

**SCHOOL DISTRICT
OF THE
BOROUGH OF FRANKLIN LAKES**

**Borough of Franklin Lakes School District
Franklin Lakes, New Jersey**

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

**Comprehensive Annual
Financial Report**

of the

Borough of Franklin Lakes School District

Franklin Lakes, New Jersey

For the Fiscal Year Ended June 30, 2016

Prepared by

**Borough of Franklin Lakes School District
Board of Education**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
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INTRODUCTORY SECTION

FRANKLIN LAKES PUBLIC SCHOOLS

490 Pulis Avenue, Franklin Lakes, New Jersey 07417

(201) 891-1856 • (201) 891-9333
www.franklinlakes.k12.nj.us

Lydia E. Furnari, Ed.D.
Superintendent of Schools

Michael J. Solokas
*Board Secretary and
Business Administrator*

October 12, 2016

The Honorable President and Members of
the Board of Education
Borough of Franklin Lakes School District
County of Bergen, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Franklin Lakes School District (the "District") for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations 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 Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Borough of Franklin Lakes School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Franklin Lakes School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2015-2016 fiscal year with an average daily enrollment of 1,184 students, which is a decrease of 47 students from the previous fiscal year's average daily enrollment.

The Honorable President and Members of
the Board of Education
Borough of Franklin Lakes School District
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October 12, 2016

2) ECONOMIC CONDITION AND OUTLOOK: Standard & Poor's Ratings Services "AA+" rating reflects the District's sizable property tax base with no concentration among leading taxpayers. With good reserves and sound financial operations, the District's outlook remains very stable.

Enrollment continues to decline but at a much slower rate due to one already completed new housing development and another one with planned occupancy in late 2017 helping to stabilize the student base.

3) MAJOR INITIATIVES: During the fiscal year 2015-16, the Board increased the budget by an additional \$480,000 from the Capital Reserve to replace boilers at Colonial Road School. At June 30, 2016 year-end, the Capital Reserve was replenished with the return of the boiler replacement unexpended balance, interest earnings allocated, and a Board approved deposit. The District also completed plans for a 5 year Strategic Plan Initiative.

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of 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 awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

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

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 a vote of the Board of Education. 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 fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2016.

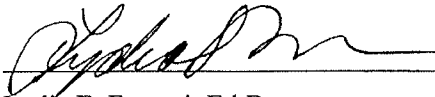
6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

The Honorable President and Members of
the Board of Education
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October 12, 2016

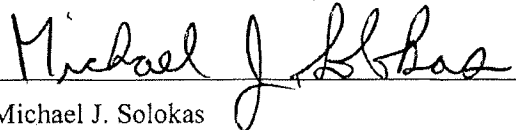
7) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors' reports related specifically to the single audit and *Government Auditing Standards* are included in the single audit section of this report.

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

Respectfully submitted,

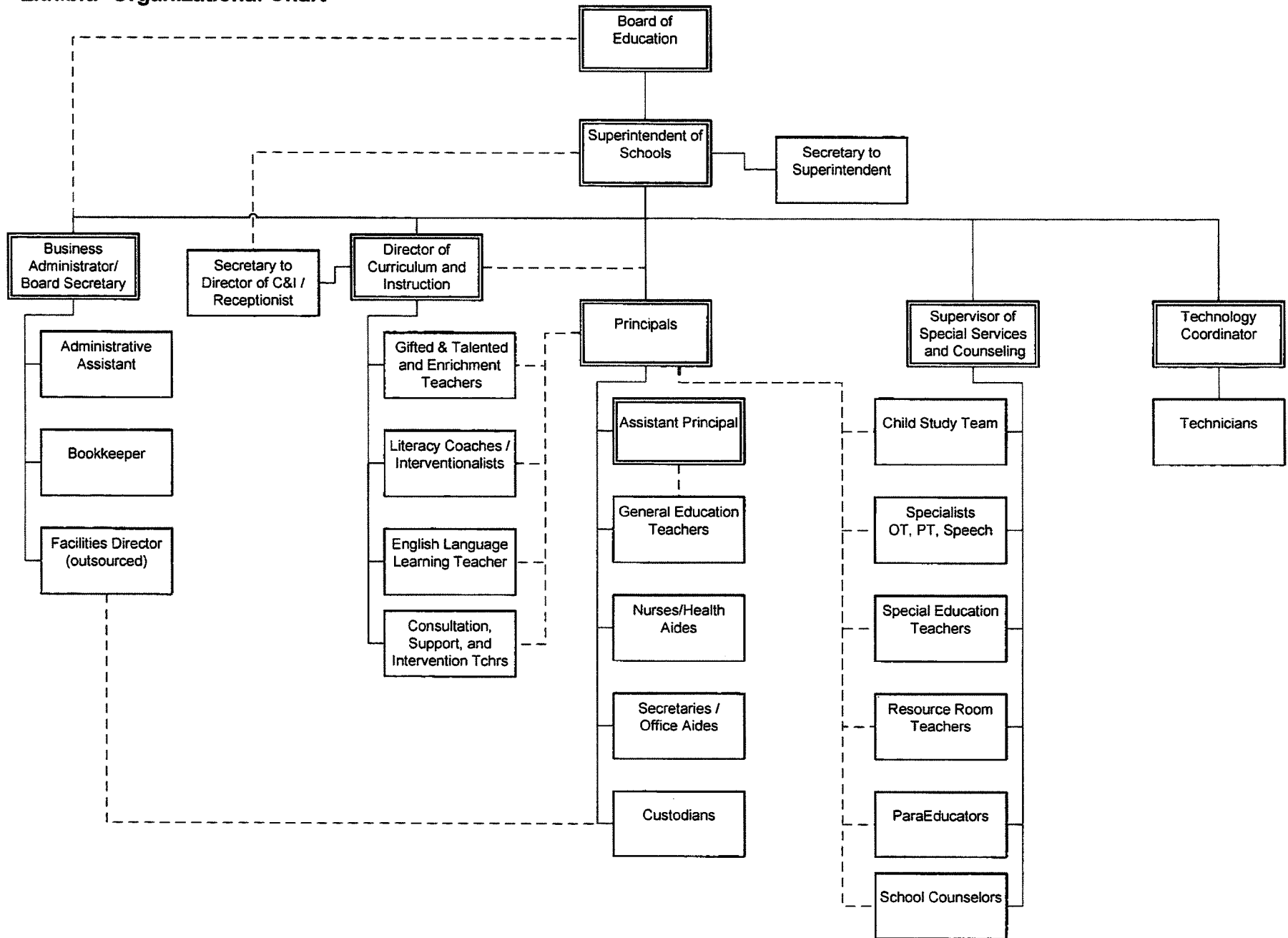


Lydia E. Furnari, Ed.D.
Superintendent



Michael J. Solokas
Business Administrator/Board Secretary

Exhibit: Organizational Chart



**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
 ROSTER OF OFFICIALS
 JUNE 30, 2016**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Jackie Veliky, President	2018
Kathleen Schwartz, Vice President	2016
Dr. Eileen Hansen	2018
Vicki Holst	2018
Peter Koulikourdis	2016
Amanda Krakowiak	2018
Dr. Jennifer Marcus	2017
Susan McGowan	2017
Joseph Rosano	2018

Other Officials

Title

Dr. Lydia E. Furnari	Superintendent of Schools
Michael J. Solokas	Board Secretary/School Business Administrator
Nancy Ciavaglia	Treasurer

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
Consultants and Advisors

Attorney

Fogarty & Hara
21-00 New Jersey 208 South
Fair Lawn, NJ 07410

Audit Firm

Nisivoccia LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856

Official Depository

Capital One Bank, N.A.
805 Franklin Lakes Road
Franklin Lakes, NJ 07417

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax

Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Franklin Lakes School District
 County of Bergen, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District (the "District") in the County of Bergen, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

The Honorable President and Members
of the Board of Education
Borough of Franklin Lakes School District
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District, in the County of Bergen, 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, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and the other information, such as the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards 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 supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Honorable President and Members
of the Board of Education
Borough of Franklin Lakes School District
Page 3

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Nisivoccia, LLP

NISIVOCCIA, LLP

Mount Arlington, New Jersey
October 12, 2016

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)**

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

This section of the Borough of Franklin Lakes School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's net position decreased \$416,467 during the fiscal year.
- Overall revenue was \$36,367,495.
- Overall expenditures were \$36,783,962.
- Actual local revenue was \$309,983 higher than expected, primarily in tuition and miscellaneous revenues.
- Unexpended budget appropriations in the General Fund were \$1,031,321.
- District enrollments, with the exception of 2008-09, have decreased annually over the past ten years causing increases in cost per pupil.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds statements* offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-1
Organization of the Borough of Franklin Lakes School District's Financial Report**

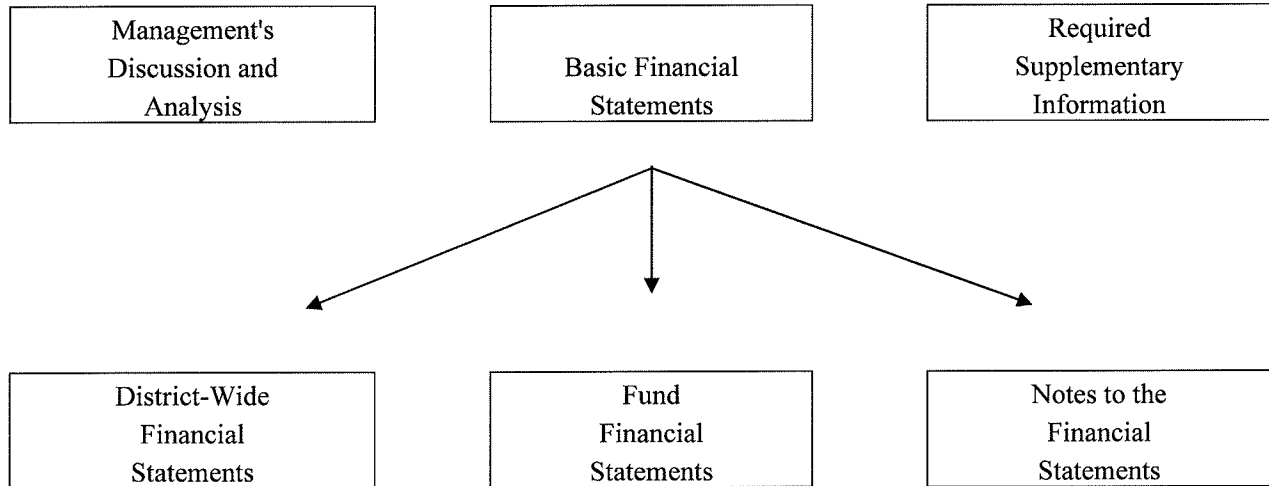


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses consist of the provision of milk services to students	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities are included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows, and liabilities – is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's Milk Service Fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The *internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for its other programs and activities. The District currently does not maintain any internal service funds.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Fund Financial Statements

- *Fiduciary funds:* The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements

Provide additional information essential to a full understanding of District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position was \$15,280,155 on June 30, 2016, \$416,467 or 2.65% less than it was the year before (See Figure A-3). Net Investment in Capital Assets decreased \$150,879, Restricted Net Position increased \$213,165, and Unrestricted Net Position (Deficit) decreased \$478,753.

**Figure A-3
Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016
Current and Other Assets	\$ 4,372,562	\$ 4,293,282	\$ 1,483	\$ 7,152	\$ 4,374,045	\$ 4,300,434	1.71%
Capital Assets, Net	22,215,933	22,978,403			22,215,933	22,978,403	-3.32%
Total Assets	26,588,495	27,271,685	1,483	7,152	26,589,978	27,278,837	-2.53%
Deferred Outflows of Resources	1,637,296	466,789			1,637,296	466,789	250.76%
Other Liabilities	676,196	442,434			676,196	442,434	52.84%
Long-Term Liabilities	12,149,033	11,282,082			12,149,033	11,282,082	7.68%
Total Liabilities	12,825,229	11,724,516			12,825,229	11,724,516	9.39%
Deferred Inflows of Resources	121,890	324,488			121,890	324,488	-62.44%
Net Position:							
Net Investment in Capital Assets	18,059,795	18,210,674			18,059,795	18,210,674	-0.83%
Restricted	3,352,028	3,138,863			3,352,028	3,138,863	6.79%
Unrestricted (Deficit)	(6,133,151)	(5,660,067)	1,483	7,152	(6,131,668)	(5,652,915)	-8.47%
Total Net Position	\$ 15,278,672	\$ 15,689,470	\$ 1,483	\$ 7,152	\$ 15,280,155	\$ 15,696,622	-2.65%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Figure A-4 represents the *Changes in Net Position*. The \$150,879 decrease in Net Investment in Capital Assets is the result of capital asset disposals, net of accumulated depreciation, of \$4,209, depreciation expense of \$906,740 and \$38,409 of deferred amount on refunding amortized, offset by the retirement of \$650,000 of bonds and \$148,479 of capital asset purchases. The \$213,165 increase in Restricted Net Position is due to a net increase in the capital reserve of \$113,165 and an increase in general fund excess surplus of \$100,000. The \$478,753 decrease in Unrestricted Net Position (Deficit) is due to \$998,425 of surplus used to support the 2015/2016 budget (including \$118,425 of prior fiscal year extraordinary aid authorized by Board resolution), prior year encumbrances appropriated of \$286,974, net increases in the capital reserve of \$113,165, capital leases of \$156,969 and the compensated absences liability of \$32,592, increases in general fund excess surplus of \$100,000 and state aid payments not recognized until the subsequent fiscal year of \$21,592, the change in net pension liability of \$1,382,678, and a decrease in the net position of the food service fund of \$5,669, offset by \$368,274 of local and state revenues in excess of budgeted amounts, \$10 of interest earned transferred from the capital projects fund, \$1,031,321 of unexpended budget appropriations, decreases in accrued interest payable of \$8,085 and unamortized bond issuance premiums of \$55,288, a budgeted increase in the capital reserve of \$1,800, and, with regard to pensions, changes in assumptions of \$533,757, changes in proportion of \$268,246, the difference between expected and actual experience of \$154,007, and investment gains of \$198,523.

**Figure A-4
Changes in Net Position from Operating Results**

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	Change 2015/2016
Revenue:							
Program Revenue:							
Charges for Services	\$ 2,084,151	\$ 1,828,064	\$ 3,908	\$ 8,799	\$ 2,088,059	\$ 1,836,863	13.68%
Grants/Contributions:							
Operating	8,441,077	6,939,275	6,968	7,083	8,448,045	6,946,358	21.62%
General Revenue:							
Property Taxes	25,533,099	25,177,461			25,533,099	25,177,461	1.41%
Federal/State Aid							
Not Restricted	54,985	54,386			54,985	54,386	1.10%
Other	243,307	260,129			243,307	260,129	-6.47%
Total Revenue	<u>36,356,619</u>	<u>34,259,315</u>	<u>10,876</u>	<u>15,882</u>	<u>36,367,495</u>	<u>34,275,197</u>	6.10%
Expenses:							
Instruction	23,978,159	21,162,404			23,978,159	21,162,404	13.31%
Pupil and Instruction							
Services	5,051,079	4,904,487			5,051,079	4,904,487	2.99%
Administrative and							
Business	2,972,606	2,801,650			2,972,606	2,801,650	6.10%
Maintenance and							
Operations	3,790,330	3,707,558			3,790,330	3,707,558	2.23%
Transportation	799,309	823,310			799,309	823,310	-2.92%
Other	175,934	193,186	16,545	14,071	192,479	207,257	-7.13%
Total Expenses	<u>36,767,417</u>	<u>33,592,595</u>	<u>16,545</u>	<u>14,071</u>	<u>36,783,962</u>	<u>33,606,666</u>	9.45%
Increase/(Decrease) in Net Position	<u>\$ (410,798)</u>	<u>\$ 666,720</u>	<u>\$ (5,669)</u>	<u>\$ 1,811</u>	<u>\$ (416,467)</u>	<u>\$ 668,531</u>	-162.30%

Revenue Sources. The District's total revenue for the 2015/2016 school year was \$36,367,495 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$25,533,099 of the total, or 70.21% (See Figure A-5). Another 23.38% came from state formula aid and state and federal aid for specific programs and the remaining 6.41% came from charges for services and miscellaneous sources.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

**Figure A-5
Sources of Revenue for Fiscal Years 2016 and 2015**

Sources of Income:	2016	Percentage	2015	Percentage
State Formula Aid	\$ 714,742	1.96%	\$ 719,473	2.10%
Property Taxes	25,533,099	70.21%	25,177,461	73.46%
Federal and State Categorical Grants	7,788,288	21.42%	6,281,271	18.32%
Charges for Services	2,088,059	5.74%	1,836,863	5.36%
Other	243,307	0.67%	260,129	0.76%
	<u>\$ 36,367,495</u>	<u>100.00%</u>	<u>\$ 34,275,197</u>	<u>100.00%</u>

The total cost of all programs and services was \$36,783,962. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (81.09%) (See Figure A-6). The District's administrative and business activities accounted for 8.08% of total costs. Maintenance and operations represented 10.31% of total costs. Other expenses include interest on long-term debt, unallocated depreciation and food services.

**Figure A-6
Expenses for Fiscal Years 2016 and 2015**

Expense Category:	2016	Percentage	2015	Percentage
Instruction	\$ 23,978,159	65.19%	\$ 21,162,404	62.97%
Pupil and Instruction Services	5,051,079	13.73%	4,904,487	14.59%
Administrative and Business	2,972,606	8.08%	2,801,650	8.34%
Maintenance and Operations	3,790,330	10.31%	3,707,558	11.03%
Transportation	799,309	2.17%	823,310	2.45%
Other	192,479	0.52%	207,257	0.62%
	<u>\$ 36,783,962</u>	<u>100.00%</u>	<u>\$ 33,606,666</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District decreased in this past year. Maintaining existing programs with decreasing regular pupil enrollment and the provision of a multitude of special programs and services for disabled pupils place great demands on the District's resources. Veteran teachers continue to retire and have been replaced by teachers of less experience. Such changes continue to generate salary savings.

Careful management of expenses remains essential for the District to sustain its financial health. The many significant cost savings actions realized during the year were attributable to:

- Standard practice has been to maintain lower costs by seeking competitive proposals each year and seeking opportunities for shared services by joining more Regional Co-ops to enhance purchasing power.
- The continued implementation of required employee contributions towards health care.

It is crucial that the District monitor its expenses carefully throughout the year. District resources are at their tightest level in a decade, while State aid has been significantly reduced in the last several years.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Governmental Activities

Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

**Figure A-7
Net Cost of Governmental Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2015/2016</u>	<u>2014/2015</u>	<u>2015/2016</u>	<u>2014/2015</u>
Instruction	\$ 23,978,159	\$ 21,162,404	\$ 14,413,849	\$ 13,263,123
Pupil and Instruction Services	5,051,079	4,904,487	4,644,713	4,512,752
Administrative and Business	2,972,606	2,801,650	2,559,445	2,475,497
Maintenance and Operations	3,790,330	3,707,558	3,790,330	3,707,558
Transportation	799,309	823,310	657,918	673,140
Other	175,934	193,186	175,934	193,186
	<u>\$ 36,767,417</u>	<u>\$ 33,592,595</u>	<u>\$ 26,242,189</u>	<u>\$ 24,825,256</u>

- The cost of all governmental activities this year was \$36,767,417.
- The federal and state governments subsidized certain programs with grants and contributions (\$8,496,062).
- Most of the District's costs (\$25,533,099) were financed by District taxpayers.
- Charges for services (tuition and transportation) totaled \$2,084,151.

Business-Type Activities

Net position from the District's business-type activity decreased by \$5,669 (Refer to Figure A-4). The decrease is attributable to a \$5,669 loss from operations. The loss is primarily due to a purchase of supplies intended to reduce the net position to a level that does not exceed (three months' average expenditures) state requirements.

Financial Analysis of the District's Funds

The District's financial position increased as a result of using existing surplus to fund operating budgets. Regeneration of surplus during continued difficult economic times has had a direct impact upon the District's revenue sources. Interest from General Fund investments improved but remained unfavorable as compared to years past.

These factors are likely to continue for the next few years. To maintain a stable financial position, the District must continue to practice sound fiscal management and seek alternative revenue sources such as grants and continued support from the Franklin Lakes Education Foundation.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments fall into three categories:

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2015/2016 budget was difficult as a result of rising costs and the state mandated 2% tax levy increase cap. This resulted in the need for numerous line item transfers during the year.
- Allowable appropriations of prior year extraordinary aid.

Capital Assets

Figure A-8

Capital Assets (Net of Depreciation)

	Governmental Activities		Total School District		Percentage
	2015/2016	2014/2015	2015/2016	2014/2015	Change 2015/2016
Land	\$ 1,809,389	\$ 1,809,389	\$ 1,809,389	\$ 1,809,389	0.00%
Construction in Progress	995,289	995,289	995,289	995,289	0.00%
Buildings and Building Improvements	18,853,082	19,673,411	18,853,082	19,673,411	-4.17%
Machinery and Equipment	558,173	500,314	558,173	500,314	11.56%
Total Capital Assets (Net of Depreciation)	\$22,215,933	\$22,978,403	\$22,215,933	\$22,978,403	-3.32%

The District had \$906,740 in depreciation expense, \$148,479 of capital additions and \$4,209 of capital disposals, net of accumulated depreciation, during the current fiscal year. More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements.

Long-term Liabilities

At year-end, the District had \$4,425,000 in general obligation bonds – a decrease of \$650,000 from last year – as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements.

Figure A-9

Outstanding Long-Term Liabilities

	Total School District		Percentage
	2015/2016	2014/2015	Change 2015/2016
General Obligation Bonds (Financed with Property Taxes)	\$ 4,425,000	\$ 5,075,000	-12.81%
Unamortized Bond Issuance Premiums	387,020	442,308	-12.50%
Net Pension Obligation	6,455,551	5,072,873	27.26%
Other Long Term Liabilities	881,462	691,901	27.40%
	\$ 12,149,033	\$ 11,282,082	7.68%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)**

Long-term Liabilities

- The District continued to pay down its existing debt, retiring \$650,000 of bonded debt and \$208,826 of capital leases payable.
- The District's net pension obligation increased by \$1,382,678.
- The District's compensated absences payable increased by the net amount of \$32,592.
- Unamortized bond issuance premiums decreased by \$55,288.
- The District's other long-term liabilities as of June 30, 2016 are comprised of payables for compensated absences and capital leases.

Factors Bearing on the District's Future Revenue/Expense Changes

Currently, the District remains in good financial condition. Franklin Lakes, along with over 500 other school districts in New Jersey, elected to move the election of its Board members to November and to keep its budget within the 2% CAP thereby eliminating the need for a public vote on the budget. The District currently has over \$1,000,000 in Banked Cap available for use in the next 3 budget cycles.

The primary factors considered by the District's Administration during the process of developing the fiscal year 2015-16 budget were the projected continuing declining student population and the required employee contribution towards health care costs. These factors enabled the District to remain under the 2% Cap without eliminating any programs although the employees have now reached Tier 4 level for their contributions so further increases could be limited.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and customers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 490 Pulis Avenue, Franklin Lakes, New Jersey 07417.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 1,397,387		\$ 1,397,387
Receivable from Federal Government		\$ 424	424
Receivable from State Government	205,092		205,092
Other Accounts Receivable	234,382		234,382
Internal Balances	(1,059)	1,059	
Interfund Receivables	84,732		84,732
Restricted Assets - Cash and Cash Equivalents:			
Emergency Reserve Account	100,000		100,000
Capital Reserve Account	2,352,028		2,352,028
Capital Assets:			
Land	1,809,389		1,809,389
Construction-in-Progress	995,289		995,289
Depreciable Buildings and Building Improvements and Machinery and Equipment	19,411,255		19,411,255
Total Assets	<u>26,588,495</u>	<u>1,483</u>	<u>26,589,978</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	268,862		268,862
Changes in Assumptions - Pensions	693,275		693,275
Changes in Proportion - Pensions	264,171		264,171
Difference Between Expected and Actual Experience - Pensions	154,007		154,007
District Contribution Subsequent to the Measurement Date - Pensions	256,981		256,981
Total Deferred Outflows of Resources	<u>1,637,296</u>		<u>1,637,296</u>
LIABILITIES			
Accounts Payable - Vendors	440,874		440,874
Payable to State Government	17,617		17,617
Accrued Interest Payable	74,617		74,617
Unearned Revenue	143,088		143,088
Noncurrent Liabilities:			
Due Within One Year	901,051		901,051
Due Beyond One Year	11,247,982		11,247,982
Total Liabilities	<u>12,825,229</u>		<u>12,825,229</u>
DEFERRED INFLOWS OF RESOURCES			
Investment Gains - Pensions	103,793		103,793
Changes in Proportion - Pensions	18,097		18,097
Total Deferred Inflows of Resources	<u>121,890</u>		<u>121,890</u>
NET POSITION			
Net Investment in Capital Assets	18,059,795		18,059,795
Restricted for:			
Capital Projects	2,352,028		2,352,028
Excess Surplus	900,000		900,000
Emergency Reserve	100,000		100,000
Unrestricted (Deficit)	(6,133,151)	1,483	(6,131,668)
Total Net Position	<u>\$ 15,278,672</u>	<u>\$ 1,483</u>	<u>\$ 15,280,155</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenue			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	\$ 16,320,528		\$ 4,780,192		\$ (11,540,336)		\$ (11,540,336)
Special Education	6,280,209	\$ 2,016,141	2,332,945		(1,931,123)		(1,931,123)
Other Special Instruction	1,176,165		374,313		(801,852)		(801,852)
School-Sponsored Instruction	201,257		60,719		(140,538)		(140,538)
Support Services:							
Tuition	527,733		270,683		(257,050)		(257,050)
Student & Instruction Related Services	4,523,346		135,683		(4,387,663)		(4,387,663)
General Administrative Services	548,147				(548,147)		(548,147)
School Administrative Services	1,800,803		413,161		(1,387,642)		(1,387,642)
Central Services	432,571				(432,571)		(432,571)
Administrative Information Technology	191,085				(191,085)		(191,085)
Plant Operations and Maintenance	3,790,330				(3,790,330)		(3,790,330)
Pupil Transportation	799,309	68,010	73,381		(657,918)		(657,918)
Interest and Other Charges	166,898				(166,898)		(166,898)
Unallocated Depreciation	9,036				(9,036)		(9,036)
Total Governmental Activities	36,767,417	2,084,151	8,441,077		(26,242,189)		(26,242,189)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Functions/Programs	Expenses	Program Revenue			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
Business-Type Activities:							
Food Service	\$ 16,545	\$ 3,908	\$ 6,968			\$ (5,669)	\$ (5,669)
Total Business-Type Activities	16,545	3,908	6,968			(5,669)	(5,669)
Total Primary Government	\$ 36,783,962	\$ 2,088,059	\$ 8,448,045	\$ -0-	\$ (26,242,189)	(5,669)	(26,247,858)
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					24,696,449		24,696,449
Taxes Levied for Debt Service					836,650		836,650
Federal and State Aid not Restricted					54,985		54,985
Interest					10		10
Miscellaneous Income					243,297		243,297
Total General Revenue					25,831,391		25,831,391
Change in Net Position					(410,798)	(5,669)	(416,467)
Net Position - Beginning					15,689,470	7,152	15,696,622
Net Position - Ending					\$ 15,278,672	\$ 1,483	\$ 15,280,155

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

Exhibit B-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,370,074	\$ 24,328	\$ 2,985	\$ 1,397,387
Receivables from State Government	205,092			205,092
Other Receivables	234,382			234,382
Interfund Receivable	286,266			286,266
Restricted Cash and Cash Equivalents	2,452,028			2,452,028
Total Assets	<u>\$ 4,547,842</u>	<u>\$ 24,328</u>	<u>\$ 2,985</u>	<u>\$ 4,575,155</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Interfund Payable	\$ 1,059		\$ 201,534	\$ 202,593
Accounts Payable - Vendors	177,182	\$ 6,711		183,893
Payable to State Government		17,617		17,617
Unearned Revenue	143,088			143,088
Total Liabilities	<u>321,329</u>	<u>24,328</u>	<u>201,534</u>	<u>547,191</u>
Fund Balances:				
Restricted:				
Excess Surplus	500,000			500,000
Excess Surplus - Designated for Subsequent Year's Expenditures	400,000			400,000
Emergency Reserve	100,000			100,000
Capital Reserve Account	2,352,028			2,352,028
Assigned - Encumbrances	329,508			329,508
Unassigned (Deficit)	544,977		(198,549)	346,428
Total Fund Balances (Deficit)	<u>4,226,513</u>		<u>(198,549)</u>	<u>4,027,964</u>
Total Liabilities and Fund Balances	<u>\$ 4,547,842</u>	<u>\$ 24,328</u>	<u>\$ 2,985</u>	

Amounts Reported for Governmental Activities in the Statement of Net Position (A-1) are Different Because:

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$40,703,094 and the Accumulated Depreciation is \$18,487,161.	22,215,933
Deferred Amount on Refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure. The Deferred Amount on Refunding is \$499,316 and the accumulated amortization is \$230,454.	268,862
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	693,275
Changes in Proportion - Pensions	264,171
Difference Between Expected and Actual Experience - Pensions	154,007
Investment Gains - Pensions	(103,793)
Changes in Proportion - Pensions	(18,097)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(74,617)
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount was \$718,748 and accumulated amortization is \$331,728.	(387,020)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(6,455,551)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	<u>(5,306,462)</u>
Net Position of Governmental Activities	<u>\$ 15,278,672</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
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:					
Local Tax Levy	\$ 24,696,449			\$ 836,650	\$ 25,533,099
Other Local Government Units - Restricted	143,806				143,806
Tuition from Individuals	228,500				228,500
Tuition from Other LEAs	1,787,641				1,787,641
Transportation Fees	68,010				68,010
Interest Earned on Capital Reserve	1,800				1,800
Miscellaneous	97,691		\$ 10		97,701
Total - Local Sources	27,023,897		10	836,650	27,860,557
State Sources	4,085,302	\$ 100,931			4,186,233
Federal Sources		330,792			330,792
Total Revenues	31,109,199	431,723	10	836,650	32,377,582
EXPENDITURES:					
Current:					
Regular Instruction	9,085,086	10,278			9,095,364
Special Education Instruction	3,587,452	15,079			3,602,531
Other Special Instruction	624,635				624,635
School-Sponsored/Other Instruction	111,792				111,792
Support Services and Undistributed Costs:					
Tuition	257,050	270,683			527,733
Student and Other Instruction Related Services	3,248,083	135,683			3,383,766
General Administration Services	401,994				401,994
School Administration Services	1,053,527				1,053,527
Central Services	322,963				322,963
Administrative Information Technology	142,845				142,845
Plant Operations and Maintenance	2,591,475				2,591,475
Student Transportation	791,761				791,761
Unallocated Benefits	8,363,369				8,363,369

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
EXPENDITURES:					
Capital Outlay	\$ 798,558				\$ 798,558
Debt Service:					
Interest and Other Charges				\$ 186,650	186,650
Principal				650,000	650,000
Total Expenditures	31,380,590	\$ 431,723		836,650	32,648,963
Excess/(Deficit) of Revenue Over/(Under) Expenditures	(271,391)		\$ 10		(271,381)
OTHER FINANCING SOURCES/(USES):					
Capital Leases (Non-Budgeted)	365,795				365,795
Transfers In	10				10
Transfers Out			(10)		(10)
Total Other Financing Sources/(Uses)	365,805		(10)		365,795
Net Change in Fund Balances	94,414				94,414
Fund Balance/(Deficit) - July 1	4,132,099		(198,549)		3,933,550
Fund Balance/(Deficit) - June 30	\$ 4,226,513	\$ -0-	\$ (198,549)	\$ -0-	\$ 4,027,964

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 94,414

Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:

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

	Depreciation Expense	\$ (906,740)	
	Capital Outlays	148,479	
Disposal of Capital Assets, Net of Depreciation		<u>(4,209)</u>	(762,470)

The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:

Change in Net Pension Liability	(1,382,678)
Deferred Outflows:	
Changes in Assumptions	533,757
Changes in Proportion	264,171
Difference Between Expected and Actual Experience	154,007
Deferred Inflows:	
Changes in Proportion	4,075
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	198,523

In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+). (32,592)

Capital leases entered into by the District are an other financing source in the Governmental Funds, but the acquisition increases Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities. (365,795)

Repayment of serial bonds and capital leases is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.

	Serial Bonds Principal	650,000	
	Capital Lease Principal	<u>208,826</u>	858,826

The governmental funds report the effect of the deferred amount on refunding relative to an advance refunding when debt is first issued whereas these amounts are deferred and amortized in the statement of activities. (38,409)

The governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 55,288

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. 8,085

Change in Net Position of Governmental Activities (Exhibit A-2) \$ (410,798)

Exhibit B-4

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds Food Service
ASSETS:	
Current Assets:	
Intergovernmental Accounts Receivable - Federal	\$ 424
Interfund Receivable - General Fund	1,059
Total Current Assets	1,483
Total Assets	1,483
 NET POSITION:	
Unrestricted	1,483
Total Net Position	\$ 1,483

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-5

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 3,908
Total Operating Revenue	<u>3,908</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	10,310
Supplies	<u>6,235</u>
Total Operating Expenses	<u>16,545</u>
Operating Loss	(12,637)
Non-Operating Revenue:	
Federal Sources - Special Milk Program	<u>6,968</u>
Total Non-Operating Revenue	<u>6,968</u>
Change in Net Position	(5,669)
Net Position - Beginning of Year	<u>7,152</u>
Net Position - End of Year	<u><u>\$ 1,483</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-6

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Business-type Activities - Enterprise Funds Food Service
Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,908
Payments to Suppliers	(16,545)
	(12,637)
Net Cash Used for Operating Activities	(12,637)
Cash Flows from Noncapital Financing Activities:	
Interfund - General Fund	5,668
Federal Sources - Special Milk Program	6,969
	12,637
Net Cash Provided by Noncapital Financing Activities	12,637
Net Increase in Cash and Cash Equivalents	-0-
Cash and Cash Equivalents, July 1	-0-
Cash and Cash Equivalents, June 30	\$ -0-
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (12,637)
Net Cash Used for Operating Activities	\$ (12,637)

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
ASSETS:				
Cash and Cash Equivalents	\$ 206,127	\$ 374,750	\$ 99,506	\$ 680,383
Total Assets	<u>206,127</u>	<u>374,750</u>	<u>99,506</u>	<u>680,383</u>
LIABILITIES:				
Interfund Payable - General Fund	11,398		73,334	84,732
Due to Student Groups	51,731			51,731
Payroll Deductions and Withholdings	<u>80,262</u>			<u>80,262</u>
Total Liabilities	<u>143,391</u>		<u>73,334</u>	<u>216,725</u>
NET POSITION:				
Held in Trust for:				
Unemployment Compensation Claims		374,750		374,750
Flexible Spending Claims			26,172	26,172
Laptop Replacement Costs	<u>62,736</u>			<u>62,736</u>
Total Net Position	<u>\$ 62,736</u>	<u>\$ 374,750</u>	<u>\$ 26,172</u>	<u>\$ 400,922</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Private Purpose Scholarship Trust</u>	<u>Totals</u>
Additions:				
Contributions:				
Plan Members	\$ 29,671	\$ 79,822		\$ 109,493
Total Contributions	29,671	79,822		109,493
Investment Earnings:				
Interest	1,301	281		1,582
Net Investment Earnings	1,301	281		1,582
Total Additions	30,972	80,103		111,075
Deductions				
Unemployment Compensation Claims	47,210			47,210
Flexible Spending Claims		85,980		85,980
Other Expenses			\$ 1	1
Total Deductions	47,210	85,980	1	133,191
Change in Net Position	(16,238)	(5,877)	(1)	(22,116)
Net Position - Beginning of the Year	390,988	32,049	1	423,038
Net Position - End of the Year	<u>\$ 374,750</u>	<u>\$ 26,172</u>	<u>\$ - 0 -</u>	<u>\$ 400,922</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significance) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include three elementary schools and a middle school located in the Borough of Franklin Lakes. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business-type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business-type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental, proprietary and fiduciary* - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by Board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation: (Cont'd)

The District reports the following proprietary fund:

Enterprise (Milk) Fund: The Enterprise Fund accounts for all revenue and expenses pertaining to the District's cafeteria operations. The milk service fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund, Laptop Replacement Agency Fund, Unemployment Compensation Insurance Trust Fund, Flexible Spending Trust Fund and Private Purpose Scholarship Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

The General Fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is not recording the June state aid payments in the subsequent fiscal year, the District cannot recognize those payments in the current year GAAP financial statements.

The Capital Projects Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of SDA grants. Grants are recognized in full on the budgetary basis in the year the grants are awarded, but are not recognized on the GAAP basis until they are expended and submitted for reimbursement.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 31,130,791	\$ 431,723
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	47,773	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(69,365)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 31,109,199</u>	<u>\$ 431,723</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control: (Cont'd)

	General Fund	Special Revenue Fund
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 31,380,590	\$ 431,723
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,380,590	\$ 431,723
	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	\$ 10	\$ 332,611
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recongized on the GAAP Basis until Expended and submitted for reimbursement.		(531,160)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	\$ 10	\$ (198,549)

E. Cash and Cash Equivalents and Investments:

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing source/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities, which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, 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.

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost, including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the district-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings and Building Improvements	40 years
Machinery and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the District-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premiums and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. In the fund financial statements, governmental fund types recognize bond discounts as expenditures in the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries distributed during the entire twelve-month year and all payments were made as of June 30, 2016.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences:

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

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

In the District-wide Statement of Net Position, the liabilities, whose average maturities are greater than one year, should be reported in two components - the amount due within one year and the amount due in more than one year.

O. Unearned Revenue:

Unearned revenue in the Special Revenue Fund represents cash which has been received but not yet earned. See Note 1(D) regarding the Special Revenue Fund.

P. Fund Balance Appropriated:

General Fund: The \$4,226,513 General Fund balance at June 30, 2016, is comprised of \$329,508 assigned for encumbrances; \$2,352,028 restricted in the capital reserve account; \$100,000 is restricted in the emergency reserve account; \$400,000 is prior year excess surplus that has been restricted and appropriated and included in as anticipated budget revenue for the fiscal year ending June 30, 2017; \$500,000 restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated budget revenue for the fiscal year ending June 30, 2018; and \$544,977 is unassigned which is \$69,365 less than the calculated unassigned fund balance, on a GAAP basis, due to the June state aid payments, which are not recognized until the fiscal year ended June 30, 2017.

Capital Projects Fund: The \$198,549 deficit in the Capital Projects Fund balance at June 30, 2016 is in unassigned fund balance which is \$531,160 less on the GAAP basis due to SDA grants receivable that is not recognized on the GAAP basis of accounting until expended and submitted for reimbursement.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2016 as outlined above.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$69,365 as reported in the fund statements (modified accrual basis). N.J.A.C. 6A:23A-8.5(j) provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record those state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the fiscal year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Fund Balance/Net Position:

The District had a \$198,549 deficit unassigned fund balance in the Capital Projects Fund due to \$531,160 of SDA grants receivable which is not recognized on a GAAP basis and a \$6,133,151 deficit in unrestricted net position in governmental activities as of June 30, 2016 primarily due to the non-recognition of the June state aid payments as explained in Note 1P above, the accrual of \$492,840 in compensated absences payable, \$74,617 in accrued interest payable, and (with regard to pensions) investment gains of \$103,793, changes in proportion of \$18,097 and net pension liability of \$6,455,551, offset by (with regard to pensions) changes in assumptions of \$693,275, changes in proportion of \$264,171 and the difference between expected and actual experience of \$154,007, and governmental funds committed, assigned and unassigned fund balances. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2016 for the deferred amount on refunding of debt related to the District's 2010 refunding bonds, and, with regard to pensions, changes in assumptions, changes in proportion, the difference between expected and actual experience, and the District contribution subsequent to the measurement date.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2016 for changes in proportion in pensions and the net difference between projected and actual investment earnings on pension plan investments.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
 (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position: (Cont'd)

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have been restricted, committed or assigned.

Fund balance restrictions have been established for excess surplus, a capital reserve, and an emergency reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources on the GAAP basis at June 30, 2016.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$329,508 in assigned resources for year-end encumbrances in the General Fund at June 30, 2016.

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. Revenue - Exchange and Nonexchange Transactions: (Cont'd)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. These revenues are generated from the sale of milk to students. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

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 State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

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

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its formal cash management plan, the Board ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Board limits its investments to those authorized in its formal cash management plan which are those permitted under state statute as detailed below and on the following page.

Custodial Credit Risk – The District's policy with respect to custodial credit risk ensures that District funds are only deposited in financial institutions in which NJ school districts are permitted to invest their funds.

Deposits:

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, which are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agencies of the United States that insure deposits or the State of New Jersey Cash Management Fund.

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

The market value of the collateral must equal 5% of the average daily balance of public funds on deposit, and

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

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

Investments

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

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments (Cont'd)

New Jersey statutes permit the Borough to purchase the following types of securities: (Cont'd)

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash & Cash Equivalents</u>		
		<u>Capital Reserve Account</u>	<u>Emergency Reserve Account</u>	<u>Total</u>
Checking Accounts	\$ 2,077,770	\$ 2,352,028	\$ 100,000	\$ 4,529,798

During the period ended June 30, 2016, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2016 was \$4,529,798 and the bank balance was \$4,878,818.

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by Board resolution on June 30, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT (Cont'd)

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes 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-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Balance June 30, 2015	\$ 2,238,863
Interest Earnings	1,800
Deposit per Board Resolution June 14, 2016	447,865
Unexpended Withdrawals for Capital Outlay Returned	143,500
Withdrawals by Resolution for Capital Outlay	<u>(480,000)</u>
Balance June 30, 2016	<u>\$ 2,352,028</u>

The June 30, 2016 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District's Long Range Facilities Plan ("LRFP). Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District's LRFP.

NOTE 5: EMERGENCY RESERVE ACCOUNT

An emergency reserve account was established by Board resolution on June 24, 2008 by inclusion of \$50,000 for the accumulation of funds for use as unanticipated General Fund expenditures in subsequent fiscal years. The emergency reserve account is maintained in the General Fund and its activity is included in the General Fund annual budget.

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a through and efficient education. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution between June 1st and June 30th of any unanticipated revenue or unexpended line item appropriation 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.

The activity of the emergency reserve for the July 1, 2015 to June 30, 2016 fiscal year is as follows:

Balance June 30, 2015	<u>\$ 100,000</u>
Balance June 30, 2016	<u>\$ 100,000</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2016, the District transferred \$481,800 to capital outlay line items for equipment which did not require County Superintendent approval.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2016 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,809,389			\$ 1,809,389
Construction in Progress	995,289			995,289
Total Capital Assets Not Being Depreciated	<u>2,804,678</u>			<u>2,804,678</u>
Capital Assets Being Depreciated:				
Buildings and Building Improvements	35,694,156			35,694,156
Machinery and Equipment	2,071,718	\$ 148,479	\$ 15,937	2,204,260
Total Capital Assets Being Depreciated	<u>37,765,874</u>	<u>148,479</u>	<u>15,937</u>	<u>37,898,416</u>
Governmental Activities Capital Assets	<u>40,570,552</u>	<u>148,479</u>	<u>15,937</u>	<u>40,703,094</u>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(16,020,745)	(820,329)		(16,841,074)
Machinery and Equipment	(1,571,404)	(86,411)	(11,728)	(1,646,087)
	<u>(17,592,149)</u>	<u>(906,740)</u>	<u>(11,728)</u>	<u>(18,487,161)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,978,403</u>	<u>\$ (758,261)</u>	<u>\$ 4,209</u>	<u>\$ 22,215,933</u>

Capital acquisitions totaled \$148,479 of current fiscal year capitalized expenditures in the Governmental Activities. As of June 30, 2016, the District had active construction projects balances totaling \$332,611 and no outstanding construction encumbrances.

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 1,134
Student and Instruction Related Services	13,940
General Administration	37,208
School Administration	4,372
Plant Operations and Maintenance	841,050
Unallocated	<u>9,036</u>
	<u>\$ 906,740</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2016, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2015	Accrued	Retired	Balance 6/30/2016
Serial Bonds Payable	\$ 5,075,000		\$ 650,000	\$ 4,425,000
Unamortized Bond Issuance Premiums	442,308		55,288	387,020
Net Pension Liability	5,072,873	\$ 1,382,678		6,455,551
Capital Leases Payable	231,653	365,795	208,826	388,622
Compensated Absences Payable	460,248	48,507	15,915	492,840
	<u>\$ 11,282,082</u>	<u>\$ 1,796,980</u>	<u>\$ 930,029</u>	<u>\$ 12,149,033</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds and are liquidated through the debt service fund.

The District had bonds outstanding as of June 30, 2016 as follows:

Purpose	Final Maturity	Interest Rate	Amount
Refunding School Bonds	08/01/22	3.00% - 4.50%	<u>\$ 4,425,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 640,000	\$ 167,300	\$ 807,300
2018	635,000	145,000	780,000
2019	635,000	119,600	754,600
2020	630,000	92,725	722,725
2021	630,000	64,375	694,375
Thereafter: 2022-2023	1,255,000	50,100	1,305,100
	<u>\$ 4,425,000</u>	<u>\$ 639,100</u>	<u>\$ 5,064,100</u>

B. Bonds Authorized But Not Issued:

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 8. LONG-TERM LIABILITIES (Cont'd)

C. Compensated Absences:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$492,840. No portion of the compensated absences balance represents a current liability. The General Fund will be used to liquidate Compensated Absences Payable.

There is no liability for compensated absences in the District's Enterprise Fund.

D. Capital Leases Payable:

As of June 30, 2016, the District has two capital leases payable for laptop computers that originally totaled \$829,215 of which \$440,593 has been liquidated as of June 30, 2016. One lease is for three years and one lease is for four years with the final payments occurring in fiscal years 2016-17 and 2018-19. The schedule of the future minimum lease payments under the District's capital leases and the present value of the net minimum lease payments at June 30, 2016 are detailed below.

<u>Fiscal Year</u>	<u>Amount</u>
2017	\$ 214,037
2018	94,287
2019	94,288
	<u>402,612</u>
Less: Amount Representing Interest	<u>(13,990)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 388,622</u>

The current portion of capital leases payable at June 30, 2016 is \$205,763 and the long-term portion is \$182,859. The General Fund will be used to liquidate capital leases payable.

E. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of unamortized bond issuance premiums at June 30, 2016 is \$55,288 and the long-term portion is \$331,732.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2016 is \$-0- and the long-term portion is \$6,455,551. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a members retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$247,240 for fiscal year 2016.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

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

At June 30, 2016, the District reported a liability of \$6,455,551 for its proportionate share of the 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 July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.0288%, which was an increase of 0.0017% from its proportion measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$475,376. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:			
2014	6.44 years	\$ 138,187	
2015	5.72 years	<u>555,088</u>	
Subtotal		<u>693,275</u>	
Changes in Proportion:			
2014	6.44 years		\$ 18,097
2015	5.72 years	<u>264,171</u>	
Difference Between Expected and Actual Experience - 2015	5.72 years	<u>154,007</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years		\$ 240,654
2015	5 years		<u>(136,861)</u>
Subtotal			<u>103,793</u>
District Contribution Subsequent to the Measurement Date - 2015	1 year	<u>256,981</u>	
		<u>\$ 1,368,434</u>	<u>\$ 121,890</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion and District contribution subsequent to the measurement date) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 135,352
2017	135,352
2018	135,352
2019	215,570
2020	121,863
	<u>\$ 743,489</u>

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.

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

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback one year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' 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 U.S. Equities	27.25%	8.52%
Developed Foreign Equities	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex. U.S.	3.50%	-0.40%
REIT	4.25%	5.12%

Discount Rate

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2015 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
District's proportionate share of the Net Pension Liability	\$ 8,023,460	\$ 6,455,551	\$ 5,141,027

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division).

For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

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

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

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2016, the State of New Jersey contributed \$1,031,030 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$5,010,047.

The employee contribution rate was 7.06% effective July 1, 2015. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

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

At June 30, 2016, the State's proportionate share of the net pension liability attributable to the District was \$82,052,551. 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 July 1, 2014 which was rolled forward to June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2015, the District's proportion was 0.1298%, which was an increase of 0.0063% from its proportion measured as of June 30, 2014.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Attributable to the District	<u>82,052,551</u>
Total	<u>\$ 82,052,551</u>

For the fiscal year ended June 30, 2015, the State recognized pension expense on behalf of the District in the amount of \$5,010,047 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2016 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:			
2014	8.5 years	\$ 1,999,074,013	
2015	8.3 years	5,201,079,373	
Difference Between Expected and Actual Experience:			
2014	8.5 years		\$ 19,039,817
2015	8.3 years	321,224,871	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years		1,305,927,430
2015	5 years		<u>(770,568,242)</u>
		<u>\$ 7,521,378,257</u>	<u>\$ 554,399,005</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Amounts reported by the State as collective deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense excluding that attributable to employer-paid members contributions as follows:

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Total</u>
2016	\$ 818,433,596
2017	818,433,596
2018	818,433,598
2019	1,253,742,742
2020	1,061,100,680
Thereafter	<u>2,196,835,040</u>
	<u>\$ 6,966,979,252</u>

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 actuarial assumptions on the following page, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

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

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

Discount Rate – TPAF

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Sensitivity of the State's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2015 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2015		
	1%	Current	1%
	Decrease (3.13%)	Discount Rate (4.13%)	Increase (5.13%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 97,516,390	\$ 82,052,551	\$ 68,729,529

Pension Plan Fiduciary Net Position

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

NOTE 10. POST-RETIREMENT BENEFITS

P.L. 1987, c.384 and P.L. 1990, c.6 required the TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees receiving post-retirement medical benefits and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a 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 Pension and Benefits issues a publically 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_2015combined.pdf.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,227,648, \$1,114,204 and \$856,512 for 2016, 2015 and 2014 respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 11. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District has health benefits coverage for employees with Horizon Blue Cross Blue Shield.

Property and Liability Insurance

The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found on Exhibit J-20 in the statistical section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2015-2016	\$ -0-	\$ 1,301	\$ 29,671	\$ 47,210	\$ 374,750
2014-2015	-0-	1,359	25,348	34,300	390,988
2013-2014	50,000	1,736	25,917	47,946	398,581

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 286,266	\$ 1,059
Capital Projects Fund		201,534
Proprietary Fund - Food Service	1,059	
Flexible Spending Trust Fund		73,334
Payroll Agency Fund		11,398
	<u>\$ 287,325</u>	<u>\$ 287,325</u>

The interfund receivable in the General Fund is comprised of interfund loans to the Capital Projects Fund and Flexible Spending Trust Fund for cash flow purposes and interest earnings due from the Capital Projects Fund, Payroll Agency and Net Payroll accounts. The interfund receivable in the Food Service Proprietary Fund is due to the General Fund receiving and disbursing funds on the Food Service Proprietary Fund's behalf.

During the fiscal year, the Capital Projects Fund transferred \$10 of interest earnings to the General Fund.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 14. DEFERRED COMPENSATION

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

AXA Equitable	Mainstay Funds
Valic	Lincoln Investments

NOTE 15. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2016:

	Governmental Funds		District Contribution Subsequent to the	Total
	General Fund	Special Revenue Fund	Measurement Date	Governmental Activities
Vendors	\$ 177,182	\$ 6,711		\$ 183,893
Due to State of New Jersey			\$ 256,981	256,981
	\$ 177,182	\$ 6,711	\$ 256,981	\$ 440,874

NOTE 16. COMMITMENTS AND CONTINGENCIESGrant Programs

The school district participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The school district is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in various lawsuits. The District estimates that the potential claims against it resulting from any such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2016, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 329,508	\$ -0-	\$ -0-	\$ 329,508

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 17. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10.

Taxes are collected by the constituent municipality and are remitted to the School District on a predetermined, agreed-upon schedule.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
District's proportion of the net pension liability	0.0270947244%	0.0287578055%
District's proportionate share of the net pension liability	\$ 5,072,873	\$ 6,455,551
District's covered employee payroll	\$ 1,863,030	\$ 1,907,591
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	272.29%	338.41%
Plan fiduciary net position as a percentage of the total pension liability	52.08%	47.93%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 217,181	\$ 247,240
Contributions in relation to the contractually required contribution	<u>(217,181)</u>	<u>(247,240)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 1,907,591	\$ 2,208,730
Contributions as a percentage of covered employee payroll	11.39%	11.19%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

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BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY ATTRIBUTABLE TO THE DISTRICT
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2015	2016
State's proportion of the net pension liability attributable to the District	0.1234828164%	0.1298212142%
State's proportionate share of the net pension liability attributable to the District	\$ 65,997,546	\$ 82,052,551
District's covered employee payroll	\$ 13,096,690	\$ 12,932,849
State's proportionate share of the net pension liability attributable to the District as a percentage of District's covered employee payroll	503.93%	634.45%
Plan fiduciary net position as a percentage of the total pension liability	33.64%	28.71%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

L-4

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF STATE CONTRIBUTIONS
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 3,551,288	\$ 5,010,047
Contributions in relation to the contractually required contribution	<u>(701,861)</u>	<u>(1,031,010)</u>
Contribution deficiency/(excess)	<u>\$ 2,849,427</u>	<u>\$ 3,979,037</u>
District's covered employee payroll	\$ 12,932,849	\$ 13,319,779
Contributions as a percentage of covered employee payroll	27.46%	37.61%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.39% as of June 30, 2014 to 4.90% as of June 30, 2015. The inflation rate changed from 3.01% as of June 30, 2014 to 3.04% as of June 30, 2015.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

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

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 24,696,449		\$ 24,696,449	\$ 24,696,449	
Other Local Government Units - Restricted	125,840		125,840	143,806	\$ 17,966
Tuition from Individuals	250,000		250,000	228,500	(21,500)
Tuition from Other LEA's	1,520,000		1,520,000	1,787,641	267,641
Transportation Fees from Individuals	70,000		70,000	68,010	(1,990)
Interest Earned on Capital Reserve	1,800		1,800	1,800	
Miscellaneous	49,825		49,825	97,691	47,866
Total - Local Sources	26,713,914		26,713,914	27,023,897	309,983
State Sources:					
Categorical Special Education Aid	625,156		625,156	625,156	
Categorical Security Aid	18,589		18,589	18,589	
Categorical Transportation Aid	54,533		54,533	54,533	
Adjustment Aid	14,036		14,036	14,036	
Per Pupil Growth Aid	12,010		12,010	12,010	
PARCC Readiness Aid	12,010		12,010	12,010	
Extraordinary Aid	100,000		100,000	137,843	37,843
Additional Nonpublic Transportation Aid				20,448	20,448
On-Behalf Contributions (Non-budgeted):					
TPAF Pension Contributions				1,031,010	1,031,010
TPAF Post-Retirement Medical Benefits				1,227,648	1,227,648
Reimbursed TPAF Social Security Contributions				953,611	953,611
Total State Sources	836,334		836,334	4,106,894	3,270,560
TOTAL REVENUES	27,550,248		27,550,248	31,130,791	3,580,543

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 118,000	\$ 52,001	\$ 170,001	\$ 169,728	\$ 273
Kindergarten - Salaries of Teachers	556,000	(52,000)	504,000	498,009	5,991
Grades 1-5 - Salaries of Teachers	3,895,573	164	3,895,737	3,870,166	25,571
Grades 6-8 - Salaries of Teachers	3,643,500	(275,000)	3,368,500	3,323,676	44,824
Regular Programs - Home Instruction:					
Salaries of Teachers	24,000	(501)	23,499	20,156	3,343
Other Salaries for Instruction	70,380		70,380	70,380	
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	95,660	6,364	102,024	102,024	
General Supplies	852,398	99,715	952,113	886,427	65,686
Textbooks	115,218	29,302	144,520	144,520	
Total Regular Programs - Instruction	<u>9,370,729</u>	<u>(139,955)</u>	<u>9,230,774</u>	<u>9,085,086</u>	<u>145,688</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	270,000	(45,042)	224,958	224,670	288
Other Salaries for Instruction	250,000	(78,636)	171,364	171,310	54
General Supplies	23,000	10,500	33,500	33,500	
Total Learning and/or Language Disabilities	<u>543,000</u>	<u>(113,178)</u>	<u>429,822</u>	<u>429,480</u>	<u>342</u>
Resource Room/Resource Center:					
Salaries of Teachers	1,845,000	112,000	1,957,000	1,956,705	295
General Supplies	2,000	(1,323)	677	677	
Total Resource Room/Resource Center	<u>1,847,000</u>	<u>110,677</u>	<u>1,957,677</u>	<u>1,957,382</u>	<u>295</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Autism:					
Salaries of Teachers	\$ 211,000	\$ (8,100)	\$ 202,900	\$ 200,555	\$ 2,345
Other Salaries for Instruction	541,000	150,614	691,614	691,125	489
General Supplies	14,500	6,697	21,197	20,896	301
Total Autism	<u>766,500</u>	<u>149,211</u>	<u>915,711</u>	<u>912,576</u>	<u>3,135</u>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	216,000	1,650	217,650	217,599	51
Other Salaries for Instruction	65,000	3,588	68,588	68,328	260
General Supplies	4,000	(1,913)	2,087	2,087	
Total Preschool Disabilities - Part-Time	<u>285,000</u>	<u>3,325</u>	<u>288,325</u>	<u>288,014</u>	<u>311</u>
Total Special Education Instruction	<u>3,441,500</u>	<u>150,035</u>	<u>3,591,535</u>	<u>3,587,452</u>	<u>4,083</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	505,000	8,163	513,163	513,163	
General Supplies	2,120	(90)	2,030	2,030	
Textbooks	250		250	250	
Total Basic Skills/Remedial - Instruction	<u>507,370</u>	<u>8,073</u>	<u>515,443</u>	<u>515,443</u>	
Bilingual Education - Instruction:					
Salaries of Teachers	106,000	(300)	105,700	105,347	353
General Supplies	2,428	1,417	3,845	3,845	
Total Bilingual Education - Instruction	<u>108,428</u>	<u>1,117</u>	<u>109,545</u>	<u>109,192</u>	<u>353</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 62,904	\$ 10,715	\$ 73,619	\$ 73,156	\$ 463
Supplies and Materials	2,000	(392)	1,608	1,608	
Other Objects	800	(800)			
Total School-Sponsored Cocurricular Activities - Instruction	65,704	9,523	75,227	74,764	463
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	28,500	(1,326)	27,174	27,174	
Purchased Services (300-500 series)	15,000	(5,146)	9,854	9,854	
Total School-Sponsored Cocurricular Athletics - Instruction	43,500	(6,472)	37,028	37,028	
Total Instruction	13,537,231	22,321	13,559,552	13,408,965	150,587
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	6,000		6,000	6,000	
Tuition to CSSD & Regional Day Schools		64,647	64,647	14,614	50,033
Tuition to Private Schools for the Disabled - Within State	452,000	(116,493)	335,507	221,121	114,386
Tuition - Other	12,000	5,000	17,000	15,315	1,685
Total Undistributed Expenditures - Instruction	470,000	(46,846)	423,154	257,050	166,104
Health Services:					
Salaries	278,000	7,306	285,306	260,844	24,462
Other Purchased Services (400-500 series)	9,000	(9,000)			
Supplies and Materials	12,615	3,364	15,979	15,443	536
Total Health Services	299,615	1,670	301,285	276,287	24,998

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Speech, OT, PT and Related Services:					
Salaries	\$ 820,000		\$ 820,000	\$ 809,944	\$ 10,056
Purchased Professional - Educational Services	30,600	\$ 975	31,575	30,545	1,030
Supplies and Materials	4,525	(220)	4,305	4,305	
Total Speech, OT, PT and Related Services	<u>855,125</u>	<u>755</u>	<u>855,880</u>	<u>844,794</u>	<u>11,086</u>
Extraordinary Services:					
Salaries	154,000		154,000	144,395	9,605
Purchased Professional - Educational Services	39,000	(1,682)	37,318	36,498	820
Total Extraordinary Services	<u>193,000</u>	<u>(1,682)</u>	<u>191,318</u>	<u>180,893</u>	<u>10,425</u>
Guidance:					
Salaries of Other Professional Staff	312,050	23,707	335,757	330,426	5,331
Other Purchased Professional and Technical Services	39,281	(13,517)	25,764	25,764	
Supplies and Materials	7,000		7,000	7,000	
Total Guidance	<u>358,331</u>	<u>10,190</u>	<u>368,521</u>	<u>363,190</u>	<u>5,331</u>
Child Study Teams:					
Salaries of Other Professional Staff	706,549	(38,444)	668,105	649,837	18,268
Salaries of Secretarial and Clerical Assistants	97,886		97,886	96,669	1,217
Purchased Professional - Educational Services	14,000	(229)	13,771	13,771	
Other Purchased Professional and Technical Services	18,000	4,573	22,573	21,812	761
Supplies and Materials	17,800	4,195	21,995	21,995	
Other Objects	3,100	(660)	2,440	2,440	
Total Child Study Teams	<u>857,335</u>	<u>(30,565)</u>	<u>826,770</u>	<u>806,524</u>	<u>20,246</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

EXPENDITURES:	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CURRENT EXPENSE					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 68,500	\$ 6,559	\$ 75,059	\$ 74,578	\$ 481
Total Improvement of Instructional Services	68,500	6,559	75,059	74,578	481
Educational Media Services/School Library:					
Salaries	550,000	4,233	554,233	544,195	10,038
Purchased Professional and Technical Services	12,500	(1,430)	11,070	11,070	
Other Purchased Services (400-500)	25,634		25,634	25,634	
Supplies and Materials	34,125	(1,933)	32,192	31,892	300
Other Objects	1,350		1,350	1,350	
Total Educational Media Services/School Library	623,609	870	624,479	614,141	10,338
Instructional Staff Training Services:					
Salaries of Other Professional Staff	90,556	(4,897)	85,659	85,509	150
Supplies and Materials	4,666	1,706	6,372	2,167	4,205
Total Instructional Staff Training Services	95,222	(3,191)	92,031	87,676	4,355
Support Services - General Administration:					
Salaries	235,000	32,159	267,159	265,918	1,241
Legal Services	60,000		60,000	45,173	14,827
Audit Fees	38,500	2,050	40,550	40,550	
Other Purchased Professional Services	11,761	(7,911)	3,850	3,850	
Communications/Telephone	19,500	(2,686)	16,814	16,814	
Miscellaneous Purchased Services (400-500 series)	800	(50)	750	750	
General Supplies	15,157	2,694	17,851	12,204	5,647
Miscellaneous Expenditures	17,491	(756)	16,735	16,735	
Total Support Services - General Administration	398,209	25,500	423,709	401,994	21,715

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 732,021	\$ (32,161)	\$ 699,860	\$ 682,700	\$ 17,160
Salaries of Other Professional Staff	600	9,835	10,435	10,162	273
Salaries of Secretarial and Clerical Assistants	270,000	60,500	330,500	330,274	226
Supplies and Materials	25,379	1,026	26,405	22,754	3,651
Other Objects	17,069	(9,432)	7,637	7,637	
Total Support Services - School Administration	1,045,069	29,768	1,074,837	1,053,527	21,310
Support Services - Central Services:					
Salaries	294,090		294,090	288,452	5,638
Miscellaneous Purchased Services (400-500 series)	35,900	(2,500)	33,400	28,391	5,009
Supplies and Materials	5,000	2,499	7,499	6,120	1,379
Total Support Services - Central Services	334,990	(1)	334,989	322,963	12,026
Support Services - Administration Information Technology:					
Salaries	129,000		129,000	127,828	1,172
Other Purchased Services (400-500 series)	5,000	(5,000)			
Supplies and Materials	15,023	(6)	15,017	15,017	
Total Support Services - Administration Information Technology	149,023	(5,006)	144,017	142,845	1,172
Required Maintenance of School Facilities:					
Cleaning, Repair and Maintenance Services	376,791	465,776	842,567	645,780	196,787
General Supplies	15,400	(11,040)	4,360	4,360	
Total Required Maintenance of School Facilities	392,191	454,736	846,927	650,140	196,787

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services:					
Salaries of Non-Instructional Aides	\$ 227,700	\$ (1,855)	\$ 225,845	\$ 192,190	\$ 33,655
Purchased Professional and Technical Services	25,500	5,380	30,880	30,880	
Cleaning, Repair and Maintenance Services	1,069,048	(19,149)	1,049,899	1,049,899	
Other Purchased Property Services	35,000	5,111	40,111	40,111	
Insurance	141,970	(254)	141,716	141,716	
General Supplies	11,000	3,643	14,643	14,643	
Energy (Natural Gas)	155,000	(58,750)	96,250	96,250	
Energy (Electricity)	437,000	(61,354)	375,646	375,646	
Total Custodial Services	<u>2,102,218</u>	<u>(127,228)</u>	<u>1,974,990</u>	<u>1,941,335</u>	<u>33,655</u>
Student Transportation Services:					
Salaries for Pupil Transportation:					
Between Home and School - Regular	20,000		20,000	20,000	
Management Fee - ESC and CTSA Transportation Programs	4,600	(4,600)			
Contracted Services:					
Aid in Lieu of Payments - Nonpublic School	80,000	14,372	94,372	94,372	
Between Home and School - Vendors	386,000	(33,854)	352,146	351,786	360
Other than Between Home and School - Vendors	38,000	(9,639)	28,361	28,107	254
Special Education Students - Vendors	290,000	7,496	297,496	297,496	
Total Student Transportation Services	<u>818,600</u>	<u>(26,225)</u>	<u>792,375</u>	<u>791,761</u>	<u>614</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits:					
Social Security Contributions	\$ 275,000	\$ 3,388	\$ 278,388	\$ 277,085	\$ 1,303
Other Retirement Contributions - PERS	237,000	10,240	247,240	247,240	
Workmen's Compensation	220,000	3,048	223,048	223,048	
Health Benefits	4,662,000	(207,701)	4,454,299	4,350,247	104,052
Tuition Reimbursement	43,000	(4,365)	38,635	37,565	1,070
Unused Sick Payment to Terminated/Retired Staff	15,525	390	15,915	15,915	
Total Unallocated Benefits	<u>5,452,525</u>	<u>(195,000)</u>	<u>5,257,525</u>	<u>5,151,100</u>	<u>106,425</u>
On-Behalf Contributions (Non-budgeted):					
TPAF Pension Contribution				1,031,010	(1,031,010)
TPAF Post-Retirement Medical Benefits				1,227,648	(1,227,648)
Reimbursed TPAF Social Security Contributions				953,611	(953,611)
Total On-Behalf Contributions				<u>3,212,269</u>	<u>(3,212,269)</u>
Total Personal Services - Employee Benefits	<u>5,452,525</u>	<u>(195,000)</u>	<u>5,257,525</u>	<u>8,363,369</u>	<u>(3,105,844)</u>
Total Undistributed Expenses	<u>14,513,562</u>	<u>94,304</u>	<u>14,607,866</u>	<u>17,173,067</u>	<u>(2,565,201)</u>
TOTAL CURRENT EXPENSE	<u>28,050,793</u>	<u>116,625</u>	<u>28,167,418</u>	<u>30,582,032</u>	<u>(2,414,614)</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CAPITAL OUTLAY					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 104,166	\$ (104,166)			
Support Services:					
Required Maintenance for School Facilities		585,966	\$ 585,966	\$ 352,300	\$ 233,666
Custodial Services	51,429		51,429	51,429	
Total Equipment	<u>155,595</u>	<u>481,800</u>	<u>637,395</u>	<u>403,729</u>	<u>233,666</u>
Facilities Acquisition and Construction Services:					
Assessment for Debt Services- SDA Funding	29,034		29,034	29,034	
Total Facilities Acquisition and Construction Services	<u>29,034</u>		<u>29,034</u>	<u>29,034</u>	
Assets Acquired Under Capital Leases (Non-budgeted):					
Undistributed Expenditures - Instruction				365,795	(365,795)
Total Assets Acquired Under Capital Leases (Non-budgeted)				<u>365,795</u>	<u>(365,795)</u>
TOTAL CAPITAL OUTLAY	<u>184,629</u>	<u>481,800</u>	<u>666,429</u>	<u>798,558</u>	<u>(132,129)</u>
TOTAL EXPENDITURES	<u>28,235,422</u>	<u>598,425</u>	<u>28,833,847</u>	<u>31,380,590</u>	<u>(2,546,743)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	<u>(685,174)</u>	<u>(598,425)</u>	<u>(1,283,599)</u>	<u>(249,799)</u>	<u>1,033,800</u>
Other Financing Sources:					
Capital Leases (Non-Budgeted)				365,795	365,795
Transfer In:					
Capital Projects Fund - Interest				10	10
Total Other Financing Sources				<u>365,805</u>	<u>365,805</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	\$ (685,174)	\$ (598,425)	\$ (1,283,599)	\$ 116,006	\$ 1,399,605
Fund Balance, July 1	<u>4,179,872</u>		<u>4,179,872</u>	<u>4,179,872</u>	
Fund Balance, June 30	<u>\$ 3,494,698</u>	<u>\$ (598,425)</u>	<u>\$ 2,896,273</u>	<u>\$ 4,295,878</u>	<u>\$ 1,399,605</u>
<u>Recapitulation:</u>					
Restricted:					
Excess Surplus				\$ 500,000	
Excess Surplus - Designated for Subsequent Year's Expenditures				400,000	
Emergency Reserve				100,000	
Capital Reserve				2,352,028	
Assigned - Encumbrances				329,508	
Unassigned				<u>614,342</u>	
				4,295,878	
Reconciliation to Governmental Funds Statements (GAAP):					
State Aid Payments not Recognized on GAAP Basis				<u>(69,365)</u>	
Fund Balance per Governmental Funds (GAAP)				<u>\$ 4,226,513</u>	

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$ 121,105	\$ (2,557)	\$ 118,548	\$ 100,931	\$ (17,617)
Federal Sources	329,683	1,109	330,792	330,792	
Total Revenues	<u>450,788</u>	<u>(1,448)</u>	<u>449,340</u>	<u>431,723</u>	<u>(17,617)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	31,555	(16,476)	15,079	15,079	
Tuition	270,683		270,683	270,683	
Textbooks		10,278	10,278	10,278	
Total Instruction	<u>302,238</u>	<u>(6,198)</u>	<u>296,040</u>	<u>296,040</u>	
Support Services:					
Personal Services - Employee Benefits	1,072	(1,072)			
Purchased Professional/Educational Services	147,478	5,822	153,300	135,683	17,617
Total Support Services	<u>148,550</u>	<u>4,750</u>	<u>153,300</u>	<u>135,683</u>	<u>17,617</u>
Total Expenditures	<u>\$ 450,788</u>	<u>\$ (1,448)</u>	<u>\$ 449,340</u>	<u>\$ 431,723</u>	<u>\$ 17,617</u>

Exhibit C-3

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from Budgetary Comparison Schedule	\$ 31,130,791	\$ 431,723
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	47,773	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(69,365)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	<u>\$ 31,109,199</u>	<u>\$ 431,723</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 31,380,590</u>	<u>\$ 431,723</u>
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 31,380,590</u>	<u>\$ 431,723</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2016 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

The General Fund budgetary revenue differs from the GAAP revenue due to a difference in recognition of the June state aid payments for the current year. Since the State is recording the June state aid payments in the subsequent fiscal year, the District cannot recognize these payments in the current year GAAP financial statements.

**SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)**

SPECIAL REVENUE FUND

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	No Child Left Behind	IDEA Part B, Basic		Nonpublic Textbook Aid
	Title II, Part A	Regular	Preschool	
REVENUE:				
State Sources				\$ 10,278
Federal Sources	\$ 17,070	\$ 296,758	\$ 16,964	
Total Revenue	17,070	296,758	16,964	10,278
EXPENDITURES:				
Instruction:				
Salaries of Teachers			15,079	
Tuition		270,683		
Textbooks				10,278
Total Instruction		270,683	15,079	10,278
Support Services:				
Purchased Professional - Educational Services	17,070	26,075	1,885	
Total Support Services	17,070	26,075	1,885	
Total Expenditures	\$ 17,070	\$ 296,758	\$ 16,964	\$ 10,278

	Nonpublic			Chapter 192 - Nonpublic Auxiliary Aid	
	Security Aid	Nursing Aid	Technology Initiative	Compensatory Education	Transportation
REVENUE:					
State Sources	\$ 4,525	\$ 16,290	\$ 4,680	\$ 18,834	\$ 13,175
Federal Sources					
Total Revenue	4,525	16,290	4,680	18,834	13,175
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Tuition					
Textbooks					
Total Instruction					
Support Services:					
Purchased Professional - Educational Services	4,525	16,290	4,680	18,834	13,175
Total Support Services	4,525	16,290	4,680	18,834	13,175
Total Expenditures	\$ 4,525	\$ 16,290	\$ 4,680	\$ 18,834	\$ 13,175

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Chapter 193 - Nonpublic Handicapped Aid</u>			<u>Totals</u>
	<u>Examination & Classification</u>	<u>Supplementary Instruction</u>	<u>Corrective Speech</u>	
REVENUE:				
State Sources	\$ 11,929	\$ 9,431	\$ 11,789	\$ 100,931
Federal Sources				330,792
				<hr/>
Total Revenue	11,929	9,431	11,789	431,723
EXPENDITURES:				
Instruction:				
Salaries of Teachers				15,079
Tuition				270,683
Textbooks				10,278
				<hr/>
Total Instruction				296,040
Support Services:				
Purchased Professional - Educational Services	11,929	9,431	11,789	135,683
				<hr/>
Total Support Services	11,929	9,431	11,789	135,683
				<hr/>
Total Expenditures	\$ 11,929	\$ 9,431	\$ 11,789	\$ 431,723

CAPITAL PROJECTS FUND

Exhibit F-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Revenue:	
Interest on Investments	<u>\$ 10</u>
Total Revenue	<u>10</u>
Expenditures and Other Financing Uses:	
Transfer Out:	
General Fund - Interest Earned	<u>10</u>
Total Expenditures and Other Financing Uses	<u>10</u>
Excess of Revenue Over Expenditures and Other Financing Uses	-0-
Fund Balance - Beginning of Year	<u>332,611</u>
Fund Balance - End of Year	<u><u>\$ 332,611</u></u>
Recapitulation of Fund Balance:	
Committed	\$ 332,611
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on GAAP Basis	<u>(531,160)</u>
Fund Balance (Deficit) per Governmental Funds (GAAP)	<u><u>\$ (198,549)</u></u>

F-1A

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
FRANKLIN AVENUE MIDDLE SCHOOL - PARTIAL ROOF REPLACEMENT,
LOCKER ROOM RENOVATIONS, AND ADA COMPLIANCT DOOR LOCKS AND
HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Totals	Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 354,960		\$ 354,960	\$ 354,960
Budget Appropriations	532,440		532,440	532,440
Total Revenue and Other Financing Sources	887,400		887,400	887,400
Expenditures:				
Legal Services	1,130		1,130	5,000
Architectural/Engineering Services	86,952		86,952	103,810
Purchased Professional/Technical Services	2,250		2,250	2,250
Construction Services	574,159		574,159	709,000
Other Objects				67,340
Total Expenditures	664,491		664,491	887,400
Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures	\$ 222,909	\$ -0-	\$ 222,909	\$ -0-
Additional Project Information:				
Project Number(s)	1580-015-09-1001/0ZPV			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 532,440			
Bonds and Notes Issued	\$ 532,440			
Original Authorized Cost	\$ 887,400			
Percentage Completion	100.00%			
Original Target Completion Date	09/15/10			

F-1B

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
HIGH MOUNTAIN ROAD SCHOOL - ADA COMPLIANT DOOR LOCKS
AND HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Prior Periods	Current Year	Totals	Authorized Costs
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 13,000		\$ 13,000	\$ 13,000
Budget Appropriations	19,500		19,500	19,500
Total Revenue and Other Financing Sources	32,500		32,500	32,500
Expenditures:				
Legal Services	41		41	1,000
Architectural/Engineering Services	4,529		4,529	5,000
Construction Services	19,782		19,782	20,000
Other Objects				6,500
Total Expenditures	24,352		24,352	32,500
Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures	\$ 8,148	\$ -0-	\$ 8,148	\$ -0-
Additional Project Information:				
Project Number(s)	1580-020-09-1002/0ZBX			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 19,500			
Bonds and Notes Issued	\$ 19,500			
Original Authorized Cost	\$ 32,500			
Change Order Percentage	0.00%			
Percentage Completion	100.00%			
Original Target Completion Date	09/15/10			

F-1C

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE
AND PROJECT STATUS - BUDGETARY BASIS
WOODSIDE AVENUE SCHOOL - BOILER AND ADA COMPLIANT DOOR LOCKS
AND HARDWARE ON ALL EXTERIOR DOORS
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Authorized Costs</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant	\$ 163,200		\$ 163,200	\$ 163,200
Budget Appropriations	244,800		244,800	244,800
Total Revenue and Other Financing Sources	408,000		408,000	408,000
Expenditures:				
Legal Services	520		520	2,500
Architectural/Engineering Services	43,819		43,819	44,000
Purchased Professional/Technical Services	8,250		8,250	8,250
Construction Services	253,857		253,857	337,000
Other Objects				16,250
Total Expenditures	306,446		306,446	408,000
Excess (Deficit) of Revenue and Other Financing Sources over (under) Expenditures	\$ 101,554	\$ -0-	\$ 101,554	\$ -0-
Additional Project Information:				
Project Number(s)	1580-030-09-1003/0ZBY			
Grant Date(s)	12/30/09			
Bond Authorization Date	N/A			
Bonds and Notes Authorized	\$ 244,800			
Bonds and Notes Issued	\$ 244,800			
Original Authorized Cost	\$ 408,000			
Percentage Completion	100.00%			
Original Target Completion Date	09/15/10			

PROPRIETARY FUNDS

Exhibit G-1

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS:

Current Assets:		
Intergovernmental Accounts Receivable - Federal	\$	424
Interfund Receivable - General Fund		<u>1,059</u>
Total Current Assets		<u>1,483</u>
Total Assets		<u>1,483</u>
 NET POSITION:		
Unrestricted		<u>1,483</u>
Total Net Position	\$	<u><u>1,483</u></u>

Exhibit G-2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 3,908
	<hr/>
Total Operating Revenue	3,908
	<hr/>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	10,310
Supplies	6,235
	<hr/>
Total Operating Expenses	16,545
	<hr/>
Operating Loss	(12,637)
Non-Operating Revenue:	
Federal Sources - Special Milk Program	6,968
	<hr/>
Total Non-Operating Revenue	6,968
	<hr/>
Change in Net Position	(5,669)
Net Position - Beginning of Year	7,152
	<hr/>
Net Position - End of Year	\$ 1,483
	<hr/> <hr/>

Exhibit G-3

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,908
Payments to Suppliers	<u>(16,545)</u>
Net Cash Used for Operating Activities	<u>(12,637)</u>
Cash Flows from Noncapital Financing Activities:	
Interfund - General Fund	5,668
Federal Sources - Special Milk Program	<u>6,969</u>
Net Provided by Noncapital Financing Activities	<u>12,637</u>
Net Increase in Cash and Cash Equivalents	-0-
Cash and Cash Equivalents, July 1	<u>-0-</u>
Cash and Cash Equivalents, June 30	<u><u>\$ -0-</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	<u>\$ (12,637)</u>
Net Cash Used for Operating Activities	<u><u>\$ (12,637)</u></u>

FIDUCIARY FUNDS

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016

	Student Activities	Payroll Agency	Laptop Replacement Agency	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust
ASSETS:						
Cash and Cash Equivalents	\$ 51,731	\$ 91,660	\$ 62,736	\$ 206,127	\$ 374,750	\$ 99,506
Total Assets	51,731	91,660	62,736	206,127	374,750	99,506
LIABILITIES:						
Interfund Payable - General Fund		11,398		11,398		73,334
Due to Student Groups	51,731			51,731		
Payroll Deductions and Withholdings		80,262		80,262		
Total Liabilities	51,731	91,660		143,391		73,334
NET POSITION:						
Held in Trust for:						
Unemployment Compensation Claims					374,750	
Flexible Spending Claims						26,172
Laptop Replacement Costs			62,736	62,736		
Total Net Position	\$ - 0 -	\$ - 0 -	\$ 62,736	\$ 62,736	\$ 374,750	\$ 26,172

Exhibit H-2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Unemployment Compensation Trust	Flexible Spending Trust	Private Purpose Scholarship Trust
Additions:			
Contributions:			
Plan Contributions	\$ 29,671	\$ 79,822	
Total Contributions	29,671	79,822	
Investment Earnings:			
Interest	1,301	281	
Net Investment Earnings	1,301	281	
Total Additions	30,972	80,103	
Deductions			
Unemployment Compensation Claims	47,210		
Flexible Spending Claims		85,980	
Other Expenses			\$ 1
Total Deductions	47,210	85,980	1
Change in Net Position	(16,238)	(5,877)	(1)
Net Position - Beginning of the Year	390,988	32,049	1
Net Position - End of the Year	\$ 374,750	\$ 26,172	\$ - 0 -

Exhibit H-3

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
STATEMENT OF ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 48,948	\$ 83,101	\$ 80,318	\$ 51,731
Total Assets	<u>\$ 48,948</u>	<u>\$ 83,101</u>	<u>\$ 80,318</u>	<u>\$ 51,731</u>
LIABILITIES				
Due to Student Groups	48,948	\$ 83,101	\$ 80,318	\$ 51,731
Total Liabilities	<u>\$ 48,948</u>	<u>\$ 83,101</u>	<u>\$ 80,318</u>	<u>\$ 51,731</u>

Exhibit H-4

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2016</u>
Elementary School:				
Colonial Road School	\$ 4,103	\$ 10,859	\$ 10,310	\$ 4,652
High Mountain Road School	3,361	8,365	8,767	2,959
Woodside Avenue School	2,744	5,866	5,396	3,214
Middle Schools:				
Franklin Avenue Middle School	23,990	52,260	49,880	26,370
Snapple - Peer Leadership	14,750	5,751	5,965	14,536
 Total All Schools	 <u>\$ 48,948</u>	 <u>\$ 83,101</u>	 <u>\$ 80,318</u>	 <u>\$ 51,731</u>

Exhibit H-5

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 32,260	\$ 19,323,746	\$ 19,264,346	\$ 91,660
Total Assets	<u>\$ 32,260</u>	<u>\$ 19,323,746</u>	<u>\$ 19,264,346</u>	<u>\$ 91,660</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 7,759	\$ 3,639		\$ 11,398
Payroll Deductions and Withholdings	<u>24,501</u>	<u>19,320,107</u>	<u>\$ 19,264,346</u>	<u>80,262</u>
Total Liabilities	<u>\$ 32,260</u>	<u>\$ 19,323,746</u>	<u>\$ 19,264,346</u>	<u>\$ 91,660</u>

Exhibit H-6

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LAPTOP REPLACEMENT AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>ASSETS:</u>				
Cash and Cash Equivalentents	\$ 40,670	\$ 22,066	_____	\$ 62,736
Total Assets	<u>\$ 40,670</u>	<u>\$ 22,066</u>	<u>\$ -0-</u>	<u>\$ 62,736</u>
<u>NET POSITION:</u>				
Laptop Replacement Costs	\$ 40,670	\$ 22,066	_____	\$ 62,736
Total Net Position	<u>\$ 40,670</u>	<u>\$ 22,066</u>	<u>\$ -0-</u>	<u>\$ 62,736</u>

LONG-TERM DEBT

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LONG TERM DEBT
STATEMENT OF SERIAL BONDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2016		Interest Rate	Balance July 1, 2015	Retired or Matured	Balance June 30, 2016
			Date	Amount				
Refunding School Bonds	09/30/10	\$ 6,390,000	8/1/2016	\$ 640,000	3.00%	\$ 5,075,000	\$ 650,000	\$ 4,425,000
			8/1/2017	635,000	4.00%			
			8/1/2018	635,000	4.00%			
			8/1/2019	630,000	4.50%			
			8/1/2020	630,000	4.50%			
			8/1/2021	630,000	4.00%			
			8/1/2022	625,000	4.00%			
					\$ 5,075,000	\$ 650,000	\$ 4,425,000	
					\$ 5,075,000	\$ 650,000	\$ 4,425,000	

Exhibit I-2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LONG-TERM DEBT
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2015</u>	<u>Issued</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2016</u>
Laptop Computers	2.250%	\$ 463,420	\$ 231,653		\$ 114,538	\$ 117,115
Laptop Computers	2.077%	365,795		\$ 365,795	94,288	271,507
			<u>\$ 231,653</u>	<u>\$ 365,795</u>	<u>\$ 208,826</u>	<u>\$ 388,622</u>

Exhibit I-3

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 836,650		\$ 836,650	\$ 836,650	
Total Revenues	836,650		836,650	836,650	
EXPENDITURES:					
Regular Debt Service:					
Interest	186,650		186,650	186,650	
Redemption of Principal	650,000		650,000	650,000	
Total Regular Debt Service	836,650		836,650	836,650	
Total Expenditures	836,650		836,650	836,650	
Excess of Revenues Over Expenditures	-0-	\$ -0-	-0-	-0-	\$ -0-
Fund Balance, July 1	-0-		-0-	-0-	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION

STATISTICAL SECTION
(UNAUDITED)

This part of the District'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 District's overall financial health.

Contents

	<u>Exhibit</u>
<p>Financial Trends</p> <p>These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.</p>	J-1 thru J-5
<p>Revenue Capacity</p> <p>These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.</p>	J-6 thru J-9
<p>Debt Capacity</p> <p>These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.</p>	J-10 thru J-13
<p>Demographic and Economic Information</p> <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.</p>	J-14 thru J-15
<p>Operating Information</p> <p>These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.</p>	J-16 thru J-20

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
 (UNAUDITED)
 (Accrual Basis of Accounting)

June 30,

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Net Investment in										
Capital Assets	\$ 15,498,547	\$ 16,688,892	\$ 16,497,801	\$ 17,688,410	\$ 20,208,412	\$ 20,376,854	\$ 18,164,821	\$ 18,042,322	\$ 18,210,674	\$ 18,059,795
Restricted	73,578	1,009,846	980,178	1,795,817	1,600,063	2,023,639	2,109,714	2,519,204	3,138,863	3,352,028
Unrestricted (Deficit)	552,656	(212,496)	(136,650)	(143,854)	(532,122)	(303,939)	(468,422)	(5,538,776)	(5,660,067)	(6,133,151)
Total Governmental										
Activities Net Position	<u>\$ 16,124,781</u>	<u>\$ 17,486,242</u>	<u>\$ 17,341,329</u>	<u>\$ 19,340,373</u>	<u>\$ 21,276,353</u>	<u>\$ 22,096,554</u>	<u>\$ 19,806,113</u>	<u>\$ 15,022,750</u>	<u>\$ 15,689,470</u>	<u>\$ 15,278,672</u>
Business-Type Activities:										
Unrestricted	\$ 18,633	\$ 21,709	\$ 28,069	\$ 27,077	\$ 26,847	\$ 9,829	\$ 17,786	\$ 5,341	\$ 7,152	\$ 1,483
Total Business-Type										
Activities Net Position	<u>\$ 18,633</u>	<u>\$ 21,709</u>	<u>\$ 28,069</u>	<u>\$ 27,077</u>	<u>\$ 26,847</u>	<u>\$ 9,829</u>	<u>\$ 17,786</u>	<u>\$ 5,341</u>	<u>\$ 7,152</u>	<u>\$ 1,483</u>
District-Wide:										
Net Investment in										
Capital Assets	\$ 15,498,547	\$ 16,688,892	\$ 16,497,801	\$ 17,688,410	\$ 20,208,412	\$ 20,376,854	\$ 18,164,821	\$ 18,042,322	\$ 18,210,674	\$ 18,059,795
Restricted	73,578	1,009,846	980,178	1,795,817	1,600,063	2,023,639	2,109,714	2,519,204	3,138,863	3,352,028
Unrestricted (Deficit)	571,289	(190,787)	(108,581)	(116,777)	(505,275)	(294,110)	(450,636)	(5,533,435)	(5,652,915)	(6,131,668)
Total District-Wide Net Position	<u>\$ 16,143,414</u>	<u>\$ 17,507,951</u>	<u>\$ 17,369,398</u>	<u>\$ 19,367,450</u>	<u>\$ 21,303,200</u>	<u>\$ 22,106,383</u>	<u>\$ 19,823,899</u>	<u>\$ 15,028,091</u>	<u>\$ 15,696,622</u>	<u>\$ 15,280,155</u>

Source: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses:										
Governmental Activities:										
Instruction:										
Regular	\$11,914,952	\$12,834,091	\$12,086,630	\$12,045,778	\$12,352,045	\$12,421,382	\$12,900,206	\$12,852,499	\$14,455,143	\$16,320,528
Special Education	3,497,458	3,735,787	4,340,749	4,730,524	4,595,110	4,752,660	4,633,915	4,944,229	5,470,305	6,280,209
Other Special Instruction	602,771	538,425	647,574	445,005	602,667	573,125	632,933	599,078	1,029,789	1,176,165
Other Instruction	110,267	142,060	150,979	142,543	108,527	125,369	145,964	126,247	207,167	201,257
Support Services:										
Tuition		20,499	166,231	87,232	198,186	357,294	764,909	926,665	779,729	527,733
Student & Instruction Related Services	4,004,282	3,633,681	3,355,727	3,236,637	3,747,085	3,963,614	4,154,137	4,062,891	4,124,758	4,523,346
General Administrative Services	608,725	599,627	611,581	692,663	538,848	573,298	572,586	630,900	524,643	548,147
School Administrative Services	1,320,483	1,268,673	1,282,228	1,178,475	1,406,480	1,380,949	1,615,493	1,408,197	1,649,779	1,800,803
Central Services/Admin. Technology	541,848	608,894	579,770	568,874	585,198	591,005	692,228	622,293	627,228	623,656
Plant Operations and Maintenance	2,659,892	3,012,230	4,006,142	2,928,186	2,765,484	3,419,560	3,840,866	3,707,881	3,707,558	3,790,330
Pupil Transportation	838,590	811,236	869,598	846,818	796,237	831,477	759,926	824,787	823,310	799,309
Capital Outlay		18,915	576,442	187,935	33,102					
Interest on Long-Term Debt	612,949	561,882	407,695	431,480	271,680	253,804	229,254	200,821	181,158	166,898
Unallocated Depreciation							18,483	12,028	9,036	
Total Governmental Activities Expenses	26,712,217	27,786,000	29,081,346	27,522,150	28,000,649	29,243,537	30,942,417	30,924,971	33,592,595	36,767,417
Business-Type Activities:										
Milk Enterprise Fund	33,909	28,308	25,519	18,374	27,807	47,367	14,646	14,612	14,071	16,545
Total Business-Type Activities Expenses	33,909	28,308	25,519	18,374	27,807	47,367	14,646	14,612	14,071	16,545
Total District Expenses	26,746,126	27,814,308	29,106,865	27,540,524	28,028,456	29,290,904	30,957,063	30,939,583	33,606,666	36,783,962

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Special Education	\$ 1,392,942	\$ 1,507,097	\$ 1,794,627	\$ 1,757,801	\$ 1,529,041	\$ 1,794,954	\$ 1,693,662	\$ 1,926,933	\$ 1,750,765	\$ 2,016,141
Pupil Transportation	163,800	129,900	125,800	125,800	90,165	84,310	75,150	72,700	77,299	68,010
Operating Grants and Contributions	4,046,175	4,204,136	3,432,958	3,461,607	2,689,538	3,358,334	4,124,351	3,698,400	6,939,275	8,441,077
Capital Grants and Contributions	44,100							212,843		
Total Governmental Activities Program Revenues	5,647,017	5,841,133	5,353,385	5,219,408	4,308,744	5,237,598	5,893,163	5,910,876	8,767,339	10,525,228
Business-Type Activities:										
Charges for Services:										
Milk Enterprise Fund	25,714	19,151	18,216	10,886	15,037	17,271	13,952	9,244	8,799	3,908
Operating Grants and Contributions	10,818	12,233	13,663	11,997	12,540	13,019	8,593	6,883	7,083	6,968
Total Business-Type Activities Revenues	36,532	31,384	31,879	22,883	27,577	30,290	22,545	16,127	15,882	10,876
Total District Program Revenues	5,683,549	5,872,517	5,385,264	5,242,291	4,336,321	5,267,888	5,915,708	5,927,003	8,783,221	10,536,104
Net (Expense)/Revenue										
Governmental Activities	(21,065,200)	(21,944,867)	(23,727,961)	(22,302,742)	(23,691,905)	(24,005,939)	(25,049,254)	(25,014,095)	(24,825,256)	(26,242,189)
Business-Type Activities	2,623	3,076	6,360	4,509	(230)	(17,077)	7,899	1,515	1,811	(5,669)
Total District Net (Expense)/Revenue	(21,062,577)	(21,941,791)	(23,721,601)	(22,298,233)	(23,692,135)	(24,023,016)	(25,041,355)	(25,012,580)	(24,823,445)	(26,247,858)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(UNAUDITED)
(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$20,267,099	\$20,576,202	\$21,014,827	\$21,844,912	\$23,129,335	\$23,489,921	\$23,660,306	\$24,133,512	\$24,212,205	\$24,696,449
Taxes Levied for Debt Service	2,287,311	2,288,142	2,239,775	2,178,485	2,233,021	1,082,007	976,361	1,043,949	965,256	836,650
Federal and State Aid not Restricted	191,337	229,552	211,870	152,765	15,569	18,210	38,860	54,386	54,386	54,985
Interest and Miscellaneous Income	219,790	212,432	116,576	125,624	249,960	254,212	199,225	204,998	260,129	243,307
Transfers							14,000			
Total Governmental Activities	<u>22,965,537</u>	<u>23,306,328</u>	<u>23,583,048</u>	<u>24,301,786</u>	<u>25,627,885</u>	<u>24,826,140</u>	<u>24,854,102</u>	<u>25,435,319</u>	<u>25,491,976</u>	<u>25,831,391</u>
Business-Type Activities:										
Investment Earnings						59	58	40		
Transfers								(14,000)		
Total Business-Type Activities						<u>59</u>	<u>58</u>	<u>(13,960)</u>		
Total District General Revenues and Other Changes in Net Position	<u>22,965,537</u>	<u>23,306,328</u>	<u>23,583,048</u>	<u>24,301,786</u>	<u>25,627,885</u>	<u>24,826,199</u>	<u>24,854,160</u>	<u>25,421,359</u>	<u>25,491,976</u>	<u>25,831,391</u>
Change in Net Position:										
Governmental Activities	1,900,337	1,361,461	(144,913)	1,999,044	1,935,980	820,201	(195,152)	421,224	666,720	(410,798)
Business-Type Activities	2,623	3,076	6,360	4,509	(230)	(17,018)	7,957	(12,445)	1,811	(5,669)
Total District Change in Net Position	<u>\$ 1,902,960</u>	<u>\$ 1,364,537</u>	<u>\$ (138,553)</u>	<u>\$ 2,003,553</u>	<u>\$ 1,935,750</u>	<u>\$ 803,183</u>	<u>\$ (187,195)</u>	<u>\$ 408,779</u>	<u>\$ 668,531</u>	<u>\$ (416,467)</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)
(Modified Accrual Basis of Accounting)

	June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 828,144	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307						
Unreserved	568,551	456,150	483,431	501,093						
Restricted					\$ 1,461,600	\$ 1,884,175	\$ 2,050,683	\$ 2,463,235	\$ 3,138,863	\$ 3,352,028
Assigned					516,370	408,454	258,421	339,719	286,974	329,508
Unassigned					671,908	784,311	786,704	786,237	706,262	544,977
Total General Fund	<u>\$ 1,396,695</u>	<u>\$ 1,601,830</u>	<u>\$ 1,620,733</u>	<u>\$ 2,579,400</u>	<u>\$ 2,649,878</u>	<u>\$ 3,076,940</u>	<u>\$ 3,095,808</u>	<u>\$ 3,589,191</u>	<u>\$ 4,132,099</u>	<u>\$ 4,226,513</u>
Other Governmental Funds:										
Unreserved (Deficit)	\$ (110,926)	\$ (135,834)	\$ (157,124)	\$ (282,490)						
Restricted					\$ 138,463	\$ 139,464	\$ 59,031	\$ 55,969		
Unassigned (Deficit)					(1,050,453)	(891,453)	(732,453)	(358,549)	\$ (198,549)	\$ (198,549)
Total Other Governmental Funds	<u>\$ (110,926)</u>	<u>\$ (135,834)</u>	<u>\$ (157,124)</u>	<u>\$ (282,490)</u>	<u>\$ (911,990)</u>	<u>\$ (751,989)</u>	<u>\$ (673,422)</u>	<u>\$ (302,580)</u>	<u>\$ (198,549)</u>	<u>\$ (198,549)</u>
Total Governmental Funds:										
Reserved	\$ 828,144	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307						
Unreserved	457,625	320,316	326,307	218,603						
Restricted					\$ 1,600,063	\$ 2,023,639	\$ 2,109,714	\$ 2,519,204	\$ 3,138,863	\$ 3,352,028
Assigned					516,370	408,454	258,421	339,719	286,974	329,508
Unassigned (Deficit)					(378,545)	(107,142)	54,251	427,688	507,713	346,428
Total Governmental Funds	<u>\$ 1,285,769</u>	<u>\$ 1,465,996</u>	<u>\$ 1,463,609</u>	<u>\$ 2,296,910</u>	<u>\$ 1,737,888</u>	<u>\$ 2,324,951</u>	<u>\$ 2,422,386</u>	<u>\$ 3,286,611</u>	<u>\$ 3,933,550</u>	<u>\$ 4,027,964</u>

Source: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues:										
Tax Levy	\$22,554,410	\$22,864,344	\$23,254,602	\$24,023,397	\$25,362,356	\$24,571,928	\$24,636,667	\$25,177,461	\$25,177,461	\$25,533,099
Other Governmental Units - Restricted					123,410	118,648	125,866	128,383	118,129	143,806
Tuition Charges	1,392,942	1,507,097	1,794,627	1,757,801	1,529,041	1,794,954	1,693,662	1,926,933	1,750,765	2,016,141
Interest Earnings	132,577	101,704	19,835	1,800	1,800	1,800	9,927	11,647	10,205	13,213
Transportation Fees from Individuals		129,900	125,800	101,905	90,165	84,310	75,150	72,700	77,299	68,010
Miscellaneous	251,013	207,455	210,518	185,964	157,852	325,865	255,533	223,968	291,795	86,288
State Sources	3,927,290	3,985,158	3,185,753	2,875,932	2,206,241	2,935,225	3,772,987	3,634,851	3,814,603	4,186,233
Federal Sources	354,322	351,803	345,298	574,395	625,504	390,008	336,473	315,252	329,631	330,792
Total Revenues	28,612,554	29,147,461	28,936,433	29,521,194	30,096,369	30,222,738	30,906,265	31,491,195	31,569,888	32,377,582
Expenditures:										
Instruction:										
Regular Instruction	11,707,778	8,932,277	8,773,440	8,511,119	9,246,089	9,185,130	9,000,413	8,814,159	8,764,795	9,095,364
Special Education Instruction	3,497,458	2,728,191	3,167,135	3,466,504	3,445,443	3,478,316	3,300,491	3,490,328	3,396,428	3,602,531
Other Special Instruction	602,771	370,887	459,074	305,762	434,570	423,521	431,141	409,606	590,989	624,635
Other Instruction	110,267	100,055	115,852	97,007	81,449	93,249	102,730	89,736	123,119	111,792
Support Services:										
Tuition		20,499	166,231	87,232	198,186	357,294	764,909	926,665	779,729	527,733
Student & Instruction Related Services	3,906,933	3,018,677	2,733,763	2,567,125	2,785,867	3,150,929	3,309,210	3,188,642	3,220,053	3,383,766
General Administration	575,983	519,648	535,667	587,332	472,224	477,462	476,912	522,784	406,327	401,994
School Administration	1,303,387	1,028,248	1,020,578	921,275	1,020,002	1,013,628	1,149,221	1,000,746	1,036,945	1,053,527
Central Services/Admin. Technology	541,228	528,395	489,914	454,632	485,766	471,742	518,507	498,821	499,380	465,808
Operations/Maintenance	2,224,818	2,542,666	2,389,017	2,231,063	2,260,161	2,591,421	2,672,406	2,761,007	2,768,734	2,591,475
Pupil Transportation	831,200	803,846	866,043	843,918	793,564	828,372	756,292	820,818	818,637	791,761
Unallocated Benefits		5,762,781	5,812,000	6,110,227	6,030,939	6,318,468	7,102,936	6,912,571	7,342,692	8,363,369
Capital Outlay	228,033	322,593	579,041	326,212	1,248,549	165,137	166,868	623,557	153,896	798,558

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(UNAUDITED)
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenditures:										
Debt Service:										
Principal	\$ 1,675,188	\$ 1,695,000	\$ 1,745,000	\$ 1,715,000	\$ 1,824,740	\$ 809,000	\$ 809,000	\$ 819,000	\$ 815,000	\$ 650,000
Interest/Other Charges	649,913	593,471	516,065	463,485	327,842	272,006	247,794	225,950	206,225	186,650
Total Expenditures	<u>27,854,957</u>	<u>28,967,234</u>	<u>29,368,820</u>	<u>28,687,893</u>	<u>30,655,391</u>	<u>29,635,675</u>	<u>30,808,830</u>	<u>31,104,390</u>	<u>30,922,949</u>	<u>32,648,963</u>
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	<u>757,597</u>	<u>180,227</u>	<u>(432,387)</u>	<u>833,301</u>	<u>(559,022)</u>	<u>587,063</u>	<u>97,435</u>	<u>386,805</u>	<u>646,939</u>	<u>(271,381)</u>
Other Financing Sources (Uses)										
Capital Leases			430,000					463,420		365,795
Serial Bonds Issued					6,390,000					
Serial Bonds Defeased					(6,499,000)					
Bond Issuance Costs					(110,432)					
Bond Premium					718,748					
Deferred Amount on Refunding					(499,316)					
Transfers In	1,319	329		372	1,121		15	14,015	55,730	10
Transfers Out	(1,319)	(329)		(372)	(1,121)		(15)	(15)	(55,730)	(10)
Total Other Financing Sources (Uses)	<u>- 0 -</u>	<u>- 0 -</u>	<u>430,000</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>477,420</u>	<u>- 0 -</u>	<u>365,795</u>
Net Change in Fund Balances	<u>\$ 757,597</u>	<u>\$ 180,227</u>	<u>\$ (2,387)</u>	<u>\$ 833,301</u>	<u>\$ (559,022)</u>	<u>\$ 587,063</u>	<u>\$ 97,435</u>	<u>\$ 864,225</u>	<u>\$ 646,939</u>	<u>\$ 94,414</u>
Debt Service as a Percentage of Noncapital Expenditures	9.2 %	8.7 %	8.5 %	8.3 %	7.9 %	3.8 %	3.6 %	3.5 %	3.4 %	2.6 %

Source: Borough of Franklin Lakes School District Financial Reports.

Exhibit J-5

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
 (UNAUDITED)
(Modified Accrual Basis of Accounting)

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2007	\$ 131,258	\$ 1,392,942		\$ 163,800	\$ 1,688,000
2008	101,375	1,507,097	\$ 129,900	110,728	1,849,100
2009	19,835	1,794,627	125,800	96,741	2,037,003
2010	14,240	1,757,801	101,905	111,012	1,984,958
2011	51,077	1,529,041	90,165	197,762	1,868,045
2012	11,895	1,794,954	84,310	242,317	2,133,476
2013	9,912	1,693,662	75,150	189,298	1,968,022
2014	11,632	1,926,933	72,700	193,351	2,204,616
2015	10,194	1,750,765	77,299	249,924	2,088,182
2016	13,203	2,016,141	68,010	230,094	2,327,448

Source: Borough of Franklin Lakes School District Financial Reports.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
 (UNAUDITED)

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities ^a	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2006	\$39,168,100	\$1,887,092,102	\$3,681,300	\$ 19,000	\$246,418,000	\$ 13,438,000	\$ 9,783,000	\$2,199,599,502	\$ 1,333,619	\$2,200,933,121	\$150,719,500	\$ 0.989	\$4,024,313,596
2007*	80,998,400	4,379,627,600	6,344,900	21,200	384,240,500	23,568,000	18,139,400	4,892,940,000	1,333,619	4,894,273,619	220,364,900	0.465	4,465,718,841
2008	90,703,100	4,349,987,800	6,344,900	21,200	384,240,500	23,568,000	30,856,600	4,885,722,100	3,416,228	4,889,138,328	219,249,100	0.470	4,650,202,081
2009	90,999,700	4,388,465,100	5,317,500	18,800	401,034,300	23,429,400	30,856,600	4,940,121,400	5,581,035	4,945,702,435	219,249,100	0.480	4,869,232,530
2010	75,848,200	4,420,389,200	5,317,500	18,800	393,342,200	23,429,400	30,139,400	4,948,484,700	3,687,173	4,952,171,873	219,249,100	0.499	4,709,650,468
2011*	53,113,100	3,563,332,500	4,240,000	21,400	408,302,900	32,820,000	30,139,400	4,091,969,300	3,325,267	4,095,294,567	190,895,400	0.620	4,354,743,831
2012	52,494,400	3,561,581,700	4,240,000	21,400	405,702,600	32,758,500	30,139,400	4,086,938,000	2,370,663	4,089,308,663	194,171,500	0.602	4,471,193,866
2013	50,565,400	3,566,930,300	4,505,500	23,700	405,652,400	32,285,300	30,139,400	4,090,102,000	- 0 -	4,090,102,000	193,846,600	0.610	4,344,917,974
2014	48,992,100	3,584,962,000	3,470,900	18,800	403,843,900	31,751,400	38,139,400	4,111,178,500	- 0 -	4,111,178,500	194,652,600	0.613	4,267,554,280
2015	51,052,600	3,593,943,600	3,470,900	18,800	403,874,900	31,751,400	38,139,400	4,122,251,600	- 0 -	4,122,251,600	199,925,300	0.617	4,358,772,529

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when ordered by the County Board of Taxation.

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

^b Tax rates are per \$100 of assessed value.

* Year in which revaluation/reassessment was effective.

Source: Borough of Franklin Lakes Tax Assessor.

Exhibit J-7

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN YEARS

(UNAUDITED)

(Rate per \$100 of Assessed Value)

Year Ended December 31,	Franklin Lakes School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct School Tax Rate	Borough of Franklin Lakes	Ramapo- Indian Hills Regional School	Bergen County	
2006	\$ 0.881	\$ 0.108	\$ 0.989	\$ 0.377	\$ 0.680	\$ 0.324	\$ 2.370
2007 *	0.418	0.047	0.465	0.166	0.313	0.166	1.110
2008	0.423	0.047	0.470	0.180	0.330	0.170	1.150
2009	0.434	0.046	0.480	0.192	0.340	0.188	1.200
2010	0.454	0.045	0.499	0.210	0.350	0.187	1.246
2011*	0.565	0.055	0.620	0.259	0.431	0.219	1.529
2012	0.575	0.027	0.602	0.264	0.427	0.240	1.533
2013	0.586	0.024	0.610	0.269	0.434	0.244	1.557
2014	0.588	0.025	0.613	0.272	0.444	0.243	1.572
2015	0.593	0.024	0.617	0.277	0.451	0.254	1.599

Note: NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the District's net budget may not exceed the prebudget year net budget by more than the spending growth limitation calculation.

^a The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

^b Rates for debt service are based on each year's requirements.

* Year in which revaluation/reassessment was effective.

Source: Borough of Franklin Lakes Tax Collector and School Business Administrator.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	2015		Taxpayer	2006	
	Taxable Assessed Value	% of Total District Net Valuation Taxable		Taxable Assessed Value	% of Total District Net Valuation Taxable
Becton Dickinson & Company	\$ 156,547,900	3.80 %	Becton Dickinson & Company	\$ 132,024,130	6.00 %
Medco Health Solutions	85,000,000	2.06 %	Merck Medco Managed Care,LLC	80,893,700	3.68 %
Urban Farms Acquisition	21,496,300	0.52 %	1st Real Estate Invest Trust	12,699,500	0.58 %
University Heights LLC	20,000,000	0.49 %	Franklin Lakes Building Assoc.	9,783,000	0.44 %
1st Real Estate Invest Trust	19,784,900	0.48 %	Franklin Farms Associates, LLC	7,425,000	0.34 %
East Coast Horizon	18,139,400	0.44 %	Urban Farms	5,788,100	0.26 %
FL Storage LLC	9,000,000	0.22 %	High Mtn. Golf Club	5,208,000	0.24 %
Franklin Lakes Realty, LLC	7,480,000	0.18 %	Sabra Realty Corp	3,813,800	0.17 %
LD Management LLC	6,964,100	0.17 %	Individual Taxpayer #1	3,325,000	0.15 %
Individual Taxpayer #1	6,923,600	0.17 %	Individual Taxpayer #2	3,256,800	0.15 %
Total	\$ 351,336,200	8.53 %	Total	\$ 264,217,030	12.01 %

NOTE: Revaluation of real property was effective in 2007.

Individual taxpayers in 2006 and 2015 may be different individuals.

Source: Borough of Franklin Lakes Tax Assessor.

Exhibit J-9

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>Taxes Levied</u> <u>for the</u> <u>Fiscal Year</u>	<u>Collected Within the</u> <u>Fiscal Year of the Levy</u> ^a		<u>Collections in</u> <u>Subsequent</u> <u>Years</u>
		<u>Amount</u>	<u>Percentage</u> <u>of Levy</u>	
2007	\$ 22,554,410	\$ 22,554,410	100.00 %	\$ - 0 -
2008	22,864,344	22,864,344	100.00 %	- 0 -
2009	23,254,602	23,254,602	100.00 %	- 0 -
2010	24,023,397	24,023,397	100.00 %	- 0 -
2011	25,362,356	25,362,356	100.00 %	- 0 -
2012	24,571,928	24,571,928	100.00 %	- 0 -
2013	24,636,667	24,636,667	100.00 %	- 0 -
2014	25,177,461	25,177,461	100.00 %	- 0 -
2015	25,177,461	25,177,461	100.00 %	- 0 -
2016	25,533,099	25,533,099	100.00 %	- 0 -

^a School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

Source: Borough of Franklin Lakes School District records, including the Certificate and Report of School Taxes (A4F form).

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Capital Leases			
2007	\$ 14,619,000	\$ 8,464	\$ 14,627,464	1.88 %	\$ 1,318.62
2008	12,924,000		12,924,000	1.63 %	1,130.21
2009	11,179,000	339,163	11,518,163	1.54 %	991.49
2010	9,464,000	258,588	9,722,588	1.40 %	916.19
2011	7,690,000	175,266	7,865,266	1.08 %	734.66
2012	7,040,000	89,102	7,129,102	0.93 %	663.11
2013	6,390,000		6,390,000	0.84 %	590.85
2014	5,730,000	343,670	6,073,670	0.76 %	558.04
2015	5,075,000	231,653	5,306,653	0.66 %	486.89
2016	4,425,000	388,622	4,813,622	0.60 %	441.66

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

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

Source: Borough of Franklin Lakes School District Financial Reports.

Exhibit J-11

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	General Bonded Debt Outstanding		Net General Bonded Debt Outstanding	Percentage of Net Taxable Value of Property ^a	Per Capita ^b
	General Obligation Bonds	Deductions			
2007	\$ 14,619,000	\$ - 0 -	\$ 14,619,000	0.66 %	\$ 1,278.44
2008	12,924,000	- 0 -	12,924,000	0.26 %	1,119.35
2009	11,179,000	- 0 -	11,179,000	0.23 %	962.30
2010	9,464,000	- 0 -	9,464,000	0.19 %	891.82
2011	7,690,000	- 0 -	7,690,000	0.16 %	718.29
2012	7,040,000	- 0 -	7,040,000	0.17 %	654.82
2013	6,390,000	- 0 -	6,390,000	0.16 %	590.85
2014	5,730,000	- 0 -	5,730,000	0.14 %	526.46
2015	5,075,000	- 0 -	5,075,000	0.12 %	465.64
2016	4,425,000	- 0 -	4,425,000	0.11 %	406.00

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

^a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

^b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Borough of Franklin Lakes School District Financial Reports.

Exhibit J-12

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2015
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Franklin Lakes	\$ 15,386,131	100.00 %	\$ 15,386,131
Ramapo-Indian Hills Regional High School	20,555,000	39.28 %	8,074,621
Bergen County General Obligation Debt	963,604,537	2.65 %	<u>25,538,956</u>
Subtotal, Overlapping Debt			48,999,708
Franklin Lakes Board of Education Direct Debt			<u>4,813,622</u>
Total Direct and Overlapping Debt			<u><u>\$ 53,813,330</u></u>

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

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

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

Exhibit J-13

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt Limit	\$ 116,496,242	\$ 130,629,438	\$ 138,613,851	\$ 141,661,097	\$ 140,829,991
Total Net Debt Applicable to Limit	14,619,000	12,924,000	11,179,000	9,464,000	7,690,000
Legal Debt Margin	<u>\$ 101,876,642</u>	<u>\$ 117,705,438</u>	<u>\$ 127,434,851</u>	<u>\$ 125,402,097</u>	<u>\$ 125,402,097</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.55 %	9.89 %	8.06 %	6.68 %	5.46 %

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt Limit	\$ 137,481,129	\$ 133,924,677	\$ 130,460,856	\$ 129,191,012	\$ 130,630,488
Total Net Debt Applicable to Limit	7,040,000	6,390,000	5,730,000	5,075,000	4,425,000
Legal Debt Margin	<u>\$ 83,521,940</u>	<u>\$ 127,534,677</u>	<u>\$ 124,730,856</u>	<u>\$ 124,116,012</u>	<u>\$ 126,205,488</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	5.12 %	4.77 %	4.39 %	3.93 %	3.39 %

Legal Debt Margin Calculation for Fiscal Year 2016

Year Ended December 31,	Equalized Valuation Basis
2013	\$ 4,240,644,894
2014	4,342,182,615
2015	4,480,221,280
	<u>\$ 13,063,048,789</u>
Average Equalized Valuation of Taxable Property	<u>\$ 4,354,349,596</u>
Debt Limit (3% of Average Equalization Value) ^a	\$ 130,630,488
Net Bonded School Debt at June 30, 2016	<u>4,425,000</u>
Legal Debt Margin	<u>\$ 126,205,488</u>

^a Limit set by NJSA 18A:24-19 for a K through 8 district; other % limits would be applicable for other districts.

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

Exhibit J-14

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS
(UNAUDITED)

<u>Year</u>	<u>Borough Population^a</u>	<u>Bergen County Per Capita Personal Income^b</u>	<u>Borough Personal Income^c</u>	<u>Borough Unemployment Rate^d</u>
2007	11,435	\$ 68,147	\$ 779,260,945	2.00 %
2008	11,546	68,548	791,455,208	2.70 %
2009	11,617	64,571	750,121,307	4.90 %
2010	10,612	65,275	692,698,300	5.00 %
2011	10,706	68,244	730,620,264	4.90 %
2012	10,751	71,380	767,406,380	5.00 %
2013	10,815	70,498	762,435,870	6.50 %
2014	10,884	73,536	800,365,824	4.10 %
2015	10,899	73,536 *	801,468,864 *	3.90 %
2016	10,899 **	73,536 **	801,468,864 **	N/A

N/A - Information is not available.

* - Latest Bergen County per capita personal income available (2014) was used for calculation purposes.

** - Latest Borough population available (2015) and Bergen County per capita personal income available (2014) was used for for calculation purposes.

Sources:

^a Population information provided by the US Department of Census - Population Division.

^b Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

^c Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
 (UNAUDITED)

Employer	2015		Employer	2006	
	Employees	Percentage of Total Employment		Employees	Percentage of Total Employment
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	Total	N/A	N/A

N/A - Information is not available.

NOTE: The District was unsuccessful in its attempt to obtain information regarding the principal employers of the Borough.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
 (UNAUDITED)

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction:										
Regular	128	128	126	125	126	129	129	130	130	129
Support Services:										
Student & Instruction Related Services	40	40	39	39	41	41	41	40	40	40
General Administrative Services	4	4	4	4	4	4	4	4	4	4
School Administrative Services	13	13	12	12	13	13	13	13	13	13
Central Services	2	2	2	2	2	2	2	2	2	2
Total	<u>187</u>	<u>187</u>	<u>183</u>	<u>182</u>	<u>186</u>	<u>189</u>	<u>189</u>	<u>189</u>	<u>189</u>	<u>188</u>

Source: Borough of Franklin Lakes School District Personnel Records.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
OPERATING STATISTICS
LAST TEN FISCAL YEARS
 (UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures ^a	Cost Per Pupil ^b	Percentage Change	Teaching Staff ^c	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) ^d	Average Daily Attendance (ADA) ^d	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2007	1,521	\$ 25,301,823	\$ 16,635	8.01 %	138	1:10	1:12	1,521	1,462	-0.85 %	96.12 %
2008	1,489	26,356,170	17,701	6.41 %	138	1:12	1:12	1,489	1,436	-2.10 %	96.44 %
2009	1,492	26,528,714	17,781	0.45 %	137	1:12	1:12	1,492	1,416	0.20 %	94.91 %
2010	1,464	26,183,196	17,885	0.59 %	136	1:12	1:12	1,458	1,381	-2.28 %	94.72 %
2011	1,433	27,254,260	19,019	6.34 %	135	1:12	1:12	1,429	1,375	-1.99 %	96.22 %
2012	1,410	28,389,532	20,134	5.86 %	139	1:11	1:12	1,414	1,352	-1.05 %	95.62 %
2013	1,311	29,585,168	22,567	12.08 %	138	1:11	1:12	1,311	1,264	-7.28 %	96.41 %
2014	1,285	29,435,883	22,907	1.51 %	139	1:11	1:12	1,281	1,230	-2.29 %	96.02 %
2015	1,236	29,747,828	24,068	5.07 %	136	1:12	1:12	1,231	1,183	-3.90 %	96.10 %
2016	1,187	31,013,755	26,128	8.56 %	136	1:11	1:12	1,184	1,143	-3.82 %	96.54 %

Note: Enrollment based on annual October District count.

- ^a Operating expenditures equal total expenditures less debt service and capital outlay.
- ^b Cost per pupil is calculated based upon enrollment and operating expenditures presented above which may not be the same as State cost per pupil calculations.
- ^c Teaching staff includes only full-time equivalents of certificated staff.
- ^d Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Borough of Franklin Lakes School District Records.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

<u>District Building</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Colonial Road School (2004):										
Square Feet	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645
Capacity (Students)	373	373	373	373	373	373	373	373	373	373
Enrollment	364	363	364	353	340	320	287	277	267	280
High Mountain Road School:										
Square Feet	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173
Capacity (Students)	359	359	359	359	359	359	359	359	359	359
Enrollment	285	277	280	267	259	263	249	249	227	225
Woodside Avenue School:										
Square Feet	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409
Capacity (Students)	363	363	363	363	363	363	363	363	363	363
Enrollment	335	330	331	334	330	315	286	286	278	235
Franklin Avenue Middle School:										
Square Feet	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806
Capacity (Students)	540	540	540	540	540	540	540	540	540	540
Enrollment	537	519	517	510	504	512	489	473	464	447

Number of Schools at June 30, 2016:

Elementary = 3
Middle School = 1

Note: Year of original construction is shown in parentheses. Enrollment is based on the annual October District count.

Source: Borough of Franklin Lakes School District Facilities Office.

Exhibit J-19

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE FOR SCHOOL FACILITIES
LAST TEN FISCAL YEARS
(UNAUDITED)

Undistributed Expenditures - Required Maintenance
For School Facilities - Account #11-000-261-XXX:

Fiscal Year Ending June 30	Colonial Road Elementary School	High Mountain Road Elementary School	Woodside Avenue Elementary School	Franklin Avenue Middle School	Total School Facilities*
2007	\$ 22,027	\$ 88,980	\$ 131,428	\$ 94,310	\$ 336,745
2008	27,755	113,153	173,131	184,715	498,754
2009	18,404	80,870	133,877	240,025	473,176
2010	39,591	90,399	129,192	150,494	409,676
2011	53,988	76,199	89,168	175,429	394,784
2012	48,828	166,381	198,933	161,881	576,023
2013	57,336	158,111	248,182	207,890	671,519
2014	161,539	195,717	180,141	231,433	768,830
2015	222,767	151,617	204,524	254,963	833,871
2016	63,774	111,494	323,826	151,046	650,140

* School facilities as defined under EFCFA (N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3).

Source: Borough of Franklin Lakes School District Records.

Exhibit J-20

1 of 2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
(UNAUDITED)

	Coverage	Deductible
American Guarantee and Liability Insurance Company:		
General Liability:		
General Aggregate	\$ 2,000,000	
Each Occurrence	1,000,000	
Production/Completed Operations	2,000,000	
Personal Injury	1,000,000	
Fire Damage	1,000,000	
Medical Expense	10,000	
Employee Benefits Liability	1,000,000	\$ 1,000
Commercial Property Coverage:		
Property Building & Contents Replacement		
Cost Values	62,312,282	5,000
Business Income & Extra Expense	5,250,000	72Hr Waiting Period
Earthquake and Volcanic Eruption	5,000,000	5%
Flood (Outside Zones A, V or B)	5,000,000	50,000
Flood (Zone B)	2,000,000	100,000
Flood (Zones A or V)	1,000,000	500,000
Valuable Papers	250,000	1,000
Electronic Data Processing Equipment	3,000,000	5,000
Boiler and Machinery:		
Blanket Property Damage Per Breakdown	25,000,000	5,000
Crime:		
Employee Dishonesty with Faithful Performance	500,000	5,000
Forgery & Alteration	50,000	1,000
Theft - Inside - Money and Securities	100,000	500
Theft - Outside - Money and Securities	100,000	500
Computer Fraud	50,000	1,000
Commercial Automobile:		
Combined Single Limit	1,000,000	
Automobile Medical Payments	5,000	
Hired/Non-Owned	1,000,000	
Uninsured/Underinsured	1,000,000	
Hired Auto Physical Damage	100,000	1,000
School Board Legal Liability Coverage:		
Each Loss	1,000,000	25,000
Aggregate	1,000,000	
Employment Practices Liability	1,000,000	25,000

Exhibit J-20
2 of 2

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2016
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
Catastrophic Liability Coverage - American Guarantee & Liability:		
Per Occurrence	\$ 10,000,000	
Aggregate Limit	10,000,000	
Retained Limit	10,000	
Fidelity Bonds - Western Surety Company:		
Board Secretary/Business Administrator:	250,000	
Treasurer of School Monies:	250,000	
Workers' Compensation - Manufacturers Alliance Insurance Co.:		
Covered Payrolls - Professional	16,660,000	

Source: Borough of Franklin Lakes School District Records.

SINGLE AUDIT SECTION



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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 Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Franklin Lakes School District
 County of Bergen, 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 the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District, in the County of Bergen (the "District") as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District'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 the 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.

The Honorable President and Members
of the Board of Education
Borough of Franklin Lakes School District
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Nisivoccia, LLP

Mount Arlington, New Jersey
October 12, 2016

NISIVOCCIA, LLP

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant



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Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Franklin Lakes School District
 County of Bergen, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Franklin Lakes School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on the District's major state program for the fiscal year ended June 30, 2016. The District's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major state program 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; the audit requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, the Uniform Guidance and New Jersey's OMB Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

The Honorable President and Members
of the Board of Education
Borough of Franklin Lakes School District
Page 2

Opinion on Each Major State Program

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

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or 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 federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or 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 that the testing based on the requirements of the Uniform Guidance or NJOMB 15-08. Accordingly, this report is not suitable for any other purpose.

Nisivoccia, LLP

NISIVOCCIA, LLP

Mount Arlington, New Jersey
October 12, 2016

Kathryn L. Mantell

Kathryn L. Mantell
Licensed Public School Accountant #884
Certified Public Accountant

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Balance	Cash Received	Budgetary Expenditures	Balance June 30, 2016		Amount Provided to Subrecipients
			From	To		June 30, 2015 Unearned Revenue/ (Accounts Receivable)			(Accounts Receivable)	Unearned Revenue	
U.S. Department of Agriculture -											
Passed-through State Department of Agriculture:											
Child Nutrition Cluster:											
Special Milk Program	10.556	N/A	7/1/14	6/30/15	\$ 7,083	\$ (425)	\$ 425				
Special Milk Program	10.556	N/A	7/1/15	6/30/16	6,968		6,544	\$ (6,968)	\$ (424)		
Total Child Nutrition Cluster						(425)	6,969	(6,968)	(424)		
Total Enterprise Fund						(425)	6,969	(6,968)	(424)		
Total U.S. Department of Agriculture						(425)	6,969	(6,968)	(424)		
U.S. Department of Education -											
Passed-through State Department of Education:											
Special Revenue Fund:											
Special Education Cluster:											
I.D.E.A. Part B, Basic	84.027	IDEA-1580-16	7/1/15	6/30/16	296,758		296,758	(296,758)			
I.D.E.A. Part B, Preschool	84.173	IDEA-1580-16	7/1/15	6/30/16	16,964		16,964	(16,964)			
Total Special Education Cluster							313,722	(313,722)			
No Child Left Behind:											
Title II, Part A	84.281	NCLB-1580-16	7/1/15	6/30/16	17,070		17,070	(17,070)			
Total Special Revenue Fund							330,792	(330,792)			
Total U.S. Department of Education							330,792	(330,792)			
TOTAL FEDERAL AWARDS						\$ (425)	\$ 337,761	\$ (337,760)	\$ (424)	\$ -0-	\$ -0-

N/A - Not Available/Applicable

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2015			Repayment of Prior Years' Balances	Balance June 30, 2016			MEMO		
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor	Cash Received		Budgetary Expenditures	GAAP (Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
State Department of Education:														
General Fund:														
Special Education Categorical Aid	15-495-034-5120-089	7/1/14	6/30/15	\$ 625,156	\$ (40,560)	\$ 40,560							\$ 625,156	
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	625,156		566,264	(625,156)						\$ (58,892)	625,156
Security Aid	15-495-034-5120-084	7/1/14	6/30/15	18,589	(1,206)	1,206								18,589
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	18,589		16,838	(18,589)						(1,751)	18,589
Transportation Aid	15-495-034-5120-014	7/1/14	6/30/15	54,533	(3,538)	3,538								54,533
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	54,533		49,395	(54,533)						(5,138)	54,533
Adjustment Aid	15-495-034-5120-085	7/1/14	6/30/15	14,036	(911)	911								14,036
Adjustment Aid	16-495-034-5120-085	7/1/15	6/30/16	14,036		12,714	(14,036)						(1,322)	14,036
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14	6/30/15	12,010	(779)	779								12,010
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	12,010		10,879	(12,010)						(1,131)	12,010
PARCC Readiness Aid	15-495-034-5120-098	7/1/14	6/30/15	12,010	(779)	779								12,010
PARCC Readiness Aid	16-495-034-5120-098	7/1/15	6/30/16	12,010		10,879	(12,010)						(1,131)	12,010
Nonpublic School Transportation Costs	15-495-034-5120-014	7/1/14	6/30/15	19,510	(19,510)	19,510								19,510
Nonpublic School Transportation Costs	16-495-034-5120-014	7/1/15	6/30/16	20,448			(20,448)		\$ (20,448)				(20,448)	20,448
Extraordinary Special Education Costs Aid	15-495-034-5120-044	7/1/14	6/30/15	200,584	(200,584)	200,584								200,584
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15	6/30/16	137,843			(137,843)		(137,843)				(137,843)	137,843
Reimbursed TPAF Social Security Aid	15-495-034-5094-003	7/1/14	6/30/15	957,560	(47,238)	47,238								957,560
Reimbursed TPAF Social Security Aid	16-495-034-5094-003	7/1/15	6/30/16	953,611		906,810	(953,611)		(46,801)				(46,801)	953,611
Total General Fund State Aid					(315,105)	1,888,884	(1,848,236)		(205,092)				(274,457)	3,762,224
Special Revenue Fund:														
NJ Nonpublic Aid:														
Nursing Services (Chapter 226)	16-100-034-5120-070	7/1/15	6/30/16	16,290		16,290	(16,290)							16,290
Textbook Aid (Chapter 194)	16-100-034-5120-064	7/1/15	6/30/16	10,278		10,278	(10,278)							10,278
Security Aid	16-100-034-5120-509	7/1/15	6/30/16	4,525		4,525	(4,525)							4,525
Technology Initiative	16-100-034-5120-373	7/1/15	6/30/16	4,680		4,680	(4,680)							4,680
Auxiliary Services (Chapter 192):														
Transportation	16-100-034-5120-068	7/1/15	6/30/16	13,175		13,175	(13,175)							13,175
Compensatory Education	15-100-034-5120-067	7/1/14	6/30/15	31,353		\$ 7,973			\$ (7,973)					23,380
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	28,765		28,765	(18,834)			\$ 9,931				18,834
Handicapped Services (Chapter 193):														
Supplementary Instruction	15-100-034-5120-066	7/1/14	6/30/15	10,201		2,590			(2,590)					7,611
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	10,767		10,767	(9,431)			1,336				9,431
Examination and Classification	15-100-034-5120-066	7/1/14	6/30/15	15,310		2,704			(2,704)					12,606
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	16,189		16,189	(11,929)			4,260				11,929
Corrective Speech	15-100-034-5120-066	7/1/14	6/30/15	15,903		7,510			(7,510)					8,393
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	13,879		13,879	(11,789)			2,090				11,789
Total Special Revenue Fund						20,777	118,548	(100,931)	(20,777)		17,617			152,921
Total State Department of Education					(315,105)	20,777	2,007,432	(1,949,167)	(20,777)	(205,092)	17,617		(274,457)	3,915,145

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2015		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2016			MEMO	
		From	To		Budgetary Unearned Revenue/ (Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary Unearned Revenue	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
Schools Development Authority:														
Capital Projects Fund:														
Educational Facilities Construction & Financing Act:														
District School:														
High Mountain Road Elementary	SP-1580-020-09-1002	12/30/09	06/30/11	\$ 13,000	\$ (13,000)								\$ (13,000)	\$ 13,000
Woodside Avenue Elementary	SP-1580-030-09-1003	12/30/09	06/30/11	163,200	(163,200)								(163,200)	163,200
Franklin Avenue Middle	SP-1580-015-09-1001	12/30/09	06/30/11	354,960	(354,960)								(354,960)	354,960
Total Capital Projects Fund					(531,160)								(531,160)	531,160
Total Schools Development Authority					(531,160)								(531,160)	531,160
TOTAL STATE AWARDS					\$ (846,265)	\$ 20,777	\$ 2,007,432	\$ (1,949,167)	\$ (20,777)	\$ (205,092)	\$ 17,617	\$ -0-	\$ (805,617)	\$ 4,446,305

SEE ACCOMPANYING NOTES TO THE SCHEDULES OF EXPENDITURES FEDERAL AND STATE AWARDS

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state awards activity of the Board of Education, Borough of Franklin Lakes School District under programs of the federal and state governments for the fiscal year ended June 30, 2016. The information in these schedules are presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the District's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. INDIRECT COST RATE

The District has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

The General Fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two current year state aid payments, which is mandated pursuant to P.L. 2003, C.97. For GAAP purposes, those payments are not recognized until the subsequent budget year due to the state deferral and recording of the last two current year 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 revenue, whereas the GAAP basis does not.

The Capital Projects Fund is presented in the accompanying schedules on the budgetary basis with the exception of the recognition of the Schools Development Authority grants which are realized as revenue on the budgetary basis when awarded. These grants are realized on the GAAP basis when they are expended and submitted for reimbursement.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(20,592) for the General Fund and \$-0- for the Special Revenue Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Additionally, the schedule of expenditures of state awards does not include the on-behalf TPAF Pension and Post-Retirement Medical Benefits revenue of \$1,031,010 and \$1,227,648, respectively.

Awards and financial assistance revenue are reported on the Board's basic financial statements on a GAAP basis as presented below:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 4,085,302	\$ 4,085,302
Special Revenue Fund	\$ 330,792	100,931	431,723
Proprietary Fund	6,968		6,968
Total Financial Assistance	<u>\$ 337,760</u>	<u>\$ 4,186,233</u>	<u>\$ 4,523,993</u>

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2016.

NOTE 7. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District has been awarded grants in the amount of \$531,160 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2016, the grant funds have been expended but have not been drawn down or submitted for reimbursement, therefore, \$-0- has been recognized as revenue or receivable on the GAAP basis and \$531,160 is receivable on the budgetary basis.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state program disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state program for the District expresses an unmodified opinion on the major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2016 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Circular.
- The District's state program tested as a major program for the current fiscal year was the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Reimbursed TPAF				
Social Security Aid	16-495-034-5094-003	7/1/15-6/30/16	\$ 953,611	\$ 953,611

- The threshold used for distinguishing between Type A and Type B state programs was \$750,000.
- The single audit threshold identified in the Uniform Guidance and New Jersey's OMB Circular 15-08 was \$750,000.
- The District was determined to be a "low-risk" auditee for state programs under the provisions of section 530 of the federal Circular.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(Continued)

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in the Uniform Guidance and New Jersey's OMB Circular 15-08.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016

Status of Prior Year Findings:

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