statement No. 68 is zero percent and the State's proportionate share is 100% of the net pension liability attributable to the District for TPAF. Therefore, in addition, the District does not recognize any portion of the TPAF collective deferred outflows of resources and deferred inflows of resources.

For the fiscal year ended June 30, 2016, the District recognized in the district-wide statement of activities (accrual basis) pension expense of \$1,976,812 for TPAF. This amount has been included in the district-wide statement of activities (accrual basis) as a revenue and expense in accordance with GASB No. 24.

At June 30, 2016 the State's proportionate share of the net pension liability attributable to the District is \$32,375,441. The nonemployer allocation percentages are based on the ratio of the State's contributions made as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the year ended June 30, 2015. At June 30, 2015, the state's share of the net pension liability attributable to the District was .05122 percent, which was a decrease of .00382 percent from its proportionate share measured as of June 30, 2014 of .05504 percent.

Actuarial Assumptions

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

TPAF

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%
Mortality Rate Table	RP-2000
Period of Actuarial Experience	July 1, 2009 -
Study Upon Which Actuarial	June 30, 2012
Assumptions were Based	

Assumptions for mortality improvements are based on Society of Actuaries Scale AA.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Long-Term Expected Rate of Return

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

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

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Discount Rate

The discount rate used to measure the total pension liabilities of the TPAF plan was as follows:

<u>Plan</u>	<u>Discount Rate</u>
TPAF	4.13%

The following table represents the crossover period, if applicable, for the TPAF defined benefit plan:

Period of Projected Benefit Payments for which the Following Rates were Applied:	
Long-Term Expected Rate of Return	Through June 30, 2027
Municipal Bond Rate *	From July 1, 2027 and Thereafter

* The municipal bond return rate used is 3.80%. The source is 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.

Sensitivity of Net Pension Liability

The following presents the State's proportionate share of the TPAF net pension liability attributable to the District calculated using the discount rate of 4.13%, as well as what the State's proportionate share of the TPAF net pension liability attributable to the District that would be if it were calculated using a discount rate that is 1-percentage-point lower (3.13 percent) or 1-percentage-point higher (5.13 percent) than the current rate:

	1% Decrease <u>(3.13%)</u>	Current Discount Rate <u>(4.13%)</u>	1% Increase <u>(5.13%)</u>
State's Proportionate Share of the TPAF Net Pension Liability Attributable to the District	<u>\$ 38,477,001</u>	<u>\$ 32,375,441</u>	<u>\$ 27,118,581</u>

The sensitivity analysis was based on the State's proportionate share of the net pension liability attributable to the District at June 30, 2015. A sensitivity analysis specific to the State's proportionate share of the net pension liability attributable to the District at June 30, 2015 was not provided by the pension system.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

D. Employee Retirement Systems and Pension Plans (Continued)

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Teachers Pension and Annuity Fund (TPAF) (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the TPAF pension plan's fiduciary net position is available in the separately issued financial report from the State of New Jersey, Department of the Treasury, Division of Pension and Benefits. The financial report may be accessed via the New Jersey, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

E. Post-Retirement Medical Benefits

The State of New Jersey sponsors and administers the post-retirement health benefit program plans for school districts. The Plans are classified as either single employer plans or cost sharing multiple employer defined benefit plans depending on the plan the eligible employee is covered under.

As a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans* (OPEB), effective for Fiscal Year 2007, the State Health Benefits Program (SHBP), and the Prescription Drug Program (PDP), and Post-Retirement Medical (PRM) of the PERS and TPAF are combined and reported as Pension and Other employee Benefit Trust Funds in the State's Comprehensive Annual Financial Report (CAFR). Specifically, SHBP-State, and the PRM of the PERS are combined and reported as a Health Benefits Program Fund – State classified as a single employer plan. The SHBP-Local, PDP-Local, and the PRM of the TPAF-Local are combined and reported as Health Benefits Program Fund –Local Government classified as a cost-sharing multiple-employer plan in the State's CAFR. The post-retirement benefit programs had a total of 590 state and local participating employers and contributing entities for Fiscal Year 2015.

The State of New Jersey sponsors and administers the following health benefit programs covering certain state and local government employees, including those Board employees and retirees eligible for coverage.

Health Benefits Program Fund (HBPF) – Local Education (including Prescription Drug Program Fund) – The State of New Jersey provides paid coverage to members of the Teachers' Pension and Annuity Fund who retire from a board of education or county college with 25 years of service or on a disability retirement. Under the provisions of P.L. 1992, c.126, the State also provides paid coverage to members of the Public Employees' Retirement System and Alternate Benefits Program who retire from a board of education or county college with 25 years of service or on a disability retirement if the member's employer does not provide this coverage. Certain local participating employers also provide post-retirement medical coverage to their employees. Retirees who are not eligible for state paid health coverage at retirement can continue in the program if their employer participates in this program or if they are participating in the health benefits plan of their former employer and are enrolled in Medicare parts A and B by paying the cost of the insurance for themselves and their covered dependents. Also, education employees are eligible for the PDP coverage after 60 days of employment.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the above Fund. The financial reports may be accessed via the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, website at www.state.nj.us/treasury/pensions.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Basis of Accounting

The financial statements of the health benefit programs are prepared on the accrual basis of accounting. Employer contributions are recognized when payable to the health benefit programs. Benefits or refunds are recognized when due and payable in accordance with the terms of the health benefit programs.

Significant Legislation

P.L. 2011, c.78, effective October 2011, sets new employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to this new legislation's effective date with a minimum contribution required to be at least 1.5% of salary.

Investment Valuation

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair values.

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the State had a \$65.0 billion unfunded actuarial accrued liability for other post-employment benefits (OPEB) which is made up to \$24.4 billion for state active and retired members and \$40.6 billion for education employees and retirees that become the obligation of the State of New Jersey upon retirement.

The funded status and funding progress of the OPEB includes actuarial valuations which involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the probability of future events.

Actuarial calculations reflect a long-term perspective and are based on the benefits provided under the terms of the OPEB in effect at the time of each valuation and also consider the pattern of the sharing of costs between the employer and members at the point in time. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and members in the future.

Actuarial Methods and Assumptions

In the July 1, 2014, OPEB actuarial valuation, the projected unit credit was used as the actuarial cost method. The actuarial assumptions included an assumed investment rate of return of 4.50 percent.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 4 OTHER INFORMATION (Continued)

E. Post-Retirement Medical Benefits (Continued)

Post-Retirement Medical Benefits Contributions

P.L. 1987, c. 384 and P.L. 1990, c.6 required the Teachers' Pension and Annuity Fund (TPAF) and Public Employees' Retirement System (PERS), respectively to fund post-retirement medical benefits for those State employees and education employees who retire after accumulating 25 years of credited service or on a disability retirement. As of June 30, 2015, there were 107,314, retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State and in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding 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 who retired from a board of education or county college with 25 years of service. The State paid \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at: <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State sets the contribution rate based on a pay as you go basis and not on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The State's contributions to the State Health Benefits Program Fund for TPAF retirees' post-retirement benefits on behalf of the School District for the fiscal years ended June 30, 2016, 2015 and 2014 were \$475,815, \$439,631 and \$381,789, respectively, which equaled the required contributions for each year. The State's contributions to the State Health Benefits Program Fund for PERS retirees' post-retirement benefits on behalf of the School District was not determined or made available by the State of New Jersey.

F. Subsequent Events

A special school election was held on September 27, 2016 requesting the voters to cast their vote on a proposal to undertake improvements to the Frankford School located at 2 Pines Road in the District. The cost of the proposal and the authorization to issue bonds or notes was for \$1,463,216. The voters approved the referendum on the proposal by a vote of 476 to 260.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 5 MERGER OF NON-OPERATING SCHOOL DISTRICT

Pursuant to P.L. 2007, c. 63 and A-4141, the Sussex County Executive County Superintendent filed a plan (the "Plan") with the Commissioner of the State of New Jersey, Department of Education (the "Commissioner"), to eliminate the non-operating Branchville Borough School District and to provide for the education of the children of Branchville Borough in the Frankford Township School District. On June 30, 2009, the Commissioner agreed with and approved the Plan submitted for the merger of Branchville Borough School District with the Frankford Township School District, effective July 1, 2009.

The Plan provides for the continuation of a nine member board of education elected for staggered three year terms. Current members of the Frankford Township Board of Education will continue in office until the expiration of their respective terms, at which time the successor shall be elected at-large by the voters of the new district. Within 30 days of the merger of the districts, the Executive County Superintendent will appoint the existing representative from Branchville Borough to serve as a voting member of the Frankford Township Board of Education until the first Monday succeeding the first annual election in which a member of the Frankford Township Board of Education is elected at-large.

The Plan for the first year (2009-10) requires the tax levy to be allocated in the amounts equivalent to the 2009-10 districts' budgets certified for taxes. Thereafter, the Executive County Superintendent recommends that the levy be apportioned through a five-year phase in to 100% equalized valuation. The Commissioner finds that this recommendation results in the least-fiscally disruptive tax levy allocation as required by the statute.

BUDGETARY COMPARISON SCHEDULES

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 8,496,908		\$ 8,496,908	\$ 8,496,908	
Interest on Investments	3,000		3,000	6,127	\$ 3,127
Miscellaneous	27,007	-	27,007	35,734	8,727
Total Local Sources	<u>8,526,915</u>	<u>-</u>	<u>8,526,915</u>	<u>8,538,769</u>	<u>11,854</u>
State Sources					
Security Aid	42,195		42,195	42,195	
Transportation Aid	254,895		254,895	254,895	
Special Education Categorical Aid	304,588		304,588	304,588	
Adjustment Aid	1,346,579		1,346,579	1,346,579	
PARCC Readiness Aid	4,960		4,960	4,960	
Per Pupil Growth Aid	4,960		4,960	4,960	
Extraordinary Aid				60,861	60,861
Additional Non Public Transportation Aid				4,821	4,821
On-behalf TPAF Pension System Payments(Non-Budget)					
NCGI				18,961	18,961
Normal Cost				380,640	380,640
Post Retirement Medical Contribution				475,815	475,815
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	365,023	365,023
Total State Sources	<u>1,958,177</u>	<u>-</u>	<u>1,958,177</u>	<u>3,264,298</u>	<u>1,306,121</u>
Total Revenues	<u>10,485,092</u>	<u>-</u>	<u>10,485,092</u>	<u>11,803,067</u>	<u>1,317,975</u>
EXPENDITURES					
Instruction - Regular Programs					
Salaries of Teachers					
Preschool/Kindergarten	240,285	\$ (6,083)	234,202	233,463	739
Grades 1-5	1,739,544	2,000	1,741,544	1,692,778	48,766
Grades 6-8	1,330,911	-	1,330,911	1,287,576	43,335
Regular Program - Home Instruction					
Salaries of Teachers	3,000	-	3,000	1,863	1,137
Purchased Professional-Educational Services	1,500	-	1,500	495	1,005
Regular Programs - Undistributed Instruction					
Other Salaries for Instruction	42,629	(2,500)	40,129	39,557	572
Other Purchased Services	29,600	(6,000)	23,600	21,563	2,037
General Supplies	141,645	41,003	182,648	178,518	4,130
Textbooks	25,000	10,000	35,000	34,925	75
Other Objects	-	-	-	-	-
Total Regular Programs	<u>3,554,114</u>	<u>38,420</u>	<u>3,592,534</u>	<u>3,490,738</u>	<u>101,796</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Special Education (Continued)					
Resource Room/Resource Center					
Salaries of Teachers	\$ 727,045	\$ 4,472	\$ 731,517	\$ 731,515	\$ 2
Other Salaries for Instruction	290,935	(52,605)	238,330	238,301	29
General Supplies	5,150	(700)	4,450	4,410	40
Total Resource Room/Resource Center	<u>1,023,130</u>	<u>(48,833)</u>	<u>974,297</u>	<u>974,226</u>	<u>71</u>
Preschool Disabilities - Part-Time					
Salaries of Teachers	85,242	-	85,242	84,190	1,052
Other Salaries for Instruction	9,593	26,649	36,242	36,064	178
General Supplies	690	(690)	-	-	-
Total Preschool Disabilities - Part-Time	<u>95,525</u>	<u>25,959</u>	<u>121,484</u>	<u>120,254</u>	<u>1,230</u>
Total Special Education	<u>1,118,655</u>	<u>(22,874)</u>	<u>1,095,781</u>	<u>1,094,480</u>	<u>1,301</u>
Basic Skills/Remedial					
Salaries of Teachers	330,235	-	330,235	315,390	14,845
General Supplies	2,335	-	2,335	2,042	293
Total Basic Skills/Remedial	<u>332,570</u>	<u>-</u>	<u>332,570</u>	<u>317,432</u>	<u>15,138</u>
School Sponsored Co/Extra Curricular Activities					
Salaries	32,000	(1,620)	30,380	30,380	-
Purchased Services	2,250	600	2,850	2,837	13
Supplies and Materials	2,900	(1,000)	1,900	1,900	-
Transfer to Cover Deficit	-	15,000	15,000	15,000	-
Total School Sponsored Co/Extra Curricular Activities	<u>37,150</u>	<u>12,980</u>	<u>50,130</u>	<u>50,117</u>	<u>13</u>
School Sponsored Athletics					
Salaries	29,600	507	30,107	30,106	1
Purchased Services	4,000	40	4,040	4,040	-
Supplies and Materials	700	3,510	4,210	2,880	1,330
Other Objects	500	(500)	-	-	-
Total School Sponsored Athletics	<u>34,800</u>	<u>3,557</u>	<u>38,357</u>	<u>37,026</u>	<u>1,331</u>
Other Instructional Programs - Instruction					
Salaries of Teachers	23,331	1,406	24,737	16,581	8,156
Purchased Professional and Technical Services	2,880	(906)	1,974	-	1,974
General Supplies	500	(500)	-	-	-
Total Summer School - Instruction	<u>26,711</u>	<u>-</u>	<u>26,711</u>	<u>16,581</u>	<u>10,130</u>
Total Instruction	<u>5,104,000</u>	<u>32,083</u>	<u>5,136,083</u>	<u>5,006,374</u>	<u>129,709</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures					
Instruction					
Tuition to Other LEAs Within the State - Special	\$ 174,941	\$ (30,508)	\$ 144,433	\$ 40,917	\$ 103,516
Tuition to Priv. Sch. for the Disabled Within the State	-	20,508	20,508	20,508	-
Total Undistributed Expenditures - Instruction	174,941	(10,000)	164,941	61,425	103,516
Health Services					
Salaries	57,925	3,675	61,600	61,194	406
Purchased Professional and Technical Services	6,100	-	6,100	5,845	255
Supplies and Materials	2,000	4,345	6,345	6,248	97
Other Objects	200	-	200	-	200
Total Health Services	66,225	8,020	74,245	73,287	958
Speech, OT, PT & Related Services					
Salaries	129,989	-	129,989	127,750	2,239
Purchased Professional-Educational Services	13,000	-	13,000	11,479	1,521
Supplies and Materials	630	-	630	569	61
Total Speech, OT, PT & Related Services	143,619	-	143,619	139,798	3,821
Guidance					
Salaries of Other Professional Staff	138,810	-	138,810	138,810	-
Supplies and Materials	655	-	655	371	284
Total Guidance	139,465	-	139,465	139,181	284
Child Study Teams					
Salaries of Other Professional Staff	236,935	(9,343)	227,592	227,592	-
Supplies and Materials	2,000	1,310	3,310	2,888	422
Other Objects	200	-	200	152	48
Total Child Study Teams	239,135	(8,033)	231,102	230,632	470
Improvement of Inst. Serv.					
Salaries of Other Professional Staff	114,732	(41)	114,691	108,732	5,959
Other Purchased Services	1,400	41	1,441	1,440	1
Other Objects	1,500	-	1,500	38	1,462
Total Improvement of Inst. Serv.	117,632	-	117,632	110,210	7,422

FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Educational Media Services/School Library					
Salaries	\$ 25,987	\$ (550)	\$ 25,437	\$ 25,168	\$ 269
Purchased Professional and Technical Services	5,300	-	5,300	5,026	274
Supplies and Materials	13,215	771	13,986	13,368	618
Total Educational Media Serv./School Library	44,502	221	44,723	43,562	1,161
Instructional Staff Training Services					
Purchased Professional - Educational Services	16,000	-	16,000	13,042	2,958
Other Purchased Services	8,250	-	8,250	7,472	778
Total Instructional Staff Training Services	24,250	-	24,250	20,514	3,736
Support Services General Administration					
Salaries	200,121	(5,333)	194,788	194,666	122
Legal Services	5,000	-	5,000	2,944	2,056
Audit Fees	21,900	21,475	43,375	22,290	21,085
Architectural/Engineering Services	25,000	(2,000)	23,000	19,499	3,501
Other Purchased Professional Services	1,500	50	1,550	1,550	-
Communications/Telephone	11,500	2,500	14,000	13,198	802
BOE Other Purchased Services	5,000	1,164	6,164	2,469	3,695
Misc Purchased Services	2,900	-	2,900	2,202	698
General Supplies	4,200	(1,670)	2,530	1,777	753
Miscellaneous Expenditures	10,500	1,005	11,505	7,870	3,635
Total Support Services General Administration	287,621	17,191	304,812	268,465	36,347
Support Services School Administration					
Salaries of Principal/Asst. Principals	137,098	(5,548)	131,550	131,550	-
Salaries of Secretarial and Clerical Assistants	85,266	7,065	92,331	91,550	781
Other Purchased Services	4,050	6,310	10,360	9,757	603
Supplies and Materials	4,500	120	4,620	3,987	633
Other Objects	1,800	(1,000)	800	744	56
Total Support Services School Administration	232,714	6,947	239,661	237,588	2,073
Central Services					
Salaries	204,284	(2,112)	202,172	202,172	-
Purchased Professional Services	10,900	455	11,355	10,471	884
Purchased Technical Services	2,850	-	2,850	2,850	-
Miscellaneous Purchased Services	2,600	450	3,050	2,545	505
Supplies and Materials	13,800	(210)	13,590	13,202	388
Interest on Lease Purchase Agreements	650	610	1,260	1,256	4
Miscellaneous Expenditures	1,825	80	1,905	1,441	464
Total Central Services	236,909	(727)	236,182	233,937	2,245
Admin. Info. Tech.					
Salaries	71,066	-	71,066	71,066	-
Other Purchased Services	2,000	(1,100)	900	670	230
Total Admin. Info. Tech.	73,066	(1,100)	71,966	71,736	230
Required Maintenance for School Facilities					
Salaries	26,040	-	26,040	26,040	-
Cleaning, Repair and Maintenance	5,000	1,300	6,300	5,368	932
General Supplies	8,300	-	8,300	8,054	246
Total Required Maintenance for School Fac.	39,340	1,300	40,640	39,462	1,178

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
EXPENDITURES					
CURRENT EXPENDITURES (Continued)					
Undistributed Expenditures (Continued)					
Custodial Services					
Salaries	\$ 329,430	\$ 715	\$ 330,145	\$ 329,963	\$ 182
Cleaning, Repair and Maint. Serv.	79,477	118,234	197,711	195,471	2,240
Rental of Land & Bldg. Other than Lease Pur Agmt	-	476	476	476	-
Lease Purchase Payments - Energy Savings Imprv Program	70,761	-	70,761	70,761	-
Other Purchased Property Services	2,815	(2,815)	-	-	-
Insurance	78,400	1,448	79,848	79,848	-
Miscellaneous Purchased Services	950	(1)	949	-	949
General Supplies	55,500	35,730	91,230	89,134	2,096
Energy (Natural Gas)	100,000	(40,000)	60,000	41,673	18,327
Energy (Electricity)	80,000	(2,730)	77,270	75,711	1,559
Energy (Oil)	2,500	(1,963)	537	536	1
Other Objects	2,000	-	2,000	1,426	574
Total Custodial Services	801,833	109,094	910,927	884,999	25,928
Student Transportation Services					
Salaries of Non-Instructional Aides	19,484	(167)	19,317	19,317	-
Salaries for Pupil Transportation (Between Home and School) - Regular	104,447	(10,900)	93,547	91,428	2,119
Salaries for Pupil Transportation (Other Than Between Home and School)	6,000	305	6,305	6,302	3
Other Purchased Prof. and Tech. Services	4,000	480	4,480	4,200	280
Cleaning, Repair and Maintenance Services	25,000	-	25,000	24,661	339
Lease Purchase Payments - School Buses	17,561	-	17,561	17,560	1
Contracted Services - Aid in Lieu of Payments- Non-Public Schools	25,000	5,056	30,056	30,056	-
Contracted Services (Between Home and School)- Vendors	320,000	(6,490)	313,510	254,305	59,205
Contracted Services (Other than Between Home and School)-Vendors	12,000	-	12,000	8,936	3,064
Contracted Services (Between Home and School)- Joint Agreements	7,118	4,800	11,918	11,905	13
Contracted Services (Sp. Ed. Students) Vendors	100,000	(39,196)	60,804	9,000	51,804
Contracted Services (Sp. Ed. Students) Joint Agreements	-	36,794	36,794	36,794	-
Misc. Purchased Serv. - Transportation	4,700	-	4,700	3,809	891
General Supplies	30,100	-	30,100	12,452	17,648
Other Objects	700	280	980	957	23
Total Student Transportation Services	676,110	(9,038)	667,072	512,365	154,707
Unallocated Benefits - Employee Benefits					
Social Security Contributions	116,300	1,690	117,990	117,989	1
Other Retirement Contributions-PERS	120,000	(7,754)	112,246	112,246	-
Other Retirement Contributions-Regular	-	3,455	3,455	3,455	-
Workmen's Compensation	117,201	(3,695)	113,506	113,506	-
Health Benefits	1,781,800	(135,918)	1,645,882	1,509,755	136,127
Tuition Reimbursement	37,500	3,968	41,468	33,108	8,360
Other Employee Benefits	4,000	-	4,000	3,218	782
Total Unallocated Benefits - Employee Benefits	2,176,801	(138,254)	2,038,547	1,893,277	145,270

FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

EXPENDITURES	Original Budget	Adjustments	Final Budget	Actual	Variance Final Budget To Actual
CURRENT EXPENDITURES (Continued)					
On-behalf TPAF Pension System Payments(Non-Budget)					
NCGI				\$ 18,961	\$ (18,961)
Normal Cost				380,640	(380,640)
Post Retirement Medical Contribution				475,815	(475,815)
On-behalf TPAF Social Security Payments (Non-Budget)	-	-	-	365,023	(365,023)
Total Undistributed Expenditures	\$ 5,474,163	\$ (24,379)	\$ 5,449,784	6,200,877	(751,093)
Total Expenditures - Current Expenditures	10,578,163	7,704	10,585,867	11,207,251	(621,384)
CAPITAL OUTLAY					
Undistributed Expenditures					
Equipment					
Undistributed - Instruction		4,299	4,299	4,299	-
Undistributed - Custodial Services	-	26,454	26,454	12,974	13,480
Total Equipment	-	30,753	30,753	17,273	13,480
Facilities Acquisition and Construction Services					
Construction Services		25,187	25,187	24,300	887
Lease Purchase Agreements - Principal	6,679	20,938	27,617	27,616	1
Assessment for Debt Service on SDA Funding	250	-	250	250	-
Total Facilities Acquisition and Construction Services	6,929	46,125	53,054	52,166	888
Total Capital Outlay	6,929	76,878	83,807	69,439	14,368
Transfer of Funds to Charter Schools	50,000	14,246	64,246	62,864	1,382
Total Expenditures	10,635,092	98,828	10,733,920	11,339,554	(605,634)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(150,000)	(98,828)	(248,828)	463,513	712,341
Fund Balance, Beginning of Year	1,361,974	-	1,361,974	1,361,974	-
Fund Balance, End of Year	\$ 1,211,974	\$ (98,828)	\$ 1,113,146	\$ 1,825,487	\$ 712,341

FRANKFORD TOWNSHIP BOARD OF EDUCATION
 GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Actual</u>
Recapitulation of Fund Balance	
Restricted Fund Balance	
Excess Surplus - Designated	
for Subsequent Year's Expenditures	\$ 150,000
Excess Surplus	150,000
Capital Reserve	695,870
Maintenance Reserve	218,636
Emergency Reserve	250,000
Assigned	
Year End Encumbrances	45,299
Unassigned	315,682
Reconciliation to Governmental Funds Statements (GAAP):	1,825,487
Less: State Aid Payments Not Recognized on GAAP Basis	(256,660)
Fund Balance Per Governmental Funds (GAAP)	\$ 1,568,827

FRANKFORD TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (NON-GAAP) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final Budget To Actual</u>
REVENUES					
Intergovernmental					
Local		\$ 57,800	\$ 57,800	\$ 46,411	\$ (11,389)
Federal	\$ 165,000	105,362	270,362	236,564	(33,798)
Total Revenues	<u>165,000</u>	<u>163,162</u>	<u>328,162</u>	<u>282,975</u>	<u>(45,187)</u>
EXPENDITURES					
Instruction					
Salaries of Teachers	165,000	(111,100)	53,900	33,059	20,841
Other Purchased Services	-	50,283	50,283	50,283	-
General Supplies	-	21,509	21,509	19,322	2,187
Textbooks	-	455	455	340	115
Total Instruction	<u>165,000</u>	<u>(38,853)</u>	<u>126,147</u>	<u>103,004</u>	<u>23,143</u>
Support Services					
Salaries of Teachers		20,361	20,361	18,440	1,921
Personal Services - Employee Benefits		4,312	4,312	2,922	1,390
Purchased Professional/Technical Services		118,490	118,490	111,031	7,459
Other Purchased Services		17,431	17,431	14,085	3,346
General Supplies	-	16,845	16,845	8,917	7,928
Total Support Services	<u>-</u>	<u>177,439</u>	<u>177,439</u>	<u>155,395</u>	<u>22,044</u>
Facilities Acquisition and Construction Services					
Construction Services	-	24,576	24,576	24,576	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>24,576</u>	<u>24,576</u>	<u>24,576</u>	<u>-</u>
Total Expenditures	<u>165,000</u>	<u>163,162</u>	<u>328,162</u>	<u>282,975</u>	<u>45,187</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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

The accounting records of the Special Revenue Fund is 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.

The following presents a reconciliation of the General and Special Revenue Funds from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedules (Exhibits C1 & C2)	\$ 11,803,067	\$ 282,975
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2016		(215)
State Aid payment recognized for budgetary purposes, not recognized for GAAP statements (Prior Year)	253,640	
State Aid payment recognized for budgetary purposes, not recognized for GAAP statement (Current Year)	<u>(256,660)</u>	<u>-</u>
Total revenues as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 11,800,047</u>	<u>\$ 282,760</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedules (Exhibits C1 & C2)	\$ 11,339,554	\$ 282,975
Difference - Budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
Encumbrances, June 30, 2016	<u>-</u>	<u>(215)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 11,339,554</u>	<u>\$ 282,760</u>

SCHOOL LEVEL SCHEDULES

(General Fund)

NOT APPLICABLE

REQUIRED SUPPLEMENTARY INFORMATION - PART III

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Two Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0.01305 %	0.01245 %	0.01324 %
District's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 2,930,795</u>	<u>\$ 2,332,252</u>	<u>\$ 2,532,109</u>
District's Covered-Employee Payroll	<u>\$ 918,471</u>	<u>\$ 892,515</u>	<u>\$ 862,543</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	319%	261%	294%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%	48.72%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS**

PUBLIC EMPLOYEES RETIREMENT SYSTEM
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 112,246	\$ 102,692	\$ 99,827
Contributions in Relation to the Contractually Required Contributions	<u>112,246</u>	<u>102,692</u>	<u>99,827</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered- Employee Payroll	<u>\$ 918,471</u>	<u>\$ 892,515</u>	<u>\$ 862,543</u>
Contributions as a Percentage of Covered-Employee Payroll	12.22%	11.51%	11.57%

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

TEACHERS PENSION AND ANNUITY FUND
Last Two Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Position Liability (Asset)	0 %	0 %	0 %
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>\$ 32,375,441</u>	<u>\$ 29,418,262</u>	<u>\$ 28,073,544</u>
Total	<u>\$ 32,375,441</u>	<u>\$ 29,418,262</u>	<u>\$ 28,073,544</u>
District's Covered-Employee Payroll	<u>\$ 5,240,681</u>	<u>\$ 5,096,953</u>	<u>\$ 5,209,726</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%	33.76%

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

This schedule is presented to illustrate the requirement to show information for 10 years in accordance with GASB Statement No. 68. However, until a full 10-year trend is compiled, the District will only present information for those years for which information is available.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Change of Benefit Terms:

None.

Change of Assumptions:

Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in Note 4D.

SPECIAL REVENUE FUND

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>IDEA Basic</u>	<u>IDEA Preschool</u>	<u>Title I</u>	<u>Title II Part A</u>	<u>Rural Education Achievement</u>	<u>Local Grants</u>	<u>Total</u>
REVENUES							
Intergovernmental							
Local						\$ 46,411	\$ 46,411
Federal	\$ 150,325	\$ 6,605	\$ 33,251	\$ 16,420	\$ 29,963	-	236,564
Total Revenues	<u>\$ 150,325</u>	<u>\$ 6,605</u>	<u>\$ 33,251</u>	<u>\$ 16,420</u>	<u>\$ 29,963</u>	<u>\$ 46,411</u>	<u>\$ 282,975</u>
EXPENDITURES							
Instruction							
Salaries of Teachers			\$ 15,150	\$ 1,814	\$ 16,095		\$ 33,059
Other Purchased Services	\$ 50,283						50,283
General Supplies	3,550	\$ 624	4,820		10,328		19,322
Textbooks	-	-	-	-	-	\$ 340	340
Total Instruction	<u>53,833</u>	<u>624</u>	<u>19,970</u>	<u>1,814</u>	<u>26,423</u>	<u>340</u>	<u>103,004</u>
Support Services							
Salaries of Teachers	11,620	2,606				4,214	18,440
Personal Services - Employee Benefits	889	-	1,109	139	785		2,922
Purchased Professional/Technical Services	81,233	3,159	12,172	14,467			111,031
Other Purchased Services					2,755	11,330	14,085
General Supplies	2,750	216	-	-	-	5,951	8,917
Total Support Services	<u>96,492</u>	<u>5,981</u>	<u>13,281</u>	<u>14,606</u>	<u>3,540</u>	<u>21,495</u>	<u>155,395</u>
Facilities Acquisition and Construction Services							
Construction Services	-	-	-	-	-	24,576	24,576
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,576</u>	<u>24,576</u>
Total Expenditures	<u>\$ 150,325</u>	<u>\$ 6,605</u>	<u>\$ 33,251</u>	<u>\$ 16,420</u>	<u>\$ 29,963</u>	<u>\$ 46,411</u>	<u>\$ 282,975</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SPECIAL REVENUE FUND
SCHEDULE OF PRESCHOOL PROGRAM AID EXPENDITURES
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOT APPLICABLE

CAPITAL PROJECTS FUND

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF PROJECT EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Issue/Project Title</u>	<u>Project Number</u>	<u>Appropriations</u>	<u>Expenditures to Date</u>		<u>Unexpended Balance, June 30, 2016</u>
			<u>Prior Year</u>	<u>Current Year</u>	
Multi-Purpose Room HVAC Installation	(1)	\$ 200,920	\$ 38,251	\$ 139,549	\$ 23,120
Installation of Air Conditioning Units in Wings A&B	(2)	373,639	31,507	324,778	17,354
		<u>\$ 574,559</u>	<u>\$ 69,758</u>	<u>\$ 464,327</u>	<u>\$ 40,474</u>
<u>Analysis of Balance</u>					
					\$ <u>40,474</u>
					Uncommitted Project Balances

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

Expenditures and Other Financing Uses	
Construction Services	\$ <u>464,327</u>
Total Expenditures and Other Financing Uses	<u>464,327</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(464,327)
Fund Balance - Beginning of Year	<u>504,801</u>
Fund Balance - End of Year	<u>\$ 40,474</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
MULTI-PURPOSE ROOM HVAC INSTALLATION
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 59,798		\$ 59,798	\$ 59,798
Transfer from Capital Reserve	<u>141,122</u>	<u>-</u>	<u>141,122</u>	<u>141,122</u>
Total Revenues and Other Financing Sources	<u>200,920</u>	<u>-</u>	<u>200,920</u>	<u>200,920</u>
Expenditures and Other Financing Uses				
Architect and Engineer Services	28,000		28,000	29,595
Construction Services	<u>10,251</u>	<u>139,549</u>	<u>149,800</u>	<u>171,325</u>
Total Expenditures and Other Financing Uses	<u>38,251</u>	<u>139,549</u>	<u>177,800</u>	<u>200,920</u>
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ 162,669</u>	<u>\$ (139,549)</u>	<u>\$ 23,120</u>	<u>\$ -</u>

Additional project information:

Project Number	SP#1560-050-14-1001
Grant Date	January 6, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 149,495
Additional Authorized Cost	51,425
Revised Authorized Cost	200,920
Percentage Increase Over Original Authorized Cost	34.40%
Percentage Completion	88.49%
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	N/A

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS
INSTALLATION OF AIR CONDITIONING UNITS IN WINGS A&B
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Revised Authorized Cost</u>
Revenues and Other Financing Sources				
State Sources- SDA Grant	\$ 103,790		\$ 103,790	\$ 103,790
Transfer from Capital Reserve	269,849	\$ -	269,849	269,849
	<hr/>		<hr/>	<hr/>
Total Revenues and Other Financing Sources	373,639	-	373,639	373,639
Expenditures and Other Financing Uses				
Architect and Engineer Services	25,700		25,700	28,475
Construction Services	5,807	324,778	330,585	345,164
	<hr/>		<hr/>	<hr/>
Total Expenditures and Other Financing Uses	31,507	324,778	356,285	373,639
Excess (deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses				
	\$ 342,132	\$ (324,778)	\$ 17,354	\$ -
	<hr/>		<hr/>	<hr/>

Additional project information:

Project Number	SP#1560-050-14-1002
Grant Date	January 6, 2014
Bond Authorization Date	N/A
Bonds Authorized	N/A
Bonds Issued	N/A
Original Authorized Cost	\$ 259,475
Additional Authorized Cost	114,164
Revised Authorized Cost	373,639
Percentage Increase Over Original Authorized Cost	44.00%
Percentage Completion	95.36%
Original Target Completion Date	September 1, 2015
Revised Target Completion Date	N/A

ENTERPRISE FUND

EXHIBIT G-1

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-4

EXHIBIT G-2

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-5

EXHIBIT G-3

**COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-6

FIDUCIARY FUNDS

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FIDUCIARY FUNDS
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AS OF JUNE 30, 2016**

	<u>Agency</u>		
	<u>Student Activity</u>	<u>Payroll</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 43,461	\$ 42	\$ 43,503
Total Assets	<u>\$ 43,461</u>	<u>\$ 42</u>	<u>\$ 43,503</u>
LIABILITIES			
Due to Other Funds		\$ 42	\$ 42
Due to Student Groups	\$ 43,461	-	43,461
Total Liabilities	<u>\$ 43,461</u>	<u>\$ 42</u>	<u>\$ 43,503</u>

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

THIS STATEMENT IS NOT APPLICABLE
FINANCIAL STATEMENTS ARE PRESENTED ON EXHIBIT B-8

**STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Balance, July 1, 2015</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance, June 30, 2016</u>
Elementary Schools				
General Organization	\$ 41,939	\$ 157,767	\$ 156,245	\$ 43,461
 Total All Schools	<u>\$ 41,939</u>	<u>\$ 157,767</u>	<u>\$ 156,245</u>	<u>\$ 43,461</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Balance, July 1, <u>2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance, June 30, <u>2016</u>
LIABILITIES				
Payroll Deductions and Withholdings	\$ 68	\$ 3,364,702	\$ 3,364,770	
Due to Other Funds	15,000	21,246	36,204	\$ 42
Accrued Salaries and Wages	<u>-</u>	<u>4,018,164</u>	<u>4,018,164</u>	<u>-</u>
 Total	 <u>\$ 15,068</u>	 <u>\$ 7,404,112</u>	 <u>\$ 7,419,138</u>	 <u>\$ 42</u>

LONG-TERM DEBT

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

<u>Purpose</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance, July 1, 2015</u>	<u>Retired</u>	<u>Balance, June 30, 2016</u>
School Bonds	8/1/2011	\$ 550,000	8/1/2016	\$ 80,000	1.45%	\$ 325,000	\$ 80,000	\$ 245,000
			8/1/2017	80,000	1.45%			
			8/1/2018	85,000	1.45%			

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

<u>Issue</u>	<u>Amount of Original Issue</u>	<u>Rate of Interest</u>	<u>Balance, July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance, June 30, 2016</u>
2013 Energy Efficiency Upgrades	\$ 763,495	3.626%	\$ 639,517		\$ 48,223	\$ 591,294
2013 54 Passenger School Bus	80,381		32,957		16,128	16,829
2015 One (1) Modular Office Unit	35,000	2.348%	<u>27,671</u>	<u>\$ -</u>	<u>27,671</u>	<u>-</u>
			<u>\$ 700,145</u>	<u>\$ -</u>	<u>\$ 92,022</u>	<u>\$ 608,123</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
LONG-TERM DEBT
DEBT SERVICE FUND BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	<u>Original Budget</u>	<u>Adjustments</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES					
Local Sources					
Local Tax Levy	\$ 58,218	-	\$ 58,218	\$ 58,218	-
Total Revenues	<u>58,218</u>	<u>-</u>	<u>58,218</u>	<u>58,218</u>	<u>-</u>
EXPENDITURES					
Regular Debt Service					
Principal	80,000		80,000	80,000	
Interest	4,133	-	4,133	4,133	-
Total Expenditures	<u>84,133</u>	<u>-</u>	<u>84,133</u>	<u>84,133</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(25,915)</u>	<u>-</u>	<u>(25,915)</u>	<u>(25,915)</u>	<u>-</u>
Fund Balance, Beginning of Year	<u>25,915</u>	\$ -	<u>25,915</u>	<u>25,915</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATISTICAL SECTION

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

Contents

Exhibits

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

J-1 to J-5

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

J-6 to J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

J-10 to J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

J-14 and J-15

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. J-16 to J-20

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

FRANKFORD TOWNSHIP BOARD OF EDUCATION
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Unaudited)
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014 (Restated)	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$ 1,257,131	\$ 1,249,435	\$ 1,150,825	\$ 2,237,982	\$ 2,091,278	\$ 1,297,422	\$ 1,626,984	\$ 1,761,254	\$ 1,810,762	\$ 2,244,763
Restricted	181,665	157,596	162,322	167,192	250,252	352,002	486,258	627,392	865,648	954,980
Unrestricted	(254,101)	(22,434)	(63,016)	(582,916)	(548,551)	564,824	206,684	(2,340,633)	(2,308,280)	(2,431,600)
Total Governmental Activities Net Position	<u>\$ 1,184,695</u>	<u>\$ 1,384,597</u>	<u>\$ 1,250,131</u>	<u>\$ 1,822,258</u>	<u>\$ 1,792,979</u>	<u>\$ 2,214,248</u>	<u>\$ 2,319,926</u>	<u>\$ 48,013</u>	<u>\$ 368,130</u>	<u>\$ 768,143</u>
Business-Type Activities										
Net Investment in Capital Assets	\$ 28,365	\$ 25,530	\$ 22,729	\$ 19,927	\$ 6,716					
Unrestricted	(978)	11,551	14,855	22,930	21,512	\$ 23,119	\$ 26,505	\$ 25,189	\$ 19,705	\$ 27,838
Total Business-Type Activities Net Position	<u>\$ 27,387</u>	<u>\$ 37,081</u>	<u>\$ 37,584</u>	<u>\$ 42,857</u>	<u>\$ 28,228</u>	<u>\$ 23,119</u>	<u>\$ 26,505</u>	<u>\$ 25,189</u>	<u>\$ 19,705</u>	<u>\$ 27,838</u>
District-Wide										
Net Investment in Capital Assets	\$ 1,285,496	\$ 1,274,965	\$ 1,173,554	\$ 2,257,909	\$ 2,097,994	\$ 1,297,422	\$ 1,626,984	\$ 1,761,254	\$ 1,810,762	\$ 2,244,763
Restricted	181,665	157,596	162,322	167,192	250,252	352,002	486,258	627,392	865,648	954,980
Unrestricted	(255,079)	(10,883)	(48,161)	(559,986)	(527,039)	587,943	233,189	(2,315,444)	(2,288,575)	(2,403,762)
Total District Net Position	<u>\$ 1,212,082</u>	<u>\$ 1,421,678</u>	<u>\$ 1,287,715</u>	<u>\$ 1,865,115</u>	<u>\$ 1,821,207</u>	<u>\$ 2,237,367</u>	<u>\$ 2,346,431</u>	<u>\$ 73,202</u>	<u>\$ 387,835</u>	<u>\$ 795,981</u>

Note 1 - Net Position at June 30, 2014 is restated to reflect the implementation of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

FRANKFORD TOWNSHIP BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 4,964,892	\$ 5,007,506	\$ 4,925,323	\$ 5,098,000	\$ 4,831,186	\$ 5,026,078	\$ 5,102,326	\$ 4,959,412	\$ 6,230,212	\$ 6,293,203
Special education	1,285,028	1,355,276	1,405,487	1,503,005	1,762,599	1,927,132	2,002,307	1,779,876	2,188,639	1,993,996
Other instruction	314,202	224,220	248,273	343,058	419,500	297,106	413,561	553,783	422,503	603,523
School Sponsored Activities and Athletics	78,578	73,569	139,834	108,551	92,265	72,894	104,678	87,743	112,344	137,138
Support Services:										
Student & instruction related services	1,125,984	1,143,447	1,164,771	1,153,031	1,168,097	1,231,467	1,223,638	1,254,935	1,212,357	1,212,985
General administration services	364,952	382,489	309,300	336,713	325,811	329,924	337,213	372,785	400,845	495,033
School Administrative services	316,338	319,831	316,694	345,639	315,649	339,809	366,645	330,275	378,911	406,830
Business / Central Services	289,690	300,833	313,236	336,639	321,433	351,288	362,338	391,822	434,261	468,485
Plant operations and maintenance	890,091	1,109,090	978,311	1,012,108	1,092,718	1,056,117	990,943	1,135,930	1,080,322	1,275,287
Pupil transportation	846,010	877,296	911,131	796,690	817,235	604,957	580,363	552,538	515,751	545,735
Interest On Long-Term Debt	26,529	19,706	14,991	13,096	15,369	26,970	44,911	38,682	30,999	26,292
Total Governmental Activities Expenses	10,502,294	10,813,263	10,727,351	11,046,530	11,161,862	11,263,742	11,528,923	11,457,781	13,007,144	13,458,507
Business-Type Activities:										
Food Service	204,971	191,351	185,562	168,705	167,320	163,299	145,552	149,642	155,152	158,703
Summer Enrichment	26,281	16,570	19,772	18,751	17,214	14,313	15,304	15,531	13,098	12,690
Preschool Program				7,476	17,917	25,100	25,901	35,795	28,144	30,407
Total Business-Type Activities Expense	231,252	207,921	205,334	194,932	202,451	202,712	186,757	200,968	196,394	201,800
Total District Expenses	\$ 10,733,546	\$ 11,021,184	\$ 10,932,685	\$ 11,241,462	\$ 11,364,313	\$ 11,466,454	\$ 11,715,680	\$ 11,658,749	\$ 13,203,538	\$ 13,660,307
Program Revenues										
Governmental Activities:										
Charges For Services:										
Instruction - Regular	\$ 862,133	\$ 1,124,153	\$ 856,718	\$ 48,558	\$ 6,269	\$ 50,259				
Instruction -Special education	127,389	19,649	31,623	945						
Pupil transportation	74,987	90,623	71,468	2,455						
Operating Grants And Contributions	2,049,273	2,080,458	1,435,662	1,694,691	1,601,434	1,788,281	\$ 2,020,174	1,893,405	3,338,360	3,740,474
Capital Grants And Contributions	-	-	-	383,941	13,190	62,932	-	27,238	6,603	160,261
Total Governmental Activities Program Revenues	3,113,782	3,314,883	2,395,471	2,130,590	1,620,893	1,901,472	2,020,174	1,920,643	3,344,963	3,900,735
Business-Type Activities:										
Charges For Services										
Food service	\$ 146,112	\$ 142,650	\$ 145,644	\$ 128,904	\$ 120,811	114,632	\$ 99,522	\$ 101,423	\$ 94,096	\$ 109,905
Summer Enrichment	28,281	33,629	15,643	15,349	13,672	15,322	15,390	10,638	11,294	15,585
Preschool Program				8,800	9,600	25,100	26,750	22,715	22,907	33,950
Operating Grants And Contributions	39,196	40,567	36,817	42,335	40,699	40,244	39,393	52,303	52,549	50,414
Capital Grants And Contributions										
Total Business Type Activities Program Revenues	213,589	216,846	198,104	195,388	184,782	195,298	181,055	187,079	180,846	209,854
Total District Program Revenues	\$ 3,327,371	\$ 3,531,729	\$ 2,593,575	\$ 2,325,978	\$ 1,805,675	\$ 2,096,770	\$ 2,201,229	\$ 2,107,722	\$ 3,525,809	\$ 4,110,589
Net (Expense)/Revenue										
Governmental Activities	\$ (7,388,512)	\$ (7,498,380)	\$ (8,331,880)	\$ (8,915,940)	\$ (9,540,969)	\$ (9,362,270)	\$ (9,508,749)	\$ (9,537,138)	\$ (9,662,181)	\$ (9,557,772)
Business-Type Activities	(17,663)	8,925	(7,230)	456	(17,669)	(7,414)	(5,702)	(13,889)	(15,548)	8,054
Total District-Wide Net Expense	\$ (7,406,175)	\$ (7,489,455)	\$ (8,339,110)	\$ (8,915,484)	\$ (9,558,638)	\$ (9,369,684)	\$ (9,514,451)	\$ (9,551,027)	\$ (9,677,729)	\$ (9,549,718)

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues And Other Changes In Net Position										
Governmental Activities:										
Property Taxes Levied For General Purposes, Net	\$ 5,932,244	\$ 6,169,533	\$ 6,348,953	\$ 7,706,177	\$ 7,993,671	\$ 8,018,172	\$ 8,178,510	\$ 8,339,428	\$ 8,501,764	\$ 8,496,908
Taxes Levied For Debt Service	148,723	86,275	87,598	88,663	89,463	95,000	77,468	69,327	85,292	58,218
State Aid - Levied For Debt Service	9,711									
Federal And State Aid - Unrestricted	1,500,660	1,565,229	1,756,100	1,686,223	1,428,528	1,673,117	1,341,900	1,343,148	1,355,507	1,356,499
Investment Earnings	28,589	15,815	8,764	9,725	7,054	6,832	3,544	4,054	5,842	6,127
Miscellaneous Income	77		3,507	1,279	1,974	4,418	32,005	53,877	43,893	35,734
Donated Capital Assets										4,299
Transfers	(19,764)	-	(7,508)	(4,000)	(9,000)	(14,000)	(19,000)	(12,500)	(10,000)	-
Total Governmental Activities	7,600,240	7,836,852	8,197,414	9,488,067	9,511,690	9,783,539	9,614,427	9,797,334	9,982,298	9,957,785
Business-Type Activities:										
Investment Earnings	1,536	769	225	817	249	305	88	73	64	79
Transfers	19,764	-	7,508	4,000	9,000	2,000	9,000	12,500	10,000	-
Total Business-Type Activities	21,300	769	7,733	4,817	9,249	2,305	9,088	12,573	10,064	79
Total District-Wide	\$ 7,621,540	\$ 7,837,621	\$ 8,205,147	\$ 9,492,884	\$ 9,520,939	\$ 9,785,844	\$ 9,623,515	\$ 9,809,907	\$ 9,992,362	\$ 9,957,864
Change In Net Position										
Governmental Activities	\$ 211,728	\$ 338,472	\$ (134,466)	\$ 572,127	\$ (29,279)	\$ 421,269	\$ 105,678	\$ 260,196	\$ 320,117	\$ 400,013
Business-Type Activities	3,637	9,694	503	5,273	(8,420)	(5,109)	3,386	(1,316)	(5,484)	8,133
Total District	\$ 215,365	\$ 348,166	\$ (133,963)	\$ 577,400	\$ (37,699)	\$ 416,160	\$ 109,064	\$ 258,880	\$ 314,633	\$ 408,146

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)**

(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$ 372,256	\$ 404,418	\$ 481,208	\$ 589,987						
Unreserved	168,287	297,458	8,055	14,709						
Nonspendable					\$ 11,666					
Restricted					568,205	683,784	\$ 918,039	\$ 938,045	\$ 1,020,617	\$ 1,464,506
Committed					48,457	418,087	52,878			
Assigned						123,467		26,735	28,577	45,299
Unassigned					60,977	39,504	68,673	60,771	59,140	59,022
Total General Fund	<u>\$ 540,543</u>	<u>\$ 701,876</u>	<u>\$ 489,263</u>	<u>\$ 604,696</u>	<u>\$ 689,305</u>	<u>\$ 1,264,842</u>	<u>\$ 1,039,590</u>	<u>\$ 1,025,551</u>	<u>\$ 1,108,334</u>	<u>\$ 1,568,827</u>
All Other Governmental Funds										
Reserved			\$ 591,334	\$ 40,441						
Restricted						\$ 38,218	\$ 38,219	\$ 239,347	\$ 395,031	\$ 40,474
Unreserved	\$ 2	\$ 2	(601,634)	(615,816)						
Unassigned					\$ (595,161)	-				
Total All Other Governmental Funds	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ (10,300)</u>	<u>\$ (575,375)</u>	<u>\$ (595,161)</u>	<u>\$ 38,218</u>	<u>\$ 38,219</u>	<u>\$ 239,347</u>	<u>\$ 395,031</u>	<u>\$ 40,474</u>

Beginning with Fiscal Year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. The Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Reclassifications of prior year fund balance amounts to comply with Statement No. 54 is not required.

FRANKFORD TOWNSHIP BOARD OF EDUCATION
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Unaudited)
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax Levy	\$ 6,080,967	\$ 6,255,808	\$ 6,436,551	\$ 7,794,840	\$ 8,083,134	\$ 8,113,172	\$ 8,255,978	\$ 8,408,755	\$ 8,587,056	\$ 8,555,126
Tuition Charges	989,522	1,143,802	888,341	49,503	6,269	50,259				
Transportation	74,987	90,623	71,468	2,455						
Interest Earnings	28,589	15,814	8,764	9,725	7,054	6,832	3,544	4,054	5,842	6,127
Miscellaneous	1,098	4,847	4,507	3,285	8,687	4,418	32,005	54,060	44,519	82,145
State Sources	3,361,797	3,448,185	2,962,448	3,391,376	2,824,706	3,185,874	3,136,952	3,058,281	3,122,242	3,396,963
Federal Sources	196,826	192,656	228,314	371,473	211,733	338,456	225,122	205,327	271,556	236,349
Total Revenue	10,733,786	11,151,735	10,600,393	11,622,657	11,141,583	11,699,011	11,653,601	11,730,477	12,031,215	12,276,710
Expenditures										
Instruction										
Regular Instruction	4,914,728	4,973,361	4,880,358	5,104,712	4,786,087	4,999,883	5,090,542	4,916,839	5,351,788	5,231,943
Special Education Instruction	1,263,874	1,350,887	1,399,204	1,491,701	1,757,078	1,938,548	1,997,813	1,768,156	1,887,122	1,719,057
Other Instruction	311,697	223,348	247,595	335,963	418,100	295,822	410,291	544,544	423,315	500,790
School Sponsored Activities And Athletics	77,331	73,569	139,834	104,501	82,843	72,894	104,678	87,743	96,741	117,530
Support Services:										
Student & Inst. Related Services	1,111,633	1,137,617	1,154,671	1,158,528	1,142,993	1,214,671	1,201,380	1,236,368	1,203,755	1,161,565
General Administration	357,679	382,489	307,806	338,503	324,962	329,924	337,213	372,785	348,956	366,512
School Administration Services	311,614	314,453	308,976	338,622	309,469	325,497	340,449	310,006	320,749	336,748
Business / Central Services	282,589	300,042	311,530	338,442	320,426	350,761	360,293	386,034	404,093	420,636
Plant Operations And Maintenance	865,588	1,019,553	879,697	867,092	941,013	895,719	793,102	954,403	906,236	1,055,556
Pupil Transportation	829,580	845,717	888,466	744,168	768,310	565,241	538,903	508,196	504,881	530,109
Capital Outlay	173,852	269,745	210,063	1,192,543	152,333	757,835	579,473	234,268	189,116	530,258
Debt Service:										
Principal	140,411	82,085	75,000	88,201	121,375	44,452	174,075	168,600	149,299	172,022
Interest And Other Charges	24,760	17,536	12,600	9,810	11,367	10,098	51,437	42,946	31,697	28,048
Total Expenditures	10,665,336	10,990,402	10,815,800	12,112,786	11,136,356	11,801,345	11,979,649	11,530,888	11,817,748	12,170,774
Excess (Deficiency) Of Revenues										
Over (Under) Expenditures	68,450	161,333	(215,407)	(490,129)	5,227	(102,334)	(326,048)	199,589	213,467	105,936
Other Financing Sources (Uses)										
Proceeds From Borrowing						1,313,495				
Capital Leases (Non-Budgeted)				48,537	77,763	11,755	119,597		35,000	
Transfers In						78,923		280,524	165,589	
Transfers Out	(19,764)	-	(7,508)	(8,050)	(18,167)	(92,923)	(19,000)	(293,024)	(175,589)	-
Total Other Financing Sources (Uses)	(19,764)	-	(7,508)	40,487	59,596	1,311,250	100,597	(12,500)	25,000	-
Net Change In Fund Balances	\$ 48,686	\$ 161,333	\$ (222,915)	\$ (449,642)	\$ 64,823	\$ 1,208,916	\$ (225,451)	\$ 187,089	\$ 238,467	\$ 105,936
Debt Service As A Percentage Of										
Noncapital Expenditures	1.57%	0.93%	0.83%	0.90%	1.21%	0.49%	1.98%	1.87%	1.56%	1.72%

* Noncapital expenditures are total expenditures less capital outlay.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST TEN YEARS
(Unaudited)**

Fiscal Year Ended <u>June 30,</u>	<u>Interest Earned</u>	<u>Misc.</u>	<u>Total</u>
2007	\$ 28,589	\$ 1,098	\$ 29,687
2008	15,814		15,814
2009	8,764	3,507	12,271
2010	9,725	1,279	11,004
2011	7,054	1,974	9,028
2012	6,832	4,418	11,250
2013	3,544	32,005	35,549
2014	4,054	53,877	57,931
2015	5,842	43,893	49,735
2016	6,127	35,734	41,861

FRANKFORD TOWNSHIP BOARD OF EDUCATION
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Fiscal Year Ended June 30,	Vacant Land	Residential	Farm Reg.	Qfarm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities	Net Valuation Taxable	Estimated Actual (County Equalized) Value	Total Direct School Tax Rate ^a
2007	\$ 17,333,700	\$ 329,339,764	\$ 45,589,000	\$ 2,405,300	\$ 36,519,500	\$ 2,989,600	\$ 485,500	\$ 434,662,364	\$ 1,608,552	\$ 436,270,916	\$ 824,933,148	\$ 1.42
2008 (A)	42,074,100	735,232,100	95,578,500	3,324,400	71,902,900	6,335,800	1,075,900	955,523,700	3,202,525	958,726,225	918,469,471	0.66
2009	39,020,900	731,711,400	98,406,200	3,416,800	71,526,000	6,335,800	1,075,900	951,493,000	2,746,065	954,239,065	969,749,412	0.69
2010	36,262,400	733,931,900	97,248,900	3,342,100	70,748,400	6,548,400	1,075,900	949,158,000	2,440,197	951,598,197	929,177,524	0.71
2011	34,353,400	734,220,600	98,825,200	3,292,400	69,990,600	6,548,400	1,075,900	948,306,500	2,337,823	950,644,323	886,165,997	0.74
2012	32,016,200	734,356,000	98,293,600	3,105,000	63,247,500	6,414,300	1,075,900	938,508,500	2,230,757	940,739,257	862,469,699	0.74
2013 (B)	18,976,800	559,837,200	72,998,200	3,249,500	60,275,700	5,529,600	880,200	721,747,200	2,033,198	723,780,398	792,810,574	0.98
2014	17,333,200	565,528,300	69,949,600	3,999,800	59,828,300	5,529,600	880,200	723,049,000	1,811,215	724,860,215	845,128,593	1.000
2015	17,180,700	570,042,100	71,069,100	3,065,400	59,064,500	5,529,600	841,700	726,793,100	1,183,338	727,976,438	825,685,795	1.008
2016	16,952,900	577,131,100	66,649,100	3,008,700	59,222,500	5,529,600	841,700	729,335,600	2,049,219	731,384,819	824,978,449	1.024

Source: County Abstract of Ratables

(A) The Township undertook a revaluation of real property which became effective in the year 2008.

(B) The Township undertook a reassessment of real property which became effective in the year 2013.

^a Tax rates are per \$100

N/A = Not Available

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

Calendar Year		<u>Overlapping Rates</u>			Total Direct and Overlapping Tax Rate	
		<u>Total Direct School Tax Rate</u>	<u>Regional School District</u>	<u>Municipality</u>		<u>County</u>
2007		1.42	1.01	0.38	0.77	3.58
2008	(A)	0.66	0.47	0.20	0.37	1.70
2009		0.69	0.49	0.20	0.39	1.77
2010		0.71	0.48	0.22	0.39	1.80
2011		0.74	0.50	0.21	0.41	1.86
2012		0.74	0.53	0.22	0.42	1.92
2013	(B)	0.98	0.71	0.35	0.49	2.54
2014		1.00	0.70	0.37	0.55	2.62
2015	(C)	1.008	0.649	0.35	0.556	2.563
2016	(C)	1.024	0.598	0.366	0.588	2.576

(A) The Township undertook a revaluation of real property which became effective in the year 2008.

(B) The Township undertook a reassessment of real property which became effective in the year 2013.

(C) The Frankford direct school tax rate has been included on the County of Sussex Abstract of Ratables with the High School Regional School District tax rate due to the merger with the Frankford School District and the Branchville School District. The direct school tax rate was calculated by dividing the calendar year tax levy of the District by the calendar year assessed valuation.

Source: County Abstract of Ratables

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

Taxpayer	2016		2007	
	Taxable Assessed Value	% of Total District Net Assessed Value	Taxable Assessed Value	% of Total District Net Assessed Value
129 Morris Turnpike Realty, LLC	\$ 6,500,000	0.89%		
Skylands Park Management, Inc			\$ 3,437,600	0.80%
Sussex County Farm & Horse Show	2,713,000	0.37%	1,268,700	0.29%
Visions Federal Credit Union	2,419,600	0.33%		
Branchville Manor	2,362,900	0.32%		
United Telephone Co	2,049,219	0.28%	1,608,552	0.37%
Individual	1,987,500	0.27%	1,627,500	0.38%
Skylands Stadium, LLC	1,600,000	0.22%		
Individual	1,339,900	0.18%		
One to One LLC	1,352,400	0.18%		
Kymers Campground, Inc	1,346,900	0.18%	1,247,000	0.29%
Toll NJ IV, LP			3,411,800	0.79%
Tri-Co Federal Credit Union			1,225,000	0.28%
Individual			1,324,600	0.31%
Individual			1,175,700	0.27%
Clemrose Properties, Inc.			1,207,000	0.28%
	<u>\$ 23,671,419</u>	<u>3.24%</u>	<u>\$ 17,533,452</u>	<u>4.06%</u>

Source: Municipal Tax Assessor

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year Ended June 30,	School Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years
		Amount	Percentage of Levy	
2007	\$ 6,080,967	\$ 6,030,967	99.18%	\$ 50,000
2008	6,255,808	6,255,808	100.00%	
2009	6,436,551	6,436,551	100.00%	
2010 (A)	7,794,840	7,794,840	100.00%	
2011	8,083,134	8,012,143	99.12%	70,991
2012	8,113,172	8,113,172	100.00%	
2013	8,255,978	8,255,978	100.00%	
2014	8,408,755	8,408,755	100.00%	
2015	8,587,056	8,587,056	100.00%	
2016	8,555,126	8,555,126	100.00%	

Note (A) Beginning in the fiscal year ended June 30, 2010, the District's tax levy and collections include the taxes of the Branchville Borough School District (nonoperating) which was merged with the Frankford Township Board of Education.

FRANKFORD TOWNSHIP BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

<u>Governmental Activities</u>					
<u>Fiscal Year Ended June 30,</u>	<u>General Obligation Bonds</u>	<u>Capital Leases</u>	<u>Total District</u>	<u>Population</u>	<u>Per Capita</u>
2007	\$ 310,000	\$ 12,085	\$ 322,085	5,609	\$ 57
2008	240,000		240,000	5,612	43
2009	165,000		165,000	5,595	29
2010	85,000	40,336	125,336	5,566	23
2011		81,724	81,724	5,542	15
2012	550,000	812,522	1,362,522	5,515	247
2013	480,000	828,044	1,308,044	5,490	238
2014	405,000	734,444	1,139,444	5,477	208
2015	325,000	700,145	1,025,145	5,435	189
2016	245,000	608,123	853,123	5,435	* 157

* Estimate

Source: District records

FRANKFORD TOWNSHIP BOARD OF EDUCATION
RATIOS OF NET GENERAL OBLIGATION DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30,	General Obligation Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Actual Taxable Value ^a of Property	Per Capita ^b
	General Obligation Debt	Deductions			
2007	310,000		310,000	0.07%	55
2008	240,000		240,000	0.03%	43
2009	165,000		165,000	0.02%	29
2010	85,000		85,000	0.01%	15
2011			-	0.00%	-
2012	550,000		550,000	0.06%	100
2013	480,000		480,000	0.07%	87
2014	405,000		405,000	0.06%	74
2015	325,000	25,915	299,085	0.04%	55
2016	245,000		245,000	0.03%	45

Source: District records

Notes:

a See Exhibit J-6 for property tax data.

b See Exhibit J-14 for population data.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
(Unaudited)**

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Municipal Debt: (1)			
Frankford Township Board of Education	\$ 245,000	\$ 245,000	
Township of Frankford	<u>1,859,801</u>	<u>-</u>	<u>\$ 1,859,801</u>
	<u>\$ 2,104,801</u>	<u>\$ 245,000</u>	<u>1,859,801</u>
Overlapping Debt Apportioned to the Municipality:			
Sussex County:			
County of Sussex (A)			<u>5,502,625</u>
			<u>5,502,625</u>
 Total Direct and Overlapping Debt			 <u>\$ 7,362,426</u>

Source:

(1) Township of Frankford's 2015 Annual Debt Statement

(A) The debt for this entity was apportioned to the Township of Frankford by dividing the municipality's 2015 equalized value by the total 2015 equalized value for Sussex County.

FRANKFORD TOWNSHIP BOARD OF EDUCATION
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2016

	Equalized valuation basis
	2015 \$ 817,356,163
	2014 816,543,196
	2013 <u>839,143,355</u>
	<u>\$ 2,473,042,714</u>
Average equalized valuation of taxable property	\$ 824,347,571
Debt limit (3 % of average equalization value)	24,730,427
Total Net Debt Applicable to Limit	<u>245,000</u>
Legal debt margin	<u>\$ 24,485,427</u>

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit	\$ 21,624,086	\$ 24,366,632	\$ 26,837,104	\$ 27,971,456	\$ 27,744,038	\$ 26,728,973	\$ 25,958,172	\$ 25,536,625	\$ 25,040,933	\$ 24,730,427
Total net debt applicable to limit	-	-	777,723	777,723	777,723	698,800	628,800	405,000	325,000	245,000
Legal debt margin	\$ 21,624,086	\$ 24,366,632	\$ 26,059,381	\$ 27,193,733	\$ 26,966,315	\$ 26,030,173	\$ 25,329,372	\$ 25,131,625	\$ 24,715,933	\$ 24,485,427
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	2.90%	2.78%	2.80%	2.61%	2.42%	1.59%	1.30%	0.99%

Source: Annual Debt Statements

FRANKFORD TOWNSHIP BOARD OF EDUCATION
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Year</u>	<u>Population</u>	<u>County Per Capita Personal Income</u>	<u>Unemployment Rate</u>
2007	5,609	45,638	3.6%
2008	5,612	47,416	4.7%
2009	5,595	46,021	7.8%
2010	5,566	46,659	8.3%
2011	5,542	48,471	8.1%
2012	5,515	50,169	8.0%
2013	5,490	50,534	6.5%
2014	5,477	52,851	7.0%
2015	5,435	N/A	5.9%
2016	5,435	* N/A	N/A

Source: New Jersey State Department of Education

* Estimate
N/A - not available

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(Unaudited)**

<u>Employer</u>	<u>2016</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>	<u>Employees</u>	<u>Percentage of Total Municipal Employment</u>

NOT AVAILABLE

FRANKFORD TOWNSHIP BOARD OF EDUCATION
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST SEVEN FISCAL YEARS
(Unaudited)

<u>Function/Program</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction							
Regular	45.4	46.1	46.1	44.1	46.5	46.4	47.3
Special education	26.2	27.2	27.2	26.8	26.9	26.9	21.8
Other instruction	2.8	1.3	1.3	1.0	1.0	1.0	4.0
Support Services:							
Student & instruction related services	8.8	8.4	8.4	8.4	8.4	8.6	9.4
General administration services	1.9	2.0	2.0	2.0	1.9	1.9	1.9
School administrative services	4.3	3.2	3.2	3.2	3.2	3.2	3.2
Business / Central services	3.5	3.5	3.5	3.5	4.0	4.0	4.0
Plant operations and maintenance	7.0	6.0	6.0	6.0	6.0	6.0	6.4
Pupil transportation	2.9	2.8	2.9	2.3	2.7	2.7	2.8
Total	<u>102.8</u>	<u>100.5</u>	<u>100.6</u>	<u>97.3</u>	<u>100.6</u>	<u>100.7</u>	<u>100.8</u>

Source: District Personnel Records

Note:

GASB requires that ten years of statistical data be presented. As a result of the implementation of GASB No. 44 in fiscal year 2006 and the realignment of position classifications only five years of information is available. Each year thereafter, an additional year's data will be included until ten years of data is present.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
OPERATING STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

Fiscal Year	Enrollment ^a	Operating Expenditures ^b	Cost Per Pupil ^c	Percentage Change	Teacher/Pupil Ratio			Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
					Teaching Staff	Elementary	Middle School				
2007	734.0	10,326,313	14,069	2.66%	73	1:10	1:10	703.7	669.3	2.25%	95.11%
2008	690.0	10,621,036	15,393	9.41%	71	1:10	1:10	664.6	632.1	-5.56%	95.11%
2009	662.0	10,518,137	15,888	3.22%	71	1:10	1:10	631.6	601.7	-4.97%	95.27%
2010	630.0	10,822,232	17,178	8.12%	71	1:10	1:10	630.6	601.7	-0.16%	95.42%
2011	599.0	10,851,281	18,116	5.46%	73	1:08	1:08	593.6	565.4	-5.87%	95.25%
2012	582.0	10,988,960	18,881	4.23%	70	1:08	1:08	580.7	556.0	-2.17%	95.75%
2013	557.0	11,174,464	20,062	6.25%	69	1:08	1:08	547.4	524.7	-5.73%	95.85%
2014	556.0	11,085,074	19,937	-0.62%	70	1:08	1:08	553.1	531.7	1.03%	96.13%
2015	543.0	11,447,636	21,082	5.74%	69	1:08	1:08	540.2	517.9	-2.33%	95.87%
2016	526.0	11,440,446	21,750	3.17%	70	1:08	1:08	524.5	502.1	-2.91%	95.73%

Sources: District records

- Note:
- a Enrollment based on annual October district count.
 - b Operating expenditures equal total expenditures less debt service and capital outlay.
 - c Cost per pupil represents operating expenditures divided by enrollment.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>District Building</u>										
<u>Early Learning Center</u>										
Branchville School (1920)										
Square Feet	7,881	7,881	7,881	7,881	7,881	N/A	N/A	N/A	N/A	N/A
Capacity (students)	61	61	61	61	61	N/A	N/A	N/A	N/A	N/A
Enrollment	107	107	74	82	68	N/A	N/A	N/A	N/A	N/A
<u>Elementary/Middle School</u>										
Frankford Twp. School (1950)										
Square Feet	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459	90,459
Capacity (students)	636	636	636	636	636	636	636	636	636	636
Enrollment	627	625	570	580	531	580	557	556	543	526
<u>Early Learning Center</u>										
Modular Trailer (2014)										
Square Feet						1,357	1,357	1,357	1,357	1,357
Capacity (students)						44	44	44	44	44
Enrollment						N/A	N/A	N/A	N/A	N/A
<u>Other</u>										
Administration Building										
Square Feet	800	800	800	800	800	800	800	800	800	800
CST Trailor										
Square Feet	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	756	756
Number of Buildings at June 30, 2016										
Early Learning Center =	1									
Elementary/Middle =	1									
Other =	2									

Source: District Records

FRANKFORD TOWNSHIP BOARD OF EDUCATION
 GENERAL FUND
 SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
 LAST TEN YEARS
 (Unaudited)

School Facilities	Project # (s)	<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>
Frankford Township School	1560-050-03-0317	\$ 31,665	\$ 29,147	\$ 30,407	\$ 32,047	\$ 32,330	\$ 54,303	\$ 41,208	\$ 40,696	\$ 36,069	\$ 39,462
Branchville Annex	NA	<u>5,833</u>	<u>9,210</u>	<u>9,412</u>	<u>13,031</u>	<u>9,153</u>	-	-	-	-	-
Total School Facilities		<u>\$ 37,498</u>	<u>\$ 38,357</u>	<u>\$ 39,819</u>	<u>\$ 45,078</u>	<u>\$ 41,483</u>	<u>\$ 54,303</u>	<u>\$ 41,208</u>	<u>\$ 40,696</u>	<u>\$ 36,069</u>	<u>\$ 39,462</u>

Source: District Records

FRANKFORD TOWNSHIP BOARD OF EDUCATION
INSURANCE SCHEDULE
JUNE 30, 2016
(Unaudited)

School Alliance Insurance Fund is a Joint Insurance Fund pursuant to N.J.S.A. 18A-18B-1 et. Seq.
 Policy numbers are not available for Joint Insurance Fund documents as they are written in blanket form.

	Coverage	Deductible
School Package Policy – School Alliance Insurance Fund	\$ 250,000,000	\$ 2,500
Building & Personal Property		
Inland Marine – Auto Physical Damage		
General Liability including Auto, Employee Benefits		
Each Occurrence	5,000,000	
General Aggregate (Fund)	100,000,000	
Product/Completed Ops		
Personal Injury		
Fire Damage	2,500,000	
Medical Expenses		
(excluding students taking part in athletics)	10,000	
Automobile Coverage		
Combined Single Limit		
Hired/Non-owned		
Environmental Impairment Liability	\$1,000,000/\$25,000,000 Fund Agg.	10,000
Crime Coverage	\$50,000 Inside/Outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Boiler & Machinery	100,000,000	2,500
Excess Liability (AL/GL)	10,000,000	
School Board Legal	\$ 5,000,000/\$5,000,000	5,000
Excess SLPL	\$10,000,000/\$10,000,000	
Workers' Compensation	Statutory	
Employer's Liability	5,000,000	
Supplemental Indemnity	Statutory	
Bond for School Administrator	\$25,000 Selective Insurance	
Bond for Treasurer of School Monies	\$190,000 Selective Insurance	
Student Accident	All students 1,000,000 limit 5yr benefit	Full Excess

Pursuant to N.J.S.A. 18A-18B-1 et. seq and corresponding regulations, fund years that are eligible for returns will be examined annually after the annual audit for the eligible years.

As of the date of this audit schedule, there is no need to additionally assess the members of SAIF for any past year, although all SAIF years remain open until all claims are satisfied.

A current list of insurance related claims including the payments made by SAIF is on file with the District and not for public record as some claims are currently in or involving litigation or settlement.

Source: District Records

SINGLE AUDIT SECTION



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-1

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLOSI, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Frankford Township Board of Education
Branchville, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frankford Township Board of Education as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Frankford Township Board of Education's basic financial statements and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

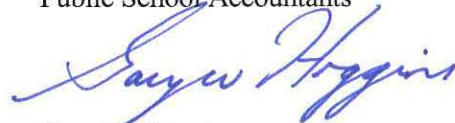
As part of obtaining reasonable assurance about whether the Frankford Township Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Frankford Township Board of Education'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 Frankford Township Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
October 10, 2016



LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

EXHIBIT K-2

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA
ROBERT AMPONSAH, CPA

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

INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Trustees
Frankford Township Board of Education
Branchville, New Jersey

Report on Compliance for Each Major State Program

We have audited the Frankford Township Board of Education's compliance with the types of compliance requirements described in the New Jersey OMB Circular 15-08 State Aid/Grant Compliance Supplement that could have a direct and material effect on each of the Frankford Township Board of Education's major state programs for the fiscal year ended June 30, 2016. The Frankford Township Board of Education's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Frankford Township Board of Education's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. Those standards, and New Jersey Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Frankford Township Board of Education'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 Frankford Township Board of Education's compliance.

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

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

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

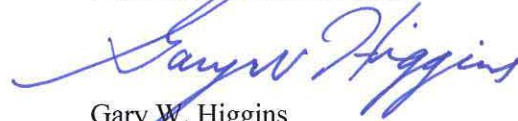
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by New Jersey OMB Circular 15-08

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Frankford Township Board of Education, as of and for the fiscal year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the Board of Education's basic financial statements. We issued our report thereon dated October 10, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of state financial assistance as required by New Jersey OMB Circular 15-08 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
October 10, 2016

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

Federal/Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2015			Def Rev Carryover Amount	A/R Carryover Amount	Cash Received	Budgetary Expenditures	Adjustment	Balance at June 30, 2016			Memo GAAP Receivable
						(Account Receivable)	Unearned Revenue	Due to Grantor						(Account Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture																	
Passed-through State Department of Education																	
Enterprise Fund																	
National School Lunch Program																	
Non Cash Assistance (Food Distr.)	10.555	1616NJ304N1099	N/A	7/1/15-6/30/16	\$ 11,306					\$ 11,306	\$ 8,908			\$ 2,398			
Non Cash Assistance (Food Distr.)	10.555		N/A	7/1/14-6/30/15	12,474		\$ 2,639				2,639						
Cash Assistance	10.555	1616NJ304N1099	N/A	7/1/15-6/30/16	37,201					35,920	37,201		\$ (1,281)			\$ (1,281)	
Cash Assistance	10.555		N/A	7/1/14-6/30/15	38,833	(2,882)	-	-	-	2,882	-	-	-	-	-	-	
Total Child Nutrition Cluster																	
Total U.S. Department of Agriculture - Enterprise Fund						(2,882)	2,639	-	-	-	50,108	48,748	-	(1,281)	2,398	-	(1,281)
U.S. Department of Education																	
Passed-through State Department of Education																	
Special Revenue																	
IDEA Part B Basic	84.027		FT-1560-03C	7/1/14-6/30/15	146,654	(68,247)					68,247						
IDEA Part B Basic	84.027	H027A150100	FT-1560-03C	7/1/15-6/30/16	150,325					106,977	150,325		(43,348)			(43,134)	
IDEA Part B Preschool	84.173	H173A150114	PS-1560-03C	7/1/15-6/30/16	6,805					6,598	6,605		(207)	200		(6)	
IDEA Part B Preschool	84.173		PS-1560-03C	7/1/14-6/30/15	6,683	(246)				246	-						
Total Special Education Cluster (IDEA)											156,930						
Title I	84.010A	S010A150050	NCLB-1560-03	7/1/15-6/30/16	34,325			\$ 7,235	\$ (7,235)	16,663	33,251		(24,897)	8,309		(16,588)	
Title I	84.010A		NCLB-1560-03	7/1/14-6/30/15	26,901	(22,398)	7,235		(7,235)	15,163						-	
Title IIA	84.367A	S367A150029	NCLB-1560-03	7/1/15-6/30/16	19,508			2,108	(2,108)	7,490	16,420		(14,126)	5,196		(8,930)	
Title IIA	84.367A		NCLB-1560-03	7/1/14-6/30/15	19,689	(21,118)	2,108		(2,108)	2,108	19,010					-	
Rural Education Achievement Program	84.358B	S358B150030	S358A127938	7/1/15-9/30/16	40,311					28,801	20,218		(11,510)	20,093		-	
Rural Education Achievement Program	84.358B		S358A127938	7/1/13-9/30/14	40,450	(15,292)				15,292						-	
Rural Education Achievement Program	84.358B		S358A127938	7/1/14-9/30/15	40,486	(37,586)	9,745	\$ -	-	37,586	9,745	\$ -	-	-	-	-	
Total U.S. Department of Education - Special Revenue Fund						(164,887)	19,088	-	-	-	322,073	236,564	-	(94,088)	33,798	-	(68,658)
Total Federal Financial Awards						\$ (167,769)	\$ 21,727	\$ -	\$ -	\$ -	\$ 372,181	\$ 285,312	\$ -	\$ (95,369)	\$ 36,196	\$ -	\$ (69,939)

110

FAIN numbers are only applicable for current year grant awards.

This schedule was not subject to Single Audit in accordance with U.S. Uniform Guidance.

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period	Balance at June 30, 2015			Balance at June 30, 2016			Memo		
				(Accounts Receivable)	Unearned Revenue	Cash Received	Budgetary Expenditures	(Accounts Receivable)	Unearned Revenue	Due to Grantor	GAAP Receivable	Combined Total Expenditures
State Department of Education												
General Fund												
Special Educational Categorical Aid	16-495-034-5120-089	\$ 304,588	7/1/15-6/30/16			\$ 274,132	\$ 304,588	\$ (30,456)			\$ 304,588	
Special Educational Categorical Aid	15-495-034-5120-089	304,588	7/1/14-6/30/15	\$ (30,456)		30,456						
Adjustment Aid	16-495-034-5120-085	1,346,579	7/1/15-6/30/16			1,211,934	1,346,579	(134,645)			1,346,579	
Adjustment Aid	15-495-034-5120-085	1,346,579	7/1/14-6/30/15	(134,645)		134,645						
Security Aid	16-495-034-5120-084	42,195	7/1/15-6/30/16			37,976	42,195	(4,219)			42,195	
Security Aid	15-495-034-5120-084	42,195	7/1/14-6/30/15	(4,219)		4,219						
PARCC Readiness	16-495-034-5120-098	4,960	7/1/15-6/30/16			4,464	4,960	(496)			4,960	
PARCC Readiness	15-495-034-5120-098	4,960	7/1/14-6/30/15	(496)		496						
Per Pupil Growth Aid	16-495-034-5120-097	4,960	7/1/15-6/30/16			4,464	4,960	(496)			4,960	
Per Pupil Growth Aid	15-495-034-5120-097	4,960	7/1/14-6/30/15	(496)		496						
Total State Aid - Public Cluster							1,703,282					
Transportation Aid	16-495-034-5120-014	254,895	7/1/15-6/30/16			229,408	254,895	(25,487)			254,895	
Transportation Aid	15-495-034-5120-014	254,895	7/1/14-6/30/15	(25,487)		25,487						
Additional NonPublic Transportation Aid	16-495-034-5120-014	4,821	7/1/15-6/30/16				4,821	(4,821)		\$ (4,821)	4,821	
Additional NonPublic Transportation Aid	15-495-034-5120-014	4,939	7/1/14-6/30/15	(4,939)		4,939						
Total Transportation Aid Cluster							259,716					
Extraordinary Aid	16-100-034-5120-044	60,861	7/1/15-6/30/16				60,861	(60,861)			60,861	
Extraordinary Aid	15-100-034-5120-473	57,841	7/1/14-6/30/15	(57,841)		57,841						
TPAF Social Security Contrib.	15-495-034-5094-003	375,194	7/1/14-6/30/15	(19,087)		19,087						
TPAF Social Security Contrib.	16-495-034-5094-003	365,023	7/1/15-6/30/16			345,663	365,023	(19,360)		(19,360)	365,023	
TPAF Pension - NCGI	16-495-034-5094-004	18,961	7/1/15-6/30/16			18,691	18,961				18,961	
TPAF Pension - Normal Cost	16-495-034-5094-002	380,640	7/1/15-6/30/16			380,640	380,640				380,640	
TPAF Pension PRM Contr.	16-495-034-5094-001	475,815	7/1/15-6/30/16			475,815	475,815				475,815	
Total General Fund				(277,666)	-	3,260,853	3,264,298	(280,841)	-	-	(24,181)	3,264,298
Capital Projects Fund												
New Jersey Schools Development Authority												
Multi-Purpose Room HVAC Installation	1560-050-14-1001 G-04	59,798	7/1/13-6/30/14	(59,798)	44,498		44,498	(59,798)			44,498	
Installation of Air Conditioning Units Wings A&B	1560-050-14-1002 G-04	103,790	7/1/13-6/30/14	(103,790)	91,187	103,790	91,187	-			91,187	
Total School Development Authority Cluster							135,685					
Total Capital Projects Fund				(163,588)	135,685	103,790	135,685	(59,798)	-	-	-	135,685
Enterprise Fund												
Nat'l Sch. Lunch Prog (State Share)	16-100-010-3350-023	1,666	7/1/15-6/30/16			1,606	1,666	(60)			(60)	1,666
Nat'l Sch. Lunch Prog (State Share)	15-100-010-3350-023	1,716	7/1/14-6/30/15	(163)		163						
Total Enterprise Fund				(163)	-	1,769	1,666	(60)	-	-	(60)	1,666
Total State Financial Assistance				(441,417)	135,685	3,366,412	3,401,649	(340,699)	-	-	(24,241)	3,401,649
State Financial Assistance Not Subject to Single Audit Determination												
General Fund												
TPAF Pension - NCGI	16-495-034-5094-004	18,961	7/1/15-6/30/16			(18,691)	(18,961)				(18,961)	
TPAF Pension - Normal Cost	16-495-034-5094-002	380,640	7/1/15-6/30/16			(380,640)	(380,640)				(380,640)	
TPAF Pension PRM Contr.	16-495-034-5094-001	475,815	7/1/15-6/30/16			(475,815)	(475,815)				(475,815)	
Total State Financial Assistance Subject to Single Audit				\$ (441,417)	\$ 135,685	\$ 2,491,266	\$ 2,526,233	\$ (340,699)	\$ -	\$ -	\$ (24,241)	\$ 2,526,233

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
 NOTES TO THE SCHEDULES OF EXPENDITURES OF
 FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

NOTE 1 GENERAL

The accompanying schedules present the activity of all federal and state financial assistance programs of the Frankford Township Board of Education. The Board of Education is defined in Note 1(A) to the Board's financial statements. All federal financial assistance received directly from federal agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedules are prepared and presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Notes 1(C) to the Board's financial statements. The information in these schedules is presented in accordance with the requirements of 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (U.S. Uniform Guidance) and New Jersey OMB Circular 15-08, “Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid”. Therefore, some amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 RELATIONSHIP TO FINANCIAL STATEMENTS

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is a decrease of \$3,020 for the general fund and a decrease of \$215 for the special revenue fund. See the Notes to Required Supplementary Information for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the Board’s financial statements on a GAAP basis as presented as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 3,261,278	\$ 3,261,278
Special Revenue Fund	\$ 236,349		236,349
Capital Projects Fund		135,685	135,685
Food Service Fund	<u>48,748</u>	<u>1,666</u>	<u>50,414</u>
Total Financial Assistance	<u>\$ 285,097</u>	<u>\$ 3,398,629</u>	<u>\$ 3,683,726</u>

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
NOTES TO THE SCHEDULES OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016****NOTE 4 RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules may not necessarily agree with the amounts reported in the related federal and state financial reports due to timing differences between the District's fiscal year and grant program years.

NOTE 5 OTHER INFORMATION

Revenues and expenditures reported under the Food Distribution Program as non-cash assistance represent current year value received and current year distributions, respectively. TPAF Social Security contributions in the amount of \$365,023 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2016. The amount reported as TPAF Pension System Contributions in the amount of \$399,601 and TPAF Post-Retirement Medical Benefits Contributions in the amount of \$475,815 represents the amount paid by the State on behalf of the District for the fiscal year ended June 30, 2016.

NOTE 6 ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions are not subject to a State single audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the District's financial statements and the amount subject to State single audit and major program determination.

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

Part I – Summary of Auditor’s Results

Financial Statement Section

Type of auditors' report issued on financial statements Unmodified

Internal control over financial reporting:

- 1) Material weaknesses identified? yes X no
- 2) Significant deficiencies identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to the basic financial statements noted? yes X no

Federal Awards Section - NOT APPLICABLE

State Awards Section

Internal Control over major programs:

- (1) Material weaknesses identified? yes X no
- (2) Significant deficiencies identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with N.J. Circular Letter 15-08? yes X no

Identification of major state programs:

GMIS Number(s)	Name of State Program
<u>16-495-034-5120-089</u>	<u>Special Education Categorical Aid</u>
<u>16-495-034-5120-084</u>	<u>Security Aid</u>
<u>16-495-034-5120-085</u>	<u>Adjustment Aid</u>
<u>16-495-034-5120-098</u>	<u>PARCC Readiness Aid</u>
<u>16-495-034-5120-097</u>	<u>Per Pupil Growth Aid</u>

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes no

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (CONT'D)**

Part 2 – Schedule of Financial Statement Findings

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

There are none.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016 (CONT'D)**

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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

CURRENT YEAR FEDERAL AWARDS

Not Applicable.

CURRENT YEAR STATE AWARDS

There are none.

**FRANKFORD TOWNSHIP BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 U.S. Uniform Guidance and New Jersey OMB's Circular 15-08.

STATUS OF PRIOR YEAR FINDINGS

There were none.