

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016

**Prepared by
Franklin Township School District
Department of Administration**

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
BOARD OF EDUCATION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2016

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FRANKLIN TOWNSHIP BOARD OF EDUCATION
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<i>Dr. Carol A. Fredericks</i>	<i>Patricia Martucci</i>
<i>Superintendent</i>	<i>Business Administrator/Board Secretary</i>

November 30, 2016

Honorable President and
Members of the Board of Education
Franklin Township School District
Hunterdon County
Quakertown, NJ 08868

Dear Board Members:

State law requires that school districts publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited by a firm of licensed certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Pursuant to that requirement, we hereby issue the comprehensive annual financial report (CAFR) of the Franklin Township School District for the fiscal year ended June 30, 2016.

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

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in connection with it. The District's MD&A can be found immediately following the report of the independent auditors.

The comprehensive annual financial report is presented in four sections:

- ◆ **The Introductory Section:** Introduces the reader to the report and includes this transmittal letter, a list of principal officials, the district's organizational charts, certificate of excellence in financial reporting, and a map of the district.

- ◆ **The Financial Section:** Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, and combining and individual fund statements and schedules.
- ◆ **The Statistical Section:** Contains selected financial and demographic information, generally presented on a multi-year basis.
- ◆ **The Single Audit:** Includes the auditor's report on the internal control structure, compliance with applicable laws and regulations and findings and recommendations.

The district is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the State Treasury OMB Circular Letter 15-08, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES

Franklin Township School District is an independent reporting entity within the criteria adopted by the GASB as established by Statement No. 14. All funds and account groups of the District are included in this report. The Franklin Township Board of Education and its school constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels preschool through grade 8. These include regular programs as well as programs for students with special educational needs. The District completed the 2015-16 fiscal year with an enrollment of 269 students, which is 28 students less than the previous year's enrollment. The following details the changes in the average daily student enrollment of the District over the last ten years.

<u>Fiscal Year</u>	<u>Average Daily Enrollment</u> <u>Student Enrollment</u>	<u>Percent Change</u>
2006-2007	354	-6.10%
2007-2008	347	1.98%
2008-2009	343	1.15%
2009-2010	341	0.58%
2010-2011	309	9.39%
2011-2012	303	1.94%
2012-2013	294	2.97%
2013-2014	295	0.03%
2014-2015	297	0.67%
2015-2016	269	-9.43%

ECONOMIC CONDITION AND OUTLOOK

Franklin Township has a solid reputation for farmland preservation based on its record. The voters of Franklin Township approved a Bond referendum for farmland preservation in the general election of 1988. Following this referendum, the township committee adopted an ordinance for permanent preservation of farmland. 1174 acres is permanently reserved under this program. In addition, Cook College of Agriculture contains 310 acres within the Township. The Township also purchased 140 acres dedicated for the Green Acres program. Therefore, there is a total area of 1,624 acres permanently reserved for farmland. There is a dedicated commitment by residents to preserve the Township's rural nature. As part of the COAH requirement, Franklin Township has sold 10 acres to the Midland School to build a group home for the disabled to farm the land and purchased 11 acres to provide senior housing. The Master Plan adopted by the Franklin Township Planning Board in December 1995 recommended residential density to one unit per 3 acres, one unit per 5 acres or one unit per 7 acres, depending on the carrying capacity of the aquifer recharge characteristics specific to the area. The current Township's zoning allows for a minimum three acres, five acres and seven acre lot according to the current zoning requirements. The Township Committee has adopted enabling ordinances, which are consistent with the Master Plan's recommendations. In addition, the voters approved a referendum in November 1999 for an annual five cent open space tax, to be collected by the local municipality. The Franklin Township Planning Board added an open space element to the master plan. Certain properties in Franklin Township have been recommended by the Open Space Advisory Committee to be considered for the Open Space program. There are several applications pending approval by the state and county for the Planning Incentive Grant Program and various relationships.

Walmart Plaza includes a restaurant, stores and a hotel. The Cracker Barrel Restaurant and Old Country Store opened in the fall of 1998 and the Hampton Inn opened in the Spring of 1999.

MAJOR INITIATIVES

During the 2015-2016 school year the district achieved the following major goals:

- Install Middle School Playground
- Install Outdoor Picnic tables on Playground and in Court Yard
- Upgrade District Bandwidth to 100 Mb for better speed uploading/downloading data
- Purchase of Ground Master for grass care and Snow removal
- Busses Arrive Earlier @ 8:20 a.m. Student Day 8:25-3:25 = **7 hours for instruction**
- Installed and completed Solar Array to Power School, saving 10,000 annually
- Increased Choice Student Enrollment

INTERNAL ACCOUNTING CONTROLS

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

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

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

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. Annual appropriated budgets are adopted for the general fund and the special revenue 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 sections.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance at June 30, 2016.

ACCOUNTING SYSTEM AND REPORTS

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

FINANCIAL INFORMATION AT FISCAL YEAR-END

As demonstrated by the various statements and schedules included in the financial section of this report, the District continues to meet responsibility for sound financial management. The following schedule presents a summary of the general fund and special revenue fund, revenues and expenditures for the fiscal year ended June 30, 2016 and the amount and percentage of increases in relation to prior year revenues and expenditures.

	<u>Amount</u>	<u>% of Total</u>	<u>Increase (Decrease) from Prior Year</u>	<u>% of Increase (Decrease)</u>
REVENUES				
Local Sources:				
Tax Levy:				
General	\$ 5,335,277	72.62%	\$ 104,613	2.00%

Debt Service	643,550	8.76%	3,675	0.57%
Other Revenues	210,461	2.86%	185,129	730.81%
State Aid	1,048,292	14.27%	659,201	129.42%
Federal Aid	109,312	1.49%	(3,633)	-3.22%
Total	<u>\$ 7,346,892</u>	<u>100.00%</u>	<u>\$ 948,985</u>	<u>14.83%</u>

EXPENDITURES

Current Expense	\$ 6,188,874	88.15%	\$ 961,353	18.39%
Capital Outlay	61,256	0.87%	(27,310)	-30.84%
Special Projects	126,913	1.81%	(15,741)	-11.03%
Debt Service				
Principal	460,000	6.55%	20,000	4.55%
Interest	183,550	2.61%	(16,325)	-8.17%
Total	<u>\$ 7,020,593</u>	<u>100.00%</u>	<u>\$ 921,977</u>	<u>15.12%</u>

DEBT ADMINISTRATION

As a result of the successful passage of the bond referendum in December 2004, the district has \$4,875,000 of bonds outstanding.

CASH MANAGEMENT

The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 3. The District has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT

The Board carries various forms of insurance, including but not limited to general liability, hazard and theft insurance on property and contents, workers compensation and fidelity bonds. The District has joined with other qualified New Jersey Districts to form the School Alliance Insurance Fund. This joint insurance fund has saved the District an annual premium and provides more control through the involvement in management of the fund.

INDEPENDENT AUDIT

State statutes require an annual audit by independent Certified Public Accountants or registered municipal accounts. The firm of Bedard, Kurowicki and Company CPA's P.C. audited the District's financial

statements for fiscal year 2016. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2016 are fairly represented in conformity with GAAP.

ACKNOWLEDGMENTS

We would like to express our appreciation to the members of the Franklin Township 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.

Respectfully submitted,

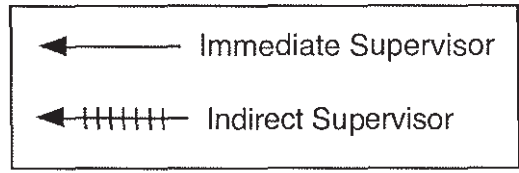
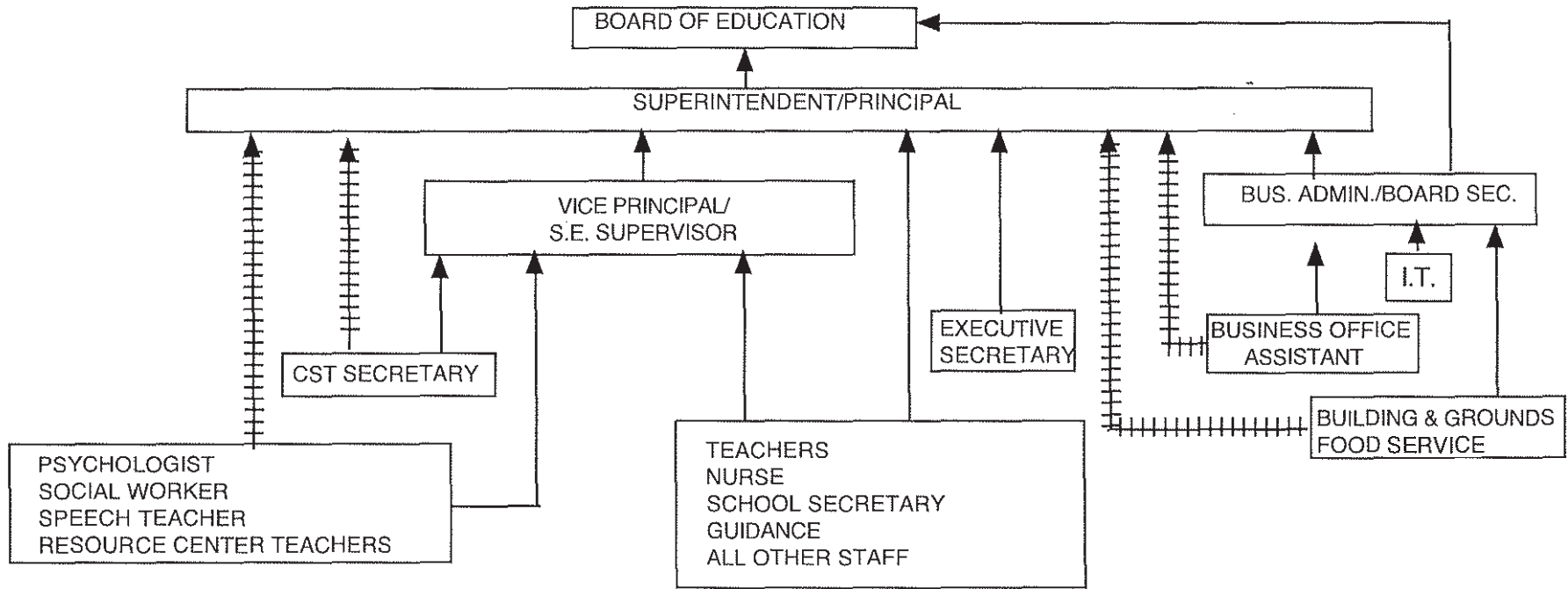


Dr. Carol A. Fredericks
Superintendent



Patricia Martucci
Business Administrator/Board Secretary

Franklin Township School Organizational Personnel Chart



**FRANKLIN TOWNSHIP BOARD OF EDUCATION
QUAKERTOWN, NEW JERSEY 08868**

ROSTER OF OFFICIALS
JUNE 30, 2016

Members of the Board of Education

Term Expires

Christine Crielly, President	2017
Terence French, Vice President	2018
George Burdick,	2017
Andrea Homulak	2017
Cyrus Cama	2018
Frank Yasunas	2016
Robert Masino	2016

Other Officials

Dr. Carol A. Fredericks, Superintendent
Bernetta Davis, Business Administrator/Board Secretary
Abigail Kutz, Treasurer

FRANKLIN TOWNSHIP BOARD OF EDUCATION
Consultants and Advisors
June 30, 2016

Audit Firm

Bedard, Kurowicki and Company, CPA's, P.C.
114 Broad Street
Flemington, NJ 08822

Attorney

Isabel Machado
Machado Law Group
Clark Parkway Plaza
136 Central Avenue 2nd Floor
Clark, NJ 07066

Official Depository

Investors Bank
Flemington, NJ 08822



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

Independent Auditors' Report

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the Governmental Activities, the Business-type Activities, each major fund, and the aggregate remaining fund information of the Franklin Township School District, (the District) in the County of Hunterdon, the State of New Jersey, as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, the Business-type Activities, each major fund, and the aggregate remaining fund information of the Franklin Township School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

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



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

November 30, 2016
Flemington, New Jersey

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

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

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

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis of comparative information between the current year (15-16) and the prior year (14-15) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL HIGHLIGHTS ARE AS FOLLOWS:

- In total, net position increased \$485,899 which is a 7.97% decrease from fiscal year 2015.
- General revenue accounted for \$7,867,166 in revenue or 96.78% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$262,090 or 3.22% of the total revenue of \$8,129,256.
- The School District had \$7,643,357 in expenses; only \$262,090 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primary tax levy) of \$7,867,166 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$6,428,369 in revenues and \$6,250,130 in expenditures. After factoring in other financing sources from capital lease proceeds, the General Fund's balance increased by \$326,299 from fiscal year 2015

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

The Statement of Net Position and Statement of Activities (changes in net position) provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a long-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The financial statements also look at

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

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

the District's most significant funds with all other non-major funds presented in total in one column. In the case of Franklin Township School District, the General Fund is by far the most significant fund.

REPORTING THE DISTRICT AS A WHOLE

**STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES
(CHANGES IN NET POSITION)**

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

The School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

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

District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

THE SCHOOL DISTRICT AS A WHOLE

The Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position in 2016.

	Table 1 Net Position		Variance	
	6/30/2016	6/30/2015	Dollars	Percent
ASSETS				
Current & Other Assets	\$1,294,156	\$1,001,603	\$292,553	29.21%
Capital Assets	11,882,875	12,198,232	(315,357)	-2.59%
Total Assets	<u>13,177,031</u>	<u>13,199,835</u>	<u>(22,804)</u>	-0.17%
Deferred Outflow of Resources	<u>414,081</u>	<u>451,515</u>	<u>(37,434)</u>	-8.29%
LIABILITIES				
Long Term Liabilities	6,092,676	7,349,117	(1,256,441)	-17.10%
Other Liabilities	95,526	119,913	(24,387)	-20.34%
Total Liabilities	<u>6,188,202</u>	<u>7,469,030</u>	<u>(1,280,828)</u>	-17.15%
Deferred Inflow of Resources	<u>823,806</u>	<u>89,115</u>	<u>734,691</u>	*
NET POSITION				
Invested in Capital Assets, Net of Related Debt	6,970,977	6,717,878	253,099	3.77%
Restricted	414,577	254,246	160,331	63.06%
Unrestricted	(806,450)	(878,919)	72,469	-8.25%
Total Net Position	<u>\$6,579,104</u>	<u>\$6,093,205</u>	<u>\$485,899</u>	7.97%

* = Undefined

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
QUAKERTOWN, NEW JERSEY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
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Table 2 shows the changes in net position for fiscal year 2016.

**Table 2
Changes in Net Position**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
Revenues				
Program Revenues:				
Charges for Services	\$119,917	\$118,493	\$1,424	1.20%
Operating Grants and Contributions	142,173	156,368	(14,195)	-9.08%
General Revenues:				
Property Taxes	5,978,827	5,870,539	108,288	1.84%
Grants and Entitlements	1,805,503	1,349,588	455,915	33.78%
Other	82,836	13,608	69,228	508.73%
Total Revenues	<u>8,129,256</u>	<u>7,508,596</u>	<u>620,660</u>	<u>8.27%</u>
Expenses				
Instruction:				
Regular	3,989,038	3,089,186	899,852	29.13%
Special	657,463	974,619	(317,156)	-32.54%
Other	161,613	25,385	136,228	536.65%
Support Services:				
Tuition	331,905	297,520	34,385	11.56%
Student & Instructional Related Services	798,516	757,493	41,023	5.42%
General & Business Administration	643,343	627,610	15,733	2.51%
School Administration	91,214	109,434	(18,220)	-16.65%
Maintenance	478,728	472,717	6,011	1.27%
Transportation	110,350	300,046	(189,696)	-63.22%
Food Service	67,225	62,861	4,364	6.94%
Preschool Program	65,014	48,709	16,305	33.47%
Interest on Long Term Debt	248,948	225,236	23,712	10.53%
Total Expenses	<u>7,643,357</u>	<u>6,990,816</u>	<u>652,541</u>	<u>9.33%</u>
Increase (Decrease) in Net Position	<u>\$485,899</u>	<u>\$517,780</u>	<u>\$(31,881)</u>	<u>-6.16%</u>

Governmental Activities

Property taxes made up 74.63% of operating revenues for governmental activities for the Franklin Township School District for the fiscal year 2016.

Instruction comprises 64.01% of the District's expenses. Support services expenses make up 32.67% of the District's expenses, and interest on debt made up 3.32% of the District's expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3 provides a summary of the School District's costs of governmental services in 2016.

**Table 3
Cost of Governmental Services**

	Total Cost of Services		Net Cost of Services	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Instruction	\$4,808,114	\$4,089,190	\$4,749,534	\$4,034,158
Support Services:				
Tuition	331,905	297,520	255,220	222,436
Student & Instructional Related Services	798,516	757,493	790,196	733,444
General & Business Administration	643,343	627,610	643,343	627,610
School Administration	91,214	109,434	91,214	109,434
Plant Operations & Maintenance	478,728	472,717	478,256	472,467
Pupil Transportation	110,350	300,046	110,350	300,046
Food Services	67,225	62,861	(3,974)	(772)
Preschool Program	65,014	48,709	18,180	(8,104)
Interest on Long-Term Debt	248,948	225,236	248,948	225,236
	<u>\$7,643,357</u>	<u>\$6,990,816</u>	<u>\$7,381,267</u>	<u>\$6,715,955</u>

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

Students and instruction related services include the activities involved with assisting staff with the content and process of teaching to students.

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

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

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

GENERAL FUND BUDGETING HIGHLIGHTS

At the Franklin Township School District, budgets are prepared in December/January with State revenue information being received in February/March and a public vote, if necessary, on the tax levy question in November. The budget year begins in July and runs through June 30. Changes occur over that 18-month period, unanticipated shifts in enrollment, staffing needs, students

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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requiring out-of-district services, weather requiring more or less funding for heating, unexpected repairs to facilities, and mandated programs are often added after a budget is adopted.

The district builds a budget to meet the needs of its students based on the information and projections that are available at the time.

During the course of the 2016 fiscal year, the district amended its general fund budget by transferring funds as needed to prevent over-expenditures in specific line item accounts. The most significant need for changes was custodial services and care and upkeep of grounds.

CAPITAL ASSETS

At the end of the fiscal year 2016, the School District had \$11,882,875 invested in land, buildings, furniture and equipment and construction in progress. Table 4 provides a summary of School District's capital assets net of depreciation for 2016.

**Table 4
Capital Assets at Year End (Net of Depreciation)**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
Land	\$285,100	\$285,100	\$ -	-
Land Improvements	80,494	62,128	18,366	29.56%
Buildings & Improvements	11,347,369	11,703,028	(355,659)	-3.04%
Machinery & Equipment	128,028	99,835	28,193	28.24%
Vehicles	34,413	40,670	(6,257)	-15.38%
Construction in Progress	7,471	7,471	-	0.00%
	<u>\$11,882,875</u>	<u>\$12,198,232</u>	<u>\$(315,357)</u>	<u>-2.59%</u>

LONG TERM LIABILITIES-DEBT ADMINISTRATION

As of June 30, 2016, the district had \$6,092,676 of long-term liabilities. Table 5 shows fiscal year 2016 balances compared to 2015.

**Table 5
Outstanding Debt at Year End**

	6/30/2016	6/30/2015	Variance	
			Dollars	Percent
2013 Refunding Bond Issue	\$4,875,000	\$5,335,000	\$(460,000)	-8.62%
Unamortized Premiums on Bonds	356,424	393,942	(37,518)	-9.52%
Capital Leases	150,319	74,424	75,895	101.98%
Compensated Absences	67,650	50,404	17,246	34.22%
PERS Net Pension Liability	643,283	1,495,347	(852,064)	-56.98%
	<u>\$6,092,676</u>	<u>\$7,349,117</u>	<u>\$(1,256,441)</u>	<u>-17.10%</u>

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
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**MANAGEMENT'S DISCUSSION AND ANALYSIS
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FOR THE FUTURE

The Franklin Township School District is in sound financial condition. Continued emphasis will be placed upon efficient and effective management of resources by leveraging indirect and direct savings towards student programs and initiatives. Future plans include the following:

- Install “Outdoor Classroom” Picnic tables on Playground and in Court Yard
- Upgrade District Bandwidth to 100 Mb for better speed uploading/downloading data
- Installation of impact resistant security film on ground level glazing
- Installation of security cameras and improved door access points with camera screening for visitors
- Create STARS high-quality, In-district specialized educational program and hire full-time STARS teacher
- Increase Case Manager Psychologist to 1 FTE with the combining of BCBA title
- Install Middle School Swings, swivel chairs; Install accessible playground equipment: Outdoor xylophone, and “roller table”
- Apply for Sustainable Jersey Grant funding for HVAC controls

For the future we will retain a focus on improving performance on the state assessment by encouraging all students to participate, and by insuring that each student has the keyboarding skills necessary for success through direct instructing in the use of their technology. In addition, we are discussing the importance of doing one's personal best and eliminating the prevalent practice of clicking through digital test questions without answering.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the district's finances and to show the district's accountability for the money it receives. If you have questions about this report or need additional information, contact Patricia Martucci, Business Administrator/Board Secretary at Franklin Township School District, 226 Quakertown Rd., P.O. Box 368, Quakertown, N.J. 08868 or email at pmartucci@ftschool.org.

DISTRICT-WIDE FINANCIAL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 649,657	\$ 51,918	\$ 701,575
Internal balances	(7,943)	7,943	-
Receivables, net	174,628	8,242	182,870
Inventory	-	5,192	5,192
Restricted assets			
Capital reserve account - cash	212,762	-	212,762
Maintenance reserve account - cash	191,757	-	191,757
Capital assets, net (Note 4)			
Land	292,571	-	292,571
Other capital assets, net of depreciation	11,583,165	7,139	11,590,304
Total assets	<u>13,096,597</u>	<u>80,434</u>	<u>13,177,031</u>
Deferred outflows of resources			
Deferred amount on pension activity	121,832	-	121,832
Deferred amount on refunding bond issue	292,249	-	292,249
Total deferred outflows of resources	<u>414,081</u>	<u>-</u>	<u>414,081</u>
Liabilities			
Payable to state government	11,584	-	11,584
Accrued interest	66,971	-	66,971
Unearned revenue	11,545	5,426	16,971
Long-term liabilities (Note 5)			
Due within one year	591,539	-	591,539
Due beyond one year	5,501,137	-	5,501,137
Total liabilities	<u>6,182,776</u>	<u>5,426</u>	<u>6,188,202</u>
Deferred inflows of resources			
Deferred amount on pension liability	823,806	-	823,806
Net position			
Net investment in capital assets	6,963,838	7,139	6,970,977
Restricted for			
Debt service	10,058	-	10,058
Capital reserve	212,762	-	212,762
Maintenance reserve	191,757	-	191,757
Unrestricted	(874,319)	67,869	(806,450)
Total net position	<u>\$ 6,504,096</u>	<u>\$ 75,008</u>	<u>\$ 6,579,104</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2016

Functions/Programs	Direct Expenses	Indirect Expenses Allocation	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
			Charges for Services	Operating Grants & Contribution	Capital Grants & Contribution	Governmental Activities	Business-Type Activities	Total
Governmental activities								
Instruction								
Regular	\$ 2,856,418	\$ 1,132,620	\$ 16,672	\$ 41,908	\$ -	\$ (3,930,458)	\$ -	\$ (3,930,458)
Special education	523,887	133,576	-	-	-	(657,463)	-	(657,463)
Other special instruction	79,251	44,681	-	-	-	(123,932)	-	(123,932)
Other instruction	31,878	5,803	-	-	-	(37,681)	-	(37,681)
Support services								
Tuition	331,905	-	-	76,685	-	(255,220)	-	(255,220)
Students & instruction related services	599,379	199,137	-	8,320	-	(790,196)	-	(790,196)
General & business administration services	518,281	125,062	-	-	-	(643,343)	-	(643,343)
School administration services	75,497	15,717	-	-	-	(91,214)	-	(91,214)
Plant operations & maintenance	484,357	(5,629)	472	-	-	(478,256)	-	(478,256)
Pupil transportation	115,894	(5,544)	-	-	-	(110,350)	-	(110,350)
Interest on long-term debt	248,948	-	-	-	-	(248,948)	-	(248,948)
Total governmental activities	<u>5,865,695</u>	<u>1,645,423</u>	<u>17,144</u>	<u>126,913</u>	<u>-</u>	<u>(7,367,061)</u>	<u>-</u>	<u>(7,367,061)</u>
Business-type activities								
Food service	67,225	-	55,939	15,260	-	-	3,974	3,974
Preschool program	65,014	-	46,834	-	-	-	(18,180)	(18,180)
Total business-type activities	<u>132,239</u>	<u>-</u>	<u>102,773</u>	<u>15,260</u>	<u>-</u>	<u>-</u>	<u>(14,206)</u>	<u>(14,206)</u>
Total primary government	<u>\$ 5,997,934</u>	<u>\$ 1,645,423</u>	<u>\$ 119,917</u>	<u>\$ 142,173</u>	<u>\$ -</u>	<u>(7,367,061)</u>	<u>(14,206)</u>	<u>(7,381,267)</u>
General revenues, special items & transfers								
Property taxes levied for general purposes						5,335,277	-	5,335,277
Property taxes levied for debt service						643,550	-	643,550
Federal & State aid not restricted						1,805,503	-	1,805,503
Investment earnings						5,317	61	5,378
Miscellaneous income						77,458	-	77,458
Total general revenues & special items						<u>7,867,105</u>	<u>61</u>	<u>7,867,166</u>
Change in net position						500,044	(14,145)	485,899
Net position - beginning						6,004,052	89,153	6,093,205
Net position - ending						<u>\$ 6,504,096</u>	<u>\$ 75,008</u>	<u>\$ 6,579,104</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash & cash equivalents	\$ 640,069	\$ 9,582	\$ -	\$ 6	\$ 649,657
Tax levy receivable	-	-	-	10,052	10,052
Receivables from other governments State	147,286	4,222	-	-	151,508
Other accounts receivable	3,743	9,325	-	-	13,068
Restricted cash & equivalents	404,519	-	-	-	404,519
Total assets	<u>\$ 1,195,617</u>	<u>\$ 23,129</u>	<u>\$ -</u>	<u>\$ 10,058</u>	<u>\$ 1,228,804</u>
Liabilities and fund balances					
Liabilities					
Payables from other governments State	\$ -	\$ 11,584	\$ -	\$ -	\$ 11,584
Due to other funds	7,943	-	-	-	7,943
Unearned revenue	-	11,545	-	-	11,545
Total liabilities	<u>7,943</u>	<u>23,129</u>	<u>-</u>	<u>-</u>	<u>31,072</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Balance Sheet (continued)
Governmental Funds
June 30, 2016

	General Fund	Special Revenue Fund	Capital Project Fund	Debt Service Fund	Total Governmental Funds
Liabilities and fund balances (cont'd)					
Fund balances					
Restricted fund balance					
Excess surplus	\$ 64,634	\$ -	\$ -	\$ -	\$ 64,634
Excess surplus - designated for subsequent year's expenditures	30,990	-	-	-	30,990
Committed fund balance					
Capital reserve account	212,762	-	-	-	212,762
Maintenance reserve account	191,757	-	-	-	191,757
Assigned fund balance					
Year-end encumbrances	393,057	-	-	-	393,057
Designated for subsequent year's expenditures				10,052	10,052
Debt service fund balance				6	6
Unassigned fund balance	294,474	-	-	-	294,474
Total fund balances	<u>1,187,674</u>	<u>-</u>	<u>-</u>	<u>10,058</u>	<u>1,197,732</u>
Total liabilities and fund balances	<u>\$ 1,195,617</u>	<u>\$ 23,129</u>	<u>\$ -</u>	<u>\$ 10,058</u>	

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

Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of assets is \$16,100,051 and the accumulated depreciation is \$4,224,315	11,875,736
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds	(409,725)
Long-term liabilities, including bonds payable are not due & payable in the current period & therefore are not reported as liabilities in the funds	(6,092,676)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	<u>(66,971)</u>
Total net position of governmental activities	<u>\$ 6,504,096</u>

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Revenues					
Local sources					
Local tax levy	\$ 5,335,277	\$ -	\$ -	\$ 643,550	\$ 5,978,827
Tuition - summer school	16,672	-	-	-	16,672
Interest earned on capital reserve funds	331	-	-	-	331
Interest on investments	4,986	-	-	-	4,986
Miscellaneous	40,412	-	-	-	40,412
Total	5,397,678	-	-	643,550	6,041,228
State sources	1,030,691	17,601	-	-	1,048,292
Federal sources	-	109,312	-	-	109,312
Total revenues	6,428,369	126,913	-	643,550	7,198,832
Expenditures					
Current					
Instructional					
Regular instruction	2,862,570	41,908	-	-	2,904,478
Special education instruction	523,887	-	-	-	523,887
Other special instruction	79,251	-	-	-	79,251
Other instruction	31,878	-	-	-	31,878
Support service & undistributed costs					
Tuition	255,220	76,685	-	-	331,905
Student & instruction related services	591,059	8,320	-	-	599,379
General & business administrative services	518,281	-	-	-	518,281
School administrative services	75,497	-	-	-	75,497
Plant operations & maintenance	481,315	-	-	-	481,315
Pupil transportation	135,893	-	-	-	135,893
Unallocated benefits	597,887	-	-	-	597,887

See accompanying notes to financial statements.

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

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
Expenditures (cont'd)					
Capital outlay	\$ 61,256	\$ -	\$ -	\$ -	\$ 61,256
Debt service					
Principal	-	-	-	460,000	460,000
Interest & other charges	36,136	-	-	183,550	219,686
Total expenditures	<u>6,250,130</u>	<u>126,913</u>	<u>-</u>	<u>643,550</u>	<u>7,020,593</u>
Excess (deficiency) of revenues					
Over (under) expenditures	<u>178,239</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,239</u>
Other financing sources (uses)					
Transfers in	-	-	-	6	6
Transfers out	-	-	(6)	-	(6)
Capital lease (unbudgeted)	<u>148,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,060</u>
Total other financing sources (uses)	<u>148,060</u>	<u>-</u>	<u>(6)</u>	<u>6</u>	<u>148,060</u>
Net change in fund balance	326,299	-	(6)	6	326,299
Fund balances, July 1	<u>861,375</u>	<u>-</u>	<u>6</u>	<u>10,052</u>	<u>871,433</u>
Fund balances, June 30	<u>\$ 1,187,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,058</u>	<u>\$ 1,197,732</u>

See accompanying notes to financial statements.

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

Total net changes in fund balances - Governmental fund (from B-2)	\$	326,299
<p>Amounts reported for governmental activities in the Statement of Activities (A-2) are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expenses. This is the amount by which depreciation exceeds capital outlays in the period:</p>		
Capital outlays	\$ 61,256	
Depreciation expense	<u>(375,479)</u>	(314,223)
<p>Repayment of debt principal and capital leases are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and are not reported in the statement of activities:</p>		
Debt principal payments	460,000	
Capital lease payments	<u>72,165</u>	532,165
<p>Governmental funds report the effect of bond issue premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Amortization of bond premium		37,518
<p>Governmental funds report district pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense</p>		
		110,702
<p>In the Statement of Activities, interest on the deferred outflow from a refunding issue is amortized to interest expense over the remaining life of the old or new debt, whichever is shorter</p>		
		(30,763)

See accompanying notes to financial statements.

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

In the Statement of Activities, interest on long-term debt is accrued regardless of when due. In the governmental funds interest is reported when due. The accrued interest is a reconciling item.	\$ 3,652
Governmental funds report bond proceeds as financing sources whereas issuing debt increased long-term liabilities in the government-wide statements	
Proceeds from capital leases	(148,060)
In the Statement of Activities, compensated absences & early retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is a reduction in the reconciliation; when the paid amount exceeds the earned amount, the difference is an addition to the reconciliation.	<u>(17,246)</u>
Change in net position of governmental activities	<u><u>\$ 500,044</u></u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fund Net Position
Proprietary Funds
June 30, 2016

	Food Service Fund	Preschool Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,267	\$ 42,651	\$ 51,918
Due from other funds	7,943	-	7,943
Receivables from other governments			
State	31	-	31
Federal	422	-	422
Other accounts receivable	-	7,789	7,789
Inventory	5,192	-	5,192
Total current assets	<u>22,855</u>	<u>50,440</u>	<u>73,295</u>
Noncurrent assets			
Capital assets	21,667	-	21,667
Less: accumulated depreciation	14,528	-	14,528
Total noncurrent assets	<u>7,139</u>	<u>-</u>	<u>7,139</u>
Total assets	<u>29,994</u>	<u>50,440</u>	<u>80,434</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	3,424	-	3,424
Unearned revenues - prepaid sales	2,002	-	2,002
Total liabilities	<u>5,426</u>	<u>-</u>	<u>5,426</u>
Net position			
Net investment in capital assets	7,139	-	7,139
Unrestricted	17,429	50,440	67,869
Total net position	<u>\$ 24,568</u>	<u>\$ 50,440</u>	<u>\$ 75,008</u>

See accompanying notes to financial statements.

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

	Food Service Fund	Preschool Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 33,138	\$ -	\$ 33,138
Daily sales - non-reimbursable programs	22,801	-	22,801
Fees for services	-	46,834	46,834
Total operating revenues	<u>55,939</u>	<u>46,834</u>	<u>102,773</u>
Operating expenses			
Cost of sales - reimbursable programs	16,452	-	16,452
Cost of sales - non-reimbursable programs	11,320	-	11,320
Salaries	19,637	25,000	44,637
Employee benefits	3,002	-	3,002
Purchased professional/technical services	1,902	-	1,902
Purchased property services	650	-	650
Transportation	-	40,014	40,014
Insurance	2,100	-	2,100
Management fee	7,199	-	7,199
Supplies and materials (not included in cost of sales)	3,661	-	3,661
Depreciation	1,134	-	1,134
Miscellaneous	168	-	168
Total operating expenses	<u>67,225</u>	<u>65,014</u>	<u>132,239</u>
Operating income (loss)	<u>(11,286)</u>	<u>(18,180)</u>	<u>(29,466)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	518	-	518
Federal sources			
National school lunch program			
Cash assistance	7,047	-	7,047
Non cash assistance (commodities)	7,434	-	7,434
National school breakfast program	261	-	261
Interest earned on investments	61	-	61
Total non-operating revenues (expenses)	<u>15,321</u>	<u>-</u>	<u>15,321</u>
Change in net position	4,035	(18,180)	(14,145)
Net position, beginning	<u>20,533</u>	<u>68,620</u>	<u>89,153</u>
Net position, ending	<u>\$ 24,568</u>	<u>\$ 50,440</u>	<u>\$ 75,008</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Preschool Program	Total
Cash flows from operating activities			
Receipts from customers (net)	\$ 56,069	\$ 41,212	\$ 97,281
Payments to food service management company	(55,681)	-	(55,681)
Payments to vendors and employees (net)	(1,795)	(65,014)	(66,809)
Net cash provided by (used for) operating activities	<u>(1,407)</u>	<u>(23,802)</u>	<u>(25,209)</u>
Cash flows from non-capital financing activities			
State sources	526	-	526
Federal sources	7,417	-	7,417
Net interfund transactions	(7,944)	-	(7,944)
Net cash provided by (used for) noncapital financing activities	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Cash flows from investing activities			
Interest earned on investments	61	-	61
Net increase (decrease) in cash and cash equivalents	(1,347)	(23,802)	(25,149)
Cash and cash equivalents, beginning	10,614	66,453	77,067
Cash and cash equivalents, ending	<u>\$ 9,267</u>	<u>\$ 42,651</u>	<u>\$ 51,918</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities			
Operating income (loss)	\$ (11,286)	\$ (18,180)	\$ (29,466)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities			
Depreciation	1,134	-	1,134
Federal food donation program	7,434	-	7,434
(Increase) decrease in accounts receivable	1,671	(5,622)	(3,951)
(Increase) decrease in inventory	(1,663)	-	(1,663)
Increase (decrease) in unearned revenue	1,303	-	1,303
Net cash provided by (used for) operating activities	<u>\$ (1,407)</u>	<u>\$ (23,802)</u>	<u>\$ (25,209)</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 38,104	\$ 34,556	\$ 136,010
Due from other funds	4,859	-	-
Total assets	<u>\$ 42,963</u>	<u>\$ 34,556</u>	<u>\$ 136,010</u>
Liabilities			
Due to other funds	\$ -	\$ -	\$ 4,859
Due to student groups	-	34,556	-
Payroll deductions and withholdings	-	-	131,151
Total liabilities	<u>-</u>	<u>\$ 34,556</u>	<u>\$ 136,010</u>
 Net position	 <u>\$ 42,963</u>		

See accompanying notes to financial statements.

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

	<u>Unemployment Compensation Fund</u>
Additions	
Employee contributions	\$ 4,859
Investment earnings - interest	135
Total additions	<u>4,994</u>
Deductions	
Unemployment claims	<u>697</u>
Change in net position	4,297
Net position, beginning of the year	<u>38,666</u>
Net position, end of the year	<u><u>\$ 42,963</u></u>

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

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

The basic financial statements include:

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

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

A. Reporting entity

The District is a Type II district located in the County of Hunterdon, State of New Jersey. As a Type II district, the School District functions independently through a Board of Education. The Board is comprised of seven members elected to three year terms. The purpose of the District is to educate students in Grades K-8. The District had an approximate enrollment at June 30, 2016 of 269 students.

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

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

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

Property taxes, tuition and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. As under New Jersey State Statute, a municipality is required to remit to its school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year. The District records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available. The District is entitled to receive money under the established payment schedule and the unpaid amount is considered to be accounts receivable. All other revenue items are considered to be measurable and available only when the District receives cash.

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

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

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

The District reports the following major Governmental Funds:

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

Special Revenue Fund - The District accounts for the proceeds of specific revenue sources from State and Federal Government (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes in the Special Revenue Fund.

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

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

Additionally, the District reports the following fund types:

Proprietary fund types

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

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

The District's Enterprise Fund is comprised of the Food Service Fund and a Preschool Program.

All Proprietary Funds are accounted for on a current financial resources measurement focus. This means that all assets and liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (total net position) segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in total net position.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

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

Depreciation of all exhaustive fixed assets used by Proprietary Funds is charged as an expense against their operations. Accumulated depreciation is reported on Proprietary Fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Equipment	12 Years
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Fiduciary Fund Types

Trust and Agency Funds - The Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature and do not involve measurement of results of operations. The following is a description of the Trust and Agency Funds of the District.

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

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

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

D. Budgets/budgetary control

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

D. Budgets/budgetary control (continued)

Formal budgetary integration into the accounting system is employed as a management control device during the year. For Governmental Funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last State aid payment for budgetary purposes only and the Special Revenue Fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the Governmental Fund types. Unencumbered appropriations lapse at fiscal year-end.

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

E. Encumbrances

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

Open encumbrances in the Special Revenue Fund for which the District has received advances are reflected in the balance sheet as unearned revenues at fiscal year-end.

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

F. Tuition receivable

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

G. Tuition payable

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

H. Short-term interfund receivable/payables

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

I. Inventories and prepaid items

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

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

J. Capital assets

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

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

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

Assets	Years
Buildings	20 - 40
Building improvements & portable classroom	20 - 40
Land improvements	15 - 20
Furniture	20
Maintenance equipment	15
Musical instruments	10
Athletic equipment	10
Audio visual equipment	10
Vehicles	8
Office equipment	5 - 10
Computer equipment	5 - 10

K. Compensated absences

The District accounts for compensated absences (i.e., unused vacation and sick leave) as directed by Governmental Accounting Standards Board statement number 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

K. Compensated absences (continued)

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

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

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

L. Unearned revenue

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

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

M. Long-term obligations

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

N. Fund balances - Governmental Funds

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

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

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

O. Comparative data/reclassifications

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

P. Allocation of indirect expenses

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

Note 2 - Tax assessments and property taxes

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

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 3 - Deposits and cash equivalents and investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. U.S. Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at amortized cost. All other investments are stated at fair value.

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

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

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

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

Cash		\$ 1,314,764
	<u>Ref.</u>	
Cash		
Governmental Funds, Balance Sheet	B-1	\$ 1,054,176
Enterprise Funds, Statement of Net Position	B-4	51,918
Fiduciary Funds, Statement of Net Position	B-7	208,670
Total cash		\$ 1,314,764

Deposits - The District's carrying amount of bank deposits at June 30, 2016 is \$1,314,764 and the bank balance is \$1,486,736. Of the bank balance, \$250,000 is covered by Federal Depository Insurance and \$1,236,736 is insured by GUDPA.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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

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

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

Concentration of credit risk

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 285,100	\$ -	\$ -	\$ 285,100
Construction in progress	7,471	-	-	7,471
Total	<u>292,571</u>	<u>-</u>	<u>-</u>	<u>292,571</u>
Capital assets, being depreciated				
Land improvements	173,564	23,909	-	197,473
Building & improvements	14,665,700	-	-	14,665,700
Furniture & equipment	856,906	37,347	-	894,253
Vehicles	50,054	-	-	50,054
Total	<u>15,746,224</u>	<u>61,256</u>	<u>-</u>	<u>15,807,480</u>
Accumulated depreciation				
Land improvements	111,436	5,543	-	116,979
Building & improvements	2,962,672	355,659	-	3,318,331
Furniture & equipment	765,344	8,020	-	773,364
Vehicles	9,384	6,257	-	15,641
Total	<u>3,848,836</u>	<u>375,479</u>	<u>-</u>	<u>4,224,315</u>
Total capital assets, being depreciated, net	<u>11,897,388</u>	<u>(314,223)</u>	<u>-</u>	<u>11,583,165</u>
Governmental activities capital assets, net	<u>\$ 12,189,959</u>	<u>\$ (314,223)</u>	<u>\$ -</u>	<u>\$ 11,875,736</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Furniture & equipment	\$ 21,667	\$ -	\$ -	\$ 21,667
Less: accumulated depreciation	13,394	1,134	-	14,528
Business type activities capital assets, net	<u>\$ 8,273</u>	<u>\$ (1,134)</u>	<u>\$ -</u>	<u>\$ 7,139</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 4 - Capital assets (continued)

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

Instruction			
Regular		\$	224,729
Special education			40,535
Other special instruction			6,132
Other instruction			2,466
Support services			
Student & instruction			46,376
General & business administration			40,101
School administration			5,841
Plant maintenance			3,042
Transportation			6,257
Total depreciation expense, governmental activities		\$	375,479

Note 5 - Long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds payable	\$ 5,335,000	\$ -	\$ 460,000	\$ 4,875,000	\$ 475,000
Unamortized bond premium	393,942	-	37,518	356,424	37,518
Capital leases payable	74,424	148,060	72,165	150,319	74,177
Compensated absences payable	50,404	17,246	-	67,650	4,844
PERS Net pension liability	1,495,347	39,955	892,019	643,283	-
Total governmental activities long-term liabilities	\$ 7,349,117	\$ 205,261	\$ 1,461,702	\$ 6,092,676	\$ 591,539

Payments on the general obligation bonds are made in the debt service fund from property taxes and state aid. The other long-term liabilities are paid in the current expenditures budget of the District's General Fund or amortized.

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

Year ending June 30,	Principal	Interest	Total
2017	\$ 475,000	\$ 169,750	\$ 644,750
2018	490,000	155,500	645,500
2019	505,000	140,800	645,800
2020	520,000	125,650	645,650
2021 - 2025	2,885,000	349,450	3,234,450
Total	\$ 4,875,000	\$ 941,150	\$ 5,816,150

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 5 - Long-term debt (continued)

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

\$5,380,000 - 2013 general obligation school building bonds, interest at 2.00% to 4.00% due in annual installments beginning Feb 15, 2015, through Feb 15, 2025	<u>\$ 4,875,000</u>
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The general obligation bonded debt of the District is limited by State law to 3% of the average equalized assessed values of the total taxable property in the District for the past three years. The legal debt limit at June 30, 2016 is \$16,836,026. General obligation debt at June 30, 2016 is \$4,875,000, resulting in a legal debt margin of \$11,961,026.

Capital leases payable

The District is leasing technology equipment, a bus, textbooks and a playground system with an original lease amount of \$123,493 and an interest rate of 2.87%. The District is also leasing 22 bundles of 10 iPad Airs with an original lease amount of \$148,060 and an interest rate of 2.53%. The following is a schedule of the future minimum lease payments under the lease and the net minimum lease payments at June 30, 2016:

<u>Year Ending June 30,</u>		
2017	\$	78,161
2018		<u>78,161</u>
Future minimum lease payments		156,322
Amount representing interest		<u>6,003</u>
Total amount representing principal	\$	<u>150,319</u>

Note 6 - Pension plans

Description of systems

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

A. Public employees' retirement systems (PERS)

Plan description

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

The vesting and benefit provisions are set by 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:

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

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

Allocation methodology and reconciliation to financial statements

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Allocation methodology and reconciliation to financial statements (continued)

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

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

Contributions

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Collective net pension liability and actuarial information

Components of net pension liability

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

	2015	2014
Total pension liability	\$ 1,235,374	\$ 3,120,559
Plan fiduciary net position	592,091	1,625,212
Net pension liability	\$ 643,283	\$ 1,495,347
Plan fiduciary net position as a percentage of the total pension liability	47.93%	52.08%

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

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

Long-term expected rate of return

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

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

Discount rate

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

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

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

	2015
At current discount rate (4.90%)	\$ 643,283
At a 1% lower rate (3.90%)	799,523
At a 1% higher rate (5.90%)	512,294
	2014
At current discount rate (5.39%)	\$ 1,495,347
At a 1% lower rate (4.39%)	1,881,197
At a 1% higher rate (6.39%)	1,171,331

Collective deferred outflows of resources and deferred inflows of resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,346	\$ -
Changes of assumptions	69,084	-
Net difference between projected and actual earnings on pension plan investments	-	10,343
Changes in proportion and differences between District contributions and proportionate share of contributions	12,765	813,463
District contributions subsequent to the measurement date	24,637	-
Total	\$ 121,832	\$ 823,806

The amount reported as deferred outflows of resources related to pensions resulting from School District contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2016, the plan measurement date is June 30, 2015) of \$24,637 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plans (continued)

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

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

	Beginning Balance	Increases	Decreases	Ending Balance
Deferred outflows of resources				
Changes of assumptions	\$ 16,871	\$ 85,631	\$ 18,072	\$ 84,430
Deferred inflows of resources				
Difference between projected and actual earnings on pension plan investments	31,974	(17,047)	4,584	10,343
Net of deferred outflows/(inflows)				\$ 74,087

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

Year ending June 30,

2016	\$ 13,488
2017	13,488
2018	13,487
2019	21,481
2020	12,143
Total	\$ 74,087

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

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

Pension expense

For the year ended June 30, 2016, the District recognized net pension expense of \$(86,065), which represents the District's proportionate share of allocable plan pension expense of \$42,199, plus the pension expense related to specific liabilities of individual employers of \$1,250, less the net amortization of deferred amounts from changes in proportion of \$169,469 and plus other adjustments to the net pension liability of \$39,955. The components of allocable pension expense, which exclude amounts attributable to employer paid member contributions and pension expense related to specific liabilities of individual employers, for the District for the year ending June 30, 2015 are as follows:

Service cost	\$	25,277
Interest on total pension liability		60,237
Member contributions		(13,982)
Administrative expense		470
Expected investment return net of investment expense		(43,040)
Pension expense related to specific liabilities of individual employers		(250)
Recognition of deferred inflows/outflows of resources		
Amortization of assumption changes or inputs		14,820
Amortization of expected versus actual experience		3,251
Amortization of projected versus actual investment earnings on pension plan investments		(4,584)
Pension expense	\$	42,199

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

Plan description

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

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

The following represents the membership tiers for TPAF:

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

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

Special funding situation

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)
B. Teacher's pension and annuity fund (TPAF) (continued)
Special funding situation (continued)

	2015	2014
Net pension liability	\$ 12,689,567	\$ 11,273,116
Employer pension expense and related revenue	774,812	548,887
Non-employer contribution	107,900	81,073
Allocable proportionate percentage	0.0200770721%	0.0190854907%

C. Defined contribution retirement program

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

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

Contribution requirements

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 6 - Pension plan (continued)

C. Defined contribution retirement program (continued)

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

<u>Year Funding</u>	<u>TPAF Benefit Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 400,982	100%
06/30/15	280,857	100%
06/30/14	213,122	100%

Three-year trend information for PERS:

<u>Year Funding</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>
06/30/16	\$ 24,637	100%
06/30/15	67,842	100%
06/30/14	61,404	100%

During the year ended June 30, 2016, the State of New Jersey contributed \$217,946 to the TPAF for post-retirement medical benefits, \$8,685 for non-contributory insurance premiums and \$174,351 for normal costs and accrued liability costs on behalf of the Board. Also, in accordance with NJSA 18A:66-66 the State of New Jersey reimbursed the Board \$185,367 during the year ended June 30, 2016 for the employer's share of Social Security contributions for TPAF members calculated on their base salaries. These amounts have been included in the financial statements and the combining and individual fund and account group statements and schedules as revenues and expenditures in accordance with GASB 68.

Note 7 - Post-retirement benefits

Chapter 384 of PL 1987 and Ch. 6 of PL 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. PL 2007, Ch. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2015, there were 107,314 retirees eligible for post-retirement medical benefits, and the State contributed \$1.25 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with Ch. 62, PL 1994. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning the fiscal year 1994.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 7 - Post-retirement benefits (continued)

The State is also responsible for the cost attributable to Ch. 126, PL 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a Board of Education or County College with 25 years of service. In fiscal year 2015, the State paid \$214.1 million toward Ch. 126 benefits for 19,056 eligible retired members.

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

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

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

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

Note 8 - Deferred compensation

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 8 - Deferred compensation (continued)

VALIC
 Siracusa Benefits
 Lincoln Investment Planning

Note 9 - Interfund receivable and payables

As of June 30, 2016, the Payroll Agency Fund has an interfund payable for \$4,859 due to the Unemployment Compensation Fund for withholdings not yet transferred as of year-end.

The General Fund has an interfund payable to the Food Service Fund for \$7,943 which represents cafeteria aid receipts not yet transferred at year-end.

The District transferred \$6 from the Capital Projects Fund to the Debt Service Fund during fiscal year 2016 which represents interest earnings designated to the Debt Service Fund.

Note 10 - Inventory

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

Food	\$	4,640
Supplies		552
Total	\$	5,192

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

Note 11 - Contingent liabilities

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

Note 12 - Risk management

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 12 - Risk management (continued)

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

Fiscal Year	Board Contrib.	Interest Earnings	Employee Contrib.	Amount Reimbursed	Ending Balance
2015 - 2016	\$ -	\$ 135	\$ 4,859	\$ 697	\$ 42,963
2014 - 2015	23,460	109	4,644	21,424	38,666
2013 - 2014	96,306	96	4,467	79,222	31,877

Note 13 - Legal reserve accounts

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

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

Beginning in fiscal year 2008, districts are allowed as per NJSA 18A:7F-41(a) & 41(b) to deposit to the legal reserves by board resolution during the month of June for any unanticipated revenue and/or unexpended line-item appropriation amounts. Pursuant to this State statute, the District deposited \$100,000 to their Capital Reserve Account and \$100,000 to their Maintenance Reserve Account by Board resolution in June 2016, as summarized in the following schedule. The following schedule is a summarization of the legal reserve accounts for the current year:

Reserve Type	Beginning Balance	District Contrib.	Interest Earnings	Return Unused Withdrawal	Withdrawal	Ending Balance
Capital	\$ 152,431	\$ 100,000	\$ 331	\$ -	\$ 40,000	\$ 212,762
Maintenance	91,757	100,000	-	-	-	191,757
Total	<u>\$ 244,188</u>	<u>\$ 200,000</u>	<u>\$ 331</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 404,519</u>

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 14 - Fund balances - Budgetary basis

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

	2016	2015
Restricted		
Excess surplus - Represents amount in excess of allowable percentage of expenditures. In accordance with State statute, the excess surplus is designated for utilization in succeeding year's budgets.	\$ 64,634	\$ 30,990
Excess surplus - Designated for subsequent year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	30,990	14,083
Committed		
Capital reserve account - Represents funds restricted to capital projects in the Districts long range facilities plan.	212,762	152,431
Maintenance reserve account - Represents funds accumulated for the required maintenance of a facility in accordance with the EFCFA. (NJSA18A:76-9).	191,757	91,757
Assigned		
Designated surplus - Designated for subsequent year's expenditures - Represents amount appropriated in the succeeding year's budget to reduce tax requirements.	-	7,417
Year-end encumbrance - Represents fund balance committed for purchase orders that have been issued but goods or services were not received as of June 30,	393,057	329,387
Unassigned		
Undesignated - Represents fund balance which has not been restricted or designated.	321,898	260,768
Total fund balance	\$ 1,215,098	\$ 886,833

Note 15 - Calculation of excess surplus

In accordance with NJSA 18A:7F-7, as amended by PL 2004, Ch. 73 (S1701), the designation for Reserved Fund Balance - Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey School Districts are required to reserve General Fund balance at the fiscal year end of June 30, if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2016 is \$64,634.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 16 - Subsequent events

The District has evaluated subsequent events through November 30, 2016, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

Note 17 - Recent accounting pronouncements not yet effective

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

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

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

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

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

In March 2016, the Governmental Accounting Standards Board (GASB) issued Statement No. 82 "*Pension Issues - an amendment of GASB Statements No. 67 and No. 73*". This statement is effective for reporting periods beginning June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement is not expected to have a material impact on the District's financial reporting.

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Financial Statements

Note 18 - Deficit balance in unrestricted net position

The District is reporting a deficit balance in unrestricted net position for governmental activities as of June 30, 2016 of \$(874,319) on Schedule A-1 "Statement of Net Position". The deficit balance is not a negative reflection on the District's financial condition, but is the result of reporting required by GASB Statement No. 68 Accounting and Financial Reporting for Pensions which allocates the proportionate share of the State's net pension liability for PERS to each contributing entity throughout the State.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES					
Local sources					
Local tax levy	\$ 5,335,277	\$ -	\$ 5,335,277	\$ 5,335,277	\$ -
Tuition from summer school	11,000	-	11,000	16,672	5,672
Unrestricted miscellaneous revenues	6,000	-	6,000	45,729	39,729
Total	<u>5,352,277</u>	<u>-</u>	<u>5,352,277</u>	<u>5,397,678</u>	<u>45,401</u>
State Sources					
School choice aid	90,286	-	90,286	90,286	-
Categorical transportation aid	29,391	-	29,391	29,391	-
Extraordinary aid	45,000	-	45,000	114,547	69,547
Categorical special education aid	187,645	-	187,645	187,645	-
Categorical security aid	16,708	-	16,708	16,708	-
Other State aid	5,380	-	5,380	7,731	2,351
TPAF Pension (on-behalf)	-	-	-	183,036	183,036
TPAF Social Security (reimbursed)	-	-	-	185,367	185,367
TPAF Post retirement benefits	-	-	-	217,946	217,946
Total	<u>374,410</u>	<u>-</u>	<u>374,410</u>	<u>1,032,657</u>	<u>658,247</u>
Total revenues	<u>\$ 5,726,687</u>	<u>\$ -</u>	<u>\$ 5,726,687</u>	<u>\$ 6,430,335</u>	<u>\$ 703,648</u>
EXPENDITURES					
Current					
Instruction - regular program					
Salaries of teachers					
Preschool	\$ 8,157	\$ 52	\$ 8,209	\$ 8,209	\$ -
Kindergarten	187,669	10,253	197,922	197,922	-
Grades 1-5	1,030,095	39,704	1,069,799	1,069,799	-
Grades 6-8	625,462	24,041	649,503	649,503	-
Home instruction					
Salaries of teacher	1,140	460	1,600	1,600	-
Regular programs - undistributed instruction					
Other salaries for instruction	49,231	18,966	68,197	68,197	-
Purchased professional - educational services	14,000	(2,344)	11,656	11,656	-
Purchased technical services	27,259	(838)	26,421	19,631	6,790
Other purchased services	55,850	(20,177)	35,673	35,365	308
General supplies	260,069	(13,231)	246,838	231,305	15,533
Textbooks	30,949	2,741	33,690	33,690	-
Other objects	6,000	(450)	5,550	5,550	-
Total	<u>2,295,881</u>	<u>59,177</u>	<u>2,355,058</u>	<u>2,332,427</u>	<u>22,631</u>
Special education					
Resource room/resource center					
Salaries of teachers	241,217	(62,879)	178,338	150,370	27,968
Purchased professional - educational services	171,000	27,677	198,677	178,372	20,305
General supplies	4,537	425	4,962	4,894	68
Total	<u>416,754</u>	<u>(34,777)</u>	<u>381,977</u>	<u>333,636</u>	<u>48,341</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Preschool disabilities - full-time					
Salaries of teachers	\$ 46,936	\$ (5,366)	\$ 41,570	\$ 41,569	\$ 1
Purchased professional - educational services	60,000	12,896	72,896	72,896	-
General supplies	860	(93)	767	767	-
Total	<u>107,796</u>	<u>7,437</u>	<u>115,233</u>	<u>115,232</u>	<u>1</u>
Total special education	<u>524,550</u>	<u>(27,340)</u>	<u>497,210</u>	<u>448,868</u>	<u>48,342</u>
Basic skills/remedial					
Salaries of teachers	51,018	27,712	78,730	78,730	-
General supplies	600	(79)	521	521	-
Total	<u>51,618</u>	<u>27,633</u>	<u>79,251</u>	<u>79,251</u>	<u>-</u>
School-sponsored co/extra curricular activities - instruction					
Salaries	9,098	-	9,098	-	9,098
Total	<u>9,098</u>	<u>-</u>	<u>9,098</u>	<u>-</u>	<u>9,098</u>
School-sponsored athletics - instruction					
Salaries	16,176	-	16,176	13,965	2,211
Supplies and materials	1,500	-	1,500	404	1,096
Total	<u>17,676</u>	<u>-</u>	<u>17,676</u>	<u>14,369</u>	<u>3,307</u>
Instructional alternative ed program - instruction					
Salaries of teachers	18,000	(2,519)	15,481	15,481	-
General supplies	-	2,519	2,519	2,028	491
Total	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>17,509</u>	<u>491</u>
Total instruction regular	<u>\$ 2,916,823</u>	<u>\$ 59,470</u>	<u>\$ 2,976,293</u>	<u>\$ 2,892,424</u>	<u>\$ 83,869</u>
Undistributed expenditures					
Undistributed expenditures - instruction					
Tuition to other LEAs within the State - special	\$ 255,430	\$ (23,145)	\$ 232,285	\$ 199,103	\$ 33,182
Tuition to priv. school for the disabled w/i State	55,000	9,145	64,145	56,117	8,028
Total	<u>310,430</u>	<u>(14,000)</u>	<u>296,430</u>	<u>255,220</u>	<u>41,210</u>
Undistributed expenditures - attendance & social work					
Salaries	25,943	2,007	27,950	27,950	-
Total	<u>25,943</u>	<u>2,007</u>	<u>27,950</u>	<u>27,950</u>	<u>-</u>
Undistributed expenditures - health services					
Salaries	78,645	-	78,645	75,703	2,942
Purchased professional and technical services	1,600	-	1,600	1,530	70
Other purchased services	100	-	100	-	100
Supplies and materials	1,900	(102)	1,798	1,334	464
Total	<u>82,245</u>	<u>(102)</u>	<u>82,143</u>	<u>78,567</u>	<u>3,576</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expenditures - speech, ot, pt & related services					
Purchased professional - educational services	\$ 70,000	\$ (23,726)	\$ 46,274	\$ 27,952	\$ 18,322
Supplies and materials	600	19	619	619	-
Total	<u>70,600</u>	<u>(23,707)</u>	<u>46,893</u>	<u>28,571</u>	<u>18,322</u>
Undistributed expenditures - guidance					
Salaries of other professional staff	78,505	-	78,505	78,505	-
Supplies and materials	1,000	178	1,178	1,178	-
Total	<u>79,505</u>	<u>178</u>	<u>79,683</u>	<u>79,683</u>	<u>-</u>
Undistributed expenditures - child study teams					
Salaries of other professional staff	57,255	19,596	76,851	76,851	-
Salaries of secretarial and clerical assistants	46,052	1,743	47,795	47,795	-
Purchased professional - educational services	81,200	(22,159)	59,041	50,021	9,020
Miscellaneous purchased service	2,000	132	2,132	2,132	-
Supplies and materials	500	3,885	4,385	4,354	31
Total	<u>187,007</u>	<u>3,197</u>	<u>190,204</u>	<u>181,153</u>	<u>9,051</u>
Undistributed expenditures - improvement of inst. service					
Salaries of supervisor of instruction	2,500	(790)	1,710	1,710	-
Salaries of other professional staff	82,620	(1,020)	81,600	81,600	-
Purchased professional - educational services	891	(891)	-	-	-
Supplies and materials	1,500	(1,500)	-	-	-
Total	<u>87,511</u>	<u>(4,201)</u>	<u>83,310</u>	<u>83,310</u>	<u>-</u>
Undistributed expenditures - edu. media service/sch. library					
Salaries	11,940	-	11,940	11,840	100
Purchased professional and technical services	900	-	900	850	50
Supplies and materials	5,000	4,117	9,117	8,669	448
Total	<u>17,840</u>	<u>4,117</u>	<u>21,957</u>	<u>21,359</u>	<u>598</u>
Undistributed expenditures - instructional staff training services					
Other purchased services	2,000	695	2,695	2,695	-
Other objects	510	(500)	10	-	10
Total	<u>2,510</u>	<u>195</u>	<u>2,705</u>	<u>2,695</u>	<u>10</u>
Undistributed expend. - support service - general admin.					
Salaries	162,040	3,316	165,356	165,356	-
Legal services	21,000	10,683	31,683	21,971	9,712
Audit fees	16,000	(500)	15,500	15,500	-
Other purchased professional services	17,000	-	17,000	17,000	-
Communications/telephone	11,000	14,528	25,528	16,176	9,352
BOE other purchased services	600	(472)	128	128	-
Misc purch services	22,725	(5,424)	17,301	17,074	227
General supplies	5,500	3,395	8,895	2,195	6,700
BOE in-house training/meeting supplies	600	(600)	-	-	-
Miscellaneous expenditures	5,150	(263)	4,887	4,887	-
BOE membership dues and fees	4,500	(908)	3,592	3,592	-
Total	<u>266,115</u>	<u>23,755</u>	<u>289,870</u>	<u>263,879</u>	<u>25,991</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Undistributed expend. - support service - school admin.					
Salaries of principals/assistant principals	\$ 44,180	\$ (155)	\$ 44,025	\$ 36,473	\$ 7,552
Salaries of secretarial and clerical assistants	26,983	155	27,138	26,278	860
Supplies and materials	600	6,975	7,575	1,506	6,069
Total	71,763	6,975	78,738	64,257	14,481
Undistributed expenditures - central services					
Salaries	139,536	5,470	145,006	145,006	-
Purchased professional services	17,000	250	17,250	16,556	694
Miscellaneous purchased services	-	500	500	112	388
Supplies and materials	2,350	9,373	11,723	3,359	8,364
Other objects	2,150	419	2,569	2,493	76
Total	161,036	16,012	177,048	167,526	9,522
Undistributed expend. - required maint. for school facilities					
Cleaning, repair, and maintenance services	47,700	29,388	77,088	53,194	23,894
General supplies	16,000	3,902	19,902	10,082	9,820
Total	63,700	33,290	96,990	63,276	33,714
Undistributed expenditures - custodial services					
Salaries	11,940	6,591	18,531	18,531	-
Purchased professional and technical services	8,000	1,870	9,870	9,350	520
Cleaning, repair, and maintenance service	278,878	(39,319)	239,559	214,183	25,376
Insurance	38,771	(822)	37,949	37,949	-
General supplies	13,305	(831)	12,474	12,474	-
Energy (natural gas)	3,500	(3,269)	231	231	-
Energy (electricity)	50,000	31,862	81,862	65,171	16,691
Energy (oil)	70,000	(43,021)	26,979	26,979	-
Total	474,394	(46,939)	427,455	384,868	42,587
Undistributed expenditures - care and upkeep of grounds					
Cleaning, repair, and maintenance service	31,800	-	31,800	31,800	-
Total	31,800	-	31,800	31,800	-
Undistributed expenditures - student transportation service					
Salaries of non-instructional aides	29,200	(10,945)	18,255	18,255	-
Salaries for pupil trans (between home & school) - reg.	-	8,625	8,625	-	8,625
Management fee - esc & ctsa trans. program	1,186	(1,186)	-	-	-
Cleaning, repair, & maint. services	6,000	(4,070)	1,930	1,930	-
Lease purchase payments - school buses	26,256	-	26,256	26,256	-
Contract service-aid in lieu pymts - non-public schools	43,762	(8,252)	35,510	15,470	20,040
Contr service (oth. than between home & school) - vend	6,000	(2,364)	3,636	2,985	651
Contr service (between home & school) - joint agreements	152,098	(667)	151,431	3,839	147,592
Contract service (spl. ed. students) - escs & ctsas	52,000	18,515	70,515	66,814	3,701
Transportation supplies	6,000	(5,656)	344	344	-
Total	322,502	(6,000)	316,502	135,893	180,609

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Allocated benefits - employee benefits					
Regular programs - instruction					
Social Security contributions	\$ 15,423	\$ (1,579)	\$ 13,844	\$ 13,844	\$ -
Other retirement contributions - PERS	15,272	(8,623)	6,649	6,649	-
Workmen's compensation	19,386	-	19,386	19,386	-
Health benefits	390,000	(15,295)	374,705	338,955	35,750
Tuition reimbursement	6,000	(1,021)	4,979	3,501	1,478
Other employee benefits	20,200	(11,347)	8,853	8,652	201
Total	466,281	(37,865)	428,416	390,987	37,429
Special programs - instruction					
Social Security contributions	2,200	-	2,200	981	1,219
Other retirement contributions - PERS	28,000	(8,000)	20,000	20,000	-
Workmen's compensation	3,243	-	3,243	3,243	-
Health benefits	72,500	(1,598)	70,902	50,716	20,186
Other employee benefits	3,427	(3,000)	427	79	348
Total	109,370	(12,598)	96,772	75,019	21,753
Attendance and social work services					
Other retirement contributions - PERS	2,559	(2,559)	-	-	-
Workmen's compensation	525	-	525	525	-
Health benefits	11,013	(233)	10,780	10,625	155
Other employee benefits	97	(70)	27	27	-
Total	14,194	(2,862)	11,332	11,177	155
Health services					
Workmen's compensation	618	-	618	618	-
Health benefits	13,061	-	13,061	9,974	3,087
Other employee benefits	194	102	296	-	296
Total	13,873	102	13,975	10,592	3,383
Other supp services - speech/ot/pt& related sv					
Workmen's compensation	656	-	656	656	-
Other employee benefits	193	-	193	-	193
Total	849	-	849	656	193
Other supp services - guidance					
Workmen's compensation	553	-	553	553	-
Health benefits	23,785	-	23,785	18,939	4,846
Other employee benefits	194	64	258	-	258
Total	24,532	64	24,596	19,492	5,104
Other supp services - child study teams					
Social Security contributions	8,240	(1,030)	7,210	7,210	-
Other retirement contributions - PERS	5,063	(5,063)	-	-	-
Workmen's compensation	463	-	463	463	-
Health benefits	23,785	(1,329)	22,456	22,456	-
Other employee benefits	194	(136)	58	58	-
Total	37,745	(7,558)	30,187	30,187	-

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Improvement of instruction services					
Social Security contributions	\$ 415	\$ 1,011	\$ 1,426	\$ 1,426	\$ -
Workmen's compensation	945	-	945	945	-
Health benefits	16,668	(1,549)	15,119	12,792	2,327
Other employee benefits	607	(76)	531	504	27
Total	<u>18,635</u>	<u>(614)</u>	<u>18,021</u>	<u>15,667</u>	<u>2,354</u>
Support services - general administration					
Social Security contributions	4,557	81	4,638	4,638	-
Other retirement contributions - PERS	6,025	(6,025)	-	-	-
Workmen's compensation	2,191	-	2,191	2,191	-
Health benefits	35,240	(1,127)	34,113	29,059	5,054
Other employee benefits	1,012	(294)	718	718	-
Total	<u>49,025</u>	<u>(7,365)</u>	<u>41,660</u>	<u>36,606</u>	<u>5,054</u>
Support services - school administration					
Social Security contributions	2,028	-	2,028	1,976	52
Other retirement contributions - PERS	2,577	-	2,577	-	2,577
Workmen's compensation	638	-	638	638	-
Health benefits	11,013	-	11,013	8,626	2,387
Other employee benefits	97	24	121	-	121
Total	<u>16,353</u>	<u>24</u>	<u>16,377</u>	<u>11,240</u>	<u>5,137</u>
Support services - central services					
Social Security contributions	3,739	884	4,623	4,623	-
Other retirement contributions - PERS	4,806	-	4,806	-	4,806
Workmen's compensation	1,462	-	1,462	1,462	-
Health benefits	46,072	-	46,072	43,415	2,657
Other employee benefits	896	(98)	798	770	28
Total	<u>56,975</u>	<u>786</u>	<u>57,761</u>	<u>50,270</u>	<u>7,491</u>
Operation and maintenance of plant service					
Social Security contributions	1,133	238	1,371	1,371	-
Total	<u>1,133</u>	<u>238</u>	<u>1,371</u>	<u>1,371</u>	<u>-</u>
Total allocated benefits - employees	<u>\$ 808,965</u>	<u>\$ (67,648)</u>	<u>\$ 741,317</u>	<u>\$ 653,264</u>	<u>\$ 88,053</u>
Unallocated benefits - employee benefits					
Social Security contributions	\$ 16,480	\$ (4,073)	\$ 12,407	\$ 11,385	\$ 1,022
Other retirement contributions - PERS	8,160	(4,627)	3,533	-	3,533
Unemployment compensation	10,000	(8,000)	2,000	-	2,000
Workmen's compensation	153	-	153	153	-
Total	<u>34,793</u>	<u>(16,700)</u>	<u>18,093</u>	<u>11,538</u>	<u>6,555</u>
On-behalf TPAF Pension contribution	-	-	-	183,036	(183,036)
On-behalf TPAF Post retirement medical benefits	-	-	-	217,946	(217,946)
Reimbursed TPAF Social Security contribution	-	-	-	185,367	(185,367)
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,349</u>	<u>(586,349)</u>
Total undistributed expenditures	<u>\$ 3,098,659</u>	<u>\$ (89,571)</u>	<u>\$ 3,009,088</u>	<u>\$ 3,121,158</u>	<u>\$ (112,070)</u>
Total current	<u>\$ 6,015,482</u>	<u>\$ (30,101)</u>	<u>\$ 5,985,381</u>	<u>\$ 6,013,582</u>	<u>\$ (28,201)</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES (cont'd)					
Capital outlay					
Equipment					
Undistributed					
Undistributed expenditures - instruction	\$ -	\$ 63,969	\$ 63,969	\$ 27,864	\$ 36,105
Undistributed expenditures - general admin.	-	24,488	24,488	24,488	-
Undistributed expenditures - care and upkeep of grounds	25,956	(18,356)	7,600	-	7,600
Total equipment	<u>25,956</u>	<u>70,101</u>	<u>96,057</u>	<u>52,352</u>	<u>43,705</u>
Facilities acquisition and construction service					
Assessment for debt service on SDA funding	36,136	-	36,136	36,136	-
Total facilities acquisition and construction service	<u>36,136</u>	<u>-</u>	<u>36,136</u>	<u>36,136</u>	<u>-</u>
Assets acquired under capital leases (non-budgeted)					
Undistributed					
Undistributed expenditures - instructional supplies	-	-	-	148,060	(148,060)
Total assets acquired under capital leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,060</u>	<u>(148,060)</u>
Total capital outlay	<u>\$ 62,092</u>	<u>\$ 70,101</u>	<u>\$ 132,193</u>	<u>\$ 236,548</u>	<u>\$ (104,355)</u>
Total expenditures	<u>\$ 6,077,574</u>	<u>\$ 40,000</u>	<u>\$ 6,117,574</u>	<u>\$ 6,250,130</u>	<u>\$ (132,556)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (350,887)</u>	<u>\$ (40,000)</u>	<u>\$ (390,887)</u>	<u>\$ 180,205</u>	<u>\$ 571,092</u>
Other financing sources (uses)					
Capital leases (non-budgeted)	-	-	-	148,060	148,060
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>148,060</u>	<u>148,060</u>
Excess (deficiency) of revenues & other financing sources					
Over (under) expenditures & other financing uses	(350,887)	(40,000)	(390,887)	328,265	719,152
Fund balances, July 1	886,833	-	886,833	886,833	-
Fund balances, June 30	<u>\$ 535,946</u>	<u>\$ (40,000)</u>	<u>\$ 495,946</u>	<u>\$ 1,215,098</u>	<u>\$ 719,152</u>

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Adjustment for prior year encumbrances	\$ (329,387)	\$ -	\$ (329,387)	\$ (329,387)	\$ -
Increase in capital reserve	-	100,000	100,000	100,000	-
Interest deposit to capital reserve	-	-	-	331	331
Withdrawal from capital reserve	-	(40,000)	(40,000)	(40,000)	-
Increase in maintenance reserve	-	100,000	100,000	100,000	-
Budgeted fund balance	(21,500)	(200,000)	(221,500)	497,321	718,821
Total	<u>\$ (350,887)</u>	<u>\$ (40,000)</u>	<u>\$ (390,887)</u>	<u>\$ 328,265</u>	<u>\$ 719,152</u>
Recapitulation of fund balance					
Restricted fund balance					
Excess surplus - designated for subsequent year's expenditures				\$ 30,990	
Excess surplus - current year				64,634	
Committed fund balance					
Capital reserve				212,762	
Maintenance reserve				191,757	
Year-end encumbrances				393,057	
Unassigned fund balance				<u>321,898</u>	
Fund balance per budgetary basis				1,215,098	
Reconciliation to governmental statements (GAAP)					
Last State aid payments not recognized on GAAP basis				<u>(27,424)</u>	
Fund balance per governmental funds (GAAP)				<u>\$ 1,187,674</u>	

See independent auditors' report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
State sources	\$ 33,677	\$ -	\$ 33,677	\$ 22,093	\$ (11,584)
Federal sources	133,654	-	133,654	109,312	(24,342)
Total revenues	<u>\$ 167,331</u>	<u>\$ -</u>	<u>\$ 167,331</u>	<u>\$ 131,405</u>	<u>\$ (35,926)</u>
Expenditures					
Instruction					
Salaries	\$ -	\$ 7,477	\$ 7,477	\$ 7,477	\$ -
Purchased professional & technical services	19,018	7,053	26,071	7,820	18,251
Other purchased services	76,684	1	76,685	76,685	-
General supplies	27,074	-	27,074	26,972	102
Textbooks	4,225	-	4,225	4,131	94
Total	<u>127,001</u>	<u>14,531</u>	<u>141,532</u>	<u>123,085</u>	<u>18,447</u>
Support services					
Purchased professional & technical services	25,176	(18,516)	6,660	6,660	-
Other purchased services	13,304	3,985	17,289	-	17,289
General supplies	1,850	-	1,850	1,660	190
Total	<u>40,330</u>	<u>(14,531)</u>	<u>25,799</u>	<u>8,320</u>	<u>17,479</u>
Total expenditures	<u>\$ 167,331</u>	<u>\$ -</u>	<u>\$ 167,331</u>	<u>\$ 131,405</u>	<u>\$ 35,926</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to Required Supplementary Information
Budget-to-GAAP Reconciliation

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

<u>Sources/Inflows of Resources</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>
Actual amounts (budgetary) "revenues" from the budgetary comparison schedules	\$ 6,430,335	\$ 131,405
Differences - Budget to GAAP		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances, current year	-	(4,492)
The last State aid payment is recognized as revenue for budgetary purposes, and differs from GAAP which does not recognize this revenue until the subsequent year when the State recognizes the related expenses (GASB 33):		
State aid receivable prior year	25,458	-
State aid receivable current year	(27,424)	-
Total revenues (GAAP basis)	<u>\$ 6,428,369</u>	<u>\$ 126,913</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 6,250,130	\$ 131,405
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures and the related revenue is recognized:		
Outstanding encumbrances, current year	-	(4,492)
Total expenditures (GAAP basis)	<u>\$ 6,250,130</u>	<u>\$ 126,913</u>

See independent auditors' report.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - percentage	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ -	12,689,567	10,200,574	11,273,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ 12,689,567	\$ 10,200,574	\$ 11,273,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ -	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	0.00%	0.00%	0.00%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	0.00%	28.71%	33.64%	33.76%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 183,036	\$ 108,544	\$ 80,740	\$ 144,128	\$ 87,092	\$ 7,477	\$ 8,278	\$ 8,848	\$ 191,675	\$ 180,547
Contributions in relation to the contractually required contribution	<u>(183,036)</u>	<u>(108,544)</u>	<u>(80,740)</u>	<u>(144,128)</u>	<u>(87,092)</u>	<u>(7,477)</u>	<u>(8,278)</u>	<u>(8,848)</u>	<u>(191,675)</u>	<u>(180,547)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 2,447,015	\$ 2,286,558	\$ 2,267,805	\$ 2,024,616	\$ 1,912,015	\$ 2,224,022	\$ 2,596,927	\$ 2,351,616	\$ 2,470,687	\$ 2,509,815
Contributions as a percentage of covered employee payroll	7.48%	4.75%	3.56%	7.12%	4.55%	0.34%	0.32%	0.38%	7.76%	7.19%

See independent auditors' report.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
District's proportion of the net pension liability (asset) - percentage	N/A	0.0028656611%	0.0079867967%	0.0078899285%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportion of the net pension liability (asset) - value	N/A	\$ 643,283	\$ 1,495,347	\$ 1,507,922	N/A	N/A	N/A	N/A	N/A	N/A
District's covered employee payroll	N/A	256,430	239,690	549,155	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	N/A	250.86%	623.87%	274.59%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	N/A	47.93%	52.08%	48.72%	N/A	N/A	N/A	N/A	N/A	N/A

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of District Contributions - Public Employees Retirement System
Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 24,637	\$ 65,845	\$ 59,449	\$ 58,511	\$ 55,025	\$ 18,497	\$ 18,957	\$ 16,371	\$ 19,913	\$ 11,072
Contributions in relation to the contractually required contribution	(24,637)	(65,845)	(59,449)	(58,511)	(55,025)	(18,497)	(18,957)	(16,371)	(19,913)	(11,072)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 245,198	\$ 256,430	\$ 239,690	\$ 549,155	\$ 553,475	\$ 495,256	\$ 465,361	\$ 500,574	\$ 226,702	\$ 338,003
Contributions as a percentage of covered employee payroll	10.05%	25.68%	24.80%	10.65%	9.94%	3.73%	4.07%	3.27%	8.78%	3.28%

See independent auditors' report.

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

Note 1 - Special funding situation - TPAF

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

SPECIAL REVENUE FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Special Revenue Fund
Combining Schedule of Program Revenues And Expenditures
Budgetary Basis
For the Fiscal Year Ended June 30, 2016

	NCLB Title IIA	IDEA Basic	IDEA Preschool	REAP	Non-public Grants	Total
Revenues						
State sources	\$ -	\$ -	\$ -	\$ -	\$ 22,093	\$ 22,093
Federal sources	7,477	72,294	4,391	25,150	-	109,312
Total revenues	\$ 7,477	\$ 72,294	\$ 4,391	\$ 25,150	\$ 22,093	\$ 131,405
Expenditures						
Instruction						
Salaries	\$ 7,477	\$ -	\$ -	\$ -	\$ -	\$ 7,477
Purchased professional & technical services	-	-	-	-	7,820	7,820
Other purchased services	-	72,294	4,391	-	-	76,685
General supplies	-	-	-	25,150	1,822	26,972
Textbooks	-	-	-	-	4,131	4,131
Total	7,477	72,294	4,391	25,150	13,773	123,085
Support services						
Purchased professional & technical services	-	-	-	-	6,660	6,660
Supplies and materials	-	-	-	-	1,660	1,660
Total	-	-	-	-	8,320	8,320
Total expenditures	\$ 7,477	\$ 72,294	\$ 4,391	\$ 25,150	\$ 22,093	\$ 131,405

See independent auditors' report.

CAPITAL PROJECTS FUND

DETAIL STATEMENTS

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

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

Expenditures and other financing uses		
Transfer to debt service fund	\$	6
Total expenditures	<u> </u>	<u>6</u>
Excess (deficiency) of revenues over (under) expenditures		(6)
Fund balance - beginning		<u>6</u>
Fund balance - ending	\$	<u><u> </u></u> -

See independent auditors' report.

PROPRIETARY FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Preschool Program	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 9,267	\$ 42,651	\$ 51,918
Due from other funds	7,943	-	7,943
Receivables from other governments			
State	31	-	31
Federal	422	-	422
Other accounts receivable	-	7,789	7,789
Inventory	5,192	-	5,192
Total current assets	<u>22,855</u>	<u>50,440</u>	<u>73,295</u>
Noncurrent assets			
Capital assets	21,667	-	21,667
Less: accumulated depreciation	14,528	-	14,528
Total noncurrent assets	<u>7,139</u>	<u>-</u>	<u>7,139</u>
Total assets	<u>29,994</u>	<u>50,440</u>	<u>80,434</u>
Liabilities			
Current liabilities			
Unearned revenues - commodities	3,424	-	3,424
Unearned revenues - prepaid sales	2,002	-	2,002
Total liabilities	<u>5,426</u>	<u>-</u>	<u>1,422</u>
Net position			
Net investment in capital assets	7,139	-	7,139
Unrestricted	17,429	50,440	67,869
Total net position	<u>\$ 24,568</u>	<u>\$ 50,440</u>	<u>\$ 75,008</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Revenues, Expenses, and
Changes in Fund Net Position
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Preschool Program	Total
Operating revenues			
Charges for services			
Daily sales - reimbursable programs	\$ 33,138	\$ -	\$ 33,138
Daily sales - non-reimbursable programs	22,801	-	22,801
Fees for services	-	46,834	46,834
Total operating revenues	<u>55,939</u>	<u>46,834</u>	<u>102,773</u>
Operating expenses			
Cost of sales - reimbursable programs	16,452	-	16,452
Cost of sales - non-reimbursable programs	11,320	-	11,320
Salaries	19,637	25,000	44,637
Support services - employee benefits	3,002	-	3,002
Purchased professional/technical services	1,902	-	1,902
Purchased property services	650	-	650
Transportation	-	40,014	40,014
Other purchased services			
Insurance	2,100	-	2,100
Management fee	7,199	-	7,199
Supplies and materials	3,661	-	3,661
Depreciation	1,134	-	1,134
Miscellaneous expenditures	168	-	168
Total operating expenses	<u>67,225</u>	<u>65,014</u>	<u>132,239</u>
Operating income (loss)	<u>(11,286)</u>	<u>(18,180)</u>	<u>(29,466)</u>
Non-operating revenues (expenses)			
State sources			
State school lunch program	518	-	518
Federal sources			
National school lunch program			
Cash assistance	7,047	-	7,047
Non-cash assistance (commodities)	7,434	-	7,434
National school breakfast program	261	-	261
Interest earned on investments	61	-	61
Total non-operating revenues (expenses)	<u>15,321</u>	<u>-</u>	<u>15,321</u>
Change in net position	4,035	(18,180)	(14,145)
Net position, beginning	<u>20,533</u>	<u>68,620</u>	<u>89,153</u>
Net position, ending	<u>\$ 24,568</u>	<u>\$ 50,440</u>	<u>\$ 75,008</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Statement of Cash Flows
Enterprise Fund
For the Fiscal Year Ended June 30, 2016

	Food Service Fund	Preschool Program	Total
Cash flows from operating activities			
Receipts from customers	\$ 56,069	\$ 41,212	\$ 97,281
Payments to Food Service Management Co.	(55,681)	-	(55,681)
Payments to vendors and employees (net)	(1,795)	(65,014)	(66,809)
Net cash provided by operating activities	<u>(1,407)</u>	<u>(23,802)</u>	<u>(25,209)</u>
Cash flows from noncapital financing activities			
State sources	526	-	526
Federal sources	7,417	-	7,417
Net interfund transactions	(7,944)	-	(7,944)
Net cash provided by (used for) non capital financing activities	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Cash flows from investing activities			
Interest on investments	61	-	61
Net increase in cash and cash equivalents	(1,347)	(23,802)	(25,149)
Cash and cash equivalents, July 1	<u>10,614</u>	<u>66,453</u>	<u>77,067</u>
Cash and cash equivalents, June 30	<u>\$ 9,267</u>	<u>\$ 42,651</u>	<u>\$ 51,918</u>
Reconciliation of operating income to net cash			
Provided by operating activities			
Operating income	\$ (11,286)	\$ (18,180)	\$ (29,466)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,134	-	1,134
Federal food donation program	7,434	-	7,434
(Increase) decrease in accounts receivable	1,671	(5,622)	(3,951)
(Increase) decrease in inventory	(1,663)	-	(1,663)
Increase (decrease) in unearned revenue	1,303	-	1,303
Net cash provided by (used for) operating activities	<u>\$ (1,407)</u>	<u>\$ (23,802)</u>	<u>\$ (25,209)</u>

See independent auditors' report.

FIDUCIARY FUND

DETAIL STATEMENTS

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Combining Schedule of Fiduciary Fund Net Position
Fiduciary Funds
June 30, 2016

	Unemployment Compensation Fund	Student Activity Agency Fund	Payroll Agency Fund	Total
Assets				
Cash and cash equivalents	\$ 38,104	\$ 34,556	\$ 136,010	\$ 208,670
Due from other funds	4,859	-	-	4,859
Total assets	<u>\$ 42,963</u>	<u>\$ 34,556</u>	<u>\$ 136,010</u>	<u>\$ 213,529</u>
Liabilities				
Due to other funds	\$ -	\$ -	\$ 4,859	\$ 4,859
Due to students groups	-	34,556	-	34,556
Payroll deductions & withholdings	-	-	131,151	131,151
Total liabilities	<u>-</u>	<u>34,556</u>	<u>136,010</u>	<u>170,566</u>
Net position				
Held in Trust for unemployment claims & other purposes	<u>\$ 42,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,963</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Changes in Fiduciary Net Position
Unemployment Compensation Fund
For the Fiscal Year Ended June 30, 2016

Additions	
Employee contributions	\$ 4,859
Investment earnings - interest	135
Total additions	<u>4,994</u>
Deductions	
Unemployment claims	<u>697</u>
Change in net position	4,297
Net position - beginning of the year	<u>38,666</u>
Net position - end of the year	<u><u>\$ 42,963</u></u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Student Activity Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2016

	<u>Balance 07/01/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/16</u>
Assets				
Cash and cash equivalents	\$ 14,636	\$ 43,059	\$ 23,139	\$ 34,556
Total assets	<u>\$ 14,636</u>	<u>\$ 43,059</u>	<u>\$ 23,139</u>	<u>\$ 34,556</u>
Liabilities				
Due to student groups	\$ 14,636	\$ 43,059	\$ 23,139	\$ 34,556
Total liabilities	<u>\$ 14,636</u>	<u>\$ 43,059</u>	<u>\$ 23,139</u>	<u>\$ 34,556</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Payroll Agency Fund
Schedule of Receipts & Disbursements
For the Fiscal Year Ended June 30, 2016

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Assets				
Cash and cash equivalents	\$ 106,748	\$ 5,383,205	\$ 5,353,943	\$ 136,010
Total assets	\$ 106,748	\$ 5,383,205	\$ 5,353,943	\$ 136,010
Liabilities				
Due to other funds	\$ 4,644	\$ 4,859	\$ 4,644	\$ 4,859
Payroll deductions and withholdings	102,104	5,378,346	5,349,299	131,151
Total liabilities	\$ 106,748	\$ 5,383,205	\$ 5,353,943	\$ 136,010

See independent auditors' report.

LONG-TERM DEBT SCHEDULES

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

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

Issue	Date of Issue	Amount of Issue	Annual Maturities		Interest Rate	Balance 7/1/15	Issued	Retired	Balance 6/30/16
			Date	Amount					
2012 Refunding issue of 2005 series	03/17/13	\$ 5,380,000	02/15/2017	\$ 475,000	3.00%	\$ -	\$ -	\$ -	\$ -
			02/15/2018	490,000	3.00%	-	-	-	-
			02/15/2019	505,000	3.00%	-	-	-	-
			02/15/2020	520,000	3.00%	-	-	-	-
			02/15/2021	535,000	3.00%	-	-	-	-
			02/15/2022	555,000	4.00%	-	-	-	-
			02/15/2023	575,000	4.00%	-	-	-	-
			02/15/2024	600,000	4.00%	-	-	-	-
			02/15/2025	620,000	4.00%			5,335,000	-
					<u>\$5,335,000</u>	<u>\$ -</u>	<u>\$ 460,000</u>	<u>\$ 4,875,000</u>	

See independent auditor's report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Long-Term Debt
Schedule of Obligations Under Capital Leases
For the Fiscal Year Ended June 30, 2016

Description	Interest Rate	Amount of Original Issue	Balance 7/1/15	Issued	Retired	Balance 6/30/16
Acquisition of a bus, textbooks and a playground equipment system	2.87%	\$ 123,493	\$ 74,424	-	\$ 24,105	\$ 50,319
Acquisition of ipad airs	2.53%	148,060	-	148,060	48,060	100,000
			<u>\$ 74,424</u>	<u>\$ 148,060</u>	<u>\$ 72,165</u>	<u>\$ 150,319</u>

See independent auditor's report.

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

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources					
Local tax levy	\$ 643,550	\$ -	\$ 643,550	\$ 643,550	\$ -
Total revenues	<u>643,550</u>	<u>-</u>	<u>643,550</u>	<u>643,550</u>	<u>-</u>
Expenditures					
Regular debt service					
Redemption of principal	460,000	-	460,000	460,000	-
Interest on bonds	183,550	-	183,550	183,550	-
Total expenditures	<u>643,550</u>	<u>-</u>	<u>643,550</u>	<u>643,550</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)					
Transfers in from capital projects fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>
Fund balance, July 1	<u>10,052</u>	<u>-</u>	<u>10,052</u>	<u>10,052</u>	<u>-</u>
Fund balance, June 30	<u>\$ 10,052</u>	<u>\$ -</u>	<u>\$ 10,052</u>	<u>\$ 10,058</u>	<u>\$ 6</u>
Recapitulation of excess (deficiency) of revenues over (under) expenditures					
Budgeted fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 6</u>

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Statistical Section J Series

Contents	Page
FINANCIAL TRENDS	
These schedules contain trend information to help the reader understand how the District's financial performance and well being have changed over time.	J-1 to J-5
REVENUE CAPACITY	
These schedules contain trend information to help the reader assess the District's most significant local revenue sources, the property tax.	J-6 to J-9
DEBT CAPACITY	
These schedules contain trend information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	J-10 to J-13
DEMOGRAPHIC AND ECONOMIC INFORMATION	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial	J-14 to J-15
OPERATING INFORMATION	
These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	J-16 to J-20
Sources: Unless otherwise noted, the information in these schedules are derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.	

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Government activities										
Net investment in capital assets	\$ (5,363,491)	\$ (5,235,167)	\$ (4,767,606)	\$ (2,461,671)	\$ 5,214,736	\$ 6,342,655	\$ 6,561,217	\$ 6,667,919	\$ 6,709,605	\$ 6,963,838
Restricted	7,475,913	7,933,930	7,638,616	5,611,333	219,945	216,808	105,550	161,623	254,246	414,577
Unrestricted	962,824	830,099	417,806	84,905	212,350	364,836	242,654	(1,334,360)	(959,799)	(874,319)
Total governmental activities	<u>\$ 3,075,246</u>	<u>\$ 3,528,862</u>	<u>\$ 3,288,816</u>	<u>\$ 3,234,567</u>	<u>\$ 5,647,031</u>	<u>\$ 6,924,299</u>	<u>\$ 6,909,421</u>	<u>\$ 5,495,182</u>	<u>\$ 6,004,052</u>	<u>\$ 6,504,096</u>
Business-type activities										
Net investment in capital assets	\$ 3,311	\$ 3,133	\$ 8,145	\$ 6,933	\$ 5,721	\$ 4,687	\$ 10,541	\$ 9,407	\$ 8,273	\$ 7,139
Unrestricted	15,809	22,325	25,379	26,620	30,599	47,786	43,579	70,836	80,880	67,869
Total business-type activities	<u>\$ 19,120</u>	<u>\$ 25,458</u>	<u>\$ 33,524</u>	<u>\$ 33,553</u>	<u>\$ 36,320</u>	<u>\$ 52,473</u>	<u>\$ 54,120</u>	<u>\$ 80,243</u>	<u>\$ 89,153</u>	<u>\$ 75,008</u>
District-wide										
Net investment in capital assets	\$ (5,360,180)	\$ (5,232,034)	\$ (4,759,461)	\$ (2,454,738)	\$ 5,220,457	\$ 6,347,342	\$ 6,571,758	\$ 6,677,326	\$ 6,717,878	\$ 6,970,977
Restricted	7,475,913	7,933,930	7,638,616	5,611,333	219,945	216,808	105,550	161,623	254,246	414,577
Unrestricted	978,633	852,424	443,185	111,525	242,949	412,622	286,233	(1,263,524)	(878,919)	(806,450)
Total district-wide	<u>\$ 3,094,366</u>	<u>\$ 3,554,320</u>	<u>\$ 3,322,340</u>	<u>\$ 3,268,120</u>	<u>\$ 5,683,351</u>	<u>\$ 6,976,772</u>	<u>\$ 6,963,541</u>	<u>\$ 5,575,425</u>	<u>\$ 6,093,205</u>	<u>\$ 6,579,104</u>

See independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,432,727	\$ 2,534,733	\$ 2,487,718	\$ 2,658,911	\$ 2,090,352	\$ 2,218,651	\$ 2,849,071	\$ 2,861,410	\$ 3,089,186	\$ 3,989,038
Special education	773,387	795,417	849,882	741,575	870,187	824,142	842,105	881,283	898,844	657,463
Other special education	152,434	117,086	125,247	128,879	73,642	70,895	76,299	61,467	75,775	123,932
Other instruction	18,287	24,055	32,507	25,710	-	-	2,487	12,874	25,385	37,681
Support services										
Tuition	270,255	313,554	358,864	409,983	299,914	277,380	306,290	326,465	297,520	331,905
Student & instruction related services	601,534	606,321	614,849	717,299	668,054	622,515	685,155	717,766	757,493	798,516
General & business administrative services	522,163	529,587	546,587	564,166	506,821	513,941	643,084	595,459	627,610	643,343
School administration	125,925	108,648	111,183	42,560	95,215	76,015	76,598	82,020	109,434	91,214
Plant operations & maintenance	467,274	508,126	540,287	510,327	458,022	547,556	570,862	474,002	472,717	478,728
Pupil transportation	398,657	407,501	431,765	440,502	347,574	370,143	312,120	312,307	300,046	110,350
Interest on long-term debt	319,775	315,619	309,055	298,761	288,743	273,307	248,144	275,787	225,236	248,948
Total governmental activities expenses	<u>6,082,418</u>	<u>6,260,647</u>	<u>6,407,944</u>	<u>6,538,673</u>	<u>5,698,524</u>	<u>5,794,545</u>	<u>6,612,215</u>	<u>6,600,840</u>	<u>6,879,246</u>	<u>7,511,118</u>
Business-type activities										
Food services	67,003	75,548	69,684	76,340	55,693	95,733	67,922	66,830	62,861	67,225
Pre K & K wrap program	-	-	-	-	12,121	16,013	21,941	20,275	48,709	65,014
Total business-type activities	<u>67,003</u>	<u>75,548</u>	<u>69,684</u>	<u>76,340</u>	<u>67,814</u>	<u>111,746</u>	<u>89,863</u>	<u>87,105</u>	<u>111,570</u>	<u>132,239</u>
Total district expenses	<u>\$ 6,149,421</u>	<u>\$ 6,336,195</u>	<u>\$ 6,477,628</u>	<u>\$ 6,615,013</u>	<u>\$ 5,766,338</u>	<u>\$ 5,906,291</u>	<u>\$ 6,702,078</u>	<u>\$ 6,687,945</u>	<u>\$ 6,990,816</u>	<u>\$ 7,643,357</u>

See independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Program revenues										
Governmental activities										
Charges for services										
Instruction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,147	\$ 11,511	\$ 16,672
Plant operations & maintenance	-	-	-	-	-	-	-	7,702	250	472
Pupil transportation	-	-	-	-	-	-	-	195	-	-
Operating grants & contributions	162,068	213,519	196,826	234,497	86,341	198,325	156,464	147,083	142,654	126,913
Total governmental activities program revenues	162,068	213,519	196,826	234,497	86,341	198,325	156,464	156,127	154,415	144,057
Business-type activities										
Charges for services										
Food service	68,445	76,537	67,745	63,730	42,869	63,578	56,307	54,649	49,919	55,939
Pre K & K wrap program					17,945	46,481	22,465	43,975	56,813	46,834
Operating grants & contributions	3,699	4,603	9,986	12,639	9,767	18,278	12,709	14,581	13,714	15,260
Total business - type activities program revenues	72,144	81,140	77,731	76,369	70,581	128,337	91,481	113,205	120,446	118,033
Total district - program revenues	\$ 234,212	\$ 294,659	\$ 274,557	\$ 310,866	\$ 156,922	\$ 326,662	\$ 247,945	\$ 269,332	\$ 274,861	\$ 262,090
Net (expense) revenues										
Governmental activities	\$ (5,920,350)	\$ (6,047,128)	\$ (6,211,118)	\$ (6,304,176)	\$ (5,612,183)	\$ (5,596,220)	\$ (6,455,751)	\$ (6,444,713)	\$ (6,724,831)	\$ (7,367,061)
Business-type activities	5,141	5,592	8,047	29	2,767	16,591	1,618	26,100	8,876	(14,206)
Total district-wide net expenses	\$ (5,915,209)	\$ (6,041,536)	\$ (6,203,071)	\$ (6,304,147)	\$ (5,609,416)	\$ (5,579,629)	\$ (6,454,133)	\$ (6,418,613)	\$ (6,715,955)	\$ (7,381,267)

See independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues & other changes in net position										
Governmental activities										
Property taxes levied for general purposes, net	\$ 4,781,071	\$ 4,744,466	\$ 4,934,245	\$ 4,934,245	\$ 4,807,114	\$ 4,903,256	\$ 5,027,551	\$ 5,128,102	\$ 5,230,664	\$ 5,335,277
Taxes levied for debt service	417,429	463,929	186,466	529,929	657,060	658,185	658,747	640,774	639,875	643,550
Unrestricted grants & contributions	820,791	862,235	719,247	733,353	568,415	714,120	753,265	737,015	1,349,588	1,805,503
State capital grant not restricted	283,609	-	-	-	1,985,254	553,049	-	-	-	-
Tuition income	-	-	-	-	-	6,073	-	-	-	-
Investment earnings	425,398	381,194	117,180	23,957	3,337	8,743	5,416	4,607	4,886	5,317
Miscellaneous income	15,221	48,920	13,934	28,443	3,467	26,423	5,666	64,755	8,688	77,458
Special item-insurance claim proceeds for storm damage	-	-	-	-	-	-	18,228	-	-	-
Operating transfer	-	-	-	-	-	3,639	(28,000)	(96,306)	-	-
Total governmental activities	6,743,519	6,500,744	5,971,072	6,249,927	8,024,647	6,873,488	6,440,873	6,478,947	7,233,701	7,867,105
Business-type activities										
Investment earnings	342	341	19	-	-	144	29	23	34	61
Miscellaneous income	-	405	-	-	-	3,057	-	-	-	-
Operating transfer	-	-	-	-	-	(3,639)	-	-	-	-
Total business-type activities	342	746	19	-	-	(438)	29	23	34	61
Total district-wide	\$ 6,743,861	\$ 6,501,490	\$ 5,971,091	\$ 6,249,927	\$ 8,024,647	\$ 6,873,050	\$ 6,440,902	\$ 6,478,970	\$ 7,233,735	\$ 7,867,166
Change in net position										
Governmental activities	\$ 823,169	\$ 453,616	\$ (240,046)	\$ (54,249)	\$ 2,412,464	\$ 1,277,268	\$ (14,878)	\$ 34,234	\$ 508,870	\$ 500,044
Business-type activities	5,483	6,338	8,066	29	2,767	16,153	1,647	26,123	8,910	(14,145)
Total district	\$ 828,652	\$ 459,954	\$ (231,980)	\$ (54,220)	\$ 2,415,231	\$ 1,293,421	\$ (13,231)	\$ 60,357	\$ 517,780	\$ 485,899

See independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General fund										
Restricted	\$ 96,613	\$ 191,554	\$ 124,959	\$ -	\$ -	\$ 62,167	\$ 120,218	\$ 72,134	\$ 45,073	\$ 95,624
Committed	1	1	1	1	1	210,001	101,352	151,568	244,188	404,519
Assigned	38,392	116,817	166,987	186,246	8,547	127,651	145,809	106,423	336,804	393,057
Unassigned	246,764	246,563	113,858	(9,571)	337,762	332,415	299,663	235,073	235,310	294,474
Total general fund	<u>\$ 381,770</u>	<u>\$ 554,935</u>	<u>\$ 405,805</u>	<u>\$ 176,676</u>	<u>\$ 346,310</u>	<u>\$ 732,234</u>	<u>\$ 667,042</u>	<u>\$ 565,198</u>	<u>\$ 861,375</u>	<u>\$ 1,187,674</u>
All other governmental funds										
Restricted, reported in										
Capital projects fund	\$ 7,475,912	\$ 7,933,929	\$ 7,638,614	\$ 5,611,332	\$ 216,612	\$ 3,475	\$ -	\$ 3	\$ 6	\$ -
Assigned, reported in										
Capital projects fund	708,904	403,761	147,249	47,028	3,332	950	866	-	-	-
Debt service fund	-	-	-	-	-	3,332	3,332	10,052	10,052	10,058
Total all other governmental funds	<u>\$ 8,184,816</u>	<u>\$ 8,337,690</u>	<u>\$ 7,785,863</u>	<u>\$ 5,658,360</u>	<u>\$ 219,944</u>	<u>\$ 7,757</u>	<u>\$ 4,198</u>	<u>\$ 10,055</u>	<u>\$ 10,058</u>	<u>\$ 10,058</u>

See independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Tax levy	\$ 5,198,500	\$ 5,208,395	\$ 5,120,711	\$ 5,464,174	\$ 5,464,174	\$ 5,561,441	\$ 5,686,298	\$ 5,768,876	\$ 5,870,539	\$ 5,978,827
Tuition charges	-	-	-	-	-	6,073	-	-	11,511	16,672
Interest earnings	425,398	381,194	117,180	23,957	3,337	8,743	5,416	4,607	4,886	5,317
Miscellaneous	15,221	49,794	14,852	28,992	3,511	26,468	5,724	27,963	8,938	40,412
State sources	1,150,151	912,351	763,595	763,959	2,582,609	1,271,308	768,898	764,613	830,410	1,048,292
Federal sources	116,317	162,529	151,560	203,342	57,357	194,141	140,773	118,759	112,945	109,312
Total revenues	6,905,587	6,714,263	6,167,898	6,484,424	8,110,988	7,068,174	6,607,109	6,684,818	6,839,229	7,198,832
Expenditures										
Instruction										
Regular instruction	1,773,541	1,780,282	1,818,037	2,004,162	1,529,447	1,508,190	1,785,923	2,019,154	1,900,067	2,471,583
Special education instruction	492,817	553,014	588,051	456,114	557,104	585,297	579,101	654,723	549,939	448,868
Other special instruction	124,794	73,011	86,438	90,257	46,409	46,643	46,930	49,567	49,313	79,251
Other instruction	17,810	23,429	24,865	25,203	-	-	2,250	10,504	23,360	31,878
Support services										
Tuition	265,444	277,160	322,232	367,956	265,820	189,108	241,337	242,446	222,436	255,220
Student & inst related services	392,417	371,007	397,629	484,640	497,188	430,488	468,239	511,373	483,340	503,288
General administration	277,822	300,633	329,970	303,698	244,670	267,257	279,314	262,144	245,585	263,879
School administration services	91,970	80,525	83,210	23,080	55,574	61,567	56,675	56,249	68,111	64,257
Central services	131,212	130,412	140,987	141,035	136,457	117,415	220,052	155,364	158,052	167,526
Admin information technology	-	3,080	17,125	7,103	6,967	-	-	-	-	-
Plant operations & maintenance	467,274	506,703	538,862	508,902	456,597	546,029	567,218	463,225	469,402	479,944
Pupil transportation	398,657	407,501	431,765	440,502	347,574	370,143	312,120	308,916	293,789	135,893
Employee benefits	587,831	643,091	681,059	703,065	775,132	695,983	723,532	726,017	740,667	664,802
On-behalf TPAF pension & Social Security contribution	456,452	487,799	357,805	368,631	334,228	420,217	454,245	390,098	444,433	586,349
Capital outlay	2,897	-	-	-	-	35,165	333,053	130,887	52,430	61,256
Capital projects	163,775	73,129	295,315	2,027,282	7,379,974	766,186	3,672	-	-	-
Special revenue funds	162,068	213,519	196,826	234,497	86,341	198,325	156,464	147,083	142,654	126,913
Debt service										
Principal	100,000	150,000	250,000	355,000	370,000	385,000	400,000	450,000	440,000	460,000
Interest & other charges	317,429	313,929	308,679	299,929	290,288	275,063	282,183	230,242	236,011	219,686
Total expenditures	6,224,210	6,388,224	6,868,855	8,841,056	13,379,770	6,898,076	6,912,308	6,807,992	6,519,589	7,020,593

See independent auditors' report.

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

	<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>
Excess (deficiency) of revenues over (under) expenditures	\$ 681,377	\$ 326,039	\$ (700,957)	\$ (2,356,632)	\$ (5,268,782)	\$ 170,098	\$ (305,199)	\$ (123,174)	\$ 319,640	\$ 178,239
Other financing sources (uses)										
Capital leases (non-budgeted)	-	-	-	-	-	-	167,400	123,493	-	148,060
Proceeds from bond issue	-	-	-	-	-	-	5,380,000	-	-	-
Payment to refunding bond escrow	-	-	-	-	-	-	(5,788,917)	-	-	-
Premium on bond issue	-	-	-	-	-	-	487,737	-	-	-
Special item-insurance claim proceeds for storm damage	-	-	-	-	-	-	18,228	-	-	-
Transfers in (out)	-	-	-	-	-	3,639	(28,000)	(96,306)	(23,460)	-
Total other financing sources (uses)	-	-	-	-	-	3,639	236,448	27,187	(23,460)	148,060
Net change in fund balances	<u>\$ 681,377</u>	<u>\$ 326,039</u>	<u>\$ (700,957)</u>	<u>\$ (2,356,632)</u>	<u>\$ (5,268,782)</u>	<u>\$ 173,737</u>	<u>\$ (68,751)</u>	<u>\$ (95,987)</u>	<u>\$ 296,180</u>	<u>\$ 326,299</u>
Debt service as a percentage of non-capital expenditures	7.40%	7.93%	9.29%	10.63%	12.37%	12.14%	11.58%	11.34%	11.67%	10.82%

Source: District records

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

See independent auditors' report.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Interest income	\$ 21,157	\$ 15,191	\$ 1,479	\$ 338	\$ 5	\$ 7,793	\$ 5,416	\$ 4,604	\$ 4,883	\$ 5,317
Tuition	-	-	-	-	-	6,073	-	-	11,511	16,672
Building use fees/land rent	430	400	800	-	1,200	800	-	-	250	472
Benefit reimbursements	-	-	-	11,589	-	-	-	-	-	-
Prior year refunds	11,815	31,268	264	1,981	1,160	878	-	-	-	9,007
Photo commissions	2,287	3,234	1,402	643	-	-	-	-	-	-
Vending machine commissions	-	60	-	-	-	-	-	-	-	-
Outstanding checks voided	150	-	-	12,583	-	-	-	-	-	-
Book fines	5	98	175	-	180	18	-	-	-	-
Accounts payable canceled	-	13,077	3,597	-	-	530	5,313	-	4,210	-
Donations	205	354	192	-	900	300	-	-	-	-
Miscellaneous other	169	280	3,015	487	13	19	353	18,051	-	-
Miscellaneous refunds	-	-	-	-	-	160	-	-	-	-
Copy fees	160	149	90	-	14	8	-	-	-	-
Property damage recovery	-	-	4,399	-	-	-	-	-	-	-
Sale of scrap metal	-	-	-	-	0	321	-	-	-	-
Fund 20 adjustment	-	-	-	-	-	23,389	-	-	-	-
Close out old accounts	-	-	-	-	-	-	-	-	2,635	-
Sale of assets	-	-	-	-	-	-	-	-	1,843	30,933
Annual totals	\$ 36,378	\$ 64,111	\$ 15,413	\$ 27,621	\$ 3,472	\$ 40,289	\$ 11,082	\$ 22,655	\$ 25,332	\$ 62,401

Source: District records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Vacant land	\$ 6,839,800	\$ 6,368,400	\$ 5,601,000	\$ 6,663,200	\$ 5,265,200	\$ 5,138,600	\$ 4,176,400	\$ 3,902,400	\$ 3,667,800	\$ 3,383,900
Residential	376,527,500	377,968,800	379,994,200	393,200,000	389,984,000	383,115,900	383,146,300	385,013,700	386,011,200	387,268,600
Farm regular	115,173,900	118,769,600	122,033,500	111,936,100	113,262,700	105,795,900	107,188,300	104,069,500	104,457,900	105,564,300
Q farm	4,178,822	4,278,739	4,256,600	3,983,138	4,106,718	4,108,204	4,096,225	4,400,974	4,134,477	4,139,397
Commercial	38,788,000	38,588,100	38,588,100	38,203,700	38,189,100	38,119,400	37,179,300	37,219,300	36,719,300	36,411,900
Industrial	3,712,400	2,308,800	2,308,800	2,308,800	2,340,800	2,328,900	2,328,900	2,328,900	2,328,900	2,328,900
Apartment	1,113,400	1,113,400	1,086,500	1,086,500	1,086,500	1,000,800	1,000,800	1,029,000	1,037,400	1,037,400
Total assessed value	546,333,822	549,395,839	553,868,700	557,381,438	554,235,018	539,607,704	539,116,225	537,963,774	538,356,977	540,134,397
Public utilities (a)	977,880	2,270,558	2,142,266	2,359,287	2,488,136	2,520,284	2,523,005	1,403,600	1,403,600	1,403,600
Net valuation taxable	\$ 547,311,702	\$ 551,666,397	\$ 556,010,966	\$ 559,740,725	\$ 556,723,154	\$ 542,127,988	\$ 541,639,230	\$ 539,367,374	\$ 539,760,577	\$ 541,537,997
Estimated actual county equalized value	\$ 681,514,191	\$ 660,805,182	\$ 608,066,057	\$ 604,342,764	\$ 579,859,550	\$ 578,269,854	\$ 555,641,393	\$ 579,840,222	\$ 553,451,361	\$ 555,651,547
Percentage of net valuation to estimated actual equalized value	80.31%	83.48%	91.44%	92.62%	96.01%	93.75%	97.48%	93.02%	97.53%	97.46%
Total direct school tax rate (b)	\$ 0.95	\$ 0.94	\$ 0.93	\$ 0.98	\$ 0.98	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.10	\$ 1.11

Source: Municipal tax assessor

NOTE: Real property is required to be assessed at some percentage of true value (fair or market value) established by each County Board of Taxation. Reassessment occurs when the County Board of Taxation requests Treasury to order a reassessment.

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

See independent auditors' report.

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

Assessment Year	School District Direct Rate			Regional School Rate	Overlapping Rates			Total Direct & Overlapping Tax Rate
	Basic Rate (a)	General Obligation Debt Service (b)	(From J-6) Total Direct School Tax Rate		Municipality	County	Fire District	
2007	\$ 0.87	\$ 0.08	\$ 0.95	\$ 0.60	\$ 0.31	\$ 0.42	\$ 0.05	\$ 2.33
2008	0.88	0.06	0.94	0.62	0.31	0.40	0.05	2.32
2009	0.89	0.04	0.93	0.59	0.31	0.38	0.05	2.26
2010	0.87	0.11	0.98	0.57	0.31	0.37	0.05	2.28
2011	0.86	0.12	0.98	0.60	0.31	0.36	0.05	2.30
2012	0.92	0.12	1.04	0.64	0.31	0.38	0.05	2.42
2013	0.94	0.10	1.04	0.63	0.31	0.38	0.06	2.42
2014	0.96	0.12	1.08	0.67	0.32	0.40	0.06	2.53
2015	0.97	0.13	1.10	0.61	0.33	0.38	0.06	2.48
2016	0.99	0.12	1.11	0.60	0.34	0.38	0.06	2.49

Sources: Municipal tax collector

NOTE: NJSA 18A:7F-5d limits the amount that the District can submit for a general fund tax levy. The levy when added to other components of the District's net budget may not exceed the pre-budget by more than the spending growth limitation calculated as follows: the pre-budget year net budget increased by the cost of living or 2.5 percent, whichever is greater, plus any spending growth adjustments.

- (a) The District's basic tax rate is calculated from the A4F form which is submitted with the budget and the net valuation taxable.
- (b) Rates for debt service are based on each year's requirements.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Property Taxpayers,
Current Year and Nine Years Ago

	2016			2007		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
	National Project Resources LP	\$ 20,000,000	1	3.69%	\$ 20,000,000	1
IHM Clinton LLC - Hampton Inn Clinton	6,500,000	2	1.20%	-		-
AT&T Communications	2,531,200	3	0.47%	3,125,000	3	0.57%
Individual Property Owner	2,469,800	4	0.46%	2,526,600	4	0.46%
Individual Property Owner	2,218,890	5	0.41%	1,960,227	5	0.36%
Individual Property Owner	1,874,927	6	0.35%	1,945,127	6	0.36%
Individual Property Owner	1,652,534	7	0.31%	1,786,086	7	0.33%
Individual Property Owner	1,532,230	8	0.28%	1,773,000	8	0.32%
Individual Property Owner	1,374,635	9	0.25%	1,586,300	9	0.29%
Individual Property Owner	1,358,500	10	0.25%	1,575,634	10	0.29%
Franklin Hotel Associates	-		-	7,000,000	2	1.28%
	<u>\$ 41,512,716</u>		<u>7.67%</u>	<u>\$ 43,277,974</u>		<u>7.91%</u>

Source: Municipal tax assessor

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Property Tax Levies and Collections
Last Ten Years

Year Ending December 31,	Taxes Levied for the Year	Collected within the Year of the Levy (a)	
		Amount	Percentage of Levy
2006	\$ 12,327,111	\$ 12,184,562	98.84%
2007	12,872,150	12,700,519	98.67%
2008	12,922,328	12,747,681	98.65%
2009	12,669,229	12,434,926	98.15%
2010	12,756,097	12,556,691	98.44%
2011	12,808,841	12,675,391	98.96%
2012	13,129,128	12,844,413	97.83%
2013	13,352,401	13,103,728	98.14%
2014	13,688,371	13,501,045	98.63%
2015	13,440,706	13,240,322	98.51%

Source: District records including the Certificate and Report of School Taxes (A4F form)

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year Ending June 30,	Governmental Activities				Business-Type	Total District	% of Personal Income (a)	Per Capita (a)
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Activities Capital Leases			
2007	\$ 8,144,000	\$ -	\$ -	\$ -	\$ -	\$ 8,144,000	4.04%	\$ 2,612
2008	7,994,000	-	-	-	-	7,994,000	3.75%	2,555
2009	7,744,000	-	-	-	-	7,744,000	3.45%	2,385
2010	7,389,000	-	-	-	-	7,389,000	3.46%	2,278
2011	7,019,000	-	-	-	-	7,019,000	3.31%	2,200
2012	6,634,000	-	-	-	-	6,634,000	2.88%	2,026
2013	6,225,000	-	110,837	-	-	6,335,837	2.61%	1,949
2014	5,775,000	-	153,724	-	-	5,928,724	2.46%	1,828
2015	5,335,000	-	74,424	-	-	5,409,424	2.16%	1,681
2016	4,875,000	-	150,319	-	-	5,025,319	N/A	1,556

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

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year Ending June 30,	General Bonded Debt Outstanding			% of Actual Taxable Value of Property (a)	Per Capita (b)
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2007	\$ 8,144,000	\$ -	\$ 8,144,000	1.49%	\$ 2,612
2008	7,994,000	-	7,994,000	1.45%	2,555
2009	7,744,000	-	7,744,000	1.39%	2,385
2010	7,389,000	-	7,389,000	1.32%	2,278
2011	7,019,000	-	7,019,000	1.26%	2,200
2012	6,634,000	-	6,634,000	1.22%	2,026
2013	6,225,000	-	6,225,000	1.15%	1,915
2014	5,775,000	-	5,775,000	1.07%	1,780
2015	5,335,000	-	5,335,000	0.99%	1,658
2016	4,875,000	-	4,875,000	0.90%	1,510

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

- (a) See Exhibit NJ J-6 for property tax data.
- (b) Population data can be found in Exhibit J-14.

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Direct and Overlapping Governmental Activities Debt
As of December 31, 2015

Governmental unit	<u>Debt Outstanding</u>	<u>Estimated % Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Municipality	\$ 581,505	100.00%	\$ 581,505
Regional High School	1,475,000	6.98%	102,907
County general obligation debt	62,494,492	2.69%	<u>1,680,633</u>
Subtotal, overlapping debt			2,365,045
School District direct debt			<u>5,335,000</u>
Total direct and overlapping debt			<u><u>\$ 7,700,045</u></u>

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

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

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2016

		Equalized Valuation Basis
	2015	\$ 552,387,803
	2014	551,644,559
	2013	579,570,227
		\$ 1,683,602,589
Average equalized valuation of taxable property		\$ 561,200,863
Debt limit (3.0% of average equalization value)	(a)	\$ 16,836,026
Total net debt applicable to limit		4,875,000
Legal debt margin		\$ 11,961,026

	Fiscal Year				
	2012	2013	2014	2015	2016
Debt limit	\$ 17,697,304	\$ 17,252,866	\$ 17,243,116	\$ 16,847,721	\$ 16,836,026
Total net debt applicable	6,761,747	6,225,000	5,775,000	5,335,000	4,875,000
Legal debt margin	\$ 10,935,557	\$ 11,027,866	\$ 11,468,116	\$ 11,512,721	\$ 11,961,026
Total net debt applicable to the limit as a percentage of debt limit	38.21%	36.08%	33.49%	31.67%	28.96%

	Fiscal Year				
	2007	2008	2009	2010	2011
Debt limit	\$ 17,272,839	\$ 18,639,496	\$ 19,301,004	\$ 18,999,516	\$ 18,146,421
Total net debt applicable	10,682,415	10,532,415	10,282,415	9,927,415	7,572,162
Legal debt margin	\$ 6,590,424	\$ 8,107,081	\$ 9,018,589	\$ 9,072,101	\$ 10,574,259
Total net debt applicable to the limit as a percentage of debt limit	61.85%	56.51%	53.27%	52.25%	41.73%

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

(a) Limit Set by NJSA 18A:24-19

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (a)	Personal Income (b)	Per Capita Personal Income (c)	Unemployment Rate (d)
2007	3,129	\$ 213,388,413	\$ 68,197	2.7%
2008	3,247	224,224,832	69,056	3.6%
2009	3,243	213,810,990	65,930	6.3%
2010	3,191	211,936,647	66,417	6.6%
2011	3,274	230,139,282	70,293	6.5%
2012	3,250	242,521,500	74,622	6.7%
2013	3,244	241,217,352	74,358	6.7%
2014	3,218	250,823,792	77,944	5.2%
2015	3,229	N/A	N/A	3.3%
2016	3,229	N/A	N/A	N/A

Sources:

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

See independent auditors' report.

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Principal Employers
Current Year and Nine Years Ago**

2016

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

2007

Employer	Employees	Rank	Percentage of Total Municipal Employment
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INFORMATION IS NOT AVAILABLE FOR THIS SCHOOL DISTRICT

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Full Time Equivalent District Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Instruction										
Regular	25.8	22.7	21.1	21.1	19.6	19.2	20.8	22.4	25.0	26.0
Special education	4.9	6.3	6.2	6.2	5.6	6.8	5.6	5.6	3.0	3.0
Other special education	7.7	7.8	12.0	10.0	7.8	8.5	11.7	-	-	1.4
Other instruction - aides	-	-	-	-	-	-	3.0	1.5	1.1	-
Support services:										
Student and instruction related services	8.8	8.7	8.7	8.7	7.1	3.4	3.4	3.0	3.0	2.0
General administration	2.0	2.0	2.0	2.0	1.9	1.7	2.0	2.0	2.0	2.0
School administration services	1.7	1.7	1.7	1.7	0.7	1.0	1.0	1.0	1.0	1.0
Central services	2.0	2.0	2.0	2.0	2.0	1.0	1.1	1.1	1.1	2.0
Other support services	-	-	-	-	-	-	2.0	2.0	2.0	4.0
Food service	-	-	-	-	-	0.3	0.3	-	-	-
Child care	-	-	-	-	-	0.5	0.5	0.5	0.5	-
Total	52.9	51.2	53.7	51.7	44.7	42.4	51.4	39.1	38.7	41.4

Source: District personnel records

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Operating Statistics
Last Ten Fiscal Years

Fiscal Year	Enrollment	Operating Expenditures (a)	Cost Per Pupil	Percentage Change	Teaching Staff (b)	Teacher Ratio	Average Daily Enrollment (ADE) (c)	Average Daily Attendance (ADA) (c)	% Change in Average Daily Enrollment	Student Attendance Percentage
2007	354	\$ 5,640,109	\$ 15,933	7.29%	38.8	1:9.12	352.6	337.9	-6.60%	95.83%
2008	347	5,851,166	16,862	5.83%	39.4	1:8.81	346.9	332.0	-1.62%	95.70%
2009	343	6,014,861	17,536	4.00%	39.0	1.8.80	343.0	329.1	-1.12%	95.95%
2010	341	6,158,845	18,061	2.99%	41.0	1:10.80	340.7	326.7	-0.67%	95.89%
2011	309	5,339,508	17,280	-4.33%	27.0	1:11.44	304.2	291.0	-10.71%	95.66%
2012	305	5,436,662	17,825	3.15%	27.5	1:11.09	296.9	286.1	-2.40%	96.36%
2013	293	5,893,400	20,114	12.84%	26.4	1:11.09	283.8	272.7	-4.41%	96.09%
2014	295	5,996,863	20,328	1.07%	28.0	1:10.54	294.9	284.0	3.91%	96.30%
2015	306	5,791,148	18,925	-6.90%	28.6	1:10.70	294.7	284.2	-0.07%	96.44%
2016	269	6,279,651	23,344	23.35%	26.0	1:10.35	292.7	281.9	-0.68%	96.32%

Source: District records

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

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Required Maintenance
Last Ten Fiscal Years

Undistributed expenditures - Required maintenance for school facilities

<u>Fiscal Year Ending</u>	<u>Amount</u>	<u>Total</u>
2007	\$ 49,283	\$ 49,283
2008	42,264	42,264
2009	90,647	90,647
2010	62,758	62,758
2011	38,025	38,025
2012	68,662	68,662
2013	53,294	53,294
2014	89,143	89,143
2015	88,228	88,228
2016	63,276	63,276
	<hr/>	<hr/>
Total school facilities	<u>\$ 645,580</u>	<u>\$ 645,580</u>

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

Source: District records

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Insurance Schedule
June 30, 2016
(Unaudited)

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund Coverage		
Property loss or damage, any one loss or disaster (group policy limit)	\$ 250,000,000	\$ 2,500
General and auto liability coverage	5,000,000	1,000
Workers Compensation		
Policy Limit	5,000,000	-
Blanket Dishonesty Bond		
Per Loss	500,000	1,000
School Board Legal Liability		
Per Occurrence	5,000,000	5,000
Public Employees' Faithful Performance - Selective Insurance		
Treasurer of School Monies	175,000	-
School Board Secretary	200,000	-

Source: District records

See independent auditors' report.



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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the Governmental Activities, the Business-Type Activities, and the aggregate remaining fund information of the Franklin Township School District, County of Hunterdon, the State of New Jersey, (the District), as of and for the year ended June 30, 2016, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

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

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

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


deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

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

November 30, 2016
Flemington, New Jersey



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

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

Honorable President and
Members of the Board of Education
Franklin Township School District
County of Hunterdon, New Jersey

Report on Compliance for Each Major Federal Program and State Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, the Franklin Township School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and New Jersey programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

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



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

November 30, 2016
Flemington, New Jersey

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

Grantor/Program Title	Federal CFDA Number	FAIN Number	Project Number	Program or Award Amount	Grant Period		Balance 06/30/15	Carryover Amount	Cash Received	Budgetary Expenditure	Adjustment/ Repayment of Prior Year Balance	Balance June 30, 2016		
					From	To						Accounts Receivable	Deferred Revenue	Due to Grantor
U.S. Department of Education passed through State Department of Education														
Special Revenue Fund														
NCLB Title II A	84.367A	S367A150029	NCLB-160015	8,863	07/01/14	06/30/15	\$ 2,260	\$ -	\$ -	\$ -	\$ 2,260	\$ -	\$ -	\$ -
NCLB Title II A	84.367A	S367A150029	NCLB-160016	11,044	07/01/15	06/30/16	-	-	995	7,477	(2,260)	(4,222)	-	-
Small, rural school achievement program	84.358A	S358B150030	S358A-3750-15	25,150	07/01/15	09/30/16	-	-	25,150	25,150	-	-	-	-
IDEA Basic	84.027	H027A150100	IDEA-160015	83,523	07/01/14	06/30/15	(213)	(7,053)	7,266	-	-	-	-	-
IDEA Basic carry over	84.027	H027A150100	IDEA-160015	83,523	07/01/15	06/30/16	-	7,053	-	1	-	-	7,052	-
IDEA Basic	84.027	H027A150100	IDEA-160016	90,809	07/01/15	06/30/16	-	-	72,293	72,293	-	-	-	-
IDEA Preschool	84.173	H173S150114	IDEA-160016	4,391	07/01/15	06/30/16	-	-	4,391	4,391	-	-	-	-
Total special revenue fund							<u>2,047</u>	<u>-</u>	<u>110,095</u>	<u>109,312</u>	<u>-</u>	<u>(4,222)</u>	<u>7,052</u>	<u>-</u>
U.S. Department of Agriculture passed through State Department of Agriculture														
Enterprise fund														
Child nutrition center														
School breakfast program	10.553	1616NJ304N1099	N/A	261	07/01/15	06/30/16	-	-	242	261	-	(19)	-	-
National school lunch program non-cash assistance (commodities)	10.555	1616NJ304N1099	N/A	5,775	07/01/14	06/30/15	2,250	-	-	2,250	-	-	-	-
National school lunch program non-cash assistance (commodities)	10.555	1616NJ304N1099	N/A	8,608	07/01/15	06/30/16	-	-	8,608	5,184	-	-	3,424	-
National school lunch program cash assistance	10.555	1616NJ304N1099	N/A	8,345	07/01/14	06/30/15	(531)	-	531	-	-	-	-	-
National school lunch program cash assistance	10.555	1616NJ304N1099	N/A	7,047	07/01/15	06/30/16	-	-	6,644	7,047	-	(403)	-	-
Total enterprise fund							<u>1,719</u>	<u>-</u>	<u>16,025</u>	<u>14,742</u>	<u>-</u>	<u>(422)</u>	<u>3,424</u>	<u>-</u>
Total Federal financial assistance							<u>\$ 3,766</u>	<u>\$ -</u>	<u>\$ 126,120</u>	<u>\$ 124,054</u>	<u>\$ -</u>	<u>\$ (4,644)</u>	<u>\$ 10,476</u>	<u>\$ -</u>

See independent auditors' report

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2015		Cash Received	Budgetary Expenditure	Repayment of Prior Year Balances	Balance June 30, 2016			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor				Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Education														
General fund														
Special education categorical aid	16-495-034-5120-089	\$ 187,645	07/01/15	06/30/16	\$ -	\$ -	\$ 172,023	\$ 187,645	\$ -	\$ -	\$ -	\$ -	\$ 15,622	\$ 187,645
School choice aid	16-495-034-5120-068	90,286	07/01/15	06/30/16	-	-	82,770	90,286	-	-	-	-	7,516	90,286
Security aid	16-495-034-5120-084	16,708	07/01/15	06/30/16	-	-	15,317	16,708	-	-	-	-	1,391	16,708
Transportation aid	16-495-034-5120-014	29,391	07/01/15	06/30/16	-	-	26,944	29,391	-	-	-	-	2,447	29,391
PARCC Readiness aid	16-495-034-5120-098	2,690	07/01/15	06/30/16	-	-	2,466	2,690	-	-	-	-	224	2,690
Per pupil growth aid	16-495-034-5120-097	2,690	07/01/15	06/30/16	-	-	2,466	2,690	-	-	-	-	224	2,690
Extraordinary aid	15-495-034-5120-044	50,892	07/01/14	06/30/15	(50,892)	-	50,892	-	-	-	-	-	-	50,892
Extraordinary aid	16-495-034-5120-044	114,547	07/01/15	06/30/16	-	-	-	114,547	-	(114,547)	-	-	-	114,547
Non-public transportation aid	15-495-034-5120-014	4,026	07/01/14	06/30/15	(4,026)	-	4,026	-	-	-	-	-	-	4,026
Non-public transportation aid	16-495-034-5120-014	2,351	07/01/15	06/30/16	-	-	-	2,351	-	(2,351)	-	-	-	2,351
On behalf TPAF pension contribution - Post retirement medical	16-495-034-5094-001	217,946	07/01/15	06/30/16	-	-	217,946	217,946	-	-	-	-	-	217,946
On behalf TPAF pension contribution - Non-contributory insurance	16-495-034-5094-004	8,685	07/01/15	06/30/16	-	-	8,685	8,685	-	-	-	-	-	8,685
On behalf TPAF pension contribution - Teachers' pension & annuity fund	16-495-034-5094-002	174,351	07/01/15	06/30/16	-	-	174,351	174,351	-	-	-	-	-	174,351
Reimbursed TPAF Social Security contribution	16-495-034-5094-003	873,149	07/01/14	06/30/15	(41,981)	-	41,981	-	-	-	-	-	-	873,149
Reimbursed TPAF Social Security contribution	15-495-034-5094-003	185,367	07/01/15	06/30/16	-	-	154,979	185,367	-	(30,388)	-	-	-	185,367
Total general fund					<u>(96,899)</u>	<u>-</u>	<u>954,846</u>	<u>1,032,657</u>	<u>-</u>	<u>(147,286)</u>	<u>-</u>	<u>-</u>	<u>27,424</u>	<u>1,960,724</u>
Special Revenue Fund:														
Nonpublic technology initiative aid	16-100-034-5120-373	1,924	07/01/15	06/30/16	-	-	1,924	1,822	-	-	-	102	-	1,822
Nonpublic textbook aid	16-100-034-5120-064	4,225	07/01/15	06/30/16	-	-	4,225	4,131	-	-	-	94	-	4,131
Nonpublic nursing Services	16-100-034-5120-070	6,660	07/01/15	06/30/16	-	-	6,660	6,660	-	-	-	-	-	6,660
Nonpublic security aid	16-100-034-5120-509	1,850	07/01/15	06/30/16	-	-	1,850	1,660	-	-	-	190	-	1,660
Non-public auxillary services aid														
English as a secondary language	15-100-034-5120-067	914	07/01/14	06/30/15	-	410	-	-	410	-	-	-	-	504
English as a secondary language	16-100-034-5120-067	863	07/01/15	06/30/16	-	-	863	863	-	-	-	-	-	863
Compensatory education	16-100-034-5120-067	1,692	07/01/15	06/30/16	-	-	1,692	-	-	-	-	1,692	-	-
Non-public handicapped aid														
Examination and classification	15-100-034-5120-066	8,104	07/01/14	06/30/15	-	3,677	-	-	3,677	-	-	-	-	4,427
Examination and classification	16-100-034-5120-066	5,968	07/01/15	06/30/16	-	-	5,968	5,285	-	-	-	683	-	5,285
Supplemental instruction	15-100-034-5120-066	2,354	07/01/14	06/30/15	-	1,070	-	-	1,070	-	-	-	-	1,284
Supplemental instruction	16-100-034-5120-066	2,970	07/01/15	06/30/16	-	-	2,970	-	-	-	-	2,970	-	-
Corrective speech	15-100-034-5120-066	10,602	07/01/14	06/30/15	-	4,819	-	-	4,819	-	-	-	-	5,783
Corrective speech	16-100-034-5120-066	7,525	07/01/15	06/30/16	-	-	7,525	1,672	-	-	-	5,853	-	1,672
Total special revenue fund					<u>-</u>	<u>9,976</u>	<u>33,677</u>	<u>22,093</u>	<u>9,976</u>	<u>-</u>	<u>-</u>	<u>11,584</u>	<u>-</u>	<u>34,091</u>

See independent auditors' report.

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

Grantor/Program Title	Project Number	Program or Award Amount	Grant Period		Balance June 30, 2015			Budgetary Expenditure	Repayment of Prior Year Balances	Balance June 30, 2016			Memo	
			From	To	Deferred Rev. (Accts. Rec)	Due to Grantor	Cash Received			Accounts Receivable	Deferred Revenue	Due to Grantor	Budgetary Receivable	Cumulative Expenditure
State Department of Agriculture														
Enterprise fund														
State school lunch program	16-100-010-3350-023	518	07/01/15	06/30/16	\$ -	\$ -	\$ 487	\$ 518	\$ -	\$ (31)	\$ -	\$ -	\$ -	\$ 518
State school lunch program	15-100-010-3350-023	589	07/01/14	06/30/15	(39)	-	39	-	-	-	-	-	-	589
Total enterprise fund					<u>(39)</u>	<u>-</u>	<u>526</u>	<u>518</u>	<u>-</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,107</u>
Total State financial assistance					<u>\$ (96,938)</u>	<u>\$ 9,976</u>	<u>\$ 989,049</u>	<u>1,055,268</u>	<u>\$ 9,976</u>	<u>\$ (147,317)</u>	<u>\$ -</u>	<u>\$ 11,584</u>	<u>\$ 27,424</u>	<u>\$ 1,995,922</u>
Less: On behalf TPAF pension system contributions								<u>(400,982)</u>						
Total for State financial assistance - major program determination								<u>\$ 654,286</u>						

See independent auditors' report.

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

Note 1 - General

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

Note 2 - Basis of accounting

The accompanying Schedules of Financial Assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Notes 1 (C) and 1 (D) to the Board's financial statements.

Note 3 - Relationship of financial statements

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

The General Fund is presented in the accompanying Schedules on the Modified Accrual Basis with the exception of the revenue recognition of the last state aid payment in the current budget year, which is mandated pursuant to PL 2003, Ch. 97 (A3521). For GAAP purposes, that payment is not recognized until the subsequent budget year due to the State deferred and recording of the last State aid payment in the subsequent year. The Special Revenue Fund is presented in the accompanying Schedules on the Grant Accounting Budgetary Basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$1,966) for the General Fund and (\$4,492) for the Special Revenue Fund. See Exhibit C-3 for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the General and Special Revenue Funds.

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

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 1,030,691	\$ 1,030,691
Special Revenue Fund	109,312	17,601	126,913
Food Service Fund	14,742	518	15,260
Total	\$ 124,054	\$ 1,048,810	\$ 1,172,864

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Notes to the Schedule of Awards and Financial Assistance
June 30, 2016

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

**FRANKLIN TOWNSHIP SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016**

State Awards (continued)

Type of Auditor's Report issued on Compliance for Major Programs: Unmodified

Internal Control Over Major Programs:

- | | | | | | |
|----------------------------------------------------------------------------------------|-------|-----|-------|----------|----|
| 1. Material weakness(es) identified? | _____ | Yes | _____ | <u>X</u> | No |
| 2. Reportable conditions identified that are not considered to be material weaknesses? | _____ | Yes | _____ | <u>X</u> | No |

Any Audit Findings Disclosed that are Required to be Reported in Accordance with NJ OMB Circular Letter 15-08?	_____	Yes	_____	<u>X</u>	No
----------------------------------------------------------------------------------------------------------------	-------	-----	-------	----------	----

Identification of Major Programs:

<u>GMIS Numbers</u>	<u>Amount</u>	<u>Name of State Program</u>
16-495-034-5120-089	\$ 187,645	<i>Special Education Categorical Aid</i>

Section II - Financial Statement Findings

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

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

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

FRANKLIN TOWNSHIP SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2015

Schedule of Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs.