

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

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

**Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2017**

**Comprehensive Annual  
Financial Report**

**of the**

**Borough of Franklin Lakes School District**

**Franklin Lakes, New Jersey**

**For the Fiscal Year Ended June 30, 2017**

**Prepared by**

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

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**INTRODUCTORY SECTION**

# FRANKLIN LAKES PUBLIC SCHOOLS

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490 Pulis Avenue, Franklin Lakes, New Jersey 07417

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

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

Michael J. Solokas  
*Board Secretary and  
Business Administrator*

October 20, 2017

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

Dear Board Members:

The comprehensive annual financial report of the Borough of Franklin Lakes School District (the "District") for the fiscal year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, financial trends and the fiscal capacity of the District, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' report on the internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

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

The District provides a full range of educational services appropriate to grade levels Pre-K through 8. These include regular, vocational as well as special education for handicapped youngsters. The District completed the 2016-2017 fiscal year with an average daily enrollment of 1,153 students, which is a decrease of 31 students from the previous fiscal year's average daily enrollment.

2) ECONOMIC CONDITION AND OUTLOOK: In 2017, Franklin Lakes' net assessed valuations increased by \$56,081,000 to \$4,176,138,000 and the projected new home developments are also increasing. Standard & Poor's Ratings Services "AA+" rating reflects the District's sizable property tax base with no concentration among leading taxpayers. With good reserves and sound financial operations, the District's outlook remains very stable.

Enrollment is projected to remain flat due to a new housing development with planned occupancy in late 2017 helping to stabilize the student base. Also, sales of existing homes are increasing.

3) MAJOR INITIATIVES: During the fiscal year 2016-17, the Board increased the budget by an additional \$250,000 from the Capital Reserve to replace the boilers at Franklin Avenue Middle School. At June 30, 2017 year-end, the Capital Reserve was replenished with the return of the boiler replacement unexpended balance, interest earnings allocated, and a Board approved deposit.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at fiscal year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as restrictions, commitments and assignments of fund balance at June 30, 2017.

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



The Honorable President and Members of  
the Board of Education  
Borough of Franklin Lakes School District  
Page 3  
October 20, 2017

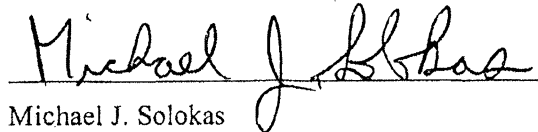
8) OTHER INFORMATION: Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia, LLP, CPAs, was selected by the Board of Education. In addition to meeting the requirements set forth in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

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

Respectfully submitted,

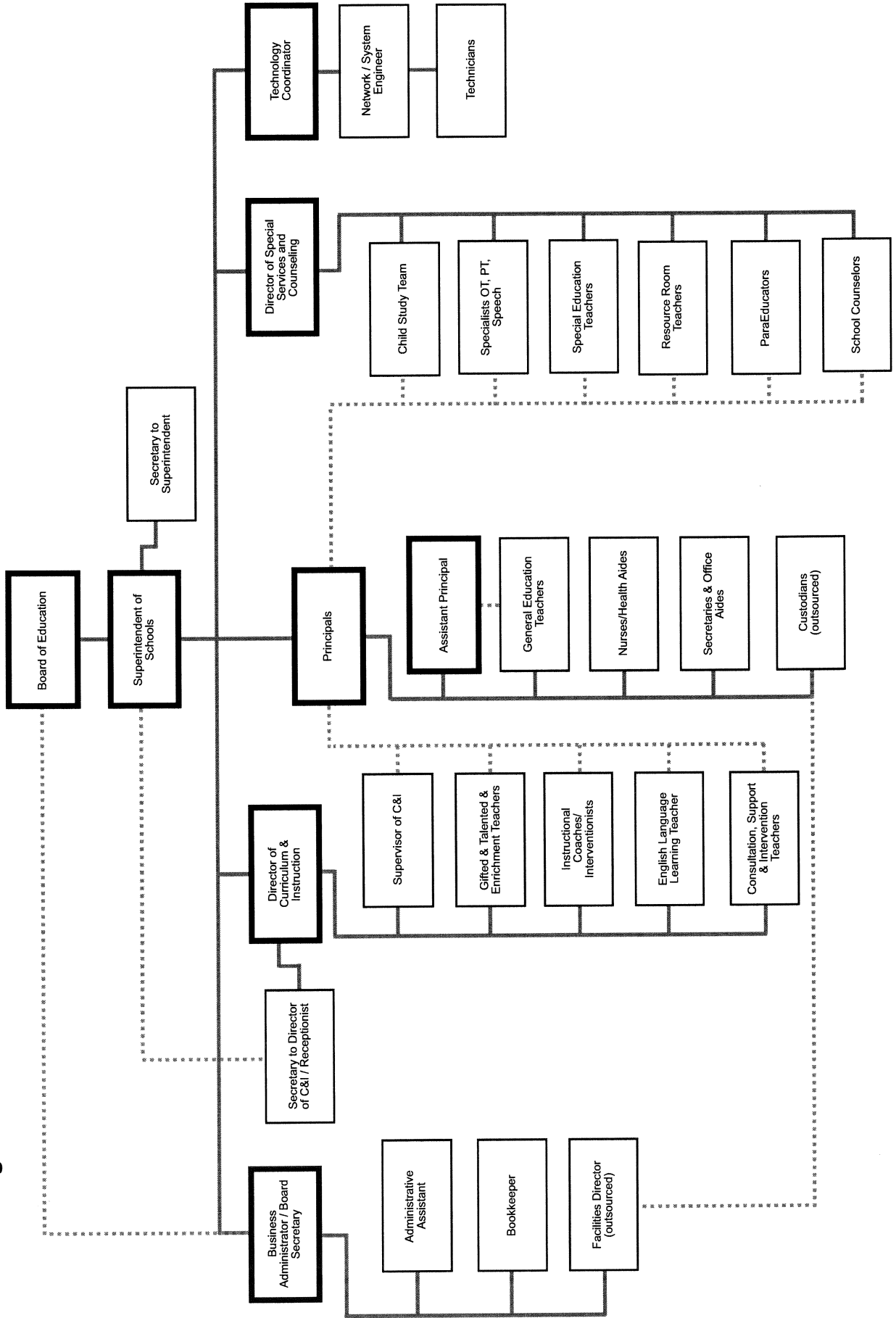


Lydia E. Furnari, Ed.D.  
Superintendent



Michael J. Solokas  
Business Administrator/Board Secretary

**Exhibit: Organizational Chart**



**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
 ROSTER OF OFFICIALS  
 JUNE 30, 2017**

<u>Members of the Board of Education</u>	<u>Term Expires</u>
Jackie Veliky, President	2018
Kathleen Schwartz, Vice President	2019
Dr. Eileen Hansen	2019
Vicki Holst	2018
Peter Koulikourdis	2017
Amanda Krakowiak	2018
Dr. Jennifer Marcus	2017
Susan McGowan	2017
Joseph Rosano	2019

Other Officials

Title

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**Consultants and Advisors**

**Attorney**

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

**Audit Firm**

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

**Official Depository**

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

**FINANCIAL SECTION**

## Independent Auditors' Report

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District (the "District") in the County of Bergen, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

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

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, which follows this report, the pension schedules in Exhibits L-1 through L-4 and the related notes and the budgetary comparison information in Exhibits C-1 through C-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
October 20, 2017

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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



**REQUIRED SUPPLEMENTARY INFORMATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

This section of the Borough of Franklin Lakes School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

**Financial Highlights**

- The District's net position decreased \$305,302 during the fiscal year.
- Overall revenue was \$39,254,201.
- Overall expenditures were \$39,559,503.
- Actual local revenue was \$117,789 lower than budgeted, primarily in tuition and transportation fees.
- Unexpended budget appropriations in the General Fund were \$1,192,077.
- District enrollments, with the exception of 2008-09, have decreased annually over the past ten years causing increases in cost per pupil.

**Overview of the Financial Statements**

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

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Figure A-1**

**Organization of the Borough of Franklin Lakes School District's Financial Report**

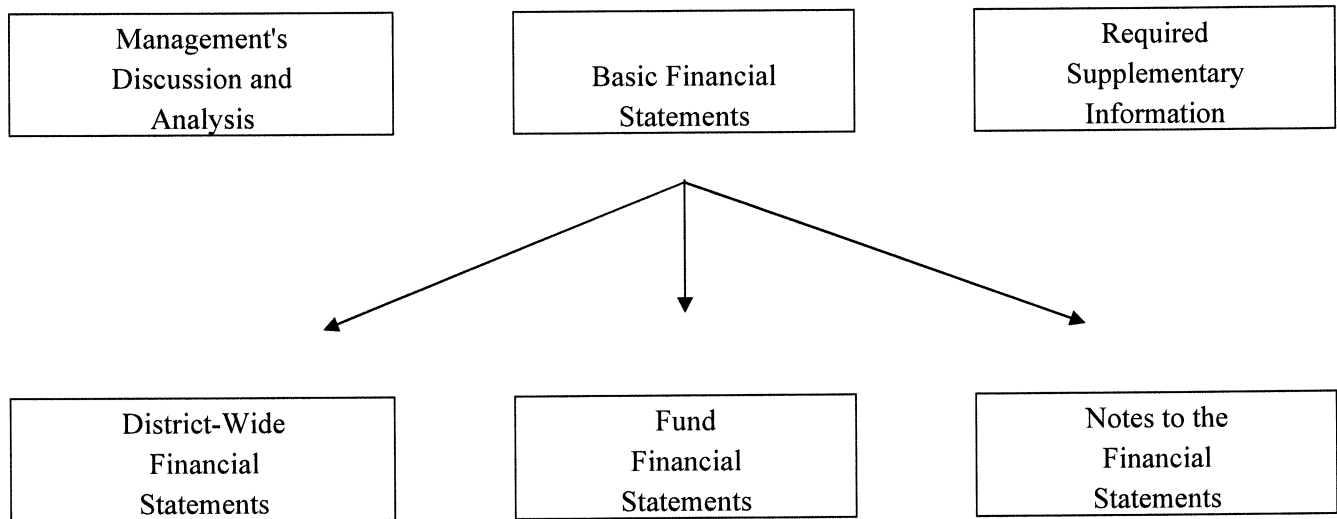


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Figure A-2**

*Major Features of the District-Wide and Fund Financial Statements*

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**District-wide Statements**

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

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

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

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

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

**Fund Financial Statements**

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

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

The District has three kinds of funds:

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Fund Financial Statements**

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

**Notes to the Basic Financial Statements**

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

**Financial Analysis of the District as a Whole**

*Net Position.* The District's combined net position was \$14,974,853 on June 30, 2017, \$305,302 or 2% less than it was the year before (See Figure A-3). Net Investment in Capital Assets increased \$79,316, Restricted Net Position increased \$228,362, and Unrestricted Net Position (Deficit) decreased \$612,980.

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

	Governmental Activities		Business-Type Activities		Total School District		Total Percentage Change 2016/2017
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	
	Current and Other Assets	\$ 4,590,820	\$ 4,372,562	\$ 734	\$ 1,483	\$ 4,591,554	
Capital Assets, Net	21,487,895	22,215,933			21,487,895	22,215,933	-3.28%
Total Assets	26,078,715	26,588,495	734	1,483	26,079,449	26,589,978	-1.92%
Deferred Outflows of Resources	2,980,070	1,637,296			2,980,070	1,637,296	82.01%
Other Liabilities	705,840	676,196			705,840	676,196	4.38%
Long-Term Liabilities	13,364,805	12,149,033			13,364,805	12,149,033	10.01%
Total Liabilities	14,070,645	12,825,229			14,070,645	12,825,229	9.71%
Deferred Inflows of Resources	14,021	121,890			14,021	121,890	-88.50%
Net Position:							
Net Investment in Capital Assets	17,750,489	17,671,173			17,750,489	17,671,173	0.45%
Restricted	3,580,390	3,352,028			3,580,390	3,352,028	6.81%
Unrestricted (Deficit)	(6,356,760)	(5,744,529)	734	1,483	(6,356,026)	(5,743,046)	-10.67%
Total Net Position	\$ 14,974,119	\$ 15,278,672	\$ 734	\$ 1,483	\$ 14,974,853	\$ 15,280,155	-2.00%

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

Figure A-4 represents the *Changes in Net Position*. The \$79,316 increase in Net Investment in Capital Assets is the result of depreciation expense of \$897,977 and \$38,409 of deferred amount on refunding amortized, offset by the retirement of \$640,000 of bonds and \$205,763 of capital leases as well as \$169,939 of capital asset purchases. The \$228,362 increase in Restricted Net Position is due to a net increase in the capital reserve of \$128,362 and an increase in general fund excess surplus of \$100,000. The \$612,980 decrease in Unrestricted Net Position (Deficit) is due to \$650,000 of surplus used to support the 2016/2017 budget, prior year encumbrances appropriated of \$329,508, net increases in the capital reserve of \$128,362 and the compensated absences liability of \$5,104, increases in general fund excess surplus of \$100,000 and state aid payments not recognized until the subsequent fiscal year of \$2,553, a net deficit of \$117,789 in local budgeted revenues, the change in net pension liability of \$2,111,719, a decrease in the net position of the food service fund of \$749 and, with regard to pensions, changes in proportion of \$24,362, offset by \$82,202 of state revenues in excess of budgeted amounts, \$12 of interest earned transferred from the capital projects fund, \$1,192,077 of unexpended budget appropriations, accrued interest payable of \$8,592 and unamortized bond issuance premiums of \$55,288, a budgeted increase in the capital reserve of \$1,800 and, with regard to pensions, changes in assumptions of \$1,081,406, the difference between expected and actual experience of \$5,318, and net difference between projected and actual investment earnings on pension plan investments of \$430,471.

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

	Governmental Activities		Business-Type Activities		Total School District		Percentage
	2016/2017	2015/2016	2016/2017	2015/2016	2016/2017	2015/2016	Change 2016/2017
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,808,526	\$ 2,084,151	\$ 3,410	\$ 3,908	\$ 1,811,936	\$ 2,088,059	-13.22%
Grants/Contributions:							
Operating	11,194,439	8,441,077	6,012	6,968	11,200,451	8,448,045	32.58%
General Revenue:							
Property Taxes	25,956,748	25,533,099			25,956,748	25,533,099	1.66%
Federal/State Aid							
Not Restricted	68,554	54,985			68,554	54,985	24.68%
Other	216,512	243,307			216,512	243,307	-11.01%
Total Revenue	<u>39,244,779</u>	<u>36,356,619</u>	<u>9,422</u>	<u>10,876</u>	<u>39,254,201</u>	<u>36,367,495</u>	7.94%
Expenses:							
Instruction	26,148,559	23,978,159			26,148,559	23,978,159	9.05%
Pupil and Instruction							
Services	5,574,764	5,051,079			5,574,764	5,051,079	10.37%
Administrative and							
Business	3,228,859	2,972,606			3,228,859	2,972,606	8.62%
Maintenance and							
Operations	3,632,523	3,790,330			3,632,523	3,790,330	-4.16%
Transportation	808,209	799,309			808,209	799,309	1.11%
Other	156,418	175,934	10,171	16,545	166,589	192,479	-13.45%
Total Expenses	<u>39,549,332</u>	<u>36,767,417</u>	<u>10,171</u>	<u>16,545</u>	<u>39,559,503</u>	<u>36,783,962</u>	7.55%
Decrease in Net Position	<u>\$ (304,553)</u>	<u>\$ (410,798)</u>	<u>\$ (749)</u>	<u>\$ (5,669)</u>	<u>\$ (305,302)</u>	<u>\$ (416,467)</u>	-26.69%

*Revenue Sources.* The District's total revenue for the 2016/2017 school year was \$39,254,201 (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$25,956,748 of the total, or 66.12% (See Figure A-5). Another 28.71% came from state formula aid and state and federal aid for specific programs and the remaining 5.17% came from charges for services and miscellaneous sources.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Figure A-5  
Sources of Revenue for Fiscal Years 2017 and 2016**

Sources of Income:	2017	Percentage	2016	Percentage
State Formula Aid	\$ 764,711	1.95%	\$ 714,742	1.96%
Property Taxes	25,956,748	66.12%	25,533,099	70.21%
Federal and State Categorical Grants	10,504,294	26.76%	7,788,288	21.42%
Charges for Services	1,811,936	4.62%	2,088,059	5.74%
Other	216,512	0.55%	243,307	0.67%
	<u>\$ 39,254,201</u>	<u>100.00%</u>	<u>\$ 36,367,495</u>	<u>100.00%</u>

The total cost of all programs and services was \$39,559,503. The District's expenses are predominantly related to instructing, caring for (pupil and instruction services) and transporting students (82.23%) (See Figure A-6). The District's administrative and business activities accounted for 8.16% of total costs. Maintenance and operations represented 9.19% of total costs. Other expenses include interest on long-term debt, unallocated depreciation and food services.

**Figure A-6  
Expenses for Fiscal Years 2017 and 2016**

Expense Category:	2017	Percentage	2016	Percentage
Instruction	\$ 26,148,559	66.10%	\$ 23,978,159	65.19%
Pupil and Instruction Services	5,574,764	14.09%	5,051,079	13.73%
Administrative and Business	3,228,859	8.16%	2,972,606	8.08%
Maintenance and Operations	3,632,523	9.19%	3,790,330	10.31%
Transportation	808,209	2.04%	799,309	2.17%
Other	166,589	0.42%	192,479	0.52%
	<u>\$ 39,559,503</u>	<u>100.00%</u>	<u>\$ 36,783,962</u>	<u>100.00%</u>

***Governmental Activities***

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

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

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

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



**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

***Governmental Activities***

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

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

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2016/2017</u>	<u>2015/2016</u>	<u>2016/2017</u>	<u>2015/2016</u>
Instruction	\$ 26,148,559	\$ 23,978,159	\$ 14,252,623	\$ 14,413,849
Pupil and Instruction Services	5,574,764	5,051,079	5,190,573	4,644,713
Administrative and Business	3,228,859	2,972,606	2,649,302	2,559,445
Maintenance and Operations	3,632,523	3,790,330	3,632,523	3,790,330
Transportation	808,209	799,309	664,928	657,918
Other	156,418	175,934	156,418	175,934
	<u>\$ 39,549,332</u>	<u>\$ 36,767,417</u>	<u>\$ 26,546,367</u>	<u>\$ 26,242,189</u>

- The cost of all governmental activities this year was \$39,549,332.
- The federal and state governments subsidized certain programs with grants and contributions (\$11,262,993).
- Most of the District's costs (\$25,956,748) were financed by District taxpayers.
- Charges for services (tuition and transportation) totaled \$1,808,526.

***Business-Type Activities***

Net position from the District's business-type activity decreased by \$749 (Refer to Figure A-4). The decrease is attributable to a \$749 loss from operations.

**Financial Analysis of the District's Funds**

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

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

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**General Fund Budgetary Highlights**

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

- Changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.
- The preparation of the 2016/2017 budget was difficult as a result of rising costs and the state mandated 2% tax levy increase cap. This resulted in the need for numerous line item transfers during the year.
- Allowable appropriation of capital reserve for Franklin Avenue Middle School boiler replacement project.

**Capital Assets**

**Figure A-8  
Capital Assets (Net of Depreciation)**

	Governmental Activities		Total School District		Percentage
	2016/2017	2015/2016	2016/2017	2015/2016	Change 2016/2017
Land	\$ 1,809,389	\$ 1,809,389	\$ 1,809,389	\$ 1,809,389	0.00%
Construction in Progress	995,289	995,289	995,289	995,289	0.00%
Buildings and Building Improvements	18,157,906	18,853,082	18,157,906	18,853,082	-3.69%
Machinery and Equipment	525,311	558,173	525,311	558,173	-5.89%
<b>Total Capital Assets (Net of Depreciation)</b>	<b>\$21,487,895</b>	<b>\$22,215,933</b>	<b>\$21,487,895</b>	<b>\$22,215,933</b>	<b>-3.28%</b>

The District had \$897,977 in depreciation expense and \$169,939 of capital additions during the current fiscal year. More detailed information about the District's capital assets is presented in Note 7 to the Basic Financial Statements.

**Long-term Liabilities**

At year-end, the District had \$3,785,000 in general obligation bonds – a decrease of \$640,000 from last year – as shown in Figure A-9. More detailed information about the District's long-term liabilities is presented in Note 8 to the Basic Financial Statements.

**Figure A-9  
Outstanding Long-Term Liabilities**

	Total School District		Percentage
	2016/2017	2015/2016	Change 2016/2017
General Obligation Bonds (Financed with Property Taxes)	\$ 3,785,000	\$ 4,425,000	-14.46%
Unamortized Bond Issuance Premiums	331,732	387,020	-14.29%
Net Pension Obligation	8,567,270	6,455,551	32.71%
Other Long Term Liabilities	680,803	881,462	-22.76%
	<b>\$ 13,364,805</b>	<b>\$ 12,149,033</b>	<b>10.01%</b>

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)**

**Long-term Liabilities**

- The District's other long-term liabilities as of June 30, 2017 are comprised of payables for compensated absences and capital leases.
- The District continued to pay down its existing debt, retiring \$640,000 of bonded debt and \$205,763 of capital leases payable.
- The District's net pension obligation increased by \$2,111,719.
- The District's compensated absences payable increased by the net amount of \$5,104.
- Unamortized bond issuance premiums decreased by \$55,288.

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

The primary factor considered by the District's Administration during the process of developing the fiscal year 2017-18 budget was the slowing rate of student population decline. Current enrollment is 50 students above the projected enrollment predicted by the November 2016 Demographic Study. Also, construction has begun on 275 residential units in the High Mountain Road School area which is the school with the lowest enrollment currently.

The District currently has over \$745,000 in Banked Cap available for use in the next three budget cycles.

**Contacting the District's Financial Management**

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

**BASIC FINANCIAL STATEMENTS**

**DISTRICT-WIDE FINANCIAL STATEMENTS**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,547,745		\$ 1,547,745
Receivable from Federal Government		\$ 390	390
Receivable from State Government	230,700		230,700
Other Accounts Receivable	141,848		141,848
Internal Balances	(344)	344	
Interfund Receivables	90,481		90,481
Restricted Assets - Cash and Cash Equivalents:			
Emergency Reserve Account	100,000		100,000
Capital Reserve Account	2,480,390		2,480,390
Capital Assets:			
Land	1,809,389		1,809,389
Construction-in-Progress	995,289		995,289
Depreciable Buildings and Building Improvements and Machinery and Equipment	18,683,217		18,683,217
Total Assets	<u>26,078,715</u>	<u>734</u>	<u>26,079,449</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Amount on Refunding	230,453		230,453
Changes in Assumptions - Pensions	1,774,681		1,774,681
Changes in Proportion - Pensions	235,733		235,733
Difference Between Expected and Actual Experience - Pensions	159,325		159,325
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	326,678		326,678
District Contribution Subsequent to the Measurement Date - Pensions	253,200		253,200
Total Deferred Outflows of Resources	<u>2,980,070</u>		<u>2,980,070</u>
<b>LIABILITIES</b>			
Accounts Payable	527,399		527,399
Payable to State Government	20,738		20,738
Accrued Interest Payable	66,025		66,025
Unearned Revenue	91,678		91,678
Noncurrent Liabilities:			
Due Within One Year	780,777		780,777
Due Beyond One Year	12,584,028		12,584,028
Total Liabilities	<u>14,070,645</u>		<u>14,070,645</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Changes in Proportion - Pensions	14,021		14,021
Total Deferred Inflows of Resources	<u>14,021</u>		<u>14,021</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,750,489		17,750,489
Restricted for:			
Capital Projects	2,480,390		2,480,390
Excess Surplus	1,000,000		1,000,000
Emergency	100,000		100,000
Unrestricted (Deficit)	(6,356,760)	734	(6,356,026)
Total Net Position	<u>\$ 14,974,119</u>	<u>\$ 734</u>	<u>\$ 14,974,853</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 17,670,259	\$ 1,744,354	\$ 6,562,485		\$ (11,107,774)		\$ (11,107,774)
Special Education	7,001,062		3,023,480		(2,233,228)		(2,233,228)
Other Special Instruction	1,279,602		495,040		(784,562)		(784,562)
School-Sponsored Instruction	197,636		70,577		(127,059)		(127,059)
Support Services:							
Tuition	786,696		255,925		(530,771)		(530,771)
Student & Instruction Related Services	4,788,068		128,266		(4,659,802)		(4,659,802)
General Administrative Services	539,252				(539,252)		(539,252)
School Administrative Services	2,030,641		579,557		(1,451,084)		(1,451,084)
Central Services	463,221				(463,221)		(463,221)
Administrative Information Technology	195,745				(195,745)		(195,745)
Plant Operations and Maintenance	3,632,523				(3,632,523)		(3,632,523)
Pupil Transportation	808,209	64,172	79,109		(664,928)		(664,928)
Interest and Other Charges	150,103				(150,103)		(150,103)
Unallocated Depreciation	6,315				(6,315)		(6,315)
Total Governmental Activities	39,549,332	1,808,526	11,194,439		(26,546,367)		(26,546,367)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

Functions/Programs	Program Revenue			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-Type Activities:							
Food Service	\$ 10,171	\$ 3,410	\$ 6,012		\$ (749)	\$ (749)	
Total Business-Type Activities	10,171	3,410	6,012		(749)	(749)	
Total Primary Government	\$ 39,559,503	\$ 1,811,936	\$ 11,200,451	\$ -0-	\$ (26,546,367)	\$ (26,547,116)	
General Revenue:							
Taxes:							
Property Taxes, Levied for General Purposes, Net					25,149,448	25,149,448	
Taxes Levied for Debt Service					807,300	807,300	
Federal and State Aid not Restricted					68,554	68,554	
Interest					12	12	
Miscellaneous Income					216,500	216,500	
Total General Revenue					26,241,814	26,241,814	
Change in Net Position					(304,553)	(749)	(305,302)
Net Position - Beginning					15,278,672	1,483	15,280,155
Net Position - Ending					\$ 14,974,119	\$ 734	\$ 14,974,853

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



**FUND FINANCIAL STATEMENTS**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 1,509,480	\$ 35,268	\$ 2,997	\$ 1,547,745
Receivables from State Government	230,700			230,700
Other Receivables	141,848			141,848
Interfund Receivable	292,027			292,027
Restricted Cash and Cash Equivalents	2,580,390			2,580,390
Total Assets	<u>\$ 4,754,445</u>	<u>\$ 35,268</u>	<u>\$ 2,997</u>	<u>\$ 4,792,710</u>
<u>LIABILITIES AND FUND BALANCES:</u>				
Liabilities:				
Interfund Payable	\$ 344		\$ 201,546	\$ 201,890
Accounts Payable	260,132	\$ 14,067		274,199
Payable to State Government		20,738		20,738
Unearned Revenue	91,215	463		91,678
Total Liabilities	<u>351,691</u>	<u>35,268</u>	<u>201,546</u>	<u>588,505</u>
Fund Balances:				
Restricted:				
Excess Surplus	500,000			500,000
Excess Surplus - Designated for Subsequent Year's Expenditures	500,000			500,000
Emergency Reserve	100,000			100,000
Capital Reserve Account	2,480,390			2,480,390
Assigned - Encumbrances	253,177			253,177
Unassigned (Deficit)	569,187		(198,549)	370,638
Total Fund Balances (Deficit)	<u>4,402,754</u>		<u>(198,549)</u>	<u>4,204,205</u>
Total Liabilities and Fund Balances	<u>\$ 4,754,445</u>	<u>\$ 35,268</u>	<u>\$ 2,997</u>	

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

Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$39,871,884 and the Accumulated Depreciation is \$18,383,989.	21,487,895
Deferred Amount on Refunding is not reported as an expenditure in the Governmental Funds in the year of the expenditure. The Deferred Amount on Refunding is \$499,316 and the accumulated amortization is \$268,863.	230,453
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Changes in Assumptions - Pensions	1,774,681
Changes in Proportion - Pensions	235,733
Difference Between Expected and Actual Experience - Pensions	159,325
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	326,678
Changes in Proportion - Pensions	(14,021)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(66,025)
Bond Issuance Premiums are reported as revenue in the Governmental Funds in the year the bonds are sold. The original amount was \$718,748 and accumulated amortization is \$387,016.	(331,732)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(8,567,270)
Long-Term Liabilities, Including Bonds Payable and Compensated Absences, Are Not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	<u>(4,465,803)</u>
Net Position of Governmental Activities	<u>\$ 14,974,119</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES:</b>					
Local Sources:					
Local Tax Levy	\$ 25,149,448			\$ 807,300	\$ 25,956,748
Other Local Government Units - Restricted	122,902				122,902
Tuition from Individuals	255,900				255,900
Tuition from Other LEAs	1,488,454				1,488,454
Transportation Fees	64,172				64,172
Interest Earned on Capital Reserve	1,800				1,800
Miscellaneous	91,798		\$ 12		91,810
<b>Total - Local Sources</b>	<u>27,174,474</u>		<u>12</u>	<u>807,300</u>	<u>27,981,786</u>
State Sources	4,595,966	\$ 90,690			4,686,656
Federal Sources		387,471			387,471
<b>Total Revenues</b>	<u>31,770,440</u>	<u>478,161</u>	<u>12</u>	<u>807,300</u>	<u>33,055,913</u>
<b>EXPENDITURES:</b>					
Current:					
Regular Instruction	8,934,037	8,588			8,942,625
Special Education Instruction	3,583,592	85,382			3,668,974
Other Special Instruction	606,012				606,012
School-Sponsored/Other Instruction	101,605				101,605
Support Services and Undistributed Costs:					
Tuition	530,771	255,925			786,696
Student and Other Instruction Related Services	3,248,490	128,266			3,376,756
General Administration Services	383,195				383,195
School Administration Services	1,077,685				1,077,685
Central Services	325,807				325,807
Administrative Information Technology	134,778				134,778
Plant Operations and Maintenance	2,662,724				2,662,724
Student Transportation	795,221				795,221

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
<b>EXPENDITURES:</b>					
Unallocated Benefits	\$ 9,015,836				\$ 9,015,836
Capital Outlay	194,458				194,458
Debt Service:					
Interest and Other Charges				\$ 167,300	167,300
Principal				640,000	640,000
Total Expenditures	<u>31,594,211</u>	<u>\$ 478,161</u>	<u>\$ - 0 -</u>	<u>807,300</u>	<u>32,879,672</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>176,229</u>	<u>- 0 -</u>	<u>12</u>	<u>- 0 -</u>	<u>176,241</u>
<b>OTHER FINANCING SOURCES/(USES):</b>					
Transfers In	12				12
Transfers Out					(12)
Total Other Financing Sources/(Uses)	<u>12</u>	<u>- 0 -</u>	<u>(12)</u>	<u>- 0 -</u>	<u>- 0 -</u>
Net Change in Fund Balances	176,241	- 0 -	- 0 -	- 0 -	176,241
Fund Balance/(Deficit) - July 1	<u>4,226,513</u>		<u>(198,549)</u>		<u>4,027,964</u>
Fund Balance/(Deficit) - June 30	<u>\$ 4,402,754</u>	<u>\$ - 0 -</u>	<u>\$ (198,549)</u>	<u>\$ - 0 -</u>	<u>\$ 4,204,205</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds (Exhibit B-2) \$ 176,241

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

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

	Depreciation Expense	\$ (897,977)
	Capital Outlays	169,939
	Disposal of Capital Assets, Net of Depreciation	<u>-0-</u>
		(728,038)

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

Change in Net Pension Liability		(2,111,719)
Deferred Outflows:		
Changes in Assumptions	1,081,406	
Changes in Proportion	(28,438)	
Difference Between Expected and Actual Experience	5,318	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	326,678	
Deferred Inflows:		
Changes in Proportion	4,076	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	103,793	

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

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

	Serial Bonds Principal	640,000
	Capital Lease Principal	<u>205,763</u>
		845,763

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

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

In the Statement of Activities, interest on long term debt in the Statement of Activities is accrued, regardless of when due. In the Governmental Funds, interest is reported when due.

Change in Net Position of Governmental Activities (Exhibit A-2)	8,592
	<u>\$ (304,553)</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	Business-type Activities - Enterprise Funds
	Food Service
<b>ASSETS:</b>	
Current Assets:	
Intergovernmental Accounts Receivable - Federal	\$          390
Interfund Receivable - General Fund	344
Total Current Assets	734
Total Assets	734
 <b>NET POSITION:</b>	
Unrestricted	734
Total Net Position	\$          734

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-type Activities - Enterprise Funds Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 3,410
Total Operating Revenue	3,410
Operating Expenses:	
Cost of Sales - Reimbursable Programs	9,171
Supplies	1,000
Total Operating Expenses	10,171
Operating Loss	(6,761)
Non-Operating Revenue:	
Federal Sources - Special Milk Program	6,012
Total Non-Operating Revenue	6,012
Change in Net Position	(749)
Net Position - Beginning of Year	1,483
Net Position - End of Year	\$ 734

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Business-type                      Activities -                      Enterprise Funds                      Food Service</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,410
Payments to Suppliers	(10,171)
	(6,761)
Net Cash Used for Operating Activities	
Cash Flows from Noncapital Financing Activities:	
Interfund - General Fund	715
Federal Sources - Special Milk Program	6,046
	6,761
Net Cash Provided by Noncapital Financing Activities	
Net Increase in Cash and Cash Equivalents	-0-
Cash and Cash Equivalents, July 1	-0-
Cash and Cash Equivalents, June 30	\$ -0-
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (6,761)
Net Cash Used for Operating Activities	\$ (6,761)

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



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

	<u>Agency</u>	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 158,246	\$ 381,762	\$ 76,822	\$ 616,830
Total Assets	<u>158,246</u>	<u>381,762</u>	<u>76,822</u>	<u>616,830</u>
<b>LIABILITIES:</b>				
Interfund Payable - General Fund	17,147		73,334	90,481
Due to Student Groups	48,843			48,843
Total Liabilities	<u>65,990</u>		<u>73,334</u>	<u>139,324</u>
<b>NET POSITION:</b>				
Held in Trust for:				
Unemployment Compensation Claims		381,762		381,762
Flexible Spending Claims			3,488	3,488
Laptop Replacement Costs	92,256			92,256
Total Net Position	<u>\$ 92,256</u>	<u>\$ 381,762</u>	<u>\$ 3,488</u>	<u>\$ 477,506</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>	<u>Totals</u>
Additions:			
Contributions:			
Plan Members	<u>\$ 26,272</u>	<u>\$ 77,035</u>	<u>\$ 103,307</u>
Total Contributions	<u>26,272</u>	<u>77,035</u>	<u>103,307</u>
Investment Earnings:			
Interest	<u>1,407</u>	<u>291</u>	<u>1,698</u>
Net Investment Earnings	<u>1,407</u>	<u>291</u>	<u>1,698</u>
Total Additions	<u>27,679</u>	<u>77,326</u>	<u>105,005</u>
Deductions			
Unemployment Compensation Claims	<u>20,667</u>		<u>20,667</u>
Flexible Spending Claims		<u>100,010</u>	<u>100,010</u>
Total Deductions	<u>20,667</u>	<u>100,010</u>	<u>120,677</u>
Change in Net Position	7,012	(22,684)	(15,672)
Net Position - Beginning of the Year	<u>374,750</u>	<u>26,172</u>	<u>400,922</u>
Net Position - End of the Year	<u>\$ 381,762</u>	<u>\$ 3,488</u>	<u>\$ 385,250</u>

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity:

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

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

B. Basis of Presentation: (Cont'd)

District-Wide Financial Statements: (Cont'd)

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

Fund Financial Statements:

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

The District reports the following governmental funds:

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

B. Basis of Presentation: (Cont'd)

The District reports the following governmental funds: (Cont'd)

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

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

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

The District reports the following proprietary fund:

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

Additionally, the District reports the following fund type:

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

C. Measurement Focus and Basis of Accounting

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

C. Measurement Focus and Basis of Accounting (Cont'd)

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

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

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

D. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the General, Special Revenue and Debt Service Funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

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

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue"		
from the Budgetary Comparison Schedule	\$ 31,772,993	\$ 478,161
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Purposes	69,365	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(71,918)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	<u>\$ 31,770,440</u>	<u>\$ 478,161</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 31,594,211</u>	<u>\$ 478,161</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 31,594,211</u>	<u>\$ 478,161</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

	Capital Projects Fund	
	Revenue	Fund Balance
Summary Schedule of Revenue, Expenditures and Changes in Fund Balance (Budgetary Basis) (per Exhibit F-1)	\$ 12	\$ 332,611
Reconciliation to Governmental Funds Statement (GAAP):		
SDA Grants are Recognized as Revenue on the Budgetary Basis when awarded but are not Recongized on the GAAP Basis until Expended and submitted for reimbursement.		(531,160)
Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds (GAAP Basis) (per Exhibit B-2)	\$ 12	\$ (198,549)

E. Cash and Cash Equivalents and Investments:

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

The District generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

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



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

F. Interfund Transactions:

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

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

G. Allowance for Uncollectible Accounts:

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

H. Encumbrances:

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

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

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

I. Short-term Interfund Receivables/Payables:

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

J. Inventories and Prepaid Expenses:

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

K. Capital Assets:

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

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

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

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

L. Long Term Liabilities:

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

M. Accrued Salaries and Wages:

The District allows employees who provide services over the ten-month academic year the option to have their salaries distributed during the entire twelve-month year and all payments were made as of June 30, 2017.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

N. Compensated Absences:

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

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

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

O. Unearned Revenue:

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

P. Fund Balance Appropriated:

General Fund: The \$4,402,754 General Fund balance at June 30, 2017, is comprised of \$253,177 assigned for encumbrances; \$2,480,390 restricted in the capital reserve account; \$100,000 is restricted in the emergency reserve account; \$500,000 is prior year excess surplus that has been restricted and appropriated and included in as anticipated budget revenue for the fiscal year ending June 30, 2018; \$500,000 restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated budget revenue for the fiscal year ending June 30, 2019; and \$569,187 is unassigned which is \$71,918 less than the calculated unassigned fund balance, on a GAAP basis, due to the June state aid payments, which are not recognized until the fiscal year ended June 30, 2018.

Capital Projects Fund: The \$198,549 deficit in the Capital Projects Fund balance at June 30, 2017 is in unassigned fund balance which is \$531,160 less on the GAAP basis due to SDA grants receivable that is not recognized on the GAAP basis of accounting until expended and submitted for reimbursement.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (S1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus at June 30, 2017 as outlined above.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

P. Fund Balance Appropriated: (Cont'd)

The District's unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis by \$71,918 as reported in the fund statements (modified accrual basis). N.J.A.C. 6A:23A-8.5(j) provides that in the event one or more state school aid payments are not made until the following school budget year, districts must record those state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payments in the subsequent fiscal year, the school district cannot recognize the June state aid payments on the GAAP financial statements until the fiscal year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the June state aid payments and not the fund balance reported on the fund statement which excludes the June state aid payments.

Q. Deficit Fund Balance/Net Position:

The District had a \$198,549 deficit unassigned fund balance in the Capital Projects Fund due to \$531,160 of SDA grants receivable which is not recognized on a GAAP basis and a \$6,356,760 deficit in unrestricted net position in governmental activities as of June 30, 2017 primarily due to the non-recognition of the June state aid payments as explained in Note 1P above, the accrual of \$497,944 in compensated absences payable, \$66,025 in accrued interest payable, and (with regard to pensions) changes in proportion of \$14,021 and net pension liability of \$8,567,270, offset by (with regard to pensions) changes in assumptions of \$1,774,681, changes in proportion of \$235,733, the difference between expected and actual experience of \$159,325 and the net difference between projected and actual investment earnings on pension plan investments, and governmental funds committed, assigned and unassigned fund balances. These deficits do not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

R. Net Position:

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

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. The District had deferred outflows of resources at June 30, 2017 for the deferred amount on refunding of debt related to the District's 2010 refunding bonds, and, with regard to pensions, changes in assumptions, changes in proportion, the difference between expected and actual experience, the net difference between projected and actual investment earnings on pension plan investments and the District contribution subsequent to the measurement date.

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2017 for changes in proportion in pensions.

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

R. Net Position: (Cont'd)

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

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

S. Fund Balance Restrictions, Commitments and Assignments:

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

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

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has no committed resources on the GAAP basis at June 30, 2017.

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has \$253,177 in assigned resources for year-end encumbrances in the General Fund at June 30, 2017.

T. Revenue - Exchange and Nonexchange Transactions:

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

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

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

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

U. Operating Revenue and Expenses:

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

V. Management Estimates:

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

W. Pensions

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

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

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

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

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

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

Deposits:

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

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

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

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

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

Investments

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

Investments (Cont'd)

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

- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (7) Agreements for the repurchase of fully collateralized securities if:
  - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
  - (b) the custody of collateral is transferred to a third party;
  - (c) the maturity of the agreement is not more than 30 days;
  - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
  - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

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

	<u>Cash and Cash Equivalents</u>	<u>Restricted Cash &amp; Cash Equivalents Capital Reserve Account</u>	<u>Emergency Reserve Account</u>	<u>Total</u>
Checking Accounts	<u>\$ 2,164,575</u>	<u>\$ 2,480,390</u>	<u>\$ 100,000</u>	<u>\$ 4,744,965</u>

During the period ended June 30, 2017, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2017 was \$4,744,965 and the bank balance was \$4,918,260.



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

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

Funds placed in the capital reserve account are restricted to capital projects in the District’s approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a District may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A District may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Balance June 30, 2016	\$ 2,352,028
Interest Earnings	1,800
Deposit per Board Resolution June 13, 2017	375,481
Unexpended Withdrawals for Capital Outlay Returned	1,081
Withdrawals by Resolution for Capital Outlay	<u>(250,000)</u>
Balance June 30, 2017	<u>\$ 2,480,390</u>

The June 30, 2017 Capital Reserve Account balance does not exceed the local support costs of uncompleted capital projects in the District’s Long Range Facilities Plan (“LRFP”). Withdrawals from the Capital Reserve Account were for use in DOE approved facilities projects, consistent with the District’s LRFP.

NOTE 5: EMERGENCY RESERVE ACCOUNT

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

The emergency reserve is used to accumulate funds in accordance with N.J.S.A. 18A:7F-41c(1) to finance unanticipated general fund expenditures required for a through and efficient education. The maximum balance permitted at any time in this reserve is the greater of \$250,000 or 1% of the general fund budget not to exceed one million dollars. Deposits may be made to the emergency reserve account by board resolution between June 1<sup>st</sup> and June 30<sup>th</sup> of any unanticipated revenue or unexpended line item appropriation or both. Withdrawals from the reserve require the approval of the Commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 5: EMERGENCY RESERVE ACCOUNT (Cont'd)

The activity of the emergency reserve for the July 1, 2016 to June 30, 2017 fiscal year is as follows:

Balance June 30, 2016	<u>\$ 100,000</u>
Balance June 30, 2017	<u><u>\$ 100,000</u></u>

NOTE 6: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2017, the District transferred \$250,000 to capital outlay line items for equipment which did not require County Superintendent approval.

NOTE 7. CAPITAL ASSETS

Capital asset balances and activity for the fiscal year ended June 30, 2017 were as follows:

	Beginning Balance	Increases	Adjustments/ Decreases	Ending Balance
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 1,809,389			\$ 1,809,389
Construction in Progress	995,289			995,289
Total Capital Assets Not Being Depreciated	2,804,678			2,804,678
Capital Assets Being Depreciated:				
Buildings and Building Improvements	35,694,156	\$ 125,152	\$ 112,113	35,707,195
Machinery and Equipment	2,204,260	44,787	889,036	1,360,011
Total Capital Assets Being Depreciated	37,898,416	169,939	1,001,149	37,067,206
Governmental Activities Capital Assets	40,703,094	169,939	1,001,149	39,871,884
Less Accumulated Depreciation for:				
Buildings and Building Improvements	(16,841,074)	(820,328)	(112,113)	(17,549,289)
Machinery and Equipment	(1,646,087)	(77,649)	(889,036)	(834,700)
	(18,487,161)	(897,977)	(1,001,149)	(18,383,989)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$22,215,933	\$ (728,038)	\$ - 0 -	\$ 21,487,895

Capital acquisitions totaled \$169,939 of current fiscal year capitalized expenditures in the Governmental Activities. As of June 30, 2017, the District had active construction projects balances totaling \$332,611 and no outstanding construction encumbrances.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 7. CAPITAL ASSETS (Cont'd)

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 668
Student and Instruction Related Services	13,235
General Administration	34,760
School Administration	3,517
Plant Operations and Maintenance	839,482
Unallocated	<u>6,315</u>
	<u>\$ 897,977</u>

NOTE 8. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2017, the following changes occurred in liabilities reported in the district-wide financial statements:

	Balance 6/30/2016	Accrued	Retired	Balance 6/30/2017
Serial Bonds Payable	\$ 4,425,000		\$ 640,000	\$ 3,785,000
Unamortized Bond Issuance Premiums	387,020		55,288	331,732
Net Pension Liability	6,455,551	\$ 2,111,719		8,567,270
Capital Leases Payable	388,622		205,763	182,859
Compensated Absences Payable	<u>492,840</u>	<u>78,082</u>	<u>72,978</u>	<u>497,944</u>
	<u>\$ 12,149,033</u>	<u>\$ 2,189,801</u>	<u>\$ 974,029</u>	<u>\$ 13,364,805</u>

A. Bonds Payable:

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

The District had bonds outstanding as of June 30, 2017 as follows:

Purpose	Final Maturity	Interest Rate	Amount
Refunding School Bonds	08/01/22	4.00% - 4.50%	<u>\$ 3,785,000</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

A. Bonds Payable: (Cont'd)

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 635,000	\$ 145,000	\$ 780,000
2019	635,000	119,600	754,600
2020	630,000	92,725	722,725
2021	630,000	64,375	694,375
2022	630,000	37,600	667,600
Thereafter - 2023	625,000	12,500	637,500
	<u>\$ 3,785,000</u>	<u>\$ 471,800</u>	<u>\$ 4,256,800</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2017, the Board had no bonds authorized but not issued.

C. Compensated Absences:

The liability for compensated absences of the Governmental Fund types is recorded in the current and long-term liabilities. The long-term liability balance of compensated absences is \$497,944. No portion of the compensated absences balance represents a current liability. The General Fund will be used to liquidate Compensated Absences Payable.

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

D. Capital Leases Payable:

As of June 30, 2017, the District has one capital lease payable for laptop computers that originally totaled \$365,795 of which \$182,936 has been liquidated as of June 30, 2017. The lease is for four years with the final payment occurring in fiscal year 2018-19. The schedule of the future minimum lease payments under the District's capital lease and the present value of the net minimum lease payments at June 30, 2017 are detailed below.

<u>Fiscal Year</u>	<u>Amount</u>
2018	\$ 94,287
2019	94,288
	<u>188,575</u>
Less: Amount Representing Interest	<u>(5,716)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 182,859</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

D. Capital Leases Payable: (Cont'd)

The current portion of capital leases payable at June 30, 2017 is \$90,489 and the long-term portion is \$92,370. The General Fund will be used to liquidate capital leases payable.

E. Unamortized Bond Issuance Premiums:

The liability for unamortized bond issuance premiums of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of unamortized bond issuance premiums at June 30, 2017 is \$55,288 and the long-term portion is \$276,444.

F. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2017 is \$-0- and the long-term portion is \$8,567,270. See Note 9 for further information on the PERS.

NOTE 9. PENSION PLANS

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

A. Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 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.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$256,981 for fiscal year 2017.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

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

At June 30, 2017, the District reported a liability of \$8,567,270 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.0289%, which was an increase of 0.0001% from its proportion measured as of June 30, 2015.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$875,851. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Amortization Period</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions:			
2014	6.44 years	\$ 107,692	
2015	5.72 years	440,055	
2016	5.57 years	<u>1,226,934</u>	
Subtotal		<u>1,774,681</u>	
Changes in Proportion:			
2014	6.44 years		<u>\$ 14,021</u>
2015	5.72 years	208,203	
2016	5.57 years	<u>27,530</u>	
		<u>235,733</u>	
Difference Between Expected and Actual Experience:			
2015	5.72 years	122,091	
2016	5.57 years	<u>37,234</u>	
		<u>159,325</u>	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments:			
2014	5 years	(161,378)	
2015	5 years	103,249	
2016	5 years	<u>384,807</u>	
Subtotal		<u>326,678</u>	
District Contribution Subsequent to the Measurement Date - 2016	1 year	<u>253,200</u>	
		<u>\$ 2,749,617</u>	<u>\$ 14,021</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2017	\$ 508,972
2018	508,972
2019	589,662
2020	495,402
2021	157,676
	\$ 2,260,684

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2016 are summarized in the following table:

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

Discount Rate

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2016 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2016		
	1% Decrease (2.98%)	Current Discount Rate (3.98%)	1% Increase (4.98%)
District's proportionate share of the Net Pension Liability	\$ 10,498,189	\$ 8,567,270	\$ 6,973,128

Pension Plan Fiduciary Net Position

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

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

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

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

Benefits Provided

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Benefits Provided (Cont'd)

The following represents the membership tiers for TPAF:

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

Service retirement benefits of 1/55<sup>th</sup> 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 1/60<sup>th</sup> of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 before age 65 with 30 or more years of service credit. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the retirement age for his/her respective tier. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which 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 year 2016, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2017, the State of New Jersey contributed \$1,422,524 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$7,611,390.

The employee contribution rate was 7.20% effective July 1, 2016. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1<sup>st</sup> to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

At June 30, 2017, the State's proportionate share of the net pension liability attributable to the District was \$101,301,385. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015 which was rolled forward to June 30, 2016. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2016, the District's proportion was 0.1288%, which was a decrease of 0.001% from its proportion measured as of June 30, 2015.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Attributable to the District	<u>101,301,385</u>
Total	<u>\$ 101,301,385</u>

For the fiscal year ended June 30, 2016, the State recognized pension expense on behalf of the District in the amount of \$7,611,390 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2017 financial statements.

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

	Amortization Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions:			
2014	8.5 years	\$ 1,691,524,165	
2015	8.3 years	4,488,602,746	
2016	8.3 years	9,522,623,964	
Difference Between Expected and Actual Experience:			
2014	8.5 years		\$ 16,110,615
2015	8.3 years	277,221,464	
2016	8.3 years		118,421,979
Net Difference Between Projected and Actual			
Investment Earnings on Pension Plan Investments:			
2014	5 years	(870,618,286)	
2015	5 years	577,926,182	
2016	5 years	<u>1,727,420,767</u>	
		<u>\$ 17,414,701,002</u>	<u>\$ 134,532,594</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

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

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

Fiscal Year Ending June 30,	Total
2017	\$ 2,538,535,636
2018	2,538,535,636
2019	2,973,844,781
2020	2,781,202,718
2021	2,349,347,527
Thereafter	4,098,702,110
	\$ 17,280,168,408

Actuarial Assumptions

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

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

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

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.65% at June 30, 2016) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2016 are summarized in the following table:

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

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

Discount Rate – TPAF

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

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

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

	June 30, 2016		
	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
State's Proportionate Share of the Net Pension Liability Associated with the District	\$ 120,976,492	\$ 101,301,385	\$ 85,234,121

Pension Plan Fiduciary Net Position

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

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)

NOTE 9. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP) (Cont'd)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$785 for the fiscal year ended June 30, 2017. Employee contributions to DCRP amounted to \$1,440 for the fiscal year ended June 30, 2017.

NOTE 10. POST-RETIREMENT BENEFITS

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

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

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et.seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

The State of New Jersey Division of Pension and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SEHBP. That report may be obtained from the Treasury website at <http://www.nj.gov/treasury/pensions/pdf/financial/2015divisioncombined.pdf>.

The State's on behalf Post-Retirement Medical Contributions to TPAF for the District amounted to \$1,228,231, \$1,227,648 and \$1,114,204 for 2017, 2016 and 2015 respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 11. RISK MANAGEMENT

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

Property and Liability Insurance

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

New Jersey Unemployment Compensation Insurance

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

<u>Fiscal Year</u>	<u>District Contributions</u>	<u>Interest Earned</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2016-2017	\$ -0-	\$ 1,407	\$ 26,272	\$ 20,667	\$ 381,762
2015-2016	-0-	1,301	29,671	47,210	374,750
2014-2015	-0-	1,359	25,348	34,300	390,988

NOTE 12. ECONOMIC DEPENDENCY

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

NOTE 13. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 292,027	\$ 344
Capital Projects Fund		201,546
Proprietary Fund - Food Service	344	
Flexible Spending Trust Fund		73,334
Payroll Agency Fund		17,147
	<u>\$ 292,371</u>	<u>\$ 292,371</u>

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

During the fiscal year, the Capital Projects Fund transferred \$12 of interest earnings to the General Fund.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 14. DEFERRED COMPENSATION

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

AXA Equitable	Mainstay Funds
Valic	Lincoln Investments

NOTE 15. ACCOUNTS PAYABLE

The following accounts payable balances existed as of June 30, 2017:

	Governmental Funds		District Contribution Subsequent to the	Total
	General Fund	Special Revenue Fund	Measurement Date	Governmental Activities
Vendors	\$ 260,132	\$ 11,131		\$ 271,263
Due to State of New Jersey		2,936	\$ 253,200	256,136
	\$ 260,132	\$ 14,067	\$ 253,200	\$ 527,399

NOTE 16. COMMITMENTS AND CONTINGENCIES

Grant Programs

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

Litigation

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

NOTE 16. COMMITMENTS AND CONTINGENCIES (Cont'd)

Encumbrances

At June 30, 2017, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
\$ 253,177	\$ -0-	\$ -0-	\$ 253,177

NOTE 17. TAX CALENDAR

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

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

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
District's Proportion of the Net Pension Liability	0.0270947244%	0.0287578055%	0.0289267370%
District's Proportionate Share of the Net Pension Liability	\$ 5,072,873	\$ 6,455,551	\$ 8,567,270
District's Covered Employee Payroll	\$ 1,863,030	\$ 1,907,591	\$ 2,208,730
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	272.29%	338.41%	387.88%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.08%	47.93%	40.14%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually Required Contribution	\$ 217,181	\$ 247,240	\$ 256,981
Contributions in relation to the Contractually Required Contribution	(217,181)	(247,240)	(256,981)
Contribution Deficiency/(Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered Employee Payroll	\$ 1,802,647	\$ 1,863,030	\$ 1,907,591
Contributions as a percentage of Covered Employee Payroll	12.05%	13.27%	13.47%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
State's Proportion of the Net Pension Liability attributable to the District	0.1234828164%	0.1298212142%	0.1287734377%
State's Proportionate share of the Net Pension Liability attributable to the District	\$ 65,997,546	\$ 82,052,551	\$ 101,301,385
District's Covered Employee Payroll	\$ 13,096,690	\$ 12,932,849	\$ 13,319,779
State's Proportionate Share of the Net Pension Liability attributable to the District as a percentage of District's Covered Employee Payroll	503.93%	634.45%	760.53%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	33.64%	28.71%	22.33%

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

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

	Fiscal Year Ending June 30,		
	2015	2016	2017
Contractually Required Contribution	\$ 3,551,288	\$ 5,010,047	\$ 7,611,390
Contributions in relation to the Contractually Required Contribution	<u>(701,861)</u>	<u>(1,031,010)</u>	<u>(1,422,524)</u>
Contribution Deficiency/(Excess)	<u>\$ 2,849,427</u>	<u>\$ 3,979,037</u>	<u>\$ 6,188,866</u>
District's Covered Employee Payroll	\$ 12,932,849	\$ 13,319,779	\$ 13,290,759
Contributions as a percentage of Covered Employee Payroll	27.46%	37.61%	57.27%

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



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
Discount Rate	3.98%	4.90%
Municipal Bond Rate	2.85%	3.80%
Inflation Rate	3.08%	3.04%
Long-Term Expected Rate of Return on Pension Plan Investments	7.65%	7.90%
Salary Increases Based on Age:		
Through 2026	1.65% - 4.15%	
2012 - 2021		2.15% - 4.40%
Thereafter	2.65% - 5.15%	3.15% - 5.40%

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)  
(Continued)

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

	<u>As of June 30,</u>	
	<u>2016</u>	<u>2015</u>
Discount Rate	3.22%	4.13%
Municipal Bond Rate	2.85%	3.80%
Long-Term Expected Rate of Return on Pension Plan Investments	7.65%	7.90%

The mortality rates in the July 1, 2014 actuarial valuation were based on the following:

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

The mortality rates in the July 1, 2015 actuarial valuation were based on the following:

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

**BUDGETARY COMPARISON SCHEDULES**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
<b>Local Sources:</b>					
Local Tax Levy	\$ 25,149,448		\$ 25,149,448	\$ 25,149,448	
Other Local Government Units - Restricted	125,840		125,840	122,902	\$ (2,938)
Tuition from Individuals	250,000		250,000	255,900	5,900
Tuition from Other LEA's	1,645,350		1,645,350	1,488,454	(156,896)
Transportation Fees from Individuals	70,000		70,000	64,172	(5,828)
Interest Earned on Capital Reserve	1,800		1,800	1,800	
Miscellaneous	49,825		49,825	91,798	41,973
<b>Total - Local Sources</b>	<b>27,292,263</b>		<b>27,292,263</b>	<b>27,174,474</b>	<b>(117,789)</b>
<b>State Sources:</b>					
Categorical Special Education Aid	635,634		635,634	635,634	
Categorical Security Aid	20,872		20,872	20,872	
Categorical Transportation Aid	61,872		61,872	61,872	
Adjustment Aid	14,036		14,036	14,036	
Per Pupil Growth Aid	12,010		12,010	12,010	
PARCC Readiness Aid	12,010		12,010	12,010	
Professional Learning Community Aid	10,830		10,830	10,830	
Extraordinary Aid	100,000		100,000	164,304	64,304
Additional Nonpublic Transportation Aid				17,898	17,898
On-Behalf TPAF Contributions (Non-budgeted):					
Pension				1,422,524	1,422,524
Post-Retirement Medical Benefits				1,228,231	1,228,231
Non-Contributory Insurance				51,541	51,541
Long-Term Disability Insurance				4,044	4,044
Reimbursed TPAF Social Security Contributions (Non-budgeted)				942,713	942,713
<b>Total State Sources</b>	<b>867,264</b>		<b>867,264</b>	<b>4,598,519</b>	<b>3,731,255</b>
<b>TOTAL REVENUES</b>	<b>28,159,527</b>		<b>28,159,527</b>	<b>31,772,993</b>	<b>3,613,466</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Regular Programs - Instruction:					
Preschool - Salaries of Teachers	\$ 171,363	\$	\$ 171,363	\$ 171,041	\$ 322
Kindergarten - Salaries of Teachers	521,846		521,846	516,535	5,311
Grades 1-5 - Salaries of Teachers	3,893,273	\$ 36,300	3,929,573	3,921,879	7,694
Grades 6-8 - Salaries of Teachers	3,740,700	(327,657)	3,413,043	3,360,625	52,418
Regular Programs - Home Instruction:					
Salaries of Teachers	24,684		24,684	20,659	4,025
Other Salaries for Instruction	72,386		72,386	50,000	22,386
Regular Programs - Undistributed Instruction:					
Other Purchased Services (400-500 series)	107,253	13,156	120,409	120,409	
General Supplies	790,981	(117,279)	673,702	662,283	11,419
Textbooks	100,173	18,802	118,975	110,606	8,369
<b>Total Regular Programs - Instruction</b>	<b>9,422,659</b>	<b>(376,678)</b>	<b>9,045,981</b>	<b>8,934,037</b>	<b>111,944</b>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	247,695		247,695	237,510	10,185
Other Salaries for Instruction	257,125	(106,886)	150,239	149,432	807
General Supplies	23,000	6,004	29,004	27,587	1,417
<b>Total Learning and/or Language Disabilities</b>	<b>527,820</b>	<b>(100,882)</b>	<b>426,938</b>	<b>414,529</b>	<b>12,409</b>
Resource Room/Resource Center:					
Salaries of Teachers	1,942,000	(42,900)	1,899,100	1,897,035	2,065
General Supplies	1,000	600	1,600	1,401	199
<b>Total Resource Room/Resource Center</b>	<b>1,943,000</b>	<b>(42,300)</b>	<b>1,900,700</b>	<b>1,898,436</b>	<b>2,264</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Autism:					
Salaries of Teachers	\$ 217,014	\$ 34,200	\$ 251,214	\$ 251,030	\$ 184
Other Salaries for Instruction	556,419	157,483	713,902	710,163	3,739
General Supplies	21,370	(603)	20,767	20,767	
<b>Total Autism</b>	<b>794,803</b>	<b>191,080</b>	<b>985,883</b>	<b>981,960</b>	<b>3,923</b>
Preschool Disabilities - Part-Time:					
Salaries of Teachers	222,156	30	222,186	222,183	3
Other Salaries for Instruction	66,853	(2,018)	64,835	64,685	150
General Supplies	2,000	(201)	1,799	1,799	
<b>Total Preschool Disabilities - Part-Time</b>	<b>291,009</b>	<b>(2,189)</b>	<b>288,820</b>	<b>288,667</b>	<b>153</b>
<b>Total Special Education Instruction</b>	<b>3,556,632</b>	<b>45,709</b>	<b>3,602,341</b>	<b>3,583,592</b>	<b>18,749</b>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	519,393	(21,379)	498,014	497,797	217
General Supplies	1,764	(30)	1,734	1,720	14
<b>Total Basic Skills/Remedial - Instruction</b>	<b>521,157</b>	<b>(21,409)</b>	<b>499,748</b>	<b>499,517</b>	<b>231</b>
Bilingual Education - Instruction:					
Salaries of Teachers	109,021	(20)	109,001	105,773	3,228
General Supplies	500	222	722	722	
<b>Total Bilingual Education - Instruction</b>	<b>109,521</b>	<b>202</b>	<b>109,723</b>	<b>106,495</b>	<b>3,228</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
School-Sponsored Cocurricular Activities - Instruction:					
Salaries	\$ 64,726	\$ 3,227	\$ 67,953	\$ 59,003	\$ 8,950
Supplies and Materials	1,800	2,101	3,901	3,901	
Other Objects	750	(227)	523	523	
<b>Total School-Sponsored Cocurricular Activities - Instruction</b>	<b>67,276</b>	<b>5,101</b>	<b>72,377</b>	<b>63,427</b>	<b>8,950</b>
School-Sponsored Cocurricular Athletics - Instruction:					
Salaries	28,500	(453)	28,047	27,047	1,000
Purchased Services (300-500 series)	14,000	(2,547)	11,453	11,131	322
<b>Total School-Sponsored Cocurricular Athletics - Instruction</b>	<b>42,500</b>	<b>(3,000)</b>	<b>39,500</b>	<b>38,178</b>	<b>1,322</b>
<b>Total Instruction</b>	<b>13,719,745</b>	<b>(350,075)</b>	<b>13,369,670</b>	<b>13,225,246</b>	<b>144,424</b>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	6,000	15,000	21,000	20,315	685
Tuition to CSSD & Regional Day Schools		83,507	83,507	80,135	3,372
Tuition to Private Schools for the Disabled - Within State	463,350	(1,982)	461,368	419,571	41,797
Tuition - Other	11,000	(225)	10,775	10,750	25
<b>Total Undistributed Expenditures - Instruction</b>	<b>480,350</b>	<b>96,300</b>	<b>576,650</b>	<b>530,771</b>	<b>45,879</b>
Health Services:					
Salaries	253,000	25,250	278,250	275,134	3,116
Other Purchased Services (400-500 series)	9,000	(9,000)			
Supplies and Materials	13,000	(250)	12,750	12,750	
<b>Total Health Services</b>	<b>275,000</b>	<b>16,000</b>	<b>291,000</b>	<b>287,884</b>	<b>3,116</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Speech, OT, PT and Related Services:					
Salaries	\$ 843,371	\$ (8,471)	\$ 834,900	\$ 833,689	\$ 1,211
Purchased Professional - Educational Services	29,000	16,800	45,800	45,600	200
Supplies and Materials	3,800	(1,329)	2,471	2,406	65
<b>Total Speech, OT, PT and Related Services</b>	<b>876,171</b>	<b>7,000</b>	<b>883,171</b>	<b>881,695</b>	<b>1,476</b>
<b>Extraordinary Services:</b>					
Salaries	158,389		158,389	123,414	34,975
Purchased Professional - Educational Services	38,000		38,000	36,935	1,065
<b>Total Extraordinary Services</b>	<b>196,389</b>		<b>196,389</b>	<b>160,349</b>	<b>36,040</b>
<b>Guidance:</b>					
Salaries of Other Professional Staff	327,011	2,094	329,105	322,158	6,947
Other Purchased Professional and Technical Services	29,000	(477)	28,523	28,158	365
Supplies and Materials		2,045	2,045	543	1,502
<b>Total Guidance</b>	<b>356,011</b>	<b>3,662</b>	<b>359,673</b>	<b>350,859</b>	<b>8,814</b>
<b>Child Study Teams:</b>					
Salaries of Other Professional Staff	712,024	(37,205)	674,819	557,580	117,239
Salaries of Secretarial and Clerical Assistants	100,676	(750)	99,926	99,361	565
Purchased Professional - Educational Services	14,300		14,300	14,300	
Other Purchased Professional and Technical Services	24,000	2,151	26,151	23,747	2,404
Supplies and Materials	17,000	(2,858)	14,142	14,142	
Other Objects	3,100		3,100	1,695	1,405
<b>Total Child Study Teams</b>	<b>871,100</b>	<b>(38,662)</b>	<b>832,438</b>	<b>710,825</b>	<b>121,613</b>



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Improvement of Instructional Services:					
Salaries of Other Professional Staff	\$ 68,999	\$ 46,044	\$ 115,043	\$ 113,364	\$ 1,679
Total Improvement of Instructional Services	68,999	46,044	115,043	113,364	1,679
Educational Media Services/School Library:					
Salaries	640,675	(19,778)	620,897	572,151	48,746
Purchased Professional and Technical Services	12,000	2,713	14,713	14,713	
Other Purchased Services (400-500)	25,300		25,300	25,300	
Supplies and Materials	29,800	(4,503)	25,297	25,297	
Other Objects	1,350		1,350	1,350	
Total Educational Media Services/School Library	709,125	(21,568)	687,557	638,811	48,746
Instructional Staff Training Services:					
Salaries of Supervisors of Instruction	41,000	(41,000)			
Salaries of Other Professional Staff	87,280	14,006	101,286	101,012	274
Supplies and Materials	2,000	1,691	3,691	3,691	
Total Instructional Staff Training Services	130,280	(25,303)	104,977	104,703	274
Support Services - General Administration:					
Salaries	239,338	16,909	256,247	255,946	301
Legal Services	53,000	(513)	52,487	52,487	
Audit Fees	28,500	12,075	40,575	40,575	
Other Purchased Professional Services	3,500	(1,500)	2,000	2,000	
Communications/Telephone	12,500	(3,717)	8,783	8,783	
Miscellaneous Purchased Services (400-500 series)	800	(50)	750	750	
General Supplies	11,073	(4,321)	6,752	6,537	215
Miscellaneous Expenditures	10,000	6,117	16,117	16,117	
Total Support Services - General Administration	358,711	25,000	383,711	383,195	516

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	\$ 706,126	\$ 498	\$ 706,624	\$ 706,615	\$ 9
Salaries of Other Professional Staff	617		617	334	283
Salaries of Secretarial and Clerical Assistants	241,039	101,194	342,233	341,932	301
Supplies and Materials	25,339	(6,103)	19,236	17,701	1,535
Other Objects	8,709	2,394	11,103	11,103	
<b>Total Support Services - School Administration</b>	<b>981,830</b>	<b>97,983</b>	<b>1,079,813</b>	<b>1,077,685</b>	<b>2,128</b>
<b>Support Services - Central Services:</b>					
Salaries	247,683	61,160	308,843	308,843	
Miscellaneous Purchased Services (400-500 series)	30,430	(15,725)	14,705	14,705	
Supplies and Materials	4,500	(2,241)	2,259	2,259	
<b>Total Support Services - Central Services</b>	<b>282,613</b>	<b>43,194</b>	<b>325,807</b>	<b>325,807</b>	
<b>Support Services - Administration Information Technology:</b>					
Salaries	132,677	(917)	131,760	131,760	
Other Purchased Services (400-500 series)	5,000	(4,464)	536	536	
Supplies and Materials		2,482	2,482	2,482	
<b>Total Support Services - Administration Information Technology</b>	<b>137,677</b>	<b>(2,899)</b>	<b>134,778</b>	<b>134,778</b>	
<b>Required Maintenance of School Facilities:</b>					
Cleaning, Repair and Maintenance Services	496,132	156,950	653,082	636,232	16,850
General Supplies	15,345	(10,474)	4,871	4,871	
<b>Total Required Maintenance of School Facilities</b>	<b>511,477</b>	<b>146,476</b>	<b>657,953</b>	<b>641,103</b>	<b>16,850</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Custodial Services:					
Salaries of Non-Instructional Aides	\$ 245,800	\$ 40,500	\$ 286,300	\$ 228,653	\$ 57,647
Purchased Professional and Technical Services	25,000	1,007	26,007	21,500	4,507
Cleaning, Repair and Maintenance Services	1,087,500	(49,664)	1,037,836	1,033,311	4,525
Other Purchased Property Services	40,000	147	40,147	40,147	
Insurance	141,970	2,479	144,449	144,449	
General Supplies	11,000	(2,528)	8,472	8,472	
Energy (Natural Gas)	140,000	(17,458)	122,542	121,664	878
Energy (Electricity)	400,000	5,486	405,486	405,486	
<b>Total Custodial Services</b>	<b>2,091,270</b>	<b>(20,031)</b>	<b>2,071,239</b>	<b>2,003,682</b>	<b>67,557</b>
<b>Care &amp; Upkeep of Grounds:</b>					
Cleaning, Repair and Maintenance Services		19,027	19,027	17,939	1,088
<b>Total Care &amp; Upkeep of Grounds</b>		<b>19,027</b>	<b>19,027</b>	<b>17,939</b>	<b>1,088</b>
<b>Student Transportation Services:</b>					
Salaries for Pupil Transportation:					
Between Home and School - Regular	20,570	7,500	28,070	28,070	
Management Fee - ESC and CTSA Transportation Programs	4,900	213	5,113	5,113	
Contracted Services:					
Aid in Lieu of Payments - Nonpublic School	88,000	(7,114)	80,886	80,886	
Between Home and School - Vendors	356,000	(32,453)	323,547	298,107	25,440
Other than Between Home and School - Vendors	36,500	(12,466)	24,034	23,534	500
Special Education Students - Vendors	260,000	130,205	390,205	359,511	30,694
<b>Total Student Transportation Services</b>	<b>765,970</b>	<b>85,885</b>	<b>851,855</b>	<b>795,221</b>	<b>56,634</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSE</b>					
Unallocated Benefits:					
Social Security Contributions	\$ 266,000	\$ 44,394	\$ 310,394	\$ 293,549	\$ 16,845
Other Retirement Contributions - PERS	237,200	23,033	260,233	259,418	815
Other Retirement Contributions - DCRP		785	785	785	
Workmen's Compensation	222,000		222,000	221,960	40
Health Benefits	5,070,000	(254,351)	4,815,649	4,492,734	322,915
Tuition Reimbursement	45,000		45,000	25,359	19,641
Unused Sick Payment to Terminated/Retired Staff	15,967	58,106	74,073	72,978	1,095
<b>Total Unallocated Benefits</b>	<b>5,856,167</b>	<b>(128,033)</b>	<b>5,728,134</b>	<b>5,366,783</b>	<b>361,351</b>
<b>On-Behalf TPAF Contributions (Non-budgeted):</b>					
Pension				1,422,524	(1,422,524)
Post-Retirement Medical Benefits				1,228,231	(1,228,231)
Non-Contributory Insurance				51,541	(51,541)
Long-Term Disability Insurance				4,044	(4,044)
Reimbursed TPAF Social Security Contributions (Non-budgeted)				942,713	(942,713)
<b>Total On-Behalf Contributions</b>				<b>3,649,053</b>	<b>(3,649,053)</b>
<b>Total Personal Services - Employee Benefits</b>	<b>5,856,167</b>	<b>(128,033)</b>	<b>5,728,134</b>	<b>9,015,836</b>	<b>(3,287,702)</b>
<b>Total Undistributed Expenses</b>	<b>14,949,140</b>	<b>350,075</b>	<b>15,299,215</b>	<b>18,174,507</b>	<b>(2,875,292)</b>
<b>TOTAL CURRENT EXPENSE</b>	<b>28,668,885</b>		<b>28,668,885</b>	<b>31,399,753</b>	<b>(2,730,868)</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>EXPENDITURES:</b>					
<b>CAPITAL OUTLAY</b>					
Equipment:					
Undistributed Expenditures:					
Instruction	\$ 99,166		\$ 99,166	\$ 40,272	\$ 58,894
Support Services:					
Required Maintenance of School Facilities	90,150	\$ 250,000	340,150	125,152	214,998
Total Equipment	189,316	250,000	439,316	165,424	273,892
Facilities Acquisition and Construction Services:					
Assessment for Debt Services- SDA Funding	29,034		29,034	29,034	
Total Facilities Acquisition and Construction Services	29,034		29,034	29,034	
<b>TOTAL CAPITAL OUTLAY</b>	218,350	250,000	468,350	194,458	273,892
<b>TOTAL EXPENDITURES</b>	28,887,235	250,000	29,137,235	31,594,211	(2,456,976)
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(727,708)	(250,000)	(977,708)	178,782	1,156,490
Other Financing Sources:					
Transfer In:					
Capital Projects Fund - Interest				12	12
Total Other Financing Sources				12	12

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

GENERAL FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures	\$ (727,708)	\$ (250,000)	\$ (977,708)	\$ 178,794	\$ 1,156,502
Fund Balance, July 1	4,295,878		4,295,878	4,295,878	
Fund Balance, June 30	<u>\$ 3,568,170</u>	<u>\$ (250,000)</u>	<u>\$ 3,318,170</u>	<u>\$ 4,474,672</u>	<u>\$ 1,156,502</u>

Recapitulation:

Restricted:

Excess Surplus	\$ 500,000
Excess Surplus - Designated for Subsequent Year's Expenditures	500,000
Emergency Reserve	100,000
Capital Reserve	2,480,390
Assigned - Encumbrances	253,177
Unassigned	641,105
	<u>4,474,672</u>

Reconciliation to Governmental Funds Statements (GAAP):

State Aid Payments not Recognized on GAAP Basis

Fund Balance per Governmental Funds (GAAP)

	(71,918)
	<u>\$ 4,402,754</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS

SPECIAL REVENUE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>REVENUES:</b>					
State Sources	\$ 125,630	\$ (14,202)	\$ 111,428	\$ 90,690	\$ (20,738)
Federal Sources	325,106	62,828	387,934	387,471	(463)
<b>Total Revenues</b>	<b>450,736</b>	<b>48,626</b>	<b>499,362</b>	<b>478,161</b>	<b>(21,201)</b>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	15,079	10,433	25,512	25,512	
Tuition	267,239	(11,314)	255,925	255,925	
General Supplies		59,870	59,870	59,870	
Textbooks	11,737	(3,149)	8,588	8,588	
<b>Total Instruction</b>	<b>294,055</b>	<b>55,840</b>	<b>349,895</b>	<b>349,895</b>	
Support Services:					
Personal Services - Employee Benefits		4,078	4,078	4,078	
Purchased Professional and Technical Services		40,758	40,758	40,295	463
Purchased Professional - Educational Services	156,681	(53,841)	102,840	82,102	20,738
Other Purchased Services		1,731	1,731	1,731	
Supplies and Materials		60	60	60	
<b>Total Support Services</b>	<b>156,681</b>	<b>(7,214)</b>	<b>149,467</b>	<b>128,266</b>	<b>21,201</b>
<b>Total Expenditures</b>	<b>\$ 450,736</b>	<b>\$ 48,626</b>	<b>\$ 499,362</b>	<b>\$ 478,161</b>	<b>\$ 21,201</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ -0-</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
NOTE TO RSI  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(UNAUDITED)

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

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from Budgetary Comparison Schedule	\$ 31,772,993	\$ 478,161
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Statements, not Recognized for Budgetary Statements	69,365	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(71,918)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and and Changes in Fund Balances - Governmental Funds.	\$ 31,770,440	\$ 478,161
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 31,594,211	\$ 478,161
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 31,594,211	\$ 478,161

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budget for the fiscal year ended June 30, 2017 was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)l. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

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

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

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



**SCHOOL LEVEL SCHEDULES  
(NOT APPLICABLE)**

**SPECIAL REVENUE FUND**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>No Child Left Behind</u>		<u>IDEA Part B, Basic</u>		<u>Nonpublic Textbook Aid</u>
	<u>Title I, Part A</u>	<u>Title II, Part A</u>	<u>Regular</u>	<u>Preschool</u>	
REVENUE:					
State Sources					\$ 8,588
Federal Sources	\$ 79,867	\$ 15,320	\$ 275,328	\$ 16,956	
Total Revenue	<u>79,867</u>	<u>15,320</u>	<u>275,328</u>	<u>16,956</u>	<u>8,588</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers		10,590		14,922	
Tuition			255,925		
General Supplies	59,867	3			
Textbooks					8,588
Total Instruction	<u>59,867</u>	<u>10,593</u>	<u>255,925</u>	<u>14,922</u>	<u>8,588</u>
Support Services:					
Personal Services - Employee Benefits		2,936		1,142	
Purchased Professional and Technical Services	20,000		19,403	892	
Purchased Professional - Educational Services					
Other Purchased Services		1,731			
Supplies and Materials		60			
Total Support Services	<u>20,000</u>	<u>4,727</u>	<u>19,403</u>	<u>2,034</u>	
Total Expenditures	<u>\$ 79,867</u>	<u>\$ 15,320</u>	<u>\$ 275,328</u>	<u>\$ 16,956</u>	<u>\$ 8,588</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Nonpublic			Chapter 192 - Nonpublic Auxiliary Aid	
	Security Aid	Nursing Aid	Technology Initiative	Compensatory Education	Transportation
REVENUE:					
State Sources	\$ 7,500	\$ 13,500	\$ 3,874	\$ 17,289	\$ 15,300
Federal Sources					
Total Revenue	<u>7,500</u>	<u>13,500</u>	<u>3,874</u>	<u>17,289</u>	<u>15,300</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers					
Tuition					
General Supplies					
Textbooks					
Total Instruction					
Support Services:					
Personal Services - Employee Benefits					
Purchased Professional and Technical Services					
Purchased Professional - Educational Services	7,500	13,500	3,874	17,289	15,300
Other Purchased Services					
Supplies and Materials					
Total Support Services	<u>7,500</u>	<u>13,500</u>	<u>3,874</u>	<u>17,289</u>	<u>15,300</u>
Total Expenditures	<u>\$ 7,500</u>	<u>\$ 13,500</u>	<u>\$ 3,874</u>	<u>\$ 17,289</u>	<u>\$ 15,300</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUE AND EXPENDITURES - BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Chapter 193 - Nonpublic Handicapped Aid</u>			<u>Totals</u>
	<u>Examination &amp; Classification</u>	<u>Supplementary Instruction</u>	<u>Corrective Speech</u>	
REVENUE:				
State Sources	\$ 7,927	\$ 7,612	\$ 9,100	\$ 90,690
Federal Sources				387,471
Total Revenue	<u>7,927</u>	<u>7,612</u>	<u>9,100</u>	<u>478,161</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers				25,512
Tuition				255,925
General Supplies				59,870
Textbooks				8,588
Total Instruction				<u>349,895</u>
Support Services:				
Personal Services - Employee Benefits				4,078
Purchased Professional and Technical Services				40,295
Purchased Professional - Educational Services	7,927	7,612	9,100	82,102
Other Purchased Services				1,731
Supplies and Materials				60
Total Support Services	<u>7,927</u>	<u>7,612</u>	<u>9,100</u>	<u>128,266</u>
Total Expenditures	<u>\$ 7,927</u>	<u>\$ 7,612</u>	<u>\$ 9,100</u>	<u>\$ 478,161</u>

**CAPITAL PROJECTS FUND**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGETARY BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Revenue:	
Interest on Investments	\$ 12
Total Revenue	<u>12</u>
Expenditures and Other Financing Uses:	
Transfer Out:	
General Fund - Interest Earned	<u>12</u>
Total Expenditures and Other Financing Uses	<u>12</u>
Excess of Revenue Over Expenditures and Other Financing Uses	-0-
Fund Balance - Beginning of Year	<u>332,611</u>
Fund Balance - End of Year	<u><u>\$ 332,611</u></u>
Recapitulation of Fund Balance:	
Committed	\$ 332,611
Reconciliation to Governmental Funds Statement (GAAP):	
SDA Grants not Recognized on GAAP Basis	<u>(531,160)</u>
Fund Balance (Deficit) per Governmental Funds (GAAP)	<u><u>\$ (198,549)</u></u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
FRANKLIN AVENUE MIDDLE SCHOOL - PARTIAL ROOF REPLACEMENT,  
LOCKER ROOM RENOVATIONS, AND ADA COMPLIANCT DOOR LOCKS AND  
HARDWARE ON ALL EXTERIOR DOORS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
HIGH MOUNTAIN ROAD SCHOOL - ADA COMPLIANT DOOR LOCKS  
AND HARDWARE ON ALL EXTERIOR DOORS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
CAPITAL PROJECTS FUND  
SCHEDULE OF PROJECT REVENUE, EXPENDITURES, PROJECT BALANCE  
AND PROJECT STATUS - BUDGETARY BASIS  
WOODSIDE AVENUE SCHOOL - BOILER AND ADA COMPLIANT DOOR LOCKS  
AND HARDWARE ON ALL EXTERIOR DOORS  
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

**PROPRIETARY FUNDS**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF NET POSITION  
JUNE 30, 2017

## ASSETS:

## Current Assets:

Intergovernmental Accounts Receivable - Federal  
Interfund Receivable - General Fund

\$ 390  
344

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Total Current Assets

734

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Total Assets

734

---

## NET POSITION:

Unrestricted

734

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Total Net Position

\$ 734

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BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF REVENUE, EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs - Special Milk Program	\$ 3,410
Total Operating Revenue	<u>3,410</u>
Operating Expenses:	
Cost of Sales - Reimbursable Programs	9,171
Supplies	1,000
Total Operating Expenses	<u>10,171</u>
Operating Loss	(6,761)
Non-Operating Revenue:	
Federal Sources - Special Milk Program	<u>6,012</u>
Total Non-Operating Revenue	<u>6,012</u>
Change in Net Position	(749)
Net Position - Beginning of Year	<u>1,483</u>
Net Position - End of Year	<u>\$ 734</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FOOD SERVICE ENTERPRISE FUND  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Cash Flows from Operating Activities	
Receipts from Customers	\$ 3,410
Payments to Suppliers	(10,171)
	<hr/>
Net Cash Used for Operating Activities	(6,761)
	<hr/>
Cash Flows from Noncapital Financing Activities:	
Interfund - General Fund	715
Federal Sources - Special Milk Program	6,046
	<hr/>
Net Cash Provided by Noncapital Financing Activities	6,761
	<hr/>
Net Increase in Cash and Cash Equivalents	-0-
	<hr/>
Cash and Cash Equivalents, July 1	-0-
	<hr/>
Cash and Cash Equivalents, June 30	\$ -0-
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (6,761)
	<hr/>
Net Cash Used for Operating Activities	\$ (6,761)
	<hr/> <hr/>

**FIDUCIARY FUNDS**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF NET POSITION  
JUNE 30, 2017

	Student Activities	Payroll Agency	Laptop Replacement Agency	Total Agency	Unemployment Compensation Trust	Flexible Spending Trust
ASSETS:						
Cash and Cash Equivalents	\$ 48,843	\$ 17,147	\$ 92,256	\$ 158,246	\$ 381,762	\$ 76,822
Total Assets	48,843	17,147	92,256	158,246	381,762	76,822
LIABILITIES:						
Interfund Payable - General Fund		17,147		17,147		73,334
Due to Student Groups	48,843			48,843		
Total Liabilities	48,843	17,147		65,990		73,334
NET POSITION:						
Held in Trust for:					381,762	
Unemployment Compensation Claims						3,488
Flexible Spending Claims			92,256	92,256		
Laptop Replacement Costs						
Total Net Position	\$ - 0 -	\$ - 0 -	\$ 92,256	\$ 92,256	\$ 381,762	\$ 3,488



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
FIDUCIARY FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Unemployment Compensation Trust</u>	<u>Flexible Spending Trust</u>
Additions:		
Contributions:		
Plan Contributions	<u>\$ 26,272</u>	<u>\$ 77,035</u>
Total Contributions	<u>26,272</u>	<u>77,035</u>
Investment Earnings:		
Interest	<u>1,407</u>	<u>291</u>
Net Investment Earnings	<u>1,407</u>	<u>291</u>
Total Additions	<u>27,679</u>	<u>77,326</u>
Deductions		
Unemployment Compensation Claims	<u>20,667</u>	
Flexible Spending Claims		<u>100,010</u>
Total Deductions	<u>20,667</u>	<u>100,010</u>
Change in Net Position	7,012	(22,684)
Net Position - Beginning of the Year	<u>374,750</u>	<u>26,172</u>
Net Position - End of the Year	<u>\$ 381,762</u>	<u>\$ 3,488</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
STATEMENT OF ACTIVITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 51,731	\$ 87,622	\$ 90,510	\$ 48,843
Total Assets	<u>\$ 51,731</u>	<u>\$ 87,622</u>	<u>\$ 90,510</u>	<u>\$ 48,843</u>
<b>LIABILITIES</b>				
Due to Student Groups	\$ 51,731	\$ 87,622	\$ 90,510	\$ 48,843
Total Liabilities	<u>\$ 51,731</u>	<u>\$ 87,622</u>	<u>\$ 90,510</u>	<u>\$ 48,843</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2017</u>
Elementary School:				
Colonial Road School	\$ 4,652	\$ 8,814	\$ 10,158	\$ 3,308
High Mountain Road School	2,959	9,286	9,140	3,105
Woodside Avenue School	3,214	5,779	5,042	3,951
Middle Schools:				
Franklin Avenue Middle School	26,370	57,342	59,825	23,887
Snapple - Peer Leadership	14,536	6,401	6,345	14,592
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total All Schools	<u>\$ 51,731</u>	<u>\$ 87,622</u>	<u>\$ 90,510</u>	<u>\$ 48,843</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
PAYROLL AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 91,660	\$ 18,976,555	\$ 19,051,068	\$ 17,147
Total Assets	<u>\$ 91,660</u>	<u>\$ 18,976,555</u>	<u>\$ 19,051,068</u>	<u>\$ 17,147</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 11,398	\$ 5,749		\$ 17,147
Payroll Deductions and Withholdings	<u>80,262</u>	<u>18,970,806</u>	<u>\$ 19,051,068</u>	
Total Liabilities	<u>\$ 91,660</u>	<u>\$ 18,976,555</u>	<u>\$ 19,051,068</u>	<u>\$ 17,147</u>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
LAPTOP REPLACEMENT AGENCY FUND  
SCHEDULE OF RECEIPTS AND DISBURSEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 62,736	\$ 29,660	\$ 140	\$ 92,256
Total Assets	<u>\$ 62,736</u>	<u>\$ 29,660</u>	<u>\$ 140</u>	<u>\$ 92,256</u>
<u>NET POSITION:</u>				
Laptop Replacement Costs	\$ 62,736	\$ 29,660	\$ 140	\$ 92,256
Total Net Position	<u>\$ 62,736</u>	<u>\$ 29,660</u>	<u>\$ 140</u>	<u>\$ 92,256</u>

**LONG-TERM DEBT**

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
LONG TERM DEBT  
STATEMENT OF SERIAL BONDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Purpose	Date of Issue	Original Issue	Maturities of Bonds		Interest Rate	Balance July 1, 2016	Retired or Matured	Balance June 30, 2017
			Date	Amount				
Refunding School Bonds	09/30/10	\$ 6,390,000	8/1/2017	\$ 635,000	4.00%			
			8/1/2018	635,000	4.00%			
			8/1/2019	630,000	4.50%			
			8/1/2020	630,000	4.50%			
			8/1/2021	630,000	4.00%			
			8/1/2022	625,000	4.00%	\$ 4,425,000	\$ 640,000	\$ 3,785,000
						\$ 4,425,000	\$ 640,000	\$ 3,785,000

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
LONG-TERM DEBT  
STATEMENT OF OBLIGATIONS UNDER CAPITAL LEASES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2016</u>	<u>Retired or Matured</u>	<u>Balance June 30, 2017</u>
Laptop Computers	2.250%	\$ 463,420	\$ 117,115	\$ 117,115	
Laptop Computers	2.077%	365,795	<u>271,507</u>	<u>88,648</u>	<u>\$ 182,859</u>
			<u>\$ 388,622</u>	<u>\$ 205,763</u>	<u>\$ 182,859</u>



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 807,300		\$ 807,300	\$ 807,300	
Total Revenues	<u>807,300</u>		<u>807,300</u>	<u>807,300</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest	167,300		167,300	167,300	
Redemption of Principal	640,000		640,000	640,000	
Total Regular Debt Service	<u>807,300</u>		<u>807,300</u>	<u>807,300</u>	
Total Expenditures	<u>807,300</u>		<u>807,300</u>	<u>807,300</u>	
Excess of Revenues Over Expenditures	-0-	\$ -0-	-0-	-0-	\$ -0-
Fund Balance, July 1	<u>-0-</u>		<u>-0-</u>	<u>-0-</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

**STATISTICAL SECTION**  
**(UNAUDITED)**

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

**Contents**

**Exhibit**

**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 thru J-5

**Revenue Capacity**

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

**Debt Capacity**

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

J-10 thru J-13

**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

**Operating Information**

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

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

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Governmental Activities:</b>										
Net Investment in										
Capital Assets	\$16,688,892	\$16,497,801	\$17,688,410	\$20,208,412	\$20,376,854	\$18,164,821	\$18,042,322	\$18,210,674	\$17,671,173	\$17,750,489
Restricted	1,009,846	980,178	1,795,817	1,600,063	2,023,639	2,109,714	2,519,204	3,138,863	3,352,028	3,580,390
Unrestricted (Deficit)	(212,496)	(136,650)	(143,854)	(532,122)	(303,939)	(468,422)	(5,538,776)	(5,660,067)	(5,744,529)	(6,356,760)
Total Governmental Activities Net Position	\$17,486,242	\$17,341,329	\$19,340,373	\$21,276,353	\$22,096,554	\$19,806,113	\$15,022,750	\$15,689,470	\$15,278,672	\$14,974,119
<b>Business-Type Activities:</b>										
Unrestricted	\$ 21,709	\$ 28,069	\$ 27,077	\$ 26,847	\$ 9,829	\$ 17,786	\$ 5,341	\$ 7,152	\$ 1,483	\$ 734
Total Business-Type Activities Net Position	\$ 21,709	\$ 28,069	\$ 27,077	\$ 26,847	\$ 9,829	\$ 17,786	\$ 5,341	\$ 7,152	\$ 1,483	\$ 734
<b>District-Wide:</b>										
Net Investment in										
Capital Assets	\$16,688,892	\$16,497,801	\$17,688,410	\$20,208,412	\$20,376,854	\$18,164,821	\$18,042,322	\$18,210,674	\$17,671,173	\$17,750,489
Restricted	1,009,846	980,178	1,795,817	1,600,063	2,023,639	2,109,714	2,519,204	3,138,863	3,352,028	3,580,390
Unrestricted (Deficit)	(190,787)	(108,581)	(116,777)	(505,275)	(294,110)	(450,636)	(5,533,435)	(5,652,915)	(5,743,046)	(6,356,026)
Total District-Wide Net Position	\$17,507,951	\$17,369,398	\$19,367,450	\$21,303,200	\$22,106,383	\$19,823,899	\$15,028,091	\$15,696,622	\$15,280,155	\$14,974,853

Source: Borough of Franklin Lakes School District Financial Reports.

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

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenses:</b>										
<b>Governmental Activities:</b>										
<b>Instruction:</b>										
Regular	\$12,834,091	\$12,086,630	\$12,045,778	\$12,352,045	\$12,421,382	\$12,900,206	\$12,852,499	\$14,455,143	\$16,320,528	\$17,670,259
Special Education	3,735,787	4,340,749	4,730,524	4,595,110	4,752,660	4,633,915	4,944,229	5,470,305	6,280,209	7,001,062
Other Special Instruction	538,425	647,574	445,005	602,667	573,125	632,933	599,078	1,029,789	1,176,165	1,279,602
School-Sponsored Instruction	142,060	150,979	142,543	108,527	125,369	145,964	126,247	207,167	201,257	197,636
<b>Support Services:</b>										
Tuition	20,499	166,231	87,232	198,186	357,294	764,909	926,665	779,729	527,733	786,696
Student & Instruction Related Services	3,633,681	3,355,727	3,236,637	3,747,085	3,963,614	4,154,137	4,062,891	4,124,758	4,523,346	4,788,068
General Administrative Services	599,627	611,581	692,663	538,848	573,298	572,586	630,900	524,643	548,147	539,252
School Administrative Services	1,268,673	1,282,228	1,178,475	1,406,480	1,380,949	1,615,493	1,408,197	1,649,779	1,800,803	2,030,641
Central Services/Admin. Technology	608,894	579,770	568,874	585,198	591,005	692,228	622,293	627,228	623,656	658,966
Plant Operations and Maintenance	3,012,230	4,006,142	2,928,186	2,765,484	3,419,560	3,840,866	3,707,881	3,707,558	3,790,330	3,632,523
Pupil Transportation	811,236	869,598	846,818	796,237	831,477	759,926	824,787	823,310	799,309	808,209
Capital Outlay	18,915	576,442	187,935	33,102						
Interest on Long-Term Debt	561,882	407,695	431,480	271,680	253,804	229,254	200,821	181,158	166,898	150,103
Unallocated Depreciation							18,483	12,028	9,036	6,315
<b>Total Governmental Activities Expenses</b>	<b>27,786,000</b>	<b>29,081,346</b>	<b>27,522,150</b>	<b>28,000,649</b>	<b>29,243,537</b>	<b>30,942,417</b>	<b>30,924,971</b>	<b>33,592,595</b>	<b>36,767,417</b>	<b>39,549,332</b>
<b>Business-Type Activities:</b>										
Milk Enterprise Fund	28,308	25,519	18,374	27,807	47,367	14,646	14,612	14,071	16,545	10,171
<b>Total Business-Type Activities Expenses</b>	<b>28,308</b>	<b>25,519</b>	<b>18,374</b>	<b>27,807</b>	<b>47,367</b>	<b>14,646</b>	<b>14,612</b>	<b>14,071</b>	<b>16,545</b>	<b>10,171</b>
<b>Total District Expenses</b>	<b>27,814,308</b>	<b>29,106,865</b>	<b>27,540,524</b>	<b>28,028,456</b>	<b>29,290,904</b>	<b>30,957,063</b>	<b>30,939,583</b>	<b>33,606,666</b>	<b>36,783,962</b>	<b>39,559,503</b>

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(UNAUDITED)

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues:										
Governmental Activities:										
Charges for Services:										
Special Education	\$ 1,507,097	\$ 1,794,627	\$ 1,757,801	\$ 1,529,041	\$ 1,794,954	\$ 1,693,662	\$ 1,926,933	\$ 1,750,765	\$ 2,016,141	\$ 1,744,354
Pupil Transportation	129,900	125,800	90,165	84,310	75,150	72,700	72,700	77,299	68,010	64,172
Operating Grants and Contributions	4,204,136	3,432,958	3,461,607	2,689,538	3,358,334	4,124,351	3,698,400	6,939,275	8,441,077	11,194,439
Capital Grants and Contributions						212,843				
Total Governmental Activities Program Revenues	5,841,133	5,353,385	5,219,408	4,308,744	5,237,598	5,893,163	5,910,876	8,767,339	10,525,228	13,002,965
Business-Type Activities:										
Charges for Services:										
Milk Enterprise Fund	19,151	18,216	10,886	15,037	17,271	13,952	9,244	8,799	3,908	3,410
Operating Grants and Contributions	12,233	13,663	11,997	12,540	13,019	8,593	6,883	7,083	6,968	6,012
Total Business-Type Activities Revenues	31,384	31,879	22,883	27,577	30,290	22,545	16,127	15,882	10,876	9,422
Total District Program Revenues	5,872,517	5,385,264	5,242,291	4,336,321	5,267,888	5,915,708	5,927,003	8,783,221	10,536,104	13,012,387
Net (Expense)/Revenue										
Governmental Activities	(21,944,867)	(23,727,961)	(22,302,742)	(23,691,905)	(24,005,939)	(25,049,254)	(25,014,095)	(24,825,256)	(26,242,189)	(26,546,367)
Business-Type Activities	3,076	6,360	4,509	(230)	(17,077)	7,899	1,515	1,811	(5,669)	(749)
Total District Net (Expense)/Revenue	(21,941,791)	(23,721,601)	(22,298,233)	(23,692,135)	(24,023,016)	(25,041,355)	(25,012,580)	(24,823,445)	(26,247,858)	(26,547,116)

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

(UNAUDITED)

(Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Revenues and Other Changes in Net Position:										
Governmental Activities:										
Property Taxes Levied for General Purposes	\$20,576,202	\$21,014,827	\$21,844,912	\$23,129,335	\$23,489,921	\$23,660,306	\$24,133,512	\$24,212,205	\$24,696,449	\$25,149,448
Taxes Levied for Debt Service	2,288,142	2,239,775	2,178,485	2,233,021	1,082,007	976,361	1,043,949	965,256	836,650	807,300
Federal and State Aid not Restricted	229,552	211,870	152,765	15,569	18,210	18,210	38,860	54,386	54,985	68,554
Interest and Miscellaneous Income	212,432	116,576	125,624	249,960	254,212	199,225	204,998	260,129	243,307	216,512
Transfers						14,000				
Total Governmental Activities	23,306,328	23,583,048	24,301,786	25,627,885	24,826,140	24,854,102	25,435,319	25,491,976	25,831,391	26,241,814
Business-Type Activities:										
Investment Earnings					59	58	40			
Transfers						(14,000)				
Total Business-Type Activities					59	58	(13,960)			
Total District General Revenues and Other Changes in Net Position	23,306,328	23,583,048	24,301,786	25,627,885	24,826,199	24,854,160	25,421,359	25,491,976	25,831,391	26,241,814
Change in Net Position:										
Governmental Activities	1,361,461	(144,913)	1,999,044	1,935,980	820,201	(195,152)	421,224	666,720	(410,798)	(304,553)
Business-Type Activities	3,076	6,360	4,509	(230)	(17,018)	7,957	(12,445)	1,811	(5,669)	(749)
Total District Change in Net Position	\$ 1,364,537	\$ (138,553)	\$ 2,003,553	\$ 1,935,750	\$ 803,183	\$ (187,195)	\$ 408,779	\$ 668,531	\$ (416,467)	\$ (305,302)

Source: Borough of Franklin Lakes School District Financial Reports.

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

	June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund:										
Reserved	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307							
Unreserved	456,150	483,431	501,093							
Restricted				\$ 1,461,600	\$ 1,884,175	\$ 2,050,683	\$ 2,463,235	\$ 3,138,863	\$ 3,352,028	\$ 3,580,390
Assigned				516,370	408,454	258,421	339,719	286,974	329,508	253,177
Unassigned				671,908	784,311	786,704	786,237	706,262	544,977	569,187
<b>Total General Fund</b>	<b>\$ 1,601,830</b>	<b>\$ 1,620,733</b>	<b>\$ 2,579,400</b>	<b>\$ 2,649,878</b>	<b>\$ 3,076,940</b>	<b>\$ 3,095,808</b>	<b>\$ 3,589,191</b>	<b>\$ 4,132,099</b>	<b>\$ 4,226,513</b>	<b>\$ 4,402,754</b>
Other Governmental Funds:										
Unreserved (Deficit)	\$ (135,834)	\$ (157,124)	\$ (282,490)	\$ 138,463	\$ 139,464	\$ 59,031	\$ 55,969			
Restricted				(1,050,453)	(891,453)	(732,453)	(358,549)			
Unassigned (Deficit)								\$ (198,549)	\$ (198,549)	\$ (198,549)
<b>Total Other Governmental Funds</b>	<b>\$ (135,834)</b>	<b>\$ (157,124)</b>	<b>\$ (282,490)</b>	<b>\$ (911,990)</b>	<b>\$ (751,989)</b>	<b>\$ (673,422)</b>	<b>\$ (302,580)</b>	<b>\$ (198,549)</b>	<b>\$ (198,549)</b>	<b>\$ (198,549)</b>
<b>Total Governmental Funds:</b>										
Reserved	\$ 1,145,680	\$ 1,137,302	\$ 2,078,307							
Unreserved	320,316	326,307	218,603							
Restricted				\$ 1,600,063	\$ 2,023,639	\$ 2,109,714	\$ 2,519,204	\$ 3,138,863	\$ 3,352,028	\$ 3,580,390
Assigned				516,370	408,454	258,421	339,719	286,974	329,508	253,177
Unassigned (Deficit)				(378,545)	(107,142)	54,251	427,688	507,713	346,428	370,638
<b>Total Governmental Funds</b>	<b>\$ 1,465,996</b>	<b>\$ 1,463,609</b>	<b>\$ 2,296,910</b>	<b>\$ 1,737,888</b>	<b>\$ 2,324,951</b>	<b>\$ 2,422,386</b>	<b>\$ 3,286,611</b>	<b>\$ 3,933,550</b>	<b>\$ 4,027,964</b>	<b>\$ 4,204,205</b>

Source: Borough of Franklin Lakes School District Financial Reports.

**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(UNAUDITED)  
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Revenues:</b>										
Tax Levy	\$22,864,344	\$23,254,602	\$24,023,397	\$25,362,356	\$24,571,928	\$24,636,667	\$25,177,461	\$25,177,461	\$25,533,099	\$25,956,748
Other Governmental Units - Restricted				123,410	118,648	125,866	128,383	118,129	143,806	122,902
Tuition Charges	1,507,097	1,794,627	1,757,801	1,529,041	1,794,954	1,693,662	1,926,933	1,750,765	2,016,141	1,744,354
Interest Earnings	101,704	19,835	1,800	1,800	1,800	9,927	11,647	10,205	13,213	15,044
Transportation Fees from Individuals	129,900	125,800	101,905	90,165	84,310	75,150	72,700	77,299	68,010	64,172
Miscellaneous	207,455	210,518	185,964	157,852	325,865	255,533	223,968	291,795	86,288	78,566
State Sources	3,985,158	3,185,753	2,875,932	2,206,241	2,935,225	3,772,987	3,634,851	3,814,603	4,186,233	4,686,656
Federal Sources	351,803	345,298	574,395	625,504	390,008	336,473	315,252	329,631	330,792	387,471
<b>Total Revenues</b>	<b>29,147,461</b>	<b>28,936,433</b>	<b>29,521,194</b>	<b>30,096,369</b>	<b>30,222,738</b>	<b>30,906,265</b>	<b>31,491,195</b>	<b>31,569,888</b>	<b>32,377,582</b>	<b>33,055,913</b>
<b>Expenditures:</b>										
<b>Instruction:</b>										
Regular Instruction	8,932,277	8,773,440	8,511,119	9,246,089	9,185,130	9,000,413	8,814,159	8,764,795	9,095,364	8,942,625
Special Education Instruction	2,728,191	3,167,135	3,466,504	3,445,443	3,478,316	3,300,491	3,490,328	3,396,428	3,602,531	3,668,974
Other Special Instruction	370,887	459,074	305,762	434,570	423,521	431,141	409,606	590,989	624,635	606,012
Other Instruction	100,055	115,852	97,007	81,449	93,249	102,730	89,736	123,119	111,792	101,605
<b>Support Services:</b>										
Tuition	20,499	166,231	87,232	198,186	357,294	764,909	926,665	779,729	527,733	786,696
<b>Student &amp; Instruction Related Services</b>										
General Administration	3,018,677	2,733,763	2,567,125	2,785,867	3,150,929	3,309,210	3,188,642	3,220,053	3,383,766	3,376,756
School Administration	519,648	535,667	587,332	472,224	477,462	476,912	522,784	406,327	401,994	383,195
Central Services/Admin. Technology	1,028,248	1,020,578	921,275	1,020,002	1,013,628	1,149,221	1,000,746	1,036,945	1,053,527	1,077,685
Operations/Maintenance	528,395	489,914	454,632	485,766	471,742	518,507	498,821	499,380	465,808	460,585
Pupil Transportation	2,542,666	2,389,017	2,231,063	2,260,161	2,591,421	2,672,406	2,761,007	2,768,734	2,591,475	2,662,724
Unallocated Benefits	803,846	866,043	843,918	793,564	828,372	756,292	820,818	818,637	791,761	795,221
Capital Outlay	5,762,781	5,812,000	6,110,227	6,030,939	6,318,468	7,102,936	6,912,571	7,342,692	8,363,369	9,015,836
	322,593	579,041	326,212	1,248,549	165,137	166,868	623,557	153,896	798,558	194,458



**BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

(UNAUDITED)  
(Modified Accrual Basis of Accounting)

	Fiscal Year Ending June 30,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Expenditures:</b>										
Debt Service:										
Principal	\$ 1,695,000	\$ 1,745,000	\$ 1,715,000	\$ 1,824,740	\$ 809,000	\$ 809,000	\$ 819,000	\$ 815,000	\$ 650,000	\$ 640,000
Interest/Other Charges	593,471	516,065	463,485	327,842	272,006	247,794	225,950	206,225	186,650	167,300
<b>Total Expenditures</b>	<b>28,967,234</b>	<b>29,368,820</b>	<b>28,687,893</b>	<b>30,655,391</b>	<b>29,635,675</b>	<b>30,808,830</b>	<b>31,104,390</b>	<b>30,922,949</b>	<b>32,648,963</b>	<b>32,879,672</b>
<b>Excess (Deficiency) of Revenues</b>										
Over (Under) Expenditures	180,227	(432,387)	833,301	(559,022)	587,063	97,435	386,805	646,939	(271,381)	176,241
<b>Other Financing Sources (Uses)</b>										
Capital Leases		430,000					463,420		365,795	
Serial Bonds Issued				6,390,000						
Serial Bonds Defeased				(6,499,000)						
Bond Issuance Costs				(110,432)						
Bond Premium				718,748						
Deferred Amount on Refunding				(499,316)						
Transfers In	329		372	1,121		15	14,015	55,730	10	12
Transfers Out	(329)		(372)	(1,121)		(15)	(15)	(55,730)	(10)	(12)
<b>Total Other Financing Sources (Uses)</b>	<b>- 0 -</b>	<b>430,000</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>- 0 -</b>	<b>477,420</b>	<b>- 0 -</b>	<b>365,795</b>	<b>- 0 -</b>
<b>Net Change in Fund Balances</b>	<b>\$ 180,227</b>	<b>\$ (2,387)</b>	<b>\$ 833,301</b>	<b>\$ (559,022)</b>	<b>\$ 587,063</b>	<b>\$ 97,435</b>	<b>\$ 864,225</b>	<b>\$ 646,939</b>	<b>\$ 94,414</b>	<b>\$ 176,241</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>8.7%</b>	<b>8.5%</b>	<b>8.3%</b>	<b>7.9%</b>	<b>3.8%</b>	<b>3.6%</b>	<b>3.5%</b>	<b>3.4%</b>	<b>2.6%</b>	<b>2.5%</b>

Source: Borough of Franklin Lakes School District Financial Reports.

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Tuition</u>	<u>Transportation</u> <u>Fees</u>	<u>Other</u>	<u>Total</u>
2008	\$ 101,375	\$ 1,507,097	\$ 129,900	\$ 110,728	\$ 1,849,100
2009	19,835	1,794,627	125,800	96,741	2,037,003
2010	14,240	1,757,801	101,905	111,012	1,984,958
2011	51,077	1,529,041	90,165	197,762	1,868,045
2012	11,895	1,794,954	84,310	242,317	2,133,476
2013	9,912	1,693,662	75,150	189,298	1,968,022
2014	11,632	1,926,933	72,700	193,351	2,204,616
2015	10,194	1,750,765	77,299	249,924	2,088,182
2016	13,203	2,016,141	68,010	230,094	2,327,448
2017	15,032	1,744,354	64,172	201,468	2,025,026

Source: Borough of Franklin Lakes School District Financial Reports.

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

Year Ended December 31,	Vacant Land	Residential	Farm Regular	Farm Qualified	Commercial	Industrial	Apartment	Total Assessed Value	Add: Public Utilities <sup>a</sup>	Net Valuation Taxable	Tax-Exempt Property	Total Direct School Tax Rate <sup>b</sup>	Estimated Actual (County Equalized Value)
2007*	\$80,998,400	\$4,379,627,600	\$6,344,900	\$	\$384,240,500	\$23,568,000	\$18,139,400	\$4,892,940,000	\$1,333,619	\$4,894,273,619	\$220,364,900	\$0.465	\$4,465,718,841
2008	90,703,100	4,349,987,800	6,344,900		384,240,500	23,568,000	30,856,600	4,885,722,100	3,416,228	4,889,138,328	219,249,100	0.470	4,650,202,081
2009	90,999,700	4,388,465,100	5,317,500		401,034,300	23,429,400	30,856,600	4,940,121,400	5,581,035	4,945,702,435	219,249,100	0.480	4,869,232,530
2010	75,848,200	4,420,389,200	5,317,500		393,342,200	23,429,400	30,139,400	4,948,484,700	3,687,173	4,952,171,873	219,249,100	0.499	4,709,650,468
2011*	53,113,100	3,563,332,500	4,240,000		408,302,900	32,820,000	30,139,400	4,091,969,300	3,325,267	4,095,294,567	190,895,400	0.620	4,354,743,831
2012	52,494,400	3,561,581,700	4,240,000		405,702,600	32,758,500	30,139,400	4,086,938,000	2,370,663	4,089,308,663	194,171,500	0.602	4,471,193,866
2013	50,565,400	3,566,930,300	4,505,500		405,652,400	32,285,300	30,139,400	4,090,102,000	- 0 -	4,090,102,000	193,846,600	0.610	4,344,917,974
2014	48,992,100	3,584,962,000	3,470,900		403,843,900	31,751,400	38,139,400	4,111,178,500	- 0 -	4,111,178,500	194,652,600	0.613	4,267,554,280
2015	51,052,600	3,593,943,600	3,470,900		403,874,900	31,751,400	38,139,400	4,122,251,600	- 0 -	4,122,251,600	199,925,300	0.617	4,358,772,529
2016	56,235,500	3,609,749,700	3,470,900		381,718,500	30,724,200	38,139,400	4,120,057,000	- 0 -	4,120,057,000	203,901,300	0.625	4,482,738,039

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

<sup>a</sup> Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies.

<sup>b</sup> Tax rates are per \$100 of assessed value.

\* Year in which revaluation/reassessment was effective.

Source: Borough of Franklin Lakes Tax Assessor.

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

LAST TEN YEARS

(UNAUDITED)

*(Rate per \$100 of Assessed Value)*

Year Ended December 31,	Franklin Lakes School District Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate <sup>a</sup>	General Obligation Debt Service <sup>b</sup>	Total Direct School Tax Rate	Borough of Franklin Lakes	Ramapo- Indian Hills Regional School	Bergen County	
2007 *	\$ 0.418	\$ 0.047	\$ 0.465	\$ 0.166	\$ 0.313	\$ 0.166	\$ 1.110
2008	0.423	0.047	0.470	0.180	0.330	0.170	1.150
2009	0.434	0.046	0.480	0.192	0.340	0.188	1.200
2010	0.454	0.045	0.499	0.210	0.350	0.187	1.246
2011 *	0.565	0.055	0.620	0.259	0.431	0.219	1.529
2012	0.575	0.027	0.602	0.264	0.427	0.240	1.533
2013	0.586	0.024	0.610	0.269	0.434	0.244	1.557
2014	0.588	0.025	0.613	0.272	0.444	0.243	1.572
2015	0.593	0.024	0.617	0.277	0.451	0.254	1.599
2016	0.605	0.020	0.625	0.281	0.467	0.268	1.641

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

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

<sup>b</sup> Rates for debt service are based on each year's requirements.

\* Year in which revaluation/reassessment was effective.

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

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

	2016		2007	
	Taxable Assessed Value	% of Total District Net Valuation Taxable	Taxable Assessed Value	% of Total District Net Valuation Taxable
Becton Dickinson & Company	\$ 156,547,900	3.80 %	\$ 158,611,700	3.24 %
Medco Health Solutions	85,000,000	2.06 %	117,057,800	2.39 %
Urban Farms Acquisition	21,496,300	0.52 %	20,492,700	0.42 %
University Heights LLC	20,000,000	0.49 %	18,139,400	0.37 %
1st Real Estate Investment Trust	19,784,900	0.48 %	16,470,200	0.34 %
East Coast Horizon	18,139,400	0.44 %	12,510,600	0.24 %
FL Storage LLC	9,000,000	0.22 %	8,215,400	0.17 %
Franklin Lakes Realty LLC	7,480,000	0.18 %	8,166,800	0.17 %
LD Management LLC	6,964,100	0.17 %	7,645,500	0.16 %
Individual Taxpayer #1	6,923,600	0.17 %	7,480,000	0.15 %
Total	\$ 351,336,200	8.53 %	\$ 374,790,100	7.66 %

NOTE 1: Revaluation/reassessment of real property was effective in 2011.

NOTE 2: Individual taxpayers in 2016 and 2007 may be different individuals.

Source: Borough of Franklin Lakes Tax Assessor.

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy <sup>a</sup>		Collections in Subsequent Years
		Amount	Percentage of Levy	
2008	\$ 22,864,344	\$ 22,864,344	100.00 %	\$ - 0 -
2009	23,254,602	23,254,602	100.00 %	- 0 -
2010	24,023,397	24,023,397	100.00 %	- 0 -
2011	25,362,356	25,362,356	100.00 %	- 0 -
2012	24,571,928	24,571,928	100.00 %	- 0 -
2013	24,636,667	24,636,667	100.00 %	- 0 -
2014	25,177,461	25,177,461	100.00 %	- 0 -
2015	25,177,461	25,177,461	100.00 %	- 0 -
2016	25,533,099	25,533,099	100.00 %	- 0 -
2017	25,956,748	25,956,748	100.00 %	- 0 -

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		Total District	Percentage of Personal Income <sup>a</sup>	Per Capita <sup>a</sup>
	General Obligation Bonds	Capital Leases			
2008	\$ 12,924,000		\$ 12,924,000	1.63 %	\$ 1,119.35
2009	11,179,000	\$ 339,163	11,518,163	1.54 %	991.49
2010	9,464,000	258,588	9,722,588	1.40 %	916.19
2011	7,690,000	175,266	7,865,266	1.08 %	734.66
2012	7,040,000	89,102	7,129,102	0.93 %	663.11
2013	6,390,000		6,390,000	0.84 %	590.85
2014	5,730,000	343,670	6,073,670	0.76 %	558.04
2015	5,075,000	231,653	5,306,653	0.64 %	486.89
2016	4,425,000	388,622	4,813,622	0.58 %	443.57
2017	3,785,000	182,859	3,967,859	0.48 %	365.63

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

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

Source: Borough of Franklin Lakes School District Financial Reports.

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Taxable Value of Property <sup>a</sup>	Per Capita <sup>b</sup>
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2008	\$ 12,924,000	\$ - 0 -	\$ 12,924,000	0.26 %	\$ 1,119.35
2009	11,179,000	- 0 -	11,179,000	0.23 %	962.30
2010	9,464,000	- 0 -	9,464,000	0.19 %	891.82
2011	7,690,000	- 0 -	7,690,000	0.16 %	718.29
2012	7,040,000	- 0 -	7,040,000	0.17 %	654.82
2013	6,390,000	- 0 -	6,390,000	0.16 %	590.85
2014	5,730,000	- 0 -	5,730,000	0.14 %	526.46
2015	5,075,000	- 0 -	5,075,000	0.12 %	465.64
2016	4,425,000	- 0 -	4,425,000	0.11 %	407.76
2017	3,785,000	- 0 -	3,785,000	0.09 %	348.78

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

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

<sup>b</sup> See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

Source: Borough of Franklin Lakes School District Financial Reports.



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2016  
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable <sup>a</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Borough of Franklin Lakes	\$ 14,521,203	100.00 %	\$ 14,521,203
Ramapo-Indian Hills Regional High School	19,480,000	39.10 %	7,617,169
Bergen County General Obligation Debt	1,205,030,344	2.67 %	<u>32,160,712</u>
Subtotal, Overlapping Debt			54,299,086
Franklin Lakes Board of Education Direct Debt			<u>3,967,859</u>
Total Direct and Overlapping Debt			<u><u>\$ 58,266,945</u></u>

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

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

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

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

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt Limit	\$ 130,629,438	\$ 138,613,851	\$ 141,661,097	\$ 140,829,991	\$ 137,481,129
Total Net Debt Applicable to Limit	12,924,000	11,179,000	9,464,000	7,690,000	7,040,000
Legal Debt Margin	<u>\$ 117,705,438</u>	<u>\$ 127,434,851</u>	<u>\$ 125,402,097</u>	<u>\$ 125,402,097</u>	<u>\$ 83,521,940</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.89 %	8.06 %	6.68 %	5.46 %	5.12 %

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt Limit	\$ 133,924,677	\$ 130,460,856	\$ 129,191,012	\$ 130,630,488	\$ 132,119,809
Total Net Debt Applicable to Limit	6,390,000	5,730,000	5,075,000	4,425,000	3,785,000
Legal Debt Margin	<u>\$ 127,534,677</u>	<u>\$ 124,730,856</u>	<u>\$ 124,116,012</u>	<u>\$ 126,205,488</u>	<u>\$ 128,334,809</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	4.77 %	4.39 %	3.93 %	3.39 %	2.86 %

Legal Debt Margin Calculation for Fiscal Year 2017

<u>Year Ended December 31,</u>	<u>Equalized Valuation Basis</u>
2014	\$ 4,342,182,615
2015	4,480,221,280
2016	4,389,577,030
	<u>\$13,211,980,925</u>
Average Equalized Valuation of Taxable Property	<u>\$ 4,403,993,642</u>
Debt Limit (3% of Average Equalization Value) <sup>a</sup>	\$ 132,119,809
Net Bonded School Debt at June 30, 2017	<u>3,785,000</u>
Legal Debt Margin	<u>\$ 128,334,809</u>

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

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

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

<u>Year</u>	<u>Borough Population<sup>a</sup></u>	<u>Bergen County Per Capita Personal Income<sup>b</sup></u>	<u>Borough Personal Income<sup>c</sup></u>	<u>Borough Unemployment Rate<sup>d</sup></u>
2008	11,546	\$ 68,548	\$ 791,455,208	2.70 %
2009	11,617	64,571	750,121,307	4.90 %
2010	10,612	65,275	692,698,300	5.00 %
2011	10,706	68,244	730,620,264	4.90 %
2012	10,751	71,380	767,406,380	5.00 %
2013	10,815	70,498	762,435,870	6.50 %
2014	10,884	73,536	800,365,824	4.10 %
2015	10,899	75,849	826,678,251	3.90 %
2016	10,852	75,849 *	823,113,348 *	3.30 %
2017	10,852 **	75,849 **	823,113,348 **	N/A

N/A - Information is not available.

\* - Latest Bergen County per capita personal income available (2015) was used for calculation purposes.

\*\* - Latest Borough population available (2016) and Bergen County per capita personal income available (2015) was used for for calculation purposes.

Sources:

<sup>a</sup> Population information provided by the US Department of Census - Population Division.

<sup>b</sup> Per Capita Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>c</sup> Personal Income information provided by the US Department of Commerce - Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Department of Labor and Workforce Development.

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

2016			2007		
Employer	Employees	Percentage	Employer	Employees	Percentage
		of Total Employment			of Total Employment
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
Total	N/A	N/A	Total	N/A	N/A

N/A - Information is not available.

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

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

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Instruction:										
Regular	128	126	125	126	129	129	130	130	129	130
Support Services:										
Student & Instruction Related Services	40	39	39	41	41	41	40	40	40	41
General Administrative Services	4	4	4	4	4	4	4	4	4	4
School Administrative Services	13	12	12	13	13	13	13	13	13	13
Central Services	2	2	2	2	2	2	2	2	2	2
<b>Total</b>	<b>187</b>	<b>183</b>	<b>182</b>	<b>186</b>	<b>189</b>	<b>189</b>	<b>189</b>	<b>189</b>	<b>188</b>	<b>190</b>

Source: Borough of Franklin Lakes School District Personnel Records.

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

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil <sup>b</sup>	Percentage Change	Teaching Staff <sup>c</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>d</sup>	Average Daily Attendance (ADA) <sup>d</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary	Middle School				
2008	1,489	\$ 26,356,170	\$ 17,701	6.41 %	138	1:12	1:12	1,489	1,436	-2.10 %	96.44 %
2009	1,492	26,528,714	17,781	0.45 %	137	1:12	1:12	1,492	1,416	0.20 %	94.91 %
2010	1,464	26,183,196	17,885	0.59 %	136	1:12	1:12	1,458	1,381	-2.28 %	94.72 %
2011	1,433	27,254,260	19,019	6.34 %	135	1:12	1:12	1,429	1,375	-1.99 %	96.22 %
2012	1,410	28,389,532	20,134	5.86 %	139	1:11	1:12	1,414	1,352	-1.05 %	95.62 %
2013	1,311	29,585,168	22,567	12.08 %	138	1:11	1:12	1,311	1,264	-7.28 %	96.41 %
2014	1,285	29,435,883	22,907	1.51 %	139	1:11	1:12	1,281	1,230	-2.29 %	96.02 %
2015	1,236	29,747,828	24,068	5.07 %	136	1:12	1:12	1,231	1,183	-3.90 %	96.10 %
2016	1,187	31,013,755	26,128	8.56 %	136	1:11	1:12	1,184	1,143	-3.82 %	96.54 %
2017	1,147	31,877,914	27,792	6.37 %	136	1:11	1:12	1,153	1,113	-2.62 %	96.53 %

Note: Enrollment based on annual October District count.

<sup>a</sup> Operating expenditures equal total expenditures less debt service and capital outlay.

<sup>b</sup> Cost per pupil is calculated based upon enrollment and operating expenditures presented above which may not be the same as State cost per pupil calculations.

<sup>c</sup> Teaching staff includes only full-time equivalents of certificated staff.

<sup>d</sup> Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

Source: Borough of Franklin Lakes School District Records.

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

<u>District Building</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Colonial Road School (2004):</b>										
Square Feet	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645	59,645
Capacity (Students)	373	373	373	373	373	373	373	373	373	373
Enrollment	363	364	353	340	320	287	277	267	280	251
<b>High Mountain Road School:</b>										
Square Feet	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173	47,173
Capacity (Students)	359	359	359	359	359	359	359	359	359	359
Enrollment	277	280	267	259	263	249	249	227	225	213
<b>Woodside Avenue School:</b>										
Square Feet	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409	53,409
Capacity (Students)	363	363	363	363	363	363	363	363	363	363
Enrollment	330	331	334	330	315	286	286	278	235	247
<b>Franklin Avenue Middle School:</b>										
Square Feet	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806	78,806
Capacity (Students)	540	540	540	540	540	540	540	540	540	540
Enrollment	519	517	510	504	512	489	473	464	447	436

Number of Schools at June 30, 2017:  
 Elementary = 3  
 Middle School = 1

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

Source: Borough of Franklin Lakes School District Facilities Office.

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

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

Fiscal Year Ending June 30	Colonial Road Elementary School	High Mountain Road Elementary School	Woodside Avenue Elementary School	Franklin Avenue Middle School	Total School Facilities*
2008	\$ 27,755	\$ 113,153	\$ 173,131	\$ 184,715	\$ 498,754
2009	18,404	80,870	133,877	240,025	473,176
2010	39,591	90,399	129,192	150,494	409,676
2011	53,988	76,199	89,168	175,429	394,784
2012	48,828	166,381	198,933	161,881	576,023
2013	57,336	158,111	248,182	207,890	671,519
2014	161,539	195,717	180,141	231,433	768,830
2015	222,767	151,617	204,524	254,963	833,871
2016	63,774	111,494	323,826	151,046	650,140
2017	107,066	129,774	138,239	266,024	641,103

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

Source: Borough of Franklin Lakes School District Records.



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
(UNAUDITED)

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
INSURANCE SCHEDULE  
JUNE 30, 2017  
(UNAUDITED)

	Coverage	Deductible
Security and Privacy Liability - National Union Fire Ins Co:		
Occurrence & Aggregate Limit	\$ 1,000,000	\$ 25,000
Catastrophic Liability Coverage - American Guarantee & Liability:		
Per Occurrence	10,000,000	
Aggregate Limit	10,000,000	
Retained Limit	10,000	
Fidelity Bonds - Western Surety Company:		
Board Secretary/Business Administrator	250,000	
Treasurer of School Monies	250,000	
Workers' Compensation - Manufacturers Alliance Insurance Co.:		
Covered Payrolls - Professional	17,000,000	

Source: Borough of Franklin Lakes School District Records.

**SINGLE AUDIT SECTION**



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Franklin Lakes School District, in the County of Bergen (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2017.

**Internal Control Over Financial Reporting**

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

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

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

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

### Compliance and Other Matters

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

### Purpose of this Report

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

*Nisivoccia, LLP*

Mount Arlington, New Jersey  
October 20, 2017

NISIVOCCIA, LLP

*Kathryn L. Mantell*

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



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

Independent Auditors' Report

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

**Report on Compliance for Each Major State Program**

We have audited the Board of Education of the Borough of Franklin Lakes School District's (the "District's") compliance with the types of compliance requirements described in the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2017. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

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

***Opinion on Each Major State Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2017.

**Report on Internal Control Over Compliance**

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

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

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

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

*Nisivoccia, LLP*

NISIVOCCIA, LLP

Mount Arlington, New Jersey  
October 20, 2017

*Kathryn L. Mantell*

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

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

Federal Grantor/Pass Through Grantor/ Program Title/Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period		Program or Award Amount	Cash Received	Budgetary Expenditures	Balance June 30, 2017		Amount Provided to Subrecipients
			From	To				(Accounts Receivable)	Uncearned Revenue	
U.S. Department of Agriculture - Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
Special Milk Program	10.556	N/A	7/1/15	6/30/16	\$ 6,968	\$ 424		(424)	\$	
Special Milk Program	10.556	N/A	7/1/16	6/30/17	6,012	5,622	(6,012)	(390)	\$	
Total Child Nutrition Cluster						6,046	(6,012)	(390)		
Total Enterprise Fund						6,046	(6,012)	(390)		
Total U.S. Department of Agriculture						6,046	(6,012)	(390)		
U.S. Department of Education - Passed-through State Department of Education:										
Special Revenue Fund:										
Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027	IDEA-1580-17	7/1/16	6/30/17	275,791	275,791	(275,328)		\$	463
I.D.E.A. Part B, Preschool	84.173	IDEA-1580-17	7/1/16	6/30/17	16,956	16,956	(16,956)			
Total Special Education Cluster						292,747	(292,284)			463
No Child Left Behind:										
Title I, Part A	84.010A	NCLB-1580-17	7/1/16	6/30/17	79,867	79,867	(79,867)			
Title II, Part A	84.367A	NCLB-1580-17	7/1/16	6/30/17	15,320	15,320	(15,320)			
Total Special Revenue Fund						387,934	(387,471)			463
Total U.S. Department of Education						387,934	(387,471)			463
TOTAL FEDERAL AWARDS						\$ 393,980	\$ (393,483)	\$ (390)	\$	463 \$ -0-

N/A - Not Available/Applicable

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



BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Project Number	Grant Period		Balance June 30, 2016			Balance June 30, 2017			MEMO			
		From	To	Program or Award Amount	Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	GAAP (Accounts Receivable)	Budgetary Unearned Revenue	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
General Fund:													
Special Education Categorical Aid	16-495-034-5120-089	7/1/15	6/30/16	\$ 625,156	\$ (58,892)		\$ 58,892					\$	\$ 625,156
Special Education Categorical Aid	17-495-034-5120-089	7/1/16	6/30/17	635,634			576,054	\$ (635,634)				\$ (59,580)	635,634
Security Aid	16-495-034-5120-084	7/1/15	6/30/16	18,589	(1,751)		1,751					(1,956)	18,589
Security Aid	17-495-034-5120-084	7/1/16	6/30/17	20,872			18,916	(20,872)					20,872
Transportation Aid	16-495-034-5120-014	7/1/15	6/30/16	54,533	(5,138)		5,138					(5,799)	54,533
Transportation Aid	17-495-034-5120-014	7/1/16	6/30/17	61,872			56,073	(61,872)					61,872
Adjustment Aid	16-495-034-5120-085	7/1/15	6/30/16	14,036	(1,322)		1,322					(1,316)	14,036
Adjustment Aid	17-495-034-5120-085	7/1/16	6/30/17	14,036			12,720	(14,036)					14,036
Per Pupil Growth Aid	16-495-034-5120-097	7/1/15	6/30/16	12,010	(1,131)		1,131					(1,126)	12,010
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16	6/30/17	12,010			10,884	(12,010)					12,010
PARCC Readiness Aid	16-495-034-5120-098	7/1/15	6/30/16	12,010	(1,131)		1,131					(1,126)	12,010
PARCC Readiness Aid	17-495-034-5120-098	7/1/16	6/30/17	12,010			10,884	(12,010)				(1,015)	12,010
Professional Learning Community Aid	17-495-034-5120-101	7/1/15	6/30/16	10,830			9,815	(10,830)					10,830
Nonpublic School Transportation Costs	16-495-034-5120-014	7/1/15	6/30/16	20,448	(20,448)		20,448					(17,898)	20,448
Nonpublic School Transportation Costs	17-495-034-5120-014	7/1/16	6/30/17	17,898			137,843	(17,898)				(17,898)	17,898
Extraordinary Special Education Costs Aid	16-495-034-5120-044	7/1/15	6/30/16	137,843	(137,843)							(164,304)	137,843
Extraordinary Special Education Costs Aid	17-495-034-5120-044	7/1/16	6/30/17	164,304			137,843	(164,304)				(164,304)	164,304
On-Behalf TPAF Contributions:													
Post-Retirement Medical	17-495-034-5094-001	7/1/16	6/30/17	1,422,524			1,422,524	(1,422,524)					1,422,524
Pension	17-495-034-5094-002	7/1/16	6/30/17	1,228,231			1,228,231	(1,228,231)					1,228,231
Non-Contributory Insurance	17-495-034-5094-004	7/1/16	6/30/17	51,541			51,541	(51,541)					51,541
Long-Term Disability Insurance	17-495-034-5094-004	7/1/16	6/30/17	4,044			4,044	(4,044)					4,044
Reimbursed TPAF Social Security Aid	16-495-034-5094-003	7/1/15	6/30/16	953,611	(46,801)		46,801					(48,498)	953,611
Reimbursed TPAF Social Security Aid	17-495-034-5094-003	7/1/16	6/30/17	942,713			894,215	(942,713)				(48,498)	942,713
Total General Fund State Aid					(274,457)		4,570,358	(4,598,519)		(230,700)		(302,618)	6,446,755
Special Revenue Fund:													
NJ Nonpublic Aid:													
Nursing Services (Chapter 226)	17-100-034-5120-070	7/1/16	6/30/17	13,500			13,500	(13,500)					13,500
Textbook Aid (Chapter 194)	17-100-034-5120-064	7/1/16	6/30/17	8,588			8,588	(8,588)					8,588
Security Aid	17-100-034-5120-509	7/1/16	6/30/17	7,500			7,500	(7,500)					7,500
Technology Initiative	17-100-034-5120-373	7/1/16	6/30/17	3,874			3,874	(3,874)					3,874
Auxiliary Services (Chapter 192):													
Transportation	17-100-034-5120-068	7/1/15	6/30/16	15,300			15,300	(15,300)					15,300
Compensatory Education	16-100-034-5120-067	7/1/15	6/30/16	28,765									28,765
Compensatory Education	17-100-034-5120-067	7/1/16	6/30/17	24,187			24,187	(17,289)			\$ 6,898		17,289
Home Instruction	16-100-034-5120-067	7/1/15	6/30/16	391	(391)		391						391
Handicapped Services (Chapter 193):													
Supplementary Instruction	16-100-034-5120-066	7/1/15	6/30/16	10,767									10,767
Supplementary Instruction	17-100-034-5120-066	7/1/16	6/30/17	14,203			14,203	(7,612)			6,591		7,612
Examination and Classification	16-100-034-5120-066	7/1/15	6/30/16	16,189			4,260						16,189
Examination and Classification	17-100-034-5120-066	7/1/16	6/30/17	12,967			12,967	(7,927)			5,040		7,927
Corrective Speech	16-100-034-5120-066	7/1/15	6/30/16	13,879			2,090						13,879
Corrective Speech	17-100-034-5120-066	7/1/16	6/30/17	11,309			11,309	(9,100)			2,209		11,789
Total Special Revenue Fund					(391)	17,617	111,819	(90,690)	(17,617)		20,738		143,064

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

State Grantor/Program Title	Grant or State Project Number	Grant Period		Program or Award Amount	Balance June 30, 2016		Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance June 30, 2017		MEMO	
		From	To		Budgetary Unearned Revenue/(Accounts Receivable)	Due to Grantor				GAAP (Accounts Receivable)	Due to Grantor	Budgetary (Accounts Receivable)	Cumulative Total Expenditures
<b>Total State Department of Education</b>													
					\$ (274,848)	\$ 17,617	\$ 4,682,177	\$ (4,689,209)	\$ (17,617)	\$ (230,700)	\$ 20,738	\$ (302,618)	\$ 6,589,819
Schools Development Authority:													
Capital Projects Fund:													
Educational Facilities Construction & Financing Act:													
District School:													
High Mountain Road Elementary	SP-1580-020-09-1002	12/30/09	06/30/11	\$ 13,000	(13,000)							(13,000)	13,000
Woodside Avenue Elementary	SP-1580-030-09-1003	12/30/09	06/30/11	163,200	(163,200)							(163,200)	163,200
Franklin Avenue Middle	SP-1580-015-09-1001	12/30/09	06/30/11	354,960	(354,960)							(354,960)	354,960
Total Capital Projects Fund					(531,160)							(531,160)	531,160
Total Schools Development Authority					(531,160)							(531,160)	531,160
<b>TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT DETERMINATION</b>													
					\$ (806,008)	\$ 17,617	\$ 4,682,177	\$ (4,689,209)	\$ (17,617)	\$ (230,700)	\$ 20,738	\$ (833,778)	\$ 7,120,979

Less - State Awards Not Subject to Single Audit Major Program Determination:

On-Behalf TPAF Pension System Contributions:					
Post-Retirement Medical	17-495-034-5094-001	7/1/16	6/30/17	1,422,524	1,422,524
Pension	17-495-034-5094-002	7/1/16	6/30/17	1,228,231	1,228,231
Non-Contributory Insurance	17-495-034-5094-004	7/1/16	6/30/17	51,541	51,541
Long-Term Disability Insurance	17-495-034-5094-004	7/1/16	6/30/17	4,044	4,044
Subtotal On-Behalf TPAF Pension System Contributions				2,706,340	2,706,340
					\$ (1,982,869)

TOTAL STATE AWARDS SUBJECT TO SINGLE AUDIT MAJOR PROGRAM DETERMINATION

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state awards activity of the Board of Education, Borough of Franklin Lakes School District under programs of the federal and state governments for the fiscal year ended June 30, 2017. The information in these schedules are presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

The Special Revenue Fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017  
(Continued)

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

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$(2,553) for the General Fund and \$-0- for the Special Revenue Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds.

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

	Federal	State	Total
General Fund		\$ 4,595,966	\$ 4,595,966
Special Revenue Fund	\$ 387,471	90,690	478,161
Proprietary Fund	6,012		6,012
Total Financial Assistance	\$ 393,483	\$ 4,686,656	\$ 5,080,139

NOTE 5. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 6. OTHER

TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2017.

NOTE 7. SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District has been awarded grants in the amount of \$531,160 from the Schools Development Authority (SDA) under the Educational Facilities Construction and Financing Act. As of June 30, 2017, the grant funds have been expended but have not been drawn down or submitted for reimbursement, therefore, \$-0- has been recognized as revenue or receivable on the GAAP basis and \$531,160 is receivable on the budgetary basis.

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over the major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on each major state program.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circular 15-08 or 2 CFR 200.516(a) of the Uniform Guidance.
- The District was not subject to the single audit provisions of the Uniform Guidance for the fiscal year ended June 30, 2017 as federal grant expenditures were less than the single audit threshold of \$750,000 identified in the Circular.
- The District's state programs tested as major programs for the current fiscal year were the following:

	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
<u>State:</u>				
Special Education Categorical Aid	17-495-034-5120-089	7/1/16-6/30/17	\$ 635,634	\$ 635,634
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	20,872	20,872
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	14,036	14,036
Per Pupil Growth Aid	17-495-034-5120-097	7/1/16-6/30/17	12,010	12,010
PARCC Readiness Aid	17-495-034-5120-098	7/1/16-6/30/17	12,010	12,010
Professional Learning Community Aid	17-495-034-5120-101	7/1/16-6/30/17	10,830	10,830

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(Continued)

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

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

Findings and Questioned Costs for Federal Awards:

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

Findings and Questioned Costs for State Awards:

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

BOROUGH OF FRANKLIN LAKES SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

Status of Prior Year Findings:

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